



London Borough of Haringey

# Statement of Accounts 2016/17

30 September 2017

[www.haringey.gov.uk](http://www.haringey.gov.uk)

**Haringey**  
LONDON

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# NARRATIVE REPORT



**Statement from Clive Heaphy,  
Interim Chief Finance Officer**

## INTRODUCTION TO HARINGEY

Haringey is a place of great opportunity, with enormous potential for growth – a growing economy, more and better housing and flourishing communities. We are part of one of the world's greatest cities and benefit hugely from that – but more than this we believe that, with our potential for growth, we are the future of London. We are already home to institutions of national and international significance, including Tottenham Hotspur and Alexandra Palace.

There are many great businesses, fast transport links into central London and to the M11 corridor. We are home to some of London's most desirable neighbourhoods, but the variety of housing available means that people who cannot afford other parts of the city have been able to make Haringey their home. All of this means Haringey is already a great place for families.

Haringey is an exceptionally diverse and fast-changing borough. We

have a population of 267,540 with approximately a quarter of this number aged less than 20 years. Almost two-thirds of our population, and over 70% of our young people, are from ethnic minority backgrounds, and over 100 languages are spoken in the borough. Our population is the fifth most ethnically diverse in the country.

The population is growing and is estimated to reach 286,900 by 2020, an increase of 5.9% from 2015. By 2025, Haringey's population is estimated to reach 300,600, an increase of 10.9% from 2015.

The borough ranks among the most deprived in the country with pockets of extreme deprivation in the east. Haringey is the 30th most deprived borough in England and the 6th most deprived in London.

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

# NARRATIVE REPORT

## POLICY AND ACHIEVEMENTS IN 2016/17

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

We want a borough where every child, young person and adult can thrive and achieve their full potential. Over the past year we have seen a 10% increase in the number of students gaining 5 or more GCSEs at A\*-C, including English and Maths to 64.6%, compared to last year. Haringey schools are scoring 14% above the provisional national average in English and 9% above it in Maths. In Adults Services, we have restructured our services to try to prevent problems developing, rather than focusing solely on expensive and less effective late stage solutions to residents in crisis. This year we have opened Lorenzo House and Protheroe House in Tottenham at a combined cost of £12m – developments that are helping 100 older residents with care needs to lead independent lives.

Our vision is for Haringey to be a place that is clean, well maintained, safe, and where residents are proud to live and work. In the last year we have reopened Marcus Garvey Library following a £3m refurbishment with an improved book collection and better IT and user facilities. We are also proud that Woodside Park and Tottenham Green have this year been awarded Green Flag status, bringing the number of parks awarded Green Flag status in the borough to 25, and that we have cut carbon emissions in the borough by 27% over the past ten years.

Growth is the only option for a council like Haringey that's determined to control its own destiny – it's the route to better housing, more jobs, and increased opportunities for our residents. To this end we have worked hard to attract outside investment into the borough and build partnerships across and outside the borough. Over the past year we

have assisted Ada National College for Digital Skills establish themselves in Tottenham; refurbished Holcombe Road Market; selected a preferred development partner for a joint venture to regenerate the borough in a programme that will deliver town centre regeneration in Wood Green and build more homes across the borough; and shortlisted three bidders for the £1bn High Road West development in Tottenham, delivering a further 1,400 new homes, a new library and learning centre, a new public square and community park and new retail, restaurants and business space.

We are changing how we engage with residents so that we hear what you say and are able to respond to what you tell us in an effective way. This year we started sharing our ICT Digital Services with Camden and Islington Councils, reducing back office costs, and we have expanded online functions so that residents can access services more conveniently. Residents taking up My Account, allowing you to manage your council contacts, such as paying council tax, reporting fly tipping and using the library, has increased significantly.

## PERFORMANCE MONITORING

We are open about which ambitions we have achieved and which we are still working towards. We have set ourselves key targets that are particularly important and will help define the success of the plan during the period to 2018. The following section presents graphically performance against these indicators, green where performance is on or exceeding target, amber/red highlighting where more needs to be done, grey indicates insufficient data available.

Further detail can be found on the Councils website [www.haringey.gov.uk](http://www.haringey.gov.uk)

# NARRATIVE REPORT

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

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



# NARRATIVE REPORT

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

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



# NARRATIVE REPORT

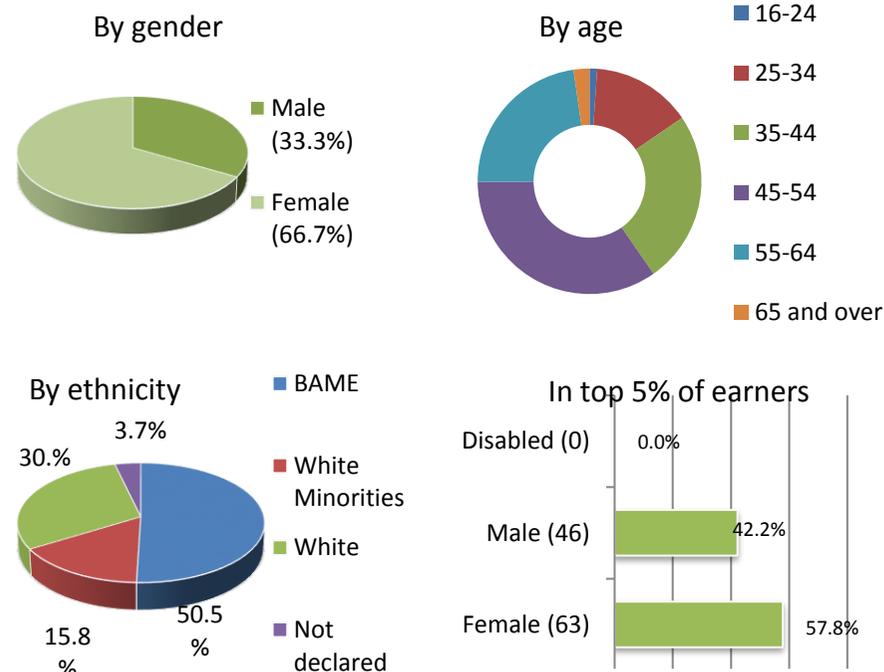
**Priority 5 - Creating homes and communities where people choose to live and are able to thrive** – building more affordable homes and improving the housing environment



## HARINGEY WORKFORCE

The Council employs 2,286 people (excluding schools based staff) on full and part time contracts, equating to a full-time equivalent of 2,073. This represents an 11% reduction in the workforce since March 2016.

The Haringey Council Employment Profile gives an overview of the organisation's workforce covering the various diversity strands such as disability, gender, ethnicity and age. The profile helps us to understand the impact of people management practices on employees; to review and implement policy; and to enable the council to fulfil its obligations under the Equality Act 2010.



# NARRATIVE REPORT

## FINANCIAL PERFORMANCE

### Overview

Haringey Council is responsible for managing cash flows and assets of over £4bn. Key figures for 2016/17 include:

- Gross revenue expenditure (spending on day-to-day services) of around £1bn;
- Income from fees, charges and grants of £775m;
- Collection of around £193m in council tax and business rates;
- Maintenance of fixed assets with a value of more than £2bn, including capital investment of £118m in housing, schools, highways and regeneration projects;
- Management of the £1bn Haringey Pension Fund.

Treasury management of these cash flows has been undertaken with the aim to minimise financing costs and maximise returns from surplus cash balances, within a low risk treasury management strategy. The Strategy was reviewed and approved during the financial year. External borrowing at 31 March 2017 was £354m.

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

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

### *Organisation and management reporting structure*

The core services provided by the Council are grouped for management and reporting purposes as below:

**Leader and Chief Executive** – Leader and Chief Executive offices, democratic and election services, corporate governance

**Adult Social Services** – social care and support for adults including the elderly and vulnerable

**Children and Young People** – social care services for children and families; safeguarding, prevention and early intervention services

**Public Health, Commissioning & other** – public health services, schools, special educational needs and early years commissioning

**Commercial & Operation services** – highways, parking, community safety, waste and environmental services, sports and leisure

**Other (SSC, Customer Services etc.)** – Housing Benefits, central support services, libraries and customer services

**Regeneration, Planning & Development** – planning and development control, property and construction, major regeneration

**Housing General Fund** – private sector housing, temporary accommodation, economic regeneration, employment & skills

**Housing Revenue Account** – management and delivery of services for tenants in the ring-fenced HRA

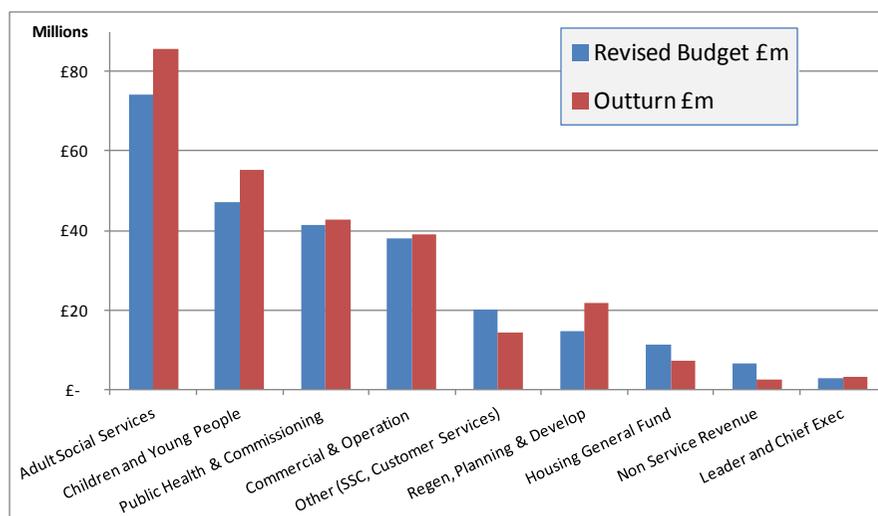
**Non service revenue** – capital financing, treasury management, pensions, subscriptions and other centrally held budgets

# NARRATIVE REPORT

## Revenue spending in 2016/17

The Council's final general fund revenue outturn for 2016/17 showed spending was £14.4 million more than budgeted. As reported throughout the year, the main areas of budget pressure were in demand led services, specifically Adults (£12m), Children's (£8m) and Temporary Accommodation (£7m). The Council was able to manage the overspending through savings in other service areas and using reserves.

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



The figures in the above table show the amounts reported to management for monitoring purpose. These differ from those reported in the Comprehensive Income and Expenditure Statement due to (i) adjustments required to bring the management accounts in line with proper accounting basis and (ii) presentational differences between internal reporting and statutory reporting. From 2016/17 a

new note to the accounts was introduced, the Expenditure and Funding Analysis (EFA), which explains the accounting entries required to bring the management accounts in line with proper accounting practice.

General fund balances (including schools) were £72.3m at 31 March 2017 (£86.7m as at 31 March 2016).

## Housing Revenue Account

- The Council owns approximately 15,400 homes which are managed by Homes for Haringey (wholly owned by Haringey Council)
- £111m was collected in rents and service charges in 2016/17 (£111m in 2015/16)
- Revenue spending on repairs, maintenance and management was £61m (£63m in 2015/16)
- Capital investment in the housing stock was £58m (£63m in 2015/16)
- HRA reserves were £36.5m as at 31 March 2017 (£45.3m at 31 March 2016)

## Capital Investment

In December 2015, the Cabinet approved the Council's Capital Investment Strategy. The strategy was developed to ensure that the Council takes a longer-term view of assets required to deliver its Corporate Plan priorities and to support its Medium Term Financial Strategy (MTFS). 2016/17 was the second year into the rolling 10-year capital plan

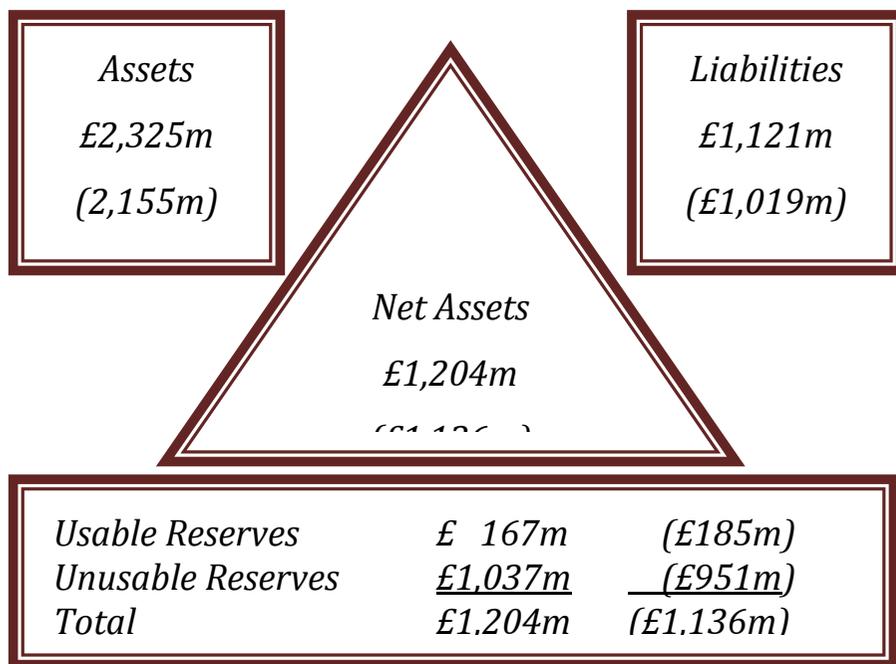
The ambitious strategy for growth and regeneration will invest

# NARRATIVE REPORT

almost £2bn over the period to deliver a range of improved outcomes for residents.

£115m was invested in schools, housing and regeneration during the year. Capital planning is, by its nature complex and often dependent on negotiation and external approvals. This means that the precise timing of spend is often uncertain. Planned spending of £79m was re-profiled to future periods

## Balance Sheet Position 31 March 2017



Figures in brackets relate to position at 31 March 2016

## Pension Liabilities (LBH element of LGPS)

- The pension liability (£588m) represents the difference between the estimated cost of pensions payable in the future (£1,642m), and the value of assets in the pension fund (£1,054m);
- The Pension Fund is revalued every three years to set future contribution rates. The latest valuation was at 31 March 2016;
- The funding level at 31 March 2016 was assessed as 79%;
- The plan is to bring the funding level to 100% within 20 years;
- The Council paid £30.4m to the LGPS for pensions in year (£29.6m in 15/16)

## Addressing future challenges in 2017/18 and beyond

Like other local authorities, Haringey faces a perfect storm of challenges – significant cuts to our budget combined with high levels of demand. As a result of funding reductions across the public sector, there are also increased demands on welfare support, housing and health services. Our future funding is uncertain as Central Government grant will be withdrawn by 2020, and the mechanism by which business rates and future funding sources will be devolved is yet to be determined.

The Budget Report approved by Council in February 2017 sought to adjust our plans to deal with shortfalls that are primarily as a result of rising demand, and set out proposals for further savings. Central Government has allowed local authorities to raise much needed funding through the Social Care precept; and whilst the ability to raise £2.7 million (the equivalent of a 3% increase on Council Tax), is welcome, it is not much more than a sticking plaster when our social care budget overspent by £12m in 2016/17.

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The Budget Report also dealt with a number of strategic issues: the need to have appropriate levels of funding in place for services where there is increasing demand; continued focus on growth so that we can deliver new homes and jobs and ensure that the future funding of our public services is protected; the use of reserves; and, critically, the transformation of services and development of partnerships with other councils and statutory partners. Despite these challenges, we are not in the business of managing decline and the Council will continue to deliver manifesto commitments of the Administration and the ambitions set out in our Corporate Plan.

To facilitate the Council's ambitious housing and jobs growth plans, officers have been working on the procurement of a jointly owned development company which will be 50% owned by the Council and 50% owned by a private sector development partner and is currently known as the Haringey Development Vehicle (HDV). The financial impact of the development schemes within the HDV are complex and the detail will not be known until specific schemes come on stream however high-level impacts, where they are known and where they are within the span of the MTFs, have been included in the Capital Strategy

### TOP STRATEGIC RISKS FOR UPCOMING YEAR

The Council's risk management strategy and process identifies and evaluates risk and ensures actions are undertaken to mitigate those risks. Set out below are the key risks from the Council's corporate risk register:

- To ensure strategic activities and resources (financial, capacity, staffing) are adequate to deliver the outcomes of the Corporate Plan and Medium Term Financial Strategy

- To manage delivery of social regeneration and change, incorporating the Council's regeneration programme and Welfare Reform changes.
- To respond effectively to potential changes in both the national and London political landscape over the next two years, including any impact on available resources; and any resultant policy/legislative changes.
- To manage the speed of change in the organisation and to ensure appropriate skills, capacity and capabilities are in place to deliver the Corporate Plan
- To ensure adequate processes are in place to safeguard vulnerable children and adults within the borough.

# NARRATIVE REPORT

## EXPLANATION OF ACCOUNTING STATEMENTS

The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position as at 31 March 2017. It comprises core and supplementary statements together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17., which in turn is underpinned by International Reporting Standards.

The Core Statements comprise:

- The **Comprehensive Income and Expenditure Statement** – this records all the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding.
- The **Movement in Reserves Statement** is a summary of the changes in the Council's reserves over the course of the year. Reserves are divided into 'usable', which can be invested in capital projects or service improvements, and 'unusable' which must be set aside for specific purposes.
- The **Balance Sheet** is a snapshot of the Council's assets, liabilities, cash balances and reserves at the yearend date
- The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year and whether the change is due to operating activities, new investment or financing activities (such as borrowing and other long-term liabilities)

From 2016/17 a new note to the accounts was introduced, the

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

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

The **Supplementary Financial Statements** comprise:

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

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

# INDEPENDENT EXTERNAL AUDITOR'S REPORT

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

### Opinion on the Council's financial statements

We have audited the financial statements of London Borough of Haringey for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Authority and Group Comprehensive Income and Expenditure Statement, Authority and Group Movement in Reserves Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, Collection Fund Statement and the related notes (including the expenditure and funding analysis). The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the London Borough of Haringey, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Statement of Responsibilities of Auditors and Audited Bodies within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which comprises the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

# INDEPENDENT EXTERNAL AUDITOR'S REPORT

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of London Borough of Haringey as at 31 March 2017 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

## Opinion on other matters

In our opinion, the information published together with the audited financial statements is consistent with the financial statements.

## Matters on which we report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice (April 2015) requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement meets the disclosure requirements set out in the guidance 'Delivering Good Governance in Local Government: Framework' (June 2016 Edition) published by CIPFA/SOLACE or is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to

consider it at a public meeting and to decide what action to take in response;

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

## Conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

### Respective responsibilities of the Council and auditor

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

# INDEPENDENT EXTERNAL AUDITOR'S REPORT

## Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in November 2016, as to whether in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The National Audit Office has determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## Conclusion

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2016, we are satisfied that, in all significant respects, London Borough of Haringey put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

## Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to conclude on objections to the accounts received from local government electors and until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We

are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

BDO LLP

Leigh Lloyd-Thomas

For and on behalf of BDO LLP, Appointed Auditor

London, UK

30 September 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# STATEMENT OF RESPONSIBILITIES

## The Council's responsibilities

The Council is required to:

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

## The Chief Financial Officer's responsibilities

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

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

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

The Chief Financial Officer has also:

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

## Certification by Chief Financial Officer

I certify that the accounts give a true and fair view of the financial position of the Council at 31<sup>st</sup> March 2017 and its income and expenditure for the year then ended.



**Clive Heaphy**  
**Chief Financial Officer (S151)**

**30<sup>th</sup> September 2017**



**Councillor Barbara Blake**  
**Chair of the Corporate Committee**

**30<sup>th</sup> September 2017**

## EXPENDITURE AND FUNDING ANALYSIS

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

Single Entity	2016/17			2015/16		
	Income and Expenditure chargeable to GF and HRA balances	Adjustments between funding and accounting basis (Note 5)	Net expenditure in the CIES	Income and Expenditure chargeable to GF and HRA balances	Adjustments between funding and accounting basis (Note 5)	Net expenditure in the CIES
	£'000	£'000	£'000	£'000	£'000	£'000
Leader and Chief Executive	2,472	0	2,472	2,729	30	2,759
Adult Social Services	80,393	(488)	79,905	76,059	123	76,182
Children & Young People	54,676	701	55,377	57,443	45	57,488
Public Health, Commissioning & other	13,237	11,605	24,842	15,277	(35,063)	(19,786)
Commercial & Operation Services	29,928	18,829	48,757	38,980	3,753	42,733
Other (SSC, Customer Services etc)	8,774	3,151	11,925	15,699	5,051	20,750
Regeneration, Planning & Development	9,433	254	9,687	4,970	(1,777)	3,193
Housing General Fund	21,776	93	21,869	19,550	68	19,618
Housing Revenue Account	(33,933)	(22,908)	(56,841)	(30,906)	918	(29,988)
Non Service Revenue	7,629	6,075	13,704	(2,909)	450	(2,459)
<b>Net Cost of Services</b>	<b>194,385</b>	<b>17,312</b>	<b>211,697</b>	<b>196,892</b>	<b>(26,402)</b>	<b>170,490</b>
Other income and expenditure	(171,173)	(46,625)	(217,798)	(175,723)	(53,519)	(229,242)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>23,212</b>	<b>(29,313)</b>	<b>(6,101)</b>	<b>21,169</b>	<b>(79,921)</b>	<b>(58,752)</b>
Opening General Fund and HRA Balance	(132,064)			(153,233)		
Less/Plus deficit/(surplus) on General Fund and HRA balance in year (see Movement in Reserves Statement)	23,212			21,169		
<b>Other Comprehensive Income and Expenditure</b>	<b>(108,852)</b>			<b>(132,064)</b>		

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Single Entity	2016/17			2015/16 - Restated		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Leader and Chief Executive	5,339	(2,867)	2,472	5,303	(2,544)	2,759
Adult Social Services	105,848	(25,943)	79,905	101,829	(25,647)	76,182
Children & Young People	80,731	(25,354)	55,377	91,887	(34,399)	57,488
Public Health, Commissioning & other	248,581	(223,739)	24,842	203,023	(222,809)	(19,786)
Commercial & Operation Services	85,819	(37,062)	48,757	81,834	(39,101)	42,733
Other (SSC, Customer Services etc)	299,949	(288,024)	11,925	299,807	(279,057)	20,750
Regeneration, Planning & Development	19,189	(9,502)	9,687	15,268	(12,075)	3,193
Housing General Fund	60,540	(38,671)	21,869	58,331	(38,713)	19,618
Housing Revenue Account	54,617	(111,458)	(56,841)	80,578	(110,566)	(29,988)
Non Service Revenue	26,251	(12,547)	13,704	4,249	(6,708)	(2,459)
<b>Cost of Continuing Services</b>	<b>986,864</b>	<b>(775,167)</b>	<b>211,697</b>	<b>942,109</b>	<b>(771,619)</b>	<b>170,490</b>
Other operating expenditure (Note 6)	35,479	(25,923)	9,556	44,719	(21,107)	23,612
Financing and investment income and expenditure (Note 7)	37,079	(8,766)	28,313	36,821	(12,882)	23,939
Taxation and Non-Specific Grant Income (Note 8)	0	(255,667)	(255,667)	0	(276,793)	(276,793)
<b>Surplus on Provision of Services</b>			<b>(6,101)</b>			<b>(58,752)</b>
Surplus on revaluation of property, plant and equipment (Note 19)			(105,829)			(160,229)
Remeasurement of net defined benefit liability (Note 19)			43,660			(139,386)
<b>Other Comprehensive Income and Expenditure</b>			<b>(62,169)</b>			<b>(299,615)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(68,270)</b>			<b>(358,367)</b>

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Group Amounts	2016/17			2015/16 - Restated		
	Gross	Gross	Net	Gross	Gross	Net
	Expenditure	Income	Expenditure	Expenditure	Income	Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Leader and Chief Executive	5,339	(2,867)	2,472	5,303	(2,544)	2,759
Adult Social Services	105,848	(25,943)	79,905	101,829	(25,647)	76,182
Children & Young People	80,731	(25,354)	55,377	91,887	(34,399)	57,488
Public Health, Commissioning & other	248,581	(223,739)	24,842	203,023	(222,809)	(19,786)
Commercial & Operation Services	99,212	(48,616)	50,596	93,422	(76,145)	17,277
Other (SSC, Customer Services etc)	299,949	(288,024)	11,925	299,807	(279,057)	20,750
Regeneration, Planning & Development	19,189	(9,502)	9,687	15,268	(12,075)	3,193
Housing General Fund	60,540	(38,671)	21,869	58,331	(38,713)	19,618
Housing Revenue Account	47,351	(103,687)	(56,336)	76,935	(105,268)	(28,333)
Non Service Revenue	26,251	(12,547)	13,704	4,249	(6,708)	(2,459)
<b>Cost of Continuing Services</b>	<b>992,991</b>	<b>(778,950)</b>	<b>214,041</b>	<b>950,054</b>	<b>(803,365)</b>	<b>146,689</b>
Other operating expenditure	35,479	(26,013)	9,466	44,719	(21,107)	23,612
Financing and investment income and expenditure	37,872	(8,766)	29,106	37,991	(12,882)	25,109
Taxation and Non-Specific Grant Income	0	(255,667)	(255,667)	0	(276,793)	(276,793)
<b>Surplus on Provision of Services</b>			<b>(3,054)</b>			<b>(81,383)</b>
Surplus on revaluation of property, plant and equipment			(112,153)			(170,240)
Remeasurement of net defined benefit liability (Note 38)			19,642			(154,958)
<b>Other Comprehensive Income and Expenditure</b>			<b>(92,511)</b>			<b>(325,198)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(95,565)</b>			<b>(406,581)</b>

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Single Entity Reserves £'000	Group Reserve £'000	Total Group Reserves £'000
<b>2016/17</b>										
<b>Balance as at 31/03/2016</b>	(86,737)	(45,327)	(26,354)	(21,244)	(5,081)	(184,743)	(951,365)	(1,136,108)	(74,409)	(1,210,517)
<u>Movement in reserves during 2016/17</u>										
Total Comprehensive Income and Expenditure	65,095	(71,196)	0	0	0	(6,101)	(62,169)	(68,270)	(27,295)	(95,565)
Adjustments between accounting basis & funding basis under regulations (note 9)	(50,701)	80,014	(7,308)	(2,834)	4,320	23,491	(23,491)	0	0	0
<b>(Increase) / Decrease in 2016/17</b>	<b>14,394</b>	<b>8,818</b>	<b>(7,308)</b>	<b>(2,834)</b>	<b>4,320</b>	<b>17,390</b>	<b>(85,660)</b>	<b>(68,270)</b>	<b>(27,295)</b>	<b>(95,565)</b>
<b>Balance as at 31/03/2017 carried forward</b>	<b>(72,343)</b>	<b>(36,509)</b>	<b>(33,662)</b>	<b>(24,078)</b>	<b>(761)</b>	<b>(167,353)</b>	<b>(1,037,025)</b>	<b>(1,204,378)</b>	<b>(101,704)</b>	<b>(1,306,082)</b>
<b>2015/16 - Restated</b>										
<b>Balance as at 31/03/2015</b>	(109,887)	(43,346)	(38,797)	(19,021)	(2,668)	(213,719)	(564,022)	(777,741)	(26,195)	(803,936)
<u>Movement in reserves during 2015/16</u>										
Total Comprehensive Income and Expenditure	1,983	(60,735)	0	0	0	(58,752)	(299,615)	(358,367)	(48,214)	(406,581)
Adjustments between accounting basis & funding basis under regulations (note 9)	21,167	58,754	12,443	(2,223)	(2,413)	87,728	(87,728)	0	0	0
<b>(Increase) / Decrease in 2015/16</b>	<b>23,150</b>	<b>(1,981)</b>	<b>12,443</b>	<b>(2,223)</b>	<b>(2,413)</b>	<b>28,976</b>	<b>(387,343)</b>	<b>(358,367)</b>	<b>(48,214)</b>	<b>(406,581)</b>
<b>Balance as at 31/03/2016 carried forward</b>	<b>(86,737)</b>	<b>(45,327)</b>	<b>(26,354)</b>	<b>(21,244)</b>	<b>(5,081)</b>	<b>(184,743)</b>	<b>(951,365)</b>	<b>(1,136,108)</b>	<b>(74,409)</b>	<b>(1,210,517)</b>

# BALANCE SHEET

	Notes	Single Entity		Group Amounts	
		31 March 2017	31 March 2016 restated	31 March 2017	31 March 2016 restated
		£'000	£'000	£'000	£'000
Property, Plant and Equipment	11	2,121,198	1,956,812	2,205,307	2,031,471
Heritage Assets		6,105	6,105	6,105	6,105
Investment Property	12	70,163	65,403	70,163	65,403
Intangible Assets		6,821	6,901	6,821	6,901
Long-term Debtors	15	10,895	8,237	6,592	6,772
Long-term Investment	13	0	492	0	492
<b>Long Term Assets</b>		<b>2,215,182</b>	<b>2,043,950</b>	<b>2,294,988</b>	<b>2,117,144</b>
Assets Held for Sale		3,965	1,567	3,965	1,567
Inventories		312	93	810	706
Short-term Debtors	15	77,425	75,099	88,852	100,388
Cash and Cash Equivalents	16	28,696	34,718	36,558	31,980
<b>Current Assets</b>		<b>110,398</b>	<b>111,477</b>	<b>130,185</b>	<b>134,641</b>
Short-term borrowing	13	(93,801)	(45,691)	(93,801)	(45,860)
Short-term Creditors	17	(118,606)	(104,277)	(116,247)	(102,153)
Grants Receipts in Advance - Revenue	29	(3,347)	(3,363)	(3,347)	(3,363)
Grants Receipts in Advance - Capital	29	(1,276)	(2,815)	(1,276)	(2,815)
Provisions	18	(6,921)	(7,620)	(6,921)	(7,620)
<b>Current Liabilities</b>		<b>(223,951)</b>	<b>(163,766)</b>	<b>(221,592)</b>	<b>(161,811)</b>
Long-term Creditors	17	(1,364)	(1,429)	(1,417)	(1,732)
Provisions	18	(2,600)	(2,911)	(2,930)	(3,477)
Long-term Borrowing	13	(260,654)	(274,921)	(260,654)	(275,110)
Other Long-term Liabilities	32-36	(625,374)	(570,062)	(625,239)	(592,908)
Grants Receipts in Advance - Capital	29	(7,259)	(6,230)	(7,259)	(6,230)
<b>Long-term Liabilities</b>		<b>(897,251)</b>	<b>(855,553)</b>	<b>(897,499)</b>	<b>(879,457)</b>
<b>Net Assets</b>		<b>1,204,378</b>	<b>1,136,108</b>	<b>1,306,082</b>	<b>1,210,517</b>
Usable Reserves		(167,353)	(184,743)	(173,664)	(165,528)
Unusable Reserves	19	(1,037,025)	(951,365)	(1,132,418)	(1,044,989)
<b>Total Reserves</b>		<b>(1,204,378)</b>	<b>(1,136,108)</b>	<b>(1,306,082)</b>	<b>(1,210,517)</b>

## CASH FLOW STATEMENT

	Note	Single Entity		Group Amounts	
		2016/17 £'000	2015/16 Restated £'000	2016/17 £'000	2015/16 Restated £'000
Net surplus or (deficit) on the provision of services		6,101	58,752	3,054	81,383
Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	20	32,319	20,821	47,879	(3,925)
Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	20	(52,951)	(61,339)	(52,158)	(60,170)
<b>Net cash flows from Operating Activities</b>		<b>(14,531)</b>	<b>18,234</b>	<b>(1,225)</b>	<b>17,288</b>
Investing Activities	21	(34,312)	(31,875)	(39,393)	(32,997)
Financing Activities	22	42,821	13,939	45,196	13,939
<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(6,022)</b>	<b>298</b>	<b>4,578</b>	<b>(1,770)</b>
Cash and cash equivalents at the beginning of the reporting period		34,718	34,420	31,980	33,750
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>28,696</b>	<b>34,718</b>	<b>36,558</b>	<b>31,980</b>

# NOTES TO THE STATEMENTS

## 1. Accounting Policies

### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS).

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

### 1.2 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received

and their consumption they are carried as inventories on the Balance Sheet;

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 1.3 Cash and Cash Equivalents

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

### 1.4 Charges to Revenue for Non-Current Assets

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

# NOTES TO THE STATEMENTS

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

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

## 1.5 Employee Benefits

### Benefits Payable during Employment

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

An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees, but not taken before the year-end which employees can carry forward into the next financial year. The accrual is calculated at the wage and salary rates applicable in the following accounting year being the period in which

the employee takes the benefit, with interim values on an estimated basis. To prevent fluctuations from impacting on council tax, the year on year change in cost generated by this accrual is charged to Surplus or Deficit on the Provision of Services but then reversed out through the MiRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

The Council has concluded that there is no material benefit in undertaking an annual determination of the accrual and has established a policy to undertake a review of the accrual every three years unless, in the intervening period, there is evidence of a change in circumstances which would materially affect the amount to be disclosed. A review was carried out in 2014/15.

### Termination Benefits

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

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

# NOTES TO THE STATEMENTS

## Post Employment Benefits

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

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

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

### i. The Local Government Pension Scheme

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

The liabilities of the Haringey pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee

turnover rates, etc, and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices.

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

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

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

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

# NOTES TO THE STATEMENTS

Re-measurements comprising:

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

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

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

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

## ii. Teachers' Pension Scheme

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

### Discretionary Benefits

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

### 1.6 Events after the Balance Sheet Date

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

- a) Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and

# NOTES TO THE STATEMENTS

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

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

## 1.7 Fair Value Measurement

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

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

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

When measuring the fair value of a non-financial asset, the Council considers a market participant's ability to generate economic benefits

by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

## 1.8 Financial Instruments

### Financial Liabilities

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

# NOTES TO THE STATEMENTS

originally recognised.

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

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

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

## Financial Assets

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

The Council holds constant net asset value funds in which the unit values do not fluctuate. Although these meet the definition of

available for sale assets they are not adjusted for any movement in fair value as they are held at cost.

## 1.9 Government Grants and Contributions

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

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

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

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

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

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

Where the grant has yet to be used to finance capital expenditure it

# NOTES TO THE STATEMENTS

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

## 1.10 Heritage Assets

These are typically tangible assets which are held by the Council for the benefit of residents of the Borough. Heritage Assets are held for their contribution to knowledge and culture and will include assets such as historic buildings, monuments, cultural artefacts or artistic exhibits. Where an asset meets these criteria, but is also used extensively to deliver a service then it will be classified as property, plant and equipment.

Heritage assets are initially measured at cost and subsequently at an approximation of current value. Due to the historic or unique nature of heritage assets it is not always possible to determine a fair value based on market valuation. A hierarchy of valuation methods is therefore utilised:

- Market valuation
- Insurance valuation
- Depreciated historic cost
- In house valuation
- No valuation

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. 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 Council's policy on impairment.

The relevant value of Heritage Assets held by the Council is shown

on the face of the Balance Sheet

## 1.11 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council because of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost and amortised over its useful life to the relevant service line(s) in the CIES.

## 1.12 Interests in companies and other entities

The Council has a material financial relationship with several companies and so is required to prepare group accounts. All of the companies with which the Council has a relationship have been assessed against the requirements of 'accounting for collaborations' and Homes for Haringey Limited (HfH) and Alexandra Park and Palace Charitable Trust (APPCT) are deemed to be within the Haringey group. These have been produced using the acquisition method and all intra-group transactions have been removed.

## 1.13 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market

# NOTES TO THE STATEMENTS

participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

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

## 1.14 Leases

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

### The Council as lessee

#### i. Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease

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

Lease payments are apportioned between:

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

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

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

#### ii. Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property,

# NOTES TO THE STATEMENTS

plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

## The Council as lessor

### i. Finance Leases

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

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

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

years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the MiRS

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

### ii. Operating Leases

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

## 1.15 Overheads and Support Services

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

## 1.16 Property, Plant and Equipment

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

# NOTES TO THE STATEMENTS

and Assets for Sale) and those held primarily for their contribution to knowledge and culture (Heritage Assets).

## Recognition

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

## Measurement

Assets are initially measured at cost, comprising:

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

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

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

asset given up by the Council.

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

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

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

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

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

# NOTES TO THE STATEMENTS

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

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

## Impairment

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss and adjusted for depreciation that would have

been charged if the loss had not been recognised.

## Depreciation

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

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

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

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

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

# NOTES TO THE STATEMENTS

## Componentisation of valuations

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

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

- Vehicles and Equipment (immaterial)
- Infrastructure assets
- Investment properties are not depreciated, but will be considered for componentisation where enhancement expenditure is incurred.
- Componentisation of HRA assets (dwellings) will be reviewed in line with changes to guidance from DCLG.

## Disposals and non-current assets held for sale

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

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

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

## Schools

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

- Community and community special schools, foundation schools and voluntary controlled schools

## I&E

All locally maintained schools (i.e. community, foundation, voluntary controlled, community special schools) are deemed to be under the council's control. For this reason, schools' transactions and balances

# NOTES TO THE STATEMENTS

attributable to the governing bodies are consolidated into the council's financial statements, applying accounting policies for recognition and measurement consistent with those applied by the council to its own income, expenditure, cash flows, assets and liabilities. Transactions and balances between the council and the schools have been eliminated. Assets provided to a school without the right to continuing use, such that they can be taken back by the owners at some point, are not recognised in the council's financial statements.

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

## 1.17 Provisions, Contingent Liabilities and Contingent Assets

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

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

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

required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

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

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

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

## 1.18 Reserves

The Council maintains a range of reserves, reflecting both the extent to which its overall assets exceed its liabilities and any restrictions either statutory or voluntary which are placed upon the usage of these balances. The Council has discretion to set aside specific

# NOTES TO THE STATEMENTS

amounts as reserves to earmark available funds for future policy purposes, to cover contingencies or manage cash flow.

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

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

## 1.19 Revenue expenditure funded from capital under statute (REFCUS)

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

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

Council Tax.

## 1.20 Revenue recognition

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

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

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

## 1.21 Service Concession Arrangements

Private Finance Initiative (PFI) and similar contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. The Council has several schools subject to PFI contracts albeit the current PFI scheme is suspended. The PFI buildings for maintained schools are shown on the Council's balance sheet. The buildings for the voluntary aided, controlled foundation and academy schools are derecognised as the control of the right to

# NOTES TO THE STATEMENTS

use the buildings has passed to the school trustees and foundation bodies. The PFI liabilities are in respect of all PFI schools, regardless of the school's status, and remain on the Council's balance sheet as the Council is the party to the contract with the PFI Operator. The Council continues to receive government support in the form of grant which is used to meet current and future liabilities in respect of the PFI scheme(s).

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council. The amounts payable to the PFI operators each year are analysed into five elements:

- a) *Fair value of the services received during the year* - debited to the relevant service in the CIES
- b) *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 CIES.
- c) *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 CIES.
- d) *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).
- e) *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 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.

## 1.23 Prior Period Adjustments

Tottenham Green Leisure Centre's value was stated as £0.330m in the 2015/16 valuation report instead of £26.372m. This resulted in PPE being undervalued by £26.042m. This has been corrected as a prior period error. The following table sets out the changes made to the statement comparative disclosures for 2015/16.

	Revised 31/03/16	Original 31/03/16	Change
	£'000	£'000	£'000
<i>Comprehensive Income and Expenditure in CIES</i>			
Commercial & Operations	42,733	61,744	(19,011)
(Surplus) / Deficit on revaluation of PPE	(160,229)	(153,198)	(7,031)
<i>Movement in Reserves</i>			
Total Comprehensive Income and Expenditure (unusable reserves)	(299,615)	(292,584)	(7,031)
Adjustments between accounting basis and funding basis	(87,728)	(68,717)	(19,011)
<i>Balance Sheet</i>			
- Property, Plant and Equipment	1,956,812	1,930,770	26,042
- Unusable Reserves (Revaluation Reserve)	(371,377)	(364,346)	(7,031)
- Unusable Reserves (Capital Adjustment Account)	(1,114,098)	(1,095,087)	(19,011)
<i>Cash Flow</i>			
- Net surplus or (deficit) on the provision of services	58,752	39,741	19,011
- Adjustments to net surplus or (deficit) on the provision of services for non-cash movements	20,821	39,832	(19,011)

# NOTES TO THE STATEMENTS

Within the Group Accounts Alexandra Palace and Park balance sheet value was overstated by £3.720m as a result of capital expenditure being added to the valuation of the property, which had already taken into account that spending. This has been corrected as a prior period error.

The following table sets out the changes made to the statement comparative disclosures for 2015/16.

	Revised 31/03/16	Original 31/03/16	Change
	£'000	£'000	£'000
<i>Comprehensive Income and Expenditure in CIES</i>			
Commercial & Operations	17,277	13,567	3,710
<i>Movement in Reserves</i>			
Total Comprehensive Income and Expenditure (unusable reserves)	(48,214)	(51,934)	3,720
<i>Balance Sheet</i>			
- Property, Plant and Equipment	2,031,471	2,009,133	22,338
- Unusable Reserves	(1,044,989)	(1,022,651)	(22,338)

## 2. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. In particular, there is a high degree of uncertainty regarding future levels of funding for local government and the impact of the decision for Britain to leave the European Union remain unclear. However, the Council takes the view that this uncertainty is not yet sufficient indication that the value of the Council's assets might need to be impaired due to reduced levels of service provision or the need to close facilities.

### Review of Minimum Revenue Provision Policy

The council is required to make a minimum revenue provision (MRP) towards the repayment of debt in each financial year. During 2016/17 the MRP policy was reviewed by the Council to ensure that it remained prudent but also took into consideration affordability. The new approach applies a straight-line reduction for pre 2008 debt (previously a reducing balance) ensuring it is repaid over 50 years, and an annuity basis (rather than straight line) for prudential borrowing taken since 2008 and outstanding PFI liabilities. The changes were approved by Full Council at its meeting on February 2017. The impact in the 2016/17 financial statements was a revenue provision of £2.8 million charged to the CIES under the revised policy, as opposed to £13.4 million that would have been charged under the original policy.

### HRA depreciation, impairment & valuation losses

During 2016/17, in consultation with our valuers (Wilks Head and Eve LLP), the Council revised its approach to splitting the land and buildings elements of HRA dwellings to more accurately reflect these elements. The revised approach is based on National Housing Federation data which indicates a split of 55% Land/45% building. Historically the Council applied a notional split of 30% land, 70% building.

The impact of this revised estimation approach is a depreciation charge in 2016/17 of £14.8m. Under the previous approach the charge is estimated to have been around £20.7m.

# NOTES TO THE STATEMENTS

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet as at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are:

#### Non-current assets

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

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

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

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

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

#### Pension Fund Liability

During 2016/17, the Council's actuaries advised that the net pension liability had increased by £59.103 million as a result of estimates being revised and the updating of the assumptions. The liability held on the balance sheet is subject to actuarial estimation; some of the detail behind the estimates used by the actuary is shown in notes 34 and 35.

### 4. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 30 September 2017. There have been no material post balance sheet events that would require disclosure or adjustment to these financial statements.

# NOTES TO THE STATEMENTS

## 5. Notes to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

### a) Adjustments between Funding and Accounting Basis

	2016/17				2015/16			
	Net change		Other	Total	Net change		Other	Total
	Adjustments	for			Adjustments	for		
	for Capital	Pensions	Differences	Adjustment	for Capital	Pensions	Differences	Adjustment
Purposes	Adjustments	(Note3)		Purposes	Adjustments	(Note3)		
(Note 1)	(Note 2)	(Note3)		(Note 1)	(Note 2)	(Note3)		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Leader and Chief Executive	0	0	0	0	0	30	0	30
Adult Social Services	(488)	0	0	(488)	(72)	200	(5)	123
Children & Young People	701	0	0	701	(205)	302	(52)	45
Public Health, Commissioning & other	8,219	0	3,386	11,605	(35,054)	939	(948)	(35,063)
Commercial & Operation Services	18,829	0	0	18,829	3,556	201	(4)	3,753
Other (SSC, Customer Services etc)	3,151	0	0	3,151	4,949	102	0	5,051
Regeneration, Planning & Development	254	0	0	254	(1,875)	101	(3)	(1,777)
Housing General Fund	93	0	0	93	0	70	(2)	68
Housing Revenue Account	(22,908)	0	0	(22,908)	885	34	(1)	918
Non Service Revenue	9,091	(3,016)	0	6,075	24	488	(62)	450
<b>Net Cost of Services</b>	<b>16,942</b>	<b>(3,016)</b>	<b>3,386</b>	<b>17,312</b>	<b>(27,792)</b>	<b>2,467</b>	<b>(1,077)</b>	<b>(26,402)</b>
Other income and expenditure	(61,358)	18,459	(3,726)	(46,625)	(70,203)	20,698	(4,014)	(53,519)
<b>Difference between General Fund surplus or deficit and the CIES surplus or deficit on the provision of services</b>	<b>(44,416)</b>	<b>15,443</b>	<b>(340)</b>	<b>(29,313)</b>	<b>(97,995)</b>	<b>23,165</b>	<b>(5,091)</b>	<b>(79,921)</b>

## NOTES TO THE STATEMENTS

### Note 1 - Adjustments for capital purposes

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

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

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

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

### Note 2 – Net Change for the Pension Adjustments

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

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

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

### Note 3 – Other Differences

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

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

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

# NOTES TO THE STATEMENTS

## b) Cost of Service – Income by Nature

	2016/17			2015/16		
	Fees, charges & other service income £000	Government Grants & Other Income £000	Total £000	Fees, charges & other service income £000	Government Grants & Other Income £000	Total £000
Leader and Chief Executive Officer	(1,982)	(885)	(2,867)	(1,870)	(674)	(2,544)
Adult Social Services	(9,073)	(16,870)	(25,943)	(9,158)	(16,489)	(25,647)
Children and Young People	(1,042)	(24,312)	(25,354)	(3,454)	(30,945)	(34,399)
Public Health, Commissioning & Other	(12,147)	(211,592)	(223,739)	(18,487)	(204,322)	(222,809)
Commercial & Operations	(34,555)	(2,507)	(37,062)	(35,971)	(3,130)	(39,101)
Other (SSC, Customer Services)	(20,660)	(267,364)	(288,024)	(784)	(278,273)	(279,057)
Regeneration, Planning & Development	(5,225)	(4,277)	(9,502)	(5,033)	(7,042)	(12,075)
Housing General Fund	(38,670)	(1)	(38,671)	(36,031)	(2,682)	(38,713)
Housing Revenue Account	(111,458)	-	(111,458)	(110,339)	(227)	(110,566)
Non Service Revenue	(6,869)	(5,678)	(12,547)	(558)	(6,150)	(6,708)
<b>Cost of services</b>	<b>(241,681)</b>	<b>(533,486)</b>	<b>(775,167)</b>	<b>(221,685)</b>	<b>(549,934)</b>	<b>(771,619)</b>

### Note

At 31 March 2017 recoverable Housing Benefit over-payments were estimated at £6.618m, £3.299m at 31 March 2016. The increase is principally due to the recognition in 2016/17 of the recovery of overpayments made in the current and previous years to claimants who are in continuing receipt of benefit. Prior to 2016/17 this debt was recognised when the income was recovered, not in the period it was due.

	2016/17 £000	2015/16 £000
Housing Benefit Overpayments	31,608	14,375
Impairment	24,990	11,076
<b>Estimated recoverable amount</b>	<b>6,618</b>	<b>3,299</b>

# NOTES TO THE STATEMENTS

## c) Cost of Service - Expenditure by Nature

	2016/17				2015/16			
	Employee benefits expenses £000	Depreciation amortisation impairment £000	Other service expenses (net of recharges) £000	Total £000	Employee benefits expenses £000	Depreciation amortisation impairment £000	Other service expenses (net of recharges) £000	Total £000
Leader and Chief Executive Officer	7,892	-	(2,553)	<b>5,339</b>	7,851	-	(2,548)	<b>5,303</b>
Adult Social Services	19,255	340	86,253	<b>105,848</b>	17,526	(101)	84,404	<b>101,829</b>
Children and Young People	26,625	94	54,012	<b>80,731</b>	25,703	(204)	66,388	<b>91,887</b>
Public Health, Commissioning & Other	176,700	8,220	63,661	<b>248,581</b>	172,405	(35,054)	65,672	<b>203,023</b>
Commercial & Operations	17,301	11,024	57,494	<b>85,819</b>	20,073	2,589	59,172	<b>81,834</b>
Other (SSC, Customer Services)	28,242	3,151	268,556	<b>299,949</b>	33,466	4,957	261,384	<b>299,807</b>
Regeneration, Planning & Development	10,620	18	8,551	<b>19,189</b>	9,397	(876)	6,747	<b>15,268</b>
Housing General Fund	1,070	93	59,377	<b>60,540</b>	6,730	-	51,601	<b>58,331</b>
Housing Revenue Account	1,728	(12,937)	65,826	<b>54,617</b>	2,919	15,703	61,956	<b>80,578</b>
Non Service Revenue	6,083	9,091	11,077	<b>26,251</b>	2,759	24	1,466	<b>4,249</b>
<b>Total</b>	<b>295,516</b>	<b>19,094</b>	<b>672,254</b>	<b>986,864</b>	<b>298,829</b>	<b>(12,962)</b>	<b>656,242</b>	<b>942,109</b>

# NOTES TO THE STATEMENTS

## 6. Other operating expenditure

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

	2016/17	2015/16
	£'000	£'000
Levies - North London Waste Authority (NLWA)	6,871	7,183
Levies - Others	637	645
Payments to Govt. Housing Capital Receipts Pool*	11,839	25,523
Losses / (gains) on disposal of non-current assets	(9,791)	(9,739)
	<b>9,556</b>	<b>23,612</b>

\*The Council paid £15.743 million as a one-off payment of prior year retained right to buy receipts in 2015/16.

## 7. Financing and investment income and expenditure

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

	2016/17	2015/16
	£'000	£'000
Interest payable and similar charges	17,173	18,393
Net interest on the net defined benefit liability	18,459	20,698
Interest receivable and similar income	(360)	(503)
Income from investment properties	(7,308)	(15,349)
Other investment income and expenditure	349	700
	<b>28,313</b>	<b>23,939</b>

## 8. Taxation and non-specific grant income

This note consolidates all non-specific grants and contributions receivable that cannot be identified to particular service expenditure and therefore cannot be credited to the gross income amount relevant to the service area. All capital grants and contributions are credited to non-specific grant income even if service specific. The note also identifies the Council's proportion of council tax and business rates used to fund in year service activities:

	2016/17	2015/16
	£'000	£'000
Council tax income	(93,393)	(89,240)
Non domestic rates	(75,672)	(71,609)
Non-ringfenced government grants	(62,544)	(75,362)
Capital grants and contributions	(24,058)	(40,582)
	<b>(255,667)</b>	<b>(276,793)</b>

The decrease in non-ring fenced government grants is primarily due to less Revenue Support Grant being received from central government in 2016/17.

The non-domestic rates income under the Governments business rates retention arrangement consists of £20.452m (£16.846m in 2015/16) collected locally and a 'top-up' of £55.220m (£54.763m in 2015/16), re-distributed from a national pool.

# NOTES TO THE STATEMENTS

## 9. Adjustments between accounting basis and funding basis under regulation

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

### General Fund Balance

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

### Housing Revenue Account (HRA) Balance

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

### Capital Receipts Reserve (CRR)

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

### Capital Grants Unapplied Reserve (CGUR)

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

### Major Repairs Reserve (MRR)

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

# NOTES TO THE STATEMENTS

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

# NOTES TO THE STATEMENTS

Movement during 2015/16 - restated	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to the Revenue Resources</b>					
<u>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements</u>					
- Pensions costs (transferred to / from the Pensions Reserve)	(22,864)	(301)	0	0	0
- Financial instruments (transferred to the Financial Instruments Adjustments Account)	92	(189)	0	0	0
- Council Tax and NDR (transfers to or from the Collection Fund)	4,111	0	0	0	0
- Holiday pay (transferred to the Accumulated Absence Reserve)	1,076	1	0	0	0
- Reversal of entries included in the SDPOS in relation to capital expenditure (charged to the Capital Adjustment Account)	44,585	3,534	0	0	(42,494)
<b>Total Adjustments to Revenue Resources</b>	<b>27,000</b>	<b>3,045</b>	<b>0</b>	<b>0</b>	<b>(42,494)</b>
<b>Adjustments between Revenue and Capital Resources</b>					
- Transfer of non-current asset sale proceeds from revenue to the CRR	5,371	16,228	(21,599)	0	0
- Administrative costs of non-current asset disposals (funded by contribution from the CRR)	(85)	(408)	493	0	0
- Payments to the government housing receipts pool (funded by a transfer from the CRR)	(25,523)	0	25,523	0	0
- Posting of HRA resources from revenue to the MRR	0	18,130	0	(18,130)	0
- Statutory provision for the repayment of debt (transfer from the CAA)	13,211	0	0	0	0
- Capital expenditure financed from revenue balances (transfer to the CAA)	1,193	21,759	0	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(5,833)</b>	<b>55,709</b>	<b>4,417</b>	<b>(18,130)</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>					
- Use of the CRR to finance capital expenditure	0	0	8,049	0	0
- Use of the MRR to finance capital expenditure	0	0	0	15,717	0
- Application of capital grants to finance capital expenditure	0	0	0	0	40,271
- Cash payments in relation to deferred capital receipts	0	0	(23)	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>0</b>	<b>0</b>	<b>8,026</b>	<b>15,717</b>	<b>40,271</b>
<b>Total Adjustments</b>	<b>21,167</b>	<b>58,754</b>	<b>12,443</b>	<b>(2,413)</b>	<b>(2,223)</b>

# NOTES TO THE STATEMENTS

## 10. Transfers to/from General Fund, HRA and earmarked reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2016/17.

	Note	Balance at 01/04/15 £'000	Transfer In 2015/16 £'000	Transfer Out 2015/16 £'000	Balance at 31/03/16 £'000	Transfer In 2016/17 £'000	Transfer Out 2016/17 £'000	Balance at 31/03/17 £'000
<b>General Fund Reserve</b>	i	(25,771)	(17,377)	23,150	(19,998)	(13,000)	17,101	(15,897)
<b>General Fund earmarked reserves:</b>								
Schools reserve	ii	(11,706)	(50)	1,005	(10,751)	(117)	2,992	(7,876)
Transformation reserve	iii	(4,877)	(6,513)	3,623	(7,767)	(7,900)	5,328	(10,339)
Services reserve	iv	(10,483)	(1,112)	6,043	(5,552)	(5,064)	2,303	(8,313)
PFI lifecycle reserve	v	(10,070)	(1,417)	1,715	(9,772)	(1,059)	1,815	(9,016)
Debt repayment reserve	vi	(6,005)	(1,502)	2,249	(5,258)	(1,394)	1,549	(5,103)
Insurance reserve	vii	(10,217)	(1,031)	1,244	(10,004)	(778)	5,919	(4,863)
Unspent grants reserve	viii	(4,297)	(888)	1,392	(3,793)	(543)	823	(3,513)
Community infrastructure reserve	ix	(3,000)	0	0	(3,000)	0	0	(3,000)
Labour market growth resilience reserve	x	(1,905)	0	116	(1,789)	(688)	898	(1,579)
Financing reserve	xi	(14,732)	(146)	9,068	(5,810)	(3,070)	8,000	(880)
IT infrastructure reserve	xii	(1,016)	(710)	728	(998)	0	160	(838)
Other reserves	xiii	(5,808)	(400)	3,963	(2,245)	0	1,119	(1,126)
<b>GF earmarked reserves:</b>		<b>(84,116)</b>	<b>(13,769)</b>	<b>31,146</b>	<b>(66,739)</b>	<b>(20,613)</b>	<b>30,906</b>	<b>(56,446)</b>
<b>Total General Fund Usable Reserves</b>		<b>(109,887)</b>	<b>(31,146)</b>	<b>54,296</b>	<b>(86,737)</b>	<b>(33,613)</b>	<b>48,007</b>	<b>(72,343)</b>
<b>Housing Revenue Account</b>		<b>(38,606)</b>	<b>(713)</b>	<b>0</b>	<b>(39,319)</b>	<b>0</b>	<b>9,778</b>	<b>(29,541)</b>
<b>Housing Revenue Account earmarked Reserves:</b>								
HRA Smoothing reserve		(4,740)	(1,268)	0	(6,008)	(331)	0	(6,339)
Homes for Haringey		0	0	0	0	(629)	0	(629)
<b>HRA earmarked reserves</b>		<b>(4,740)</b>	<b>(1,268)</b>	<b>0</b>	<b>(6,008)</b>	<b>(960)</b>	<b>0</b>	<b>(6,968)</b>
<b>Total HRA Usable Reserves</b>		<b>(43,346)</b>	<b>(1,981)</b>	<b>0</b>	<b>(45,327)</b>	<b>(960)</b>	<b>9,778</b>	<b>(36,509)</b>

## NOTES TO THE STATEMENTS

**i.** The purpose of the general fund reserve is to manage the impact of emergencies or unexpected events. Without such a reserve, the financial impact of such events could cause a potential financial deficit in the general fund, which would be severely disruptive to the effective operation of the authority. The reserve should militate against immediate service reductions if there were any unforeseen financial impacts.

**ii.** This balance represents the net balances held by the Council's 63 schools. The Secretary of State for Education allows Local Authorities to have within their Scheme for Financing Schools a provision whereby surplus balances that are deemed excessive can be withdrawn from the school in question and applied elsewhere within the Dedicated Schools Budget

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

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

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

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

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

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

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

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

**xi.** The financing reserve is a key tool for managing the impact of financial plans from one year to another. This reserve requires balances to be at different levels year to year depending on the demand as identified through previous and current budget plans.

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

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

# NOTES TO THE STATEMENTS

## 11. Property, plant and equipment

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

## NOTES TO THE STATEMENTS

Restated	Council Dwellings	Other Land and Buildings	Infrastructure Assets	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation at 1 April 2015</b>	1,138,118	380,724	216,428	22,270	18,348	1,117	9,946	<b>1,786,951</b>	85,289
Additions	58,889	11,979	12,160	985	679	2,952	1,453	<b>89,097</b>	512
Revaluation increases / (decreases) recognised in the Revaluation Reserve	28,021	101,994	0	0	0	0	1,850	<b>131,865</b>	29,124
Revaluation increases / (decreases) recognised in SDPOS	1,160	51,854	0	0	0	0	(603)	<b>52,411</b>	15,413
Derecognition - disposals	(9,026)	(363)	0	(5,077)	(375)	0	0	<b>(14,841)</b>	0
Reclassifications and transfers	0	0	0	10	0	(143)	0	<b>(133)</b>	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	(669)	<b>(669)</b>	0
<b>At 31 March 2016</b>	<b>1,217,162</b>	<b>546,188</b>	<b>228,588</b>	<b>18,188</b>	<b>18,652</b>	<b>3,926</b>	<b>11,977</b>	<b>2,044,681</b>	<b>130,338</b>
<b>Accumulated Depreciation at 1 April 2015</b>	0	(776)	(69,703)	(11,652)	0	0	(18)	<b>(82,149)</b>	0
Depreciation charge	(17,992)	(10,803)	(8,091)	(2,707)	0	0	(37)	<b>(39,630)</b>	(2,704)
Depreciation written out to the Revaluation Reserve	17,887	10,798	0	0	0	0	37	<b>28,722</b>	2,704
Derecognition - disposals	105	6	0	5,077	0	0	0	<b>5,188</b>	0
<b>At 31 March 2016</b>	<b>0</b>	<b>(775)</b>	<b>(77,794)</b>	<b>(9,282)</b>	<b>0</b>	<b>0</b>	<b>(18)</b>	<b>(87,869)</b>	<b>0</b>
<b>Net Book Value at 31 March 2016</b>	<b>1,217,162</b>	<b>545,413</b>	<b>150,794</b>	<b>8,906</b>	<b>18,652</b>	<b>3,926</b>	<b>11,959</b>	<b>1,956,812</b>	<b>130,338</b>

The above note includes the figures from Single Entity only. Group Entity Property, Plant and Equipment assets total £84.1m as at 31 March 2017 (£74.6m as at 31 March 2016). Further details are at Note 38.

## NOTES TO THE STATEMENTS

Since 2012/13 the Council has instructed external valuers Wilks, Head & Eve (an independent partnership of Chartered Surveyors and Town Planners) to carry out full valuations as at 1 April and desktop valuation as at 31 March each year on the whole of the Council's property portfolio. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

### Capital commitments

At 31 March 2017, the Council has entered into several contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years, budgeted to cost £49 million (£34 million as at 31 March 2016). The major commitments at 31 March 2017 were:

- Decent Homes Programme – £8.9 million
- HRA Mechanical and electrical works - £3.1 million
- HRA Lift renewals - £2.6 million

### 12. Investment properties

The fair value for investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the levels of observable inputs are significant leading to the

properties being categorised at Level 2 in the fair value hierarchy.

The values at 31 March are analysed as follows.

	31/03/17	31/03/16
	£'000	£'000
Office units	4,447	4,658
Commercial units	46,095	47,200
Land	14,836	13,132
Other investment property	4,785	413
<b>Total</b>	<b>70,163</b>	<b>65,403</b>

There were no transfers between any of the three levels during 2016/17 or the preceding year.

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use. There has been no change in the valuation techniques used during the year for investment properties.

The following items have been accounted for in the Financing and Investment Income and Expenditure line in the CIES.

	2016/17	2015/16
	£'000	£'000
Rental income from investment property	(7,837)	(7,583)
Direct operating expenses arising from investment property	2,928	1,958
<b>Net (gain) / loss</b>	<b>(4,909)</b>	<b>(5,625)</b>

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

## NOTES TO THE STATEMENTS

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

	2016/17	2015/16
	£'000	£'000
Balance at start of the year	65,403	56,882
Additions - Purchases	3,374	10
Disposals	(411)	(1,213)
Net gain / (losses) from FV adjustments	1,797	9,724
<b>Balance at the end of the year</b>	<b>70,163</b>	<b>65,403</b>

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

### 13. Financial instruments

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

#### Financial liabilities

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

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

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

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

	Long Term		Short Term	
	31/03/17	31/03/16	31/03/17	31/03/16
	£'000	£'000	£'000	£'000
<b>Financial liabilities:</b>				
Loans at amortised cost				
- principal sum borrowed	(260,654)	(274,921)	(89,665)	(40,619)
- accrued interest	0	0	(4,136)	(5,072)
<b>Total borrowing</b>	<b>(260,654)</b>	<b>(274,921)</b>	<b>(93,801)</b>	<b>(45,691)</b>
- PFI liabilities	(24,811)	(27,473)	0	0
- finance lease liabilities	(12,222)	(13,796)	0	0
<b>Total Other LT Liabilities</b>	<b>(37,033)</b>	<b>(41,269)</b>	<b>0</b>	<b>0</b>
Liabilities at amortised cost				
- trade payables	(1,364)	(1,429)	(62,669)	(58,846)
- PFI liabilities	0	0	(2,662)	(2,532)
- finance lease liabilities	0	0	(1,043)	(1,220)
<b>Total included in creditors</b>	<b>(1,364)</b>	<b>(1,429)</b>	<b>(66,374)</b>	<b>(62,598)</b>
<b>Total Financial Liabilities</b>	<b>(299,051)</b>	<b>(317,619)</b>	<b>(160,175)</b>	<b>(108,289)</b>

The short-term creditors line in the Balance Sheet includes £52.2 million (31 March 2016 £41.7 million) of items that do not meet the definition of a financial liability and are therefore not included in the above table. See note 16 for further information.

# NOTES TO THE STATEMENTS

## Financial assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

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

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

The Council has money market funds which meet the definition of available for sale assets but are classed as cash and cash equivalents due to their highly liquid nature. The Council does not hold any financial assets or liabilities at fair value through profit and loss.

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

	Long Term		Short Term	
	31/03/17 £'000	31/03/16 £'000	31/03/17 £'000	31/03/16 £'000
<b>Financial assets:</b>				
Loans and receivables				
- principal at amortised cost	0	492	0	0
<b>Total investments</b>	<b>0</b>	<b>492</b>	<b>0</b>	<b>0</b>
Loans and receivables				
- cash (including bank account)	0	0	10,120	17,090
- cash equivalents at fair value	0	0	18,576	17,628
<b>Total cash and cash equivalents</b>	<b>0</b>	<b>0</b>	<b>28,696</b>	<b>34,718</b>
- Trade receivables	6,882	8,237	49,337	63,848
- Loans made for service purposes	4,013	1,753	0	103
<b>Total included in debtors</b>	<b>10,895</b>	<b>9,990</b>	<b>49,337</b>	<b>63,951</b>
<b>Total Financial Assets</b>	<b>10,895</b>	<b>10,482</b>	<b>78,033</b>	<b>98,669</b>

The short-term debtors line in the Balance Sheet includes £28.1 million (31 March 2016 £11.1 million) of items that do not meet the definition of a financial asset and are therefore not included in the above table.

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

# NOTES TO THE STATEMENTS

## Financial instruments – gains and losses

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

	Liabilities measured at amortised cost	Assets, Loans and receivables	ASSETS Available for sale	Total
	£'000	£'000	£'000	£'000
<b>2016/17</b>				
Interest expense	17,173	0	0	<b>17,173</b>
<b>Total expense in SDPOS</b>	<b>17,173</b>	<b>0</b>	<b>0</b>	<b>17,173</b>
Interest and investment income	0	(360)	0	<b>(360)</b>
<b>Total income in SDPOS</b>	<b>0</b>	<b>(360)</b>	<b>0</b>	<b>(360)</b>
<b>Net (gain) / loss for the year</b>	<b>17,173</b>	<b>(360)</b>	<b>0</b>	<b>16,813</b>
<b>2015/16</b>				
Interest expense	18,393	0	0	<b>18,393</b>
<b>Total expense in SDPOS</b>	<b>18,393</b>	<b>0</b>	<b>0</b>	<b>18,393</b>
Interest and investment income	11	(385)	(105)	<b>(479)</b>
Interest accrued on impaired assets	0	(24)	0	<b>(24)</b>
<b>Total income in SDPOS</b>	<b>11</b>	<b>(409)</b>	<b>(105)</b>	<b>(503)</b>
<b>Net (gain) / loss for the year</b>	<b>18,404</b>	<b>(409)</b>	<b>(105)</b>	<b>17,890</b>

## Financial instruments – fair values

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

Financial assets classified as loans and receivables and all non-

derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows as at 31 March 2017, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans
- The value of 'Lender's Option Borrower's Option' (LOBO) loans has been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield
- No early repayment or impairment is recognised for any financial instrument
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

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

- Level 1 – fair value is only derived from quoted prices in active

## NOTES TO THE STATEMENTS

markets for identical assets or liabilities e.g. bond prices

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

	Level	Fair Value		Carrying Amount	
		31/03/17 £'000	31/03/16 £'000	31/03/17 £'000	31/03/16 £'000
PWLB loans	2	(199,399)	(199,018)	(147,749)	(160,703)
LOBO loans	2	(236,962)	(208,728)	(130,294)	(130,906)
Lease payables	2	(17,912)	(3,801)	(13,265)	(15,015)
PFI liability	2	(32,453)	(31,478)	(27,473)	(30,005)
<b>Total</b>		<b>(486,726)</b>	<b>(443,025)</b>	<b>(318,781)</b>	<b>(336,629)</b>
Liabilities for which fair value is not disclosed				(140,445)	(89,279)
<b>Total financial liabilities</b>				<b>(459,226)</b>	<b>(425,908)</b>
Recorded on balance sheet as:					
- short term creditors				(62,492)	(62,598)
- short term borrowing				(93,801)	(45,691)
- long term creditors				(1,364)	(1,429)
- long term borrowing				(260,654)	(274,921)
- other long term liabilities				(40,915)	(41,269)
<b>Total financial liabilities</b>				<b>(459,226)</b>	<b>(425,908)</b>

The fair value of financial liabilities held at amortised cost is higher than their Balance Sheet carrying amount because the Council's portfolio of loans includes several loans where the interest rate payable is higher than the current rates available for their similar loans as at the Balance Sheet date.

	Level	Fair Value		Carrying Amount	
		31/03/17 £'000	31/03/16 £'000	31/03/17 £'000	31/03/16 £'000
Money market funds	1	8,575	7,600	8,575	7,600
Loans to local authorities	2	10,000	10,000	10,000	10,000
<b>Total</b>		<b>18,575</b>	<b>17,600</b>	<b>18,575</b>	<b>17,600</b>
Assets for which fair value is not disclosed				70,353	91,551
<b>Total financial assets</b>				<b>88,928</b>	<b>109,151</b>
Recorded on balance sheet as:					
- short term debtors				49,337	63,951
- long term debtors				10,895	9,990
- long term investments				0	492
- cash and cash equivalents				28,696	34,718
<b>Total financial assets</b>				<b>88,928</b>	<b>109,151</b>

#### 14. Nature and extent of risks arising from financial instruments

The Council has adopted the latest CIPFA Code of Practice on Treasury Management and complies with the Prudential Code of Capital Finance for Local Authorities.

The Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also maintains Treasury Management Practices specifying the practical arrangements to be followed to manage these risks. The 2016/17 Treasury Management Strategy can be found on the Council's website [www.haringey.gov.uk](http://www.haringey.gov.uk).

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Communities and Local Government Department's Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and

## NOTES TO THE STATEMENTS

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

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

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

### Credit Risk: Investments

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

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

of term and investment limits.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. There is a risk that the Council will not be able to recover it deposits, but there was no evidence at the 31 March 2017 that this was likely to happen.

The Council still has not received full credit from Icelandic banks going into default in 2008/09. These are detailed below.

	Heritable Bank	Landsbanki Islands	Glitnir	Total
	£000	£000	£000	£000
Nominal value of original deposits	19,800	15,157	2,000	<b>36,957</b>
Distributions to LBH bank account by 31/03/2017	(19,495)	(14,401)	(2,078)	<b>(35,974)</b>
Outstanding Deposits	305	756	(78)	<b>983</b>
<b>Estimated recoverable balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The nominal value of the Council's investment portfolio at 31 March 2017 was £18.575 million with nil deposit with UK commercial banks (£17.600 million and nil respectively at 31st March 2016). All investments were made in line with the Council's approved credit rating criteria. The outstanding claim relating to Landsbanki was sold via an auction during 2013/14 and no further proceeds will be received. The final balance for the Glitnir investment which was held in an escrow account as at 31 March 2016 was repaid during 2016/17. There is now no prospect of recovering any further funds from the Icelandic investments.

## NOTES TO THE STATEMENTS

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

### Liquidity Risk

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

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

<b>Maturing within (years)</b>	<b>31/03/2017</b>	<b>31/03/2016 Restated</b>
	£'000	£'000
Public Works Loans Board	276,619	297,714
Market debt	384,698	391,210
Local government	76,431	29,003
	<b>737,748</b>	<b>717,927</b>
Less than 1 year	106,411	59,731
Between 1 and 2 years	22,965	25,891
Between 2 and 5 years	60,639	64,052
Between 5 and 10 years	69,689	81,052
Between 10 and 20 years	102,823	103,333
Between 20 and 30 years	94,701	85,164
Between 30 and 40 years	161,504	158,106
Between 40 and 50 years	119,016	64,700
More than 50 years	0	75,898
	<b>737,748</b>	<b>717,927</b>

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

### Market Risk

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

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

## NOTES TO THE STATEMENTS

The Treasury Management Strategy aims to mitigate these risks by setting an upper limit on debt that can be subject to variable interest rates. At 31 March 2016, 98.6% of the debt portfolio was held in fixed rate instruments and 1.4% 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 should be balanced against actions taken to mitigate credit risk.

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

	£'000
Increase in interest receivable on variable rate investments	411
Increase in interest payable on variable rate borrowings	(29)
Impact on Surplus or Deficit on Provision of Services	382
Decrease in fair value of fixed rate borrowing liabilities	64,684

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

*Foreign Exchange Risk:* The Council had no direct foreign exchange rate exposure at 31 March 2017 as all investments were denoted in Sterling. The previously stranded investment with Glitnir Bank of approximately £0.5 million as at 31 March 2016 gained £31k in 2016/17 up to the point when the investment was repaid due to foreign exchange rate movements in the Council's favour. This was £63k in 2015/16.

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

### 15. Debtors

The following tables provide an analysis of money owed to the Council by other bodies as at 31 March 2017 and which at that date was yet to be received. The Council has considered the collectability of the debt and has impaired the debt for the amounts it may not recover.

	Long Term		Short Term	
	31/03/17 £'000	31/03/16 £'000	31/03/17 £'000	31/03/16 £'000
Central Govt bodies	0	0	18,903	18,833
Other local authorities	0	0	5,737	17,584
NHS bodies	0	0	5,274	4,700
Public corporations and trading funds	0	0	296	0
Other entities and individuals	10,895	8,237	47,215	33,982
<b>Total</b>	<b>10,895</b>	<b>8,237</b>	<b>77,425</b>	<b>75,099</b>
	Single Entity		Group Amounts	
	31/03/17 £'000	31/03/16 £'000	31/03/17 £'000	31/03/16 £'000
Central Govt bodies	18,903	18,833	18,903	18,833
Other local authorities	5,737	17,584	5,737	17,584
NHS bodies	5,274	4,700	5,274	4,700
Public corporations and trading funds	296	0	296	0
Other entities and individuals	58,110	42,219	65,246	66,043
<b>Total</b>	<b>88,320</b>	<b>83,336</b>	<b>95,456</b>	<b>107,160</b>

# NOTES TO THE STATEMENTS

## Allowance for non-collection of debts

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

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

## 16. Cash and cash equivalents

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

	31/03/17	31/03/16
	£'000	£'000
Cash in hand and at bank	10,120	17,090
Short-term deposits	18,576	17,628
<b>Total</b>	<b>28,696</b>	<b>34,718</b>

## 17. Creditors

The following tables provide an analysis of money owed by the Council as at 31 March 2017.

	Long Term		Short Term	
	31/03/17 £'000	31/03/16 £'000	31/03/17 £'000	31/03/16 £'000
Central Govt bodies	0	0	(19,315)	(14,011)
Other local authorities	0	0	(9,169)	(7,292)
NHS bodies	0	0	(1,433)	(2,319)
Public corporations / trading funds	0	0	(6)	(6)
Other entities and individuals	(1,364)	(1,429)	(88,683)	(80,649)
<b>Total</b>	<b>(1,364)</b>	<b>(1,429)</b>	<b>(118,606)</b>	<b>(104,277)</b>
	Single Entity		Group Amounts	
	31/03/17 £'000	31/03/16 £'000	31/03/17 £'000	31/03/16 £'000
Central Govt bodies	(19,315)	(14,011)	(19,315)	(14,011)
Other local authorities	(9,169)	(7,292)	(9,169)	(7,292)
NHS bodies	(1,433)	(2,319)	(1,433)	(2,319)
Public corporations / trading funds	(6)	(6)	(6)	(6)
Other entities and individuals	(90,047)	(82,078)	(87,981)	(80,257)
<b>Total</b>	<b>(119,970)</b>	<b>(105,706)</b>	<b>(117,904)</b>	<b>(103,885)</b>

# NOTES TO THE STATEMENTS

## 18. Provisions

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

	Insurance	NDR appeals	Redundancy	Other	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2016</b>	<b>(4,592)</b>	<b>(4,015)</b>	<b>(714)</b>	<b>(1,210)</b>	<b>(10,531)</b>
Amounts used in 2016/17	5,410	4,015	714	321	<b>10,460</b>
Provisions made in 2016/17	(4,633)	(2,852)	(1,169)	(796)	<b>(9,450)</b>
<b>Balance at 31 March 2017</b>	<b>(3,815)</b>	<b>(2,852)</b>	<b>(1,169)</b>	<b>(1,685)</b>	<b>(9,521)</b>
Of which:					
<b>Long Term</b>	<b>(2,600)</b>	0	0	0	<b>(2,600)</b>

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

The **redundancy provision** relates to several planned changes due to ongoing restructures within the Council.

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

## 19. Unusable reserves

Restated	31/03/17	31/03/16 restated
	£'000	Restated
Financial Instruments Adjustment	4,724	4,731
Collection Fund Adjustment	(7,724)	(3,970)
Accumulated Absences	7,591	4,205
Revaluation Reserve	(474,257)	(371,377)
Capital Adjustment Account	(1,155,656)	(1,114,098)
Pensions Reserve	588,341	529,238
Deferred Capital Receipts	(44)	(94)
<b>Total</b>	<b>(1,037,025)</b>	<b>(951,365)</b>

### Financial instruments adjustments account

The balance in the FIAA account at the end of the financial year represents the amount that should have been charged to the CIES in accordance with proper accounting practices under the Code of Practice, but which statutory provisions allow or require to be deferred over future years.

	2016/17	2015/16
	£'000	£'000
<b>Balance as at 1st April</b>	<b>4,731</b>	<b>4,635</b>
Amounts by which finance costs charged to the CIES differ from finance costs chargeable in the year in accordance with statute	(7)	96
<b>Balance as at 31st March</b>	<b>4,724</b>	<b>4,731</b>

# NOTES TO THE STATEMENTS

## Collection fund adjustment account

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

	2016/17	2015/16
	£'000	£'000
<b>Balance as at 1 April</b>	<b>(3,970)</b>	<b>141</b>
Movement in year	(3,754)	(4,111)
<b>Balance as at 31 March</b>	<b>(7,724)</b>	<b>(3,970)</b>

## Accumulated absences account

The accumulated absences account absorbs the differences that would otherwise arise from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2017. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

	2016/17	2015/16
	£'000	£'000
<b>Balance as at 1 April</b>	<b>4,205</b>	<b>5,282</b>
Settlement / cancellation of accrual made at the end of the preceding year	(4,205)	(5,282)
Amounts accrued at the end of the current year	7,591	4,205
Amount by which officer remuneration charged to the CIES on an accruals basis is different from charges in accordance with statute	3,386	(1,077)
<b>Balance at 31 March</b>	<b>7,591</b>	<b>4,205</b>

## Revaluation reserve

The revaluation reserve contains the gains made by the Council since April 2007 arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost, used in the provision of services and the gains are consumed through depreciation or disposed of and the gains are realised. The Revaluation Reserve includes the figures from the Single Entity only but excludes those from the Group Entity. This is an additional £79m as at 31 March 2017 (£73m at 31 March 2016).

	2016/17	2015/16 restated
	£'000	£'000
<b>Balance as at 1 April</b>	<b>(371,377)</b>	<b>(220,916)</b>
Upward revaluation of assets	(125,735)	(178,134)
Downward revaluation of assets and impairment losses not charged to SDPOS	19,906	17,905
Difference between fair value depreciation and historical cost depreciation	492	7,834
Revaluation balances on disposed assets	2,457	1,934
<b>Balance as at 31 March</b>	<b>(474,257)</b>	<b>(371,377)</b>

## Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account therefore represents amounts set aside to finance expenditure on fixed assets or for the repayment of external loans and certain other financing transactions.

## NOTES TO THE STATEMENTS

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

	2016/17	2015/16 restated
	£'000	£'000
<b>Balance as at 1 April</b>	<b>(1,114,098)</b>	<b>(998,512)</b>
<i>Reversal of items relating to capital expenditure debited or credited to CIES</i>		
- charges for depreciation and impairment of NCA	45,783	39,630
- revaluation losses and reversals of losses on PF	(27,078)	(52,719)
- amortisation of intangible assets	1,611	733
- REFCUS	16,472	5,510
- amounts of NCA written off on disposal or sale as part of the gain/loss on disposal to CIES	15,640	11,368
	<b>52,428</b>	<b>4,522</b>
Adjusting amounts written out of Revaluation Reserve	(2,949)	(9,769)
Net written out amount of the cost of NCA consumed in the year	<b>49,479</b>	<b>(5,247)</b>
<i>Capital financing applied in the year</i>		
- Capital Receipts	(6,335)	(8,049)
- Major Repairs Reserve	(19,318)	(15,717)
- Capital Grants	(25,178)	(40,271)
- Revenue Contributions	(35,536)	(24,462)
- Minimum revenue provision	(2,833)	(13,211)
	<b>(89,200)</b>	<b>(101,710)</b>
Movements in the market value of Investment Properties debited or credited to CIES	(1,700)	(8,629)
Movements in donated assets credited to CIES	0	(4)
Other adjustments	(137)	4
<b>Balance as at 31 March</b>	<b>(1,155,656)</b>	<b>(1,114,098)</b>

### Pension reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund or eventually pay any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2016/17	2015/16
	£'000	£'000
<b>Balance as at 1 April</b>	<b>529,238</b>	<b>645,460</b>
Remeasurements recognised in Other Comprehensive Income and Expenditure	43,660	(139,386)
Reversal of items relating to retirement benefits debited or credited to SDPOS	15,443	23,164
<b>Balance as at 31 March</b>	<b>588,341</b>	<b>529,238</b>

# NOTES TO THE STATEMENTS

## 20. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items.

	2016/17	2015/16
	£'000	£'000
Interest received	545	533
Interest paid	(18,867)	(22,564)

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

	2016/17	2015/16
	£'000	restated £'000
Depreciation (including revaluation gains reversing previous losses)	36,668 (17,632)	39,273 (51,094)
Amortisation	1,611	733
Movement in creditors	6,492	(5,137)
Movement in debtors	(23,008)	9,436
Movement in inventories	(219)	151
Movement in pension liability	15,443	23,164
Carrying amount of non-current assets	15,640	11,368
Other non-cash items charged to SDPOS	(2,676)	(7,073)
<b>Total</b>	<b>32,319</b>	<b>20,821</b>
Adjustments for intra-group transactions	2,254	(23,809)
Homes For Haringey	5,291	(2,569)
Alexandra Park and Palace Charitable Trust	8,015	1,632
<b>Group Total</b>	<b>47,879</b>	<b>(3,925)</b>

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

Investing and financing activities	2016/17	2015/16
	£'000	£'000
Net adjustments from the sale of short term investments	492	9,809
Proceeds from the sale of PPE, investment property and intangible assets	(25,431)	(21,107)
Capital grants credited to SDPOS	(28,012)	(50,041)
<b>Total</b>	<b>(52,951)</b>	<b>(61,339)</b>

## 21. Cash Flow Statement - Investing Activities

The cash flows for investing activities include the following items.

	2016/17	2015/16
	£'000	£'000
Purchase of PPE, investment property and intangible assets	(99,538)	(102,636)
Purchase of investments	0	(82)
Proceeds from the sale of PPE, investment property and intangible assets	26,723	21,125
Capital grants and other investments received	38,503	49,718
<b>Total</b>	<b>(34,312)</b>	<b>(31,875)</b>

## 22. Cash Flow Statement - Financing Activities

The cash flows for financing activities include the following items.

	2016/17	2015/16
	£'000	£'000
Cash receipts from borrowing	47,332	59,700
Other receipts from financing activities	11,889	909
Cash payments for the reduction of finance lease and PFI outstanding liabilities	(3,813)	(5,074)
Repayments of borrowing	(12,587)	(41,596)
<b>Total</b>	<b>42,821</b>	<b>13,939</b>

## NOTES TO THE STATEMENTS

### 23. Members allowances

The total of Members' allowances paid in 2016/17 was £1.104 million compared to £1.105 million in 2015/16. These figures are included in the 'Leader and Chief Executive's line of the CIES.

### 24. External audit costs

BDO are the Council's appointed auditor under the Local Audit and Accountability Act 2014. Fees payable in respect of the annual audit of the Statement of Accounts are indicated below. No non-audit services were provided to the Council by BDO during the year.

Several grant claims requiring external audit certification are carried out by Grant Thornton.

	2016/17	2015/16
	£'000	£'000
Fees payable to BDO with regard to external audit services carried out by the appointed auditor for the	245	239
Fees payable to BDO in respect of grant claims and other services provided during the year	7	0
Fees payable to Grant Thornton in respect of grant claims and other services provided during the year	16	31
<b>Total</b>	<b>268</b>	<b>270</b>

### 25. Pooled budgets

The Council has entered into two partnership agreements under Section 75 of the Health Act 2006.

The Learning Disabilities partnership consists of Haringey Clinical Commissioning Group, Whittington Health and the Barnet, Enfield and Haringey Mental Health Trust for the provision of services for

people with Learning Disabilities. The partnership spent £7.525 million in 2016/17 (£7.535 million in 2015/16) of which £5.726 million was met by the Council and £1.799 million by other partners (£5.779 million and £1.756 million respectively in 2015/16). The Council's share of transactions related to this pooled budget is included within the Adult Social Services line in the CIES.

The Better Care Fund (BCF) was introduced nationally in 2015/16 to ensure a transformation in integrated health and social care. This partnership consists of Haringey Clinical Commissioning Group (CCG) and Haringey Council and is for the provision of services to facilitate closer integration of health and social care for local people. Haringey CCG, as the host body, held the revenue element whilst the Council held the capital element of the pooled budget.

The aims of and benefits to the partners in entering into this agreement are to:

- Improve the quality and efficiency of the services
- Meet the national conditions and local objectives
- Make more effective use of resources through the establishment and maintenance of a pooled fund for expenditure on the services
- Work together to achieve the Haringey shared vision for integrated care.

The BCF partnership spent £19.176 million in 2016/17 (£17.317 million in 2015/16) of which £1.818 million was met by the Council and £17.538 million by Haringey CCG (£1.323 million and £15.994 million respectively in 2015/16).

In 2015/16 LBH contributed a voluntary amount into the BCF of £4.013 million.

# NOTES TO THE STATEMENTS

## 26. Officers remuneration

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

Post Holder Details	Note	Salary, Fees and Allowances		Compensation for Loss of Office		Remuneration (excluding employer pension contribution)		Employer Pension Contribution		Total Remuneration	
		2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
		£	£	£	£	£	£	£	£	£	£
Chief Executive - Nick Walkley (to Feb 2017)	1	188,108	200,313	0	0	188,108	200,313	46,839	48,269	234,947	248,582
Interim Chief Executive - Zina Etheridge (from March 2017)	2	14,475	0	0	0	14,475	0	3,604	0	18,079	0
Deputy Chief Executive - Zina Etheridge (to 28 February 2017)	3	140,683	135,000	0	0	140,683	135,000	35,030	32,940	175,713	167,940
Chief Operating Officer - Tracie Evans		153,472	151,506	0	0	153,472	151,506	0	0	153,472	151,506

### Notes

- 1 The annualised salary for 2016/17 is £191,300
- 2 The annualised salary for 2016/17 is £175,700
- 3 The annualised salary for 2016/17 is £153,500

## NOTES TO THE STATEMENTS

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

Post Holder Details	Note	Salary, Fees and Allowances		Compensation for Loss of Office		Remuneration (excluding employer pension contribution)		Employer Pension Contribution		Total Remuneration	
		2016/17 £	2015/16 £	2016/17 £	2015/16 £	2016/17 £	2015/16 £	2016/17 £	2015/16 £	2016/17 £	2015/16 £
Director of Regeneration Planning and Development		148,843	138,881	0	0	<b>148,843</b>	<b>138,881</b>	37,019	32,735	<b>185,862</b>	<b>171,616</b>
Director of Children's Services		137,200	123,535	0	0	<b>137,200</b>	<b>123,535</b>	34,163	30,143	<b>171,363</b>	<b>153,678</b>
Director of Public Health		129,269	136,986	0	0	<b>129,269</b>	<b>136,986</b>	17,103	18,258	<b>146,372</b>	<b>155,244</b>
Director of Adult Social Services		125,891	123,038	0	0	<b>125,891</b>	<b>123,038</b>	31,424	30,097	<b>157,315</b>	<b>153,135</b>
Assistant Director Corporate Governance (Monitoring Officer)		105,122	104,097	0	0	<b>105,122</b>	<b>104,097</b>	26,175	24,844	<b>131,297</b>	<b>128,941</b>
Policy and Business Manager		0	76,864	0	0	<b>0</b>	<b>76,864</b>	0	18,204	<b>0</b>	<b>95,068</b>
Assistant Director of Finance/CFO (until 8 November 2015)		0	66,064	0	97,303	<b>0</b>	<b>163,367</b>	0	184,079	<b>0</b>	<b>347,446</b>

## NOTES TO THE STATEMENTS

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

2016/17	No of compulsory redundancies	No of other agreed departures	Total number	Total cost
£0 - £20,000	11	139	150	1,382,107
£20,001 - £40,000	16	67	83	2,249,026
£40,001 - £60,000	6	18	24	1,124,974
£60,001 - £80,000	6	7	13	831,069
£80,001 - £100,000	4	2	6	529,876
£100,001 - £150,000	1		1	144,135
£250,001 - £300,000				
	<b>44</b>	<b>233</b>	<b>277</b>	<b>6,261,187</b>

2015/16	No of compulsory redundancies	No of other agreed departures	Total number	Total cost £
£0 - £20,000	7	88	95	844,228
£20,001 - £40,000	6	42	48	1,277,443
£40,001 - £60,000	0	11	11	530,121
£60,001 - £80,000	1	7	8	565,805
£80,001 - £100,000	0	5	5	433,636
£100,001 - £150,000	1	2	3	319,064
£250,001 - £300,000	0	2	2	559,436
<b>Total</b>	<b>15</b>	<b>157</b>	<b>172</b>	<b>4,529,733</b>

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

	2016/17	2015/16 restated
	No. of employees	No. of employees
£50,000 - £54,999	268	280
£55,000 - £59,999	133	130
£60,000 - £64,999	71	71
£65,000 - £69,999	55	40
£70,000 - £74,999	35	38
£75,000 - £79,999	23	30
£80,000 - £84,999	27	14
£85,000 - £89,999	10	4
£90,000 - £94,999	7	6
£95,000 - £99,999	11	6
£100,000 - £104,999	4	5
£105,000 - £109,999	3	3
£110,000 - £114,999	4	3
£115,000 - £119,999	2	0
£120,000 - £124,999	1	2
£125,000 - £129,999	4	1
£130,000 - £134,999	0	1
£135,000 - £139,999	1	0
£140,000 - £144,999	1	0
£145,000 - £149,999	0	1
£150,000 - £154,999	0	0
£155,000 - £159,999	0	0
£160,000 - £164,999	1	0
<b>Total</b>	<b>661</b>	<b>635</b>

### 27. Termination Benefits

The Council terminated the contracts of a number of employees in 2016/17 incurring liabilities of £6.261m in redundancy costs and payments to the pension fund (£4.530m in 2015/16). Included in this amount is a provision of £1.169m (£0.714 m in 2015/16) in respect

# NOTES TO THE STATEMENTS

of approved redundancies yet to be finalised.

## 28. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded by DSG, a specific grant provided by the Department for Education. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and the Individual Schools Budget (ISB), which is divided into a budget share for each school. Details of the deployment of DSG receivable for 2016/17 are as follows.

	Central Expenditure		ISB	Total
	£'000	£'000	£'000	£'000
Final DSG for 2016/17 before Academy recoupment				<b>242,631</b>
Academy figure recouped for 2016/17				<b>53,244</b>
Total DSG after academy recoupment for 2016/17				<b>189,387</b>
Brought forward from 2015/16				<b>3,252</b>
Carry forward to 2017/18 agreed in advance				<b>(3,252)</b>
Agreed initial budget distribution in 2016/17	34,818	154,569		<b>189,387</b>
In year adjustments	0	0		<b>0</b>
Final budgeted distribution for 2016/17	<b>34,818</b>	<b>154,569</b>		<b>189,387</b>
Less actual central expenditure	35,270			<b>35,270</b>
Less actual ISB deployed to schools		154,569		<b>154,569</b>
Plus Council contribution for 2016/17	0	0		<b>0</b>
<b>Carry forward to 2017/18</b>	<b>(452)</b>	<b>0</b>		<b>2,800</b>

The final DSG for 2016/17 was reduced by £234k in July 2017 to take account of January 2017 census figures.

## 29. Grant income

The Council credited the following grants, contributions and donations to the CIES in 2016/17.

	2016/17	2015/16
	£'000	£'000
<b>Credited to Services</b>		
Benefit Subsidy	(259,734)	(268,605)
Dedicated Schools Grant	(189,387)	(188,407)
Local Taxation Admin Grants	(2,492)	(2,830)
Pupil Premium	(11,705)	(12,168)
Public Health	(21,313)	(19,336)
PFI Revenue	(5,669)	(5,669)
Universal Infant Free School Meals	(2,811)	(2,736)
Better Care Fund (Dept of Health via CCG)	(5,726)	(5,626)
Discretionary Housing Payments	(1,727)	(1,486)
Adult Learning Grant	(1,534)	(1,831)
16 + Grant	(4,528)	(4,899)
Tackling Troubled Families	(1,126)	(1,062)
Communities and Local Government grants	(1,186)	(2,594)
Department for Education grants	(1,250)	(1,087)
Home Office miscellaneous grants	(1,128)	(1,192)
Other miscellaneous revenue grants	(4,313)	(6,217)
Capital Grants treated as revenue	(3,955)	(5,691)
Other contributions and reimbursements	(13,902)	(18,498)
<b>Total</b>	<b>(533,486)</b>	<b>(549,934)</b>

## NOTES TO THE STATEMENTS

	2016/17	2015/16
	£'000	£'000
<b>Credited to Taxation and Non-Specific Income</b>		
Business Rates - top-up	(55,220)	(54,763)
Revenue Support Grant	(50,988)	(64,061)
New Homes Bonus Grant	(6,897)	(4,497)
Education Services Grant	(2,785)	(3,066)
Business Rate and Retail Relief Grants	(1,863)	(2,617)
Local Services Support Grant	(6)	(54)
Other miscellaneous general grants	(5)	(18)
Council Tax Freeze Grant	0	(1,049)
Capital Grants	(24,058)	(40,578)
Donations	0	(4)
<b>Total</b>	<b>(141,822)</b>	<b>(170,707)</b>

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

	31/03/17	31/03/16
	£'000	£'000
<b>Capital Grants and Contributions Received in Advance</b>		
Planning Gains (S106 & S278)	(7,694)	(7,539)
Heritage Lottery Fund	0	(202)
Community Capacity Grant	0	(474)
Other	(841)	(830)
<b>Total</b>	<b>(8,535)</b>	<b>(9,045)</b>

	31/03/17	31/03/16
	£'000	£'000
<b>Revenue Grants and Contributions Received in Advance</b>		
Estate Regeneration	(2,371)	0
New Homes Bonus	(378)	(790)
DECC Heat Network Delivery Unit (HNDU)	(276)	(171)
Adult Learning Grant	(198)	0
Green Deal Communities Fund	(14)	(2,344)
Other grants received in advance	(110)	(58)
<b>Total</b>	<b>(3,347)</b>	<b>(3,363)</b>

### 30. Related Parties

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

#### Central Government

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

#### Pooled Budgets

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

## NOTES TO THE STATEMENTS

### Pension Fund

The pension fund accounts are set out elsewhere in the Statement of Accounts. The pension fund operates a separate bank account and makes investments separately from the Council. The Council owed the Pension Fund £0.858m as at 31 March 2017 and the Council charged the Fund £0.571 million for administration in 2016/17 (£1.475 million and £0.571 million respectively in 2015/16).

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

Both are wholly owned subsidiaries of Haringey Council and have been consolidated into the Council's Group Account. The net value of payments and receipts in 2016/17 were £61.9m and £8.5m respectively (£54.9 million and £5.6 million in 2015/16).

### North London Waste Authority (NLWA)

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

### Members and Senior Officers

Members of the Council including the Mayor have direct control over the Council's financial and operating policies. The total of members allowances paid in 2016/17 is shown in note 23. Members of the Council and senior officers participate in and are members of a variety of other public bodies and community groups either in a personal capacity or appointment by the Council.

In 2016/17 Haringey has provided financial support to, or purchased services from 17 charitable or voluntary organisations (18 in 2015/16) in which 25 members have declared an interest (25 in 2015/16). 15 of these instances were as a representative of the Council and 10 were in a personal capacity (16 and 9 respectively in 2015/16). In 2016/17 the total value of payments made was £1.761 million (£1.710

million in 2015/16) and the total value of receipts was £0.363 million (£0.397 million in 2015/16).

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

The Council has well established mechanisms and procedures for preventing undue influence in awarding of contracts or grant funding to organisations. Supporting these mechanisms is the disclosure of interests in the Register of Members' Interest which is open to public inspection at River Park House, 225 High Road, Wood Green, London N22 8HQ. This note has been compiled using this register and individual declarations made by elected members and senior officers. All members and current senior officers submitted declarations.

# NOTES TO THE STATEMENTS

## 31. Capital expenditure and capital financing

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

	2016/17	2015/16
	£'000	£'000
<b>Opening CFR</b>	547,165	549,396
- Property, Plant and Equipment	94,102	88,887
- Investment Properties	3,374	9
- Intangible Assets	1,532	4,261
- REFCUS	16,472	6,110
- Assets acquired under finance leases	1,195	212
	<b>116,675</b>	<b>99,479</b>
<i>Capital investment</i>		
- Capital receipts	(6,335)	(8,050)
- Government grants and other contributions	(25,178)	(40,270)
- Major Repairs Allowance	(19,318)	(15,717)
- Direct revenue contributions	(35,536)	(24,462)
- Minimum Revenue Provision	(2,833)	(13,211)
<i>Sources of finance</i>	<b>(89,200)</b>	<b>(101,710)</b>
<b>Closing CFR</b>	<b>574,640</b>	<b>547,165</b>
<b>Explanation of movements in year</b>		
Increase / (decrease) in underlying need for supported borrowing	26,280	(2,443)
Assets acquired under finance leases	1,195	212
<b>Increase / (decrease) in CFR</b>	<b>27,475</b>	<b>(2,231)</b>

## 32. Leases

### Authority as Lessee - Finance leases

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

	31/03/17	31/03/16
	£'000	£'000
Other Land and Buildings	4,422	7,629
Vehicles, Plant, Furniture and Equipment	4,480	3,940
<b>Total</b>	<b>8,902</b>	<b>11,569</b>

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

	31/03/17	31/03/16
	£'000	£'000
Finance lease liabilities (NPV of minimum lease payments)		
- current	1,043	1,220
- non-current	12,222	13,796
Finance costs payable in future years	22,132	23,258
<b>Total</b>	<b>35,397</b>	<b>38,274</b>

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

## NOTES TO THE STATEMENTS

	Minimum Lease Payments		Finance Lease Liabilities	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Less than one year	1,611	1,934	1,043	1,220
Between one and five years	4,357	5,693	2,542	3,445
Later than five years	29,429	30,647	9,680	10,351
<b>Total</b>	<b>35,397</b>	<b>38,274</b>	<b>13,265</b>	<b>15,016</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. No contingent rents are payable on either of the leased properties and the rents for vehicles, plant and equipment have not changed from the original agreements.

### Authority as Lessee - Operating leases

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

	31/03/17 £'000	31/03/16 £'000
Not later than one year	981	656
Later than one year and not later than five years	3,033	2,579
Later than five years	2	552
<b>Total</b>	<b>4,016</b>	<b>3,787</b>

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

The expenditure on the minimum lease payments was recharged to

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

### Authority as Lessor - Finance leases

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

### Authority as Lessor - Operating leases

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

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

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

	31/03/17 £'000	31/03/16 £'000
Not later than one year	1,646	1,723
Later than one year and not later than five years	5,190	5,372
Later than five years	28,829	29,993
<b>Total</b>	<b>35,665</b>	<b>37,088</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.

# NOTES TO THE STATEMENTS

## 33. Service Concession Arrangements

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

The Council receives a £5.669 million 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 of £4.610 million (£4.252 million in 2015/16) a contribution to reserves was made of £1.059 million (£1.417 million in 2015/16).

### Future payments to be made

Future payments to be made in respect of the PFI arrangement are shown 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 in future years, 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 Exp	Interest	Total
	£'000	£'000	£'000	£'000
Payable in 2017/18	153	2,662	1,409	<b>4,224</b>
Payable within 2 to 5 years	614	12,085	4,199	<b>16,898</b>
Payable within 6 to 10 years	537	12,726	1,522	<b>14,785</b>
<b>Total</b>	<b>1,304</b>	<b>27,473</b>	<b>7,130</b>	<b>35,907</b>

## 34. Pension schemes accounted for as defined contribution schemes

### Teachers

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

In 2016/17 the Council paid £11.015 million (£10.391 million in 2015/16) to Teachers' Pensions in respect of teachers' pension costs which represented 16.48% of teachers' pensionable pay (the rate increased from 14.1% to 16.48% in August 2015). Expected contributions for 2017/18 are £11.2 million. The Council is responsible for additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 35.

## NOTES TO THE STATEMENTS

### **Ex-NHS Staff**

Under the new arrangements for Public Health, some staff performing public health functions were compulsorily transferred from Primary Care Trusts to the Council. Those who had access to the NHS Pension Scheme on 31 March 2013 retained access to that Scheme on transfer at 1 April 2013.

The NHS pension scheme is an unfunded defined benefit scheme but is accounted for as if it were a defined contribution scheme. During 2016/17 the Council made employer contributions of £0.066 million to the NHS pension scheme which represents a 14.3% contribution rate (£0.079 million and 14.3% in 2015/16). Expected contributions for 2017/18 are £0.070 million.

### **35. Defined benefit pension schemes**

#### **Participation in the Local Government Pension Scheme (LGPS)**

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

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

Where appropriate, the following disclosures include group amounts in respect of Homes for Haringey and some employees of Alexandra Palace and Palace Charitable Trust. Homes for Haringey is an

admitted body of the Council's Pension Fund and pension obligations were transferred to the limited company on 1 April 2006.

#### **Discretionary post-retirement benefits**

Discretionary post-retirement benefits on early retirement (added years) are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities. Included within the present value of unfunded liabilities detailed in the following notes is £19.400 million (£18.854 million in 2015/16) in respect of Teachers unfunded pensions. At 31 January 2017, the Scheme had 1,193 members in respect of LGPS and 447 members in respect of Teachers unfunded pensions (1,263 and 480 respectively as at 31 January 2016).

#### **Transactions relating to post-employment benefits**

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

## NOTES TO THE STATEMENTS

The following transactions have been made in the CIES:

	LGPS		Unfunded	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
<b>Cost of Services</b>				
- current service cost	26,563	31,390	0	0
- past service cost	823	682	0	0
<b>Total</b>	<b>27,386</b>	<b>32,072</b>	<b>0</b>	<b>0</b>
<b>Financing and Investment Income and Expenditure</b>				
<b>Total</b>	<b>16,691</b>	<b>18,871</b>	<b>1,768</b>	<b>1,827</b>
<b>Other Comprehensive Income and Expenditure</b>				
- return on plan assets	(172,239)	17,045	0	0
- actuarial gains/losses (changes in financial assumptions)	259,473	(131,370)	5,811	(1,024)
- other	(46,594)	(20,610)	(2,832)	(3,427)
<b>Total</b>	<b>40,640</b>	<b>(134,935)</b>	<b>2,979</b>	<b>(4,451)</b>

	Group	
	2016/17 £'000	2015/16 £'000
<b>Cost of Services</b>		
- current service cost	31,192	35,903
- past service cost	1,032	692
<b>Total</b>	<b>32,224</b>	<b>36,595</b>
<b>Financing and Investment Income and Expenditure</b>		
<b>Total</b>	19,261	21,875
<b>Other Comprehensive Income and Expenditure</b>		
- return on plan assets	(192,096)	19,663
- actuarial gains/losses (changes in financial assumptions)	290,487	(149,543)
- other	(78,788)	(25,321)
<b>Total</b>	<b>19,603</b>	<b>(155,201)</b>

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

	2016/17 £'000	2015/16 £'000
Reversal of net IAS 19 charges	(45,845)	(52,770)
Actual amount charged for pensions in the year	30,402	29,606

### Pension assets and liabilities recognised in the Balance Sheet

	LGPS		Unfunded	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Present value of obligation	(1,588,538)	(1,339,206)	(53,359)	(52,461)
Fair value of plan assets	1,053,556	862,429	0	0
<b>Net liability</b>	<b>(534,982)</b>	<b>(476,777)</b>	<b>(53,359)</b>	<b>(52,461)</b>

	Single Entity		Group Amounts	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Present value of the defined benefit obligation	(1,641,897)	(1,391,667)	(1,803,250)	(1,548,646)
Fair value of plan assets	1,053,556	862,429	1,215,044	996,562
<b>Net liability</b>	<b>(588,341)</b>	<b>(529,238)</b>	<b>(588,206)</b>	<b>(552,084)</b>

# NOTES TO THE STATEMENTS

## Reconciliation of Movement in Fair Value of Scheme Assets

Scheme Assets	LGPS		Unfunded	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
Opening fair value	862,429	859,108	0	0
Interest income	29,972	27,380	0	0
Remeasurement gain / (loss)				
- the return on plan assets	172,239	(17,045)	0	0
Employer contributions	26,512	25,374	3,849	3,989
Contributions from employees into the scheme	6,995	6,970	0	0
Benefits paid	(44,591)	(39,358)	(3,849)	(3,989)
<b>Closing fair value</b>	<b>1,053,556</b>	<b>862,429</b>	<b>0</b>	<b>0</b>

	Single Entity		Group Amounts	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	862,429	859,108	996,562	989,646
Interest income	29,972	27,380	34,709	31,586
Remeasurement gain / (loss)				
- the return on plan assets	172,239	(17,045)	192,096	(19,663)
Employer contributions	30,361	29,363	34,966	33,017
Contributions from employees into the scheme	6,995	6,970	8,193	7,988
Benefits paid	(48,440)	(43,347)	(51,482)	(46,012)
<b>Closing fair value of scheme assets</b>	<b>1,053,556</b>	<b>862,429</b>	<b>1,215,044</b>	<b>996,562</b>

## Reconciliation of Present Value of Defined Benefit Obligation

Scheme Liabilities	LGPS		Unfunded	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
Balance as at 1st April	(1,339,206)	(1,445,494)	(52,461)	(59,074)
Current service cost	(26,563)	(31,390)		
Past service cost	(823)	(682)		
Interest cost	(46,663)	(46,251)	(1,768)	(1,827)
Contributions from scheme participants	(6,995)	(6,970)	0	0
Remeasurement gain/(loss)				
- demographic	19,761	0	1,360	0
- financial assumptions	(259,473)	131,370	(5,811)	1,024
- other experience	26,833	20,853	1,472	3,427
Benefits paid	44,591	39,358	3,849	3,989
<b>Balance as at 31st</b>	<b>(1,588,538)</b>	<b>(1,339,206)</b>	<b>(53,359)</b>	<b>(52,461)</b>

	Single Entity		Group Amounts	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
Balance as at 1st April	(1,391,667)	(1,504,568)	(1,548,646)	(1,671,478)
Current service cost	(26,563)	(31,390)	(31,192)	(35,903)
Past service cost	(823)	(682)	(1,032)	(692)
Interest cost	(48,431)	(48,078)	(53,970)	(53,461)
Contributions from scheme participants	(6,995)	(6,970)	(8,193)	(7,988)
Remeasurement gain/(loss)				
- demographic	21,121	0	23,439	0
- financial assumptions	(265,284)	132,394	(290,487)	149,543
- other experience	28,305	24,280	55,349	25,321
Benefits paid	48,440	43,347	51,482	46,012
<b>Balance as at 31st</b>	<b>(1,641,897)</b>	<b>(1,391,667)</b>	<b>(1,803,250)</b>	<b>(1,548,646)</b>

## NOTES TO THE STATEMENTS

### Analysis of Scheme Assets:

2016/17 - Quoted Prices:	Quoted - active markets	Not quoted - no active markets	Total	% of Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents	26,673	0	26,673	3
Private equity	0	44,448	44,448	4
Debt securities	41,745	0	41,745	4
Real estate: UK property	0	76,744	76,744	8
Investment funds and unit transfers				
- equities	689,341	0	689,341	65
- bonds	151,770	0	151,770	14
- infrastructure	0	22,835	22,835	2
Sub-total	841,111	22,835	863,946	81
<b>Total assets</b>	<b>909,529</b>	<b>144,027</b>	<b>1,053,556</b>	<b>100</b>

2015/16	Quoted - active markets	Not quoted - no active markets	Total	Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents	8,066	-	8,066	1
Private equity	-	35,232	35,232	4
Debt securities	39,225	0	39,225	5
Real Estate - UK	-	91,620	91,620	11
Real estate - Overseas	-	448	448	0
Sub-total	47,291	127,300	174,591	21
Investment funds and unit transfers				
- equities	557,241	-	557,241	64
- bonds	119,923	-	119,923	14
- infrastructure	-	10,674	10,674	1
Sub-total	677,164	10,674	687,838	79
<b>Total assets</b>	<b>724,455</b>	<b>137,974</b>	<b>862,429</b>	<b>100</b>

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. Liabilities are discounted to their value at current prices using a discount rate of 2.6% (3.5% in 2015/16).

The Council's Pension Scheme liabilities as at 31 March 2017 have been assessed by Hymans Robertson, an independent firm of actuaries, and are projections based on data pertaining to the latest full valuation of the scheme as at 31 March 2016. There are risks and uncertainties associated with whatever assumptions are adopted as these are in effect projections of future investment returns and demographic experience many years into the future. The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance certain extent by the statutory requirements to charge to the General Fund and HRA the amounts required by statute as described in the accounting policies note.

The significant assumptions used by the actuary are as follows.

	2016/17	2015/16
Mortality assumptions		
- Longevity at 65 for male current pensioners	21.8 years	21.9 years
- Longevity at 65 for female current pensioners	24.1 years	24.1 years
- Longevity at 65 for male future pensioners	23.8 years	24.2 years
- Longevity at 65 for female future pensioners	26.0 years	26.5 years
Rate of increase in salaries	3.0%	4.2%
Rate of increase in pensions	2.4%	2.2%
Rate for discounting scheme liabilities	2.6%	3.5%

## NOTES TO THE STATEMENTS

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

The estimate of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assumes that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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

	Approximate increase to liability	Approximate value
	%	£'000
0.5% decrease in real discount rate	9	149,987
0.5% increase in salary increase rate	1	16,990
0.5% increase in pension increase	8	131,108

### Investment Strategy

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

### Impact on the Council's Cash Flows

The objectives of the scheme are to achieve and maintain full funding on an ongoing basis and to seek stability of employers' contributions. At its last triennial valuation, the Council and the Fund's actuary agreed a strategy designed to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2019.

To mitigate the existing funding deficit, the Council anticipates paying contributions of £25.953 million for the period to 31 March 2018. The weighted average duration of the funded defined benefit obligation for scheme members is 17.0 years for 2016/17 and the previous year.

# NOTES TO THE STATEMENTS

## 36. Contingent assets

The Council undertook a construction project to expand a local primary school. The construction was undertaken in three phases under a traditional construction contract, for a fully designed scheme. Under its existing framework contract, the Council procured professional consultancy resources to undertake the full design and cost consultancy services related to the scheme. During Phases 1 and 2 various issues arose on the project which the Council considered may be the subject of a legitimate claim against the parties involved on the contract. Following a failed attempt to reach a settlement on the Council's losses arising out of the contract works, it issued a claim in the High Court for the value of those losses.

## 37. Contingent liabilities

### **Municipal Mutual Insurance Limited (MMIL)**

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

### **Lender Offer Borrower Offer (LOBO) Loans**

The Council has £125 million of Lender Option Borrower Option loans (LOBOs), taken out between 2003 and 2006 and with terms of 40 to 60 years. Information on the Council's borrowings, including LOBO loans, is included in Notes 13 and 14. A number of local authorities,

including this Council, have received objections from local electors as to the lawfulness of local authorities obtaining borrowings through LOBO loans. Whilst the LOBO loans held by this Council have not currently been found to be unlawful, there is ongoing analysis of LOBOs generally by councils affected, their auditor and specialist lawyers. The law in relation to this matter is complex and there is uncertainty as to what the consequences could be should a local authority have obtained borrowing through a LOBO that was found to be unlawful. In the event of a LOBO loan being found to be unlawful, restitutionary remedies may result in the outstanding balances on these loans having to be repaid in full to the lender and may result in additional costs resulting from losses incurred by the lender.

### **Roseberry Industrial Estate**

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

### **Haringey Housing Infill Sites, Phase 1 Contracts**

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

### **Employment Tribunal**

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

### **Thames Water**

The Council entered into a contract in 2000, whereby it collected water charges from its tenants on behalf of Thames Water and was

## NOTES TO THE STATEMENTS

paid a commission. The High Court has found that a similar contract between LB Southwark and Thames Water is a contract for resale of water under which the recovery of commission is limited by law. The potential liability could be in excess of £5 million. The appeal of the High Court decision did not proceed, but the Council, with other Councils, is investigating other avenues of appeal.

### **Alexandra Park and Palace Charitable Trust**

The Council has agreed to underwrite the sum of £1 million being the unfunded element of the Palace's East Wing Restoration Programme. The Palace continues to work towards achieving its fundraising target.

### **38. Adjustments between group and single entity accounts**

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

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

To give a full picture of the financial activities of the Council, Group Accounts have been prepared which include those organisations where the Council's interest is considered material. This information

is still subject to audit by each organisation's own auditor. Accordingly the Group Accounts consolidate the Council's accounts with the following subsidiaries:

- Homes for Haringey Ltd; and
- Alexandra Park and Palace Charitable Trust (APPCT).

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

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

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

APPCT carry its main asset, the Park and Palace, at nil value on its Balance Sheet as allowed under the Charity SORP. Upon consolidation however, the Council is required to value this as an operational asset and depreciate it in accordance with its accounting policy. The Group Balance Sheet therefore includes £78.048m (£72.955m as at 31 March 2016) in Property Plant and Equipment in respect of this asset. The basis of valuation is mainly Depreciated Replacement Cost with some elements using the Existing Use Value method.

Key information on a group basis has been included alongside the single entity disclosure notes for debtors, creditors, segmental

## NOTES TO THE STATEMENTS

reporting and defined benefit schemes. The following notes provide additional details of the Council's involvement in the entities consolidated to form the Group Accounts.

### Homes for Haringey Ltd (Registered Company No. 05749092)

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

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

The financial performance of HfH Limited is summarised below:

	2016/17	2015/16 restated
	£000	£000
Turnover	(59,825)	(51,269)
*(Surplus) / Deficit for the year	1,208	2,817
Accumulated deficit	143	22,872

The accumulated deficit has been reduced by a pension surplus of £23.937 million (£22.525 million deficit in 2015/16).

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

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

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

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

The financial performance of the Trust is summarised below:

## NOTES TO THE STATEMENTS

	2016/17	2015/16
	£000	£000
Turnover	(14,389)	(40,935)
(Surplus) / Deficit for the year	362	(25,613)
<b>Reserves:</b>		
Usable Reserves	(6,454)	(2,202)
Unusable reserves	(95,393)	(95,063)
	(101,847)	(97,265)

APPCT Property, Plant and equipment consolidated in Group Accounts:

	Palace & Park Construct	Asset Vehicles, Under plant and equipm't	Total
Cost at 1 April 2016	72,955	455	2,093
Additions	416	4,481	184
Revaluations	6,090	-	-
Disposals	(17)	-	(119)
<b>At 31 March 2017</b>	<b>79,444</b>	<b>4,936</b>	<b>2,158</b>
			<b>86,538</b>
<b>Depreciation</b>			
At 1 April 2016	-	-	860
Charge for the year	1,396	-	292
Disposals	-	-	(119)
<b>At 31 March 2017</b>	<b>1,396</b>	<b>-</b>	<b>1,033</b>
			<b>2,429</b>
<b>NBV as 31 March 2017</b>	<b>78,048</b>	<b>4,936</b>	<b>1,125</b>
NBV as 31 March 2016	72,955	455	1,233
			74,643

In June 2015 the Heritage Lottery Board gave its approval to progress with the restoration of the East Wing of the Palace. During 2016-17 the appointed contractor progressed pre-construction and preliminary works, with full construction due to be completed in autumn 2018. The estimated project cost is £26.7m to be funded by:

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

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

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

# HOUSING REVENUE ACCOUNT

2015/16	HRA Income & Expenditure Statement	2016/17
£'000		£'000      £'000
	<b>Expenditure</b>	
22,462	Repairs and maintenance	22,435
40,826	Supervision and management	38,228
(824)	Rents, rates, taxes and other charges	1,210
20,172	Depreciation and impairment of non-current assets	19,700
(1,333)	Revaluation gains	(27,935)
22	Debt Management Costs	15
(747)	Movement in the allowance for bad debts	964
<b>80,578</b>	<b>Total Expenditure</b>	<b>54,617</b>
	<b>Income</b>	
(86,774)	Dwelling rents	(85,369)
(372)	Non-dwelling rents	(639)
(20,915)	Charges for services and facilities	(24,392)
(2,505)	Contributions towards expenditure	(1,058)
<b>(110,566)</b>	<b>Total Income</b>	<b>(111,458)</b>
	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>(56,841)</b>
(29,988)	HRA service share of Corporate and Democratic Core	777
<b>679</b>	<b>Net Income for HRA Services</b>	<b>(56,064)</b>
	<b>HRA share of operating income &amp; expenditure included in the Comprehensive I&amp;E Statement</b>	
(15,553)	Gain on sale of HRA non-current assets	(21,482)
10,325	Interest payable and similar charges	9,542
(3,364)	Interest and net investment income	(2,245)
207	Net interest on the net defined benefit liability	110
(23,041)	Capital grants and contributions receivable	(1,057)
<b>(60,735)</b>	<b>Surplus for the year on HRA services</b>	<b>(15,132)</b>
		<b>(71,196)</b>

# HOUSING REVENUE ACCOUNT

2015/16	Movement on the HRA Statement	2016/17	
£'000		£'000	£'000
<b>(38,606)</b>	<b>Balance on the HRA at the end of the previous year</b>		<b>(39,319)</b>
<b>(60,735)</b>	Surplus for the year on the HRA Income and Expenditure Statement		<b>(71,196)</b>
	<b>Adjustments between accounting basis and funding basis under statute</b>		
<b>(189)</b>	- Difference between interest payable and similar charges determined in accordance with the Code and those determined in accordance with statute	<b>(129)</b>	
21,932	- Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	23,964	
15,553	- Reversal of gain on sale of HRA non-current assets	21,482	
<b>(301)</b>	- HRA share of contributions to or from the Pensions Reserve	<b>(110)</b>	
21,759	- Capital expenditure funded by the HRA	34,807	
18,130	- Transfer to Major Repairs Reserve	14,998	
<b>(18,130)</b>	- Transfer from Capital Adjustment Account	<b>(14,998)</b>	
<u>58,754</u>	Net decrease before transfers to or from reserves		80,014
	<b>Transfers to reserves</b>		
1,268	- HRA Smoothing Reserve	331	
<u>0</u>	- Homes for Haringey Reserve	<u>629</u>	
<b>(713)</b>	(Increase) or decrease in year on the HRA		960
			9,778
<b><u>(39,319)</u></b>	<b>Balance on the HRA at the end of the year</b>		<b><u>(29,541)</u></b>

# HOUSING REVENUE ACCOUNT

## 1. Vacant possession

As at 1 April 2016 the vacant possession value of dwellings within the HRA was £5,011 million (£4,368 million as at 1 April 2015). The difference between vacant possession value and the Balance Sheet value of dwellings shows the economic cost to government of providing council housing at less than open market rents, net of the impairment to the value of the Housing Stock.

## 2. Number and types of dwellings in the housing stock

	31 March 2017 No.	31 March 2016 No.
Hostels	127	127
Houses and bungalows	5,057	5,097
Flats and maisonettes	10,233	10,342
Affordable housing	6	0
<b>Stock at 31 March</b>	<b>15,423</b>	<b>15,566</b>

## 3. Value of assets held on the balance sheet

	31 March 2017 £'000	31 March 2016 £'000
<b>Value of assets</b>		
Dwellings	1,418,138	1,217,162
Other land and buildings	9,120	8,335
Investment properties	26,810	26,708
<b>Values at 31 March</b>	<b>1,454,068</b>	<b>1,252,205</b>

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

HRA REFCUS for 2016/17 was £4.697 million (£2.269 million in 2015/16) and relates primarily to capital expenditure on improvement works to Council estates e.g. bin stores, play areas and signage.

## 5. Impairment charges and revaluation losses

The HRA was charged with £0.331 million of downward revaluations on investment properties during 2016/17 (£1.220 million in 2015/16).

## 6. Capital expenditure

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

	2016/17 £'000	2015/16 £'000
Expenditure on dwellings	58,210	62,982
<i>Funded by</i>		
Usable capital receipts	2,085	0
Revenue contributions	34,807	21,759
Grants and contributions	2,000	25,506
Major Repairs Reserve	19,318	15,717
	<b>58,210</b>	<b>62,982</b>

# HOUSING REVENUE ACCOUNT

## 7. Capital receipts

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

	2016/17	2015/16
	£'000	£'000
Dwellings	(21,697)	(15,501)
Land and other property	(224)	(727)
	<b>(21,921)</b>	<b>(16,228)</b>

## Depreciation

	2016/17	2015/16
	£'000	£'000
Operational assets		
Dwellings	14,814	17,992
Other land and buildings	158	139
	<b>14,972</b>	<b>18,131</b>

## 8. Major repairs reserve

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

	2016/17	2015/16
	£'000	£'000
<b>Balance at 1 April</b>	<b>(5,081)</b>	<b>(2,668)</b>
Amount transferred to Major Repairs Reserve during financial year	(14,972)	(18,130)
Capital expenditure on dwellings during financial year	19,318	15,717
<b>Balance at 31 March</b>	<b>(735)</b>	<b>(5,081)</b>

## 9. Rent Arrears

The arrears as at 31 March 2017 are set out below.

	31 March 2017	31 March 2016
	£'000	£'000
Type of tenancy		
Permanent (including licences)	9,962	8,708
Temporary	738	689
Total arrears	10,700	9,397
Less impairment for doubtful debts	(8,142)	(7,957)
<b>Net Arrears</b>	<b>2,558</b>	<b>1,440</b>

The average rent for permanent tenants was £104.76 per week in 2016/17, a decrease of £1.03 (-1.0%) over the 2015/16 average rent of £105.79 per week.

The total provision included in the Balance Sheet in respect of all HRA uncollectable debts is £8.430 million (£9.010 million as at 31 March 2016).

# COLLECTION FUND

2015/16			2016/17			
Council Tax £000	NDR £000	Total £000	Note	Council Tax £000	NDR £000	Total £000
<b>Amounts required by statute to be credited to the Collection Fund</b>						
(112,736)	(63,081)	(175,817)		(115,956)	(66,312)	(182,268)
	(1,435)	(1,435)			(1,419)	(1,419)
	(15,131)	(15,131)			(9,298)	(9,298)
<b>Amounts required by statute to be debited to the Collection Fund</b>						
83,862	19,305	103,167		87,188	19,837	107,025
20,889	12,870	33,759		19,920	13,224	33,144
	32,175	32,175			33,061	33,061
	32	32			368	368
	1,367	1,367			1,348	1,348
	6	6			5	5
	307	307			306	306
1,291	6,652	7,943		1,228	(2,469)	(1,241)
4,182	-	4,182		7,315	-	7,315
<b>(2,512)</b>	<b>(6,933)</b>	<b>(9,445)</b>		<b>(305)</b>	<b>(11,349)</b>	<b>(11,654)</b>
(6,218)	17,060	10,842	1	(8,730)	10,127	1,397
<b>(8,730)</b>	<b>10,127</b>	<b>1,397</b>	<b>1</b>	<b>(9,035)</b>	<b>(1,222)</b>	<b>(10,257)</b>

# COLLECTION FUND

## 1. Fund Balance

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

	Council Tax	Non-domestic Rates	Total
	£'000	£'000	£'000
As at 1st April 2016	(8,730)	10,127	1,397
Movement on fund balance	(305)	(11,349)	(11,654)
<b>As at 31st March 2017</b>	<b>(9,035)</b>	<b>(1,222)</b>	<b>(10,257)</b>

## 2. Income from Business Rates

Under the Business Rates Retention Scheme the business rates collected by the Council are distributed so that the government receives 50%, the Council receives 30% and the GLA receives 20%.

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

- (i) The small business multiplier was 48.4 pence (48.0 pence in 2015/16); and
- (ii) The standard multiplier was 49.7 pence (49.3 pence in 2015/16).

The total business rateable value for the Council at 31 March 2017 was £164.556 million (£165.082 million in 2015/16) of which £48.181 million related to small businesses. The total rateable value reduced during 2016/17 largely due to the effect of successful appeals.

## 3. Council Tax

In 2016/17 the tax base for Haringey was 72,175 properties (70,810 in 2015/16) which was used to calculate the Band D Council Tax of £1,484.01 (£1,479.32 in 2015/16), sufficient to generate the income required to cover the net expenditure of the two authorities which precept on the Collection Fund. The table below shows the number of properties in each band and the number of Band D equivalent properties after allowing for non-collection (the tax base).

Band	Ranges		Number of chargeable dwellings		Proportion	Band D Equivalent No.	
	from	to	2016/17	2015/16		2016/17	2015/16
	£	£					
A	up to	40,000	3,933	3,690	0.67	2,622	2,460
B	40,001	52,000	10,900	10,467	0.78	8,477	8,141
C	52,001	68,000	23,176	22,622	0.89	20,601	20,108
D	68,001	88,000	19,057	18,710	1.00	19,057	18,710
E	88,001	120,000	8,355	8,251	1.22	10,212	10,084
F	120,001	160,000	4,626	4,627	1.44	6,683	6,684
G	160,001	320,000	4,239	4,255	1.67	7,065	7,091
H	320,001	and above	629	630	2.00	1,257	1,259
			<u>74,915</u>	<u>73,253</u>		<u>75,974</u>	<u>74,537</u>
Collection rate after allowance for non-collection						95%	95%
<b>Council Tax base used to calculate Band D</b>						<b><u>72,175</u></b>	<b><u>70,810</u></b>

# PENSION FUND

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

### Opinion on the financial statements of the pension fund

We have audited the pension fund financial statements of the London Borough of Haringey Pension Fund for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the pension fund account, the net assets statement and the related notes. The framework that has been applied in the preparation of the pension fund financial statements is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Council of London Borough of Haringey, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Statement of Responsibilities of Auditors and Audited Bodies within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and

International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read the financial and non-financial information in the Narrative Report and all other information in the statement of accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on pension fund financial statements

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the London Borough of Haringey Pension Fund during the year ended 31 March 2017 and the amount and disposition of the fund's assets and liabilities as at 31 March 2017, other than the liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

# PENSION FUND

## Opinion on other matters

In our opinion, the information published together with the audited financial statements is consistent with the financial statements.

BDO LLP

Leigh Lloyd-Thomas

For and on behalf of BDO LLP, Appointed Auditor

London, UK

30 September 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# PENSION FUND

2016/17	Pension Fund Account	Note	2015/16
£000			£000
	<b>Dealings with members, employers and others directly involved in the fund</b>		
47,249	Contributions	7	43,851
<u>2,839</u>	Transfers in from other pension funds	8	<u>1,741</u>
50,088			45,592
(47,223)	Benefits	9	(44,321)
<u>(3,662)</u>	Payments to and on account of leavers	10	<u>(3,790)</u>
(50,885)			(48,111)
<b>(797)</b>	<b>Net withdrawals from dealings with members</b>		<b>(2,519)</b>
(4,646)	Management expenses	11	(4,415)
<b>(5,443)</b>	<b>Net withdrawals including fund management expenses</b>		<b>(6,934)</b>
	<b>Returns on Investments:</b>		
4,146	Investment Income	12	4,675
(4)	Taxes on income	13	(25)
262,508	Profit and losses on disposal of investments and changes in market value of investments	14a	3,206
<u>266,650</u>	<b>Net return on investments</b>		<u>7,856</u>
261,207	<b>Net increase in the net assets available for benefits during the year</b>		922
<u>1,046,277</u>	<b>Opening net assets of the scheme</b>		<u>1,045,355</u>
<u>1,307,484</u>	<b>Closing net assets of the scheme</b>		<u>1,046,277</u>

31/03/17	Net Asset Statement	Note	31/03/16 restated
£000			£000
	<b>Long Term Investments</b>		
150	London CIV	1	150
<u>150</u>			<u>150</u>
	<b>Current Investments</b>		
1,275,186	Investment assets	14	1,024,883
<u>33,907</u>	Cash deposits	14	<u>20,694</u>
1,309,093			1,045,577
1,488	Current assets	21	2,140
<u>(3,247)</u>	Current liabilities	22	<u>(1,590)</u>
<b>1,307,484</b>	<b>Net assets of the fund available to fund benefits at the period end</b>		<b>1,046,277</b>

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

# PENSION FUND

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

### Introduction

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

The financial statements have been prepared in accordance with the Public Service Pensions Act 2013 (as amended) and Local Government Pension Scheme Regulations and with the guidelines set out in the *Code of Practice on Local Authority Accounting in the UK 2016/17*, which is based on International Financial Reporting Standards as amended for the UK public sector. The fund is administered in accordance with the following secondary legislation:

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

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

Fund as at 31<sup>st</sup> March 2017.

### Investments and Statement of Investment Principles

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

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

The strategy is set out in detail in the Investment Strategy Statement (ISS), (previously the Statement of Investment Principles), which is published in the Pension Fund Annual Report. The ISS is regularly updated to reflect any changes made to investment management arrangements and reports the extent of compliance with the Myners principles of investment. All investments are externally managed, with the exception of a small allocation of cash required for the payment of benefits, which is managed internally. The Fund awarded two new mandates in 2016/17, one to a long lease property fund to Aviva, and a renewable energy mandate to Blackrock and Copenhagen Investment Partners. Neither of these mandates were funded as at 31<sup>st</sup> March 2017

### Fund administration and membership

At 31 March 2017, there were 6,167 (2016: 6,229) active fund memberships with employees contributing to the Fund and 7,508 (2016: 7,304) pensioner and dependent memberships with individuals receiving benefits. There were also 8,769 (2016: 8,519) deferred pensioner memberships. Some individuals have

# PENSION FUND

multiple memberships due to having had multiple contracts of employment with fund employers.

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

## Transferee Admission Bodies:

- Cofely Workplace Limited
- Churchill Contract Services
- Fusion Lifestyle
- Urban Futures London Limited
- Veolia Environmental Services (UK) PLC
- Lunchtime UK Limited (nine school contracts)
- ABM (two school contracts)
- Caterlink (four school contracts)
- Absolutely Catering
- Cooperscroft Care Home
- Superclean Services
- ISS Catering
- K M Cleaning
- Tottenham UTC
- Amey Community Limited
- Pabulum (nine school contracts)
- Hillcrest Cleaning

## Community Admission Bodies:

- Alexandra Palace Trading Co Limited
- Haringey Citizens Advice Bureau

## Scheduled Bodies:

- Homes for Haringey
- College of Haringey, Enfield & North East London
- Greig City Academy

- Fortismere School
- Alexandra Park Academy
- Woodside Academy
- Eden Free School
- Harris Academy Coleraine
- Harris Academy Philip Lane
- AET Trinity Primary
- AET Noel Park
- Haringey 6<sup>th</sup> Form Centre
- St Paul's & All Hallows Infant Academy
- St Paul's & All Hallows Junior Academy
- St Michael's Academy
- St Ann CE Academy
- Holy Trinity CE Academy
- Heartlands High School
- St Thomas More RC Academy
- Brook House Primary
- Millbrook Primary School
- Harris Academy Tottenham
- The Octagon

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

## **Description of the fund and effect of any changes during the period**

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

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

Haringey Council in its role as Administering Authority has delegated responsibility for administering the Pension Scheme to the Pensions Committee and Board. Details of the individuals who served on the Pensions Committee and Board during 2016/17 are shown below.

The terms of reference for Pensions Committee and Board are set out in the Council's constitution. The Committee and Board consist of six elected Councillors and four employer and employee representatives, (two of which were vacant in 2016/17). Councillors are selected by their respective political groups and their appointment is confirmed at a meeting of the full Council. Councillors are not appointed for a fixed term but the membership is reviewed regularly, normally annually, by the political groups. The membership of the Committee and Board during the 2016/17 year was:

Cllr Clare Bull	-	Chair
Cllr John Bevan	-	Vice Chair
Cllr Mark Blake	-	Member
Cllr Gideon Bull	-	Member
Cllr Viv Ross	-	Member
Cllr Noah Tucker	-	Member
Randy Plowright	-	Employee representative
Keith Brown	-	Employer representative

## Restatement of Long Term Investments

The 2015/16 accounts included the Fund's £150k equity investment in the London Collective Investment Vehicle (CIV) in the current assets section of the accounts. The 2015/16 net assets statement and relevant notes to the accounts have therefore been restated, to show this as a long term investment, not a current asset.

## 2. Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2016/17 financial year and its position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

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## 3. Significant accounting policies

### Contributions

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

### Transfers in and out

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

### Investment income

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

### Benefits

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

### Taxation

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

### Management expenses

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

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

### Financial assets and liabilities

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

The value of these holdings is based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers adjusted for draw-downs paid and distributions received in the period from the date of the private equity financial statements to 31<sup>st</sup> March 2017. Infrastructure holdings are valued by third parties appointed by the fund manager using mark

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to market modelling.

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

## Foreign currency transaction

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

## Cash and Cash Equivalents

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

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

## Actuarial Present Value of Promised Retirement Benefits

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

As permitted under IAS 26 and CIPFA guidance, the Fund has

opted to disclose the actuarial present value of promised retirement benefits as an annex to the financial statements, however a brief summary of this is also included as note 20 in these accounts.

## Additional Voluntary Contributions (“AVCs”)

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

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

## **4. Critical judgements in applying accounting policies**

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

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

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difference may be material. Further detail is given in note 16. Actuarial present value of promised retirement benefits – the liability to pay pensions is based on a significant number of assumptions including the discount rate, mortality rates and expected returns on fund assets. The liability is calculated by the Fund’s qualified Actuary on a three yearly basis with annual updates in the intervening years. The three yearly triennial valuation provides the basis for setting employer contributions for the following three year period. The Actuary has advised that this has provided a reasonable estimate of the actuarial present value of promised retirement benefits. Further detail is given in Annex 1 to these accounts.

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

Items	Uncertainties	Effect if actual results differ from assumptions
<b>Actuarial Present Value of promised retirement benefits</b>	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: - 0.5% increase in the discount rate would result in a decrease in the pension liability of £180m (10%) - 0.5% increase in assumed earnings would increase the value of the liabilities by approximately £32m (2%) - 0.5% increase in assumed pension earnings inflation would increase the value of liabilities by approximately £145m (8%)
<b>Private Equity</b>	Private Equity investments are valued at fair value in accordance with international Private Equity and Venture Capital Guidelines. These assets are not publicly listed, and as such there is a degree of estimation.	The total private equity investments in the financial statements are £54m. There is a risk that this may be over or understated: however, the private equity investments only represent 4% of overall assets. Further detail is shown in Note 16 regarding the sensitivity of this valuation.

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## 6. Events after the reporting date

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

## 7. Contributions receivable

2016/17		2015/16	
£000	By category	£000	
9,341	Employee contributions	9,122	
	Employer contributions		
25,469	- Normal contributions	24,224	
10,494	- Deficit recovery contributions	9,014	
1,945	- Augmentation contributions	1,491	
37,908	Total employers' contributions	34,729	
<b>47,249</b>	<b>Total</b>	<b>43,851</b>	

2016/17		2015/16	
£000	By authority	£000	
34,036	- Administering authority	32,249	
11,301	- Scheduled bodies	9,705	
1,913	- Admitted bodies	1,897	
<b>47,249</b>	<b>Total</b>	<b>43,851</b>	

## 8. Transfers in from other pension funds

There were transfers in to the Pension Fund during 2016/17 of £2.839 million (£1.741 million in 2015/16) and these all related to individuals.

## 9. Benefits payable

2016/17		2015/16	
£000	By category	£000	
37,195	- Pensions	36,387	
8,040	- Commutation and lump sum retirement benefits	7,107	
1,989	- Lump sum death benefits	827	
<b>47,223</b>	<b>Total</b>	<b>44,321</b>	

2016/17		2015/16	
£000	By authority	£000	
42,192	- Administering authority	39,585	
3,904	- Scheduled bodies	3,480	
1,127	- Admitted bodies	1,256	
<b>47,223</b>	<b>Total</b>	<b>44,321</b>	

## 10. Payments to and on account of leavers

2016/17		2015/16	
£000		£000	
87	Refunds to members leaving service	73	
3,575	Individual transfers	3,717	
<b>3,662</b>	<b>Total</b>	<b>3,790</b>	

## 11. Management expenses

2016/17		2015/16	
£000		£000	
865	Administrative costs	722	
3,493	Investment management expenses	3,325	
288	Oversight and governance costs	368	
<b>4,646</b>	<b>Total</b>	<b>4,415</b>	

## PENSION FUND

This analysis of the costs of managing the Haringey Pension Fund during the period has been prepared in accordance with CIPFA guidance. The oversight and governance costs category includes £21k for external audit fees in 2016/17 (£21k in 2015/16).

2016/17		2015/16
£000		£000
3,237	Management Fees	2,927
0	Performance Related Fees	0
57	Custody fees	78
199	Transaction Fees	320
<b>3,493</b>	<b>Total</b>	<b>3,325</b>

### 12. Investment income

2016/17		2015/16
£000		£000
4,113	Pooled investments - unit trusts and other managed funds	4,654
33	Interest on cash deposits	21
<b>4,146</b>	<b>Total</b>	<b>4,675</b>

### 12a. Property income

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

### 13. Taxes on income

The income tax shown on the face of the Pension Fund Account

relates to withholding tax (pooled).

### 14. Investments

#### 14a. Reconciliation of movements in investment assets and liabilities

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

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

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2015/16	Value at 1st April 2015	Purchases at cost/derivative payments	Sales proceeds & derivative receipts	Changes in market value	Value at 31st March 2016
	£000	£000	£000	£000	£000
Pooled investment vehicles	1,032,723	57,541	(69,269)	1,305	1,022,300
Cash deposits	13,150	14,786	(9,145)	1,903	20,694
Other investment assets	68	3,872	(1,355)	(2)	2,583
<b>Total</b>	<b>1,045,941</b>	<b>76,199</b>	<b>(79,769)</b>	<b>3,206</b>	<b>1,045,577</b>

## 14b. Analysis of investments

31/03/2017	By category	31/03/2016
£000		£000
<b>Pooled Investment Vehicles</b>		
90,876	Unit Trusts - Property - UK	103,149
329,747	Unitised Insurance Policies - UK	310,647
721,999	Unitised Insurance Policies - Overseas	499,971
0	Other managed funds - Property - Overseas	420
27,819	Other managed funds - Other - UK	21,611
50,467	Other managed funds - Other - Overseas	46,531
54,278	Private Equity	42,554
<b>1,275,186</b>		<b>1,024,883</b>
<b>Cash Deposits</b>		
29,771	Sterling	19,393
4,136	Foreign Currency	1,301
<b>33,907</b>		<b>20,694</b>
<b>1,309,093</b>	<b>Total Investments</b>	<b>1,045,577</b>

## 14c. Analysis by Fund Managers

31/03/2017		By fund manager	31/03/2016	
£000	%		£000	%
5	0.00	Capital International	9	0.0
1,051,745	80.3	Legal and General	810,619	77.5
113,023	8.6	CBRE Global Investors	111,024	10.6
27,814	2.1	Allianz Global Investors	21,621	2.1
50,467	3.9	CQS	46,529	4.5
58,424	4.5	Pantheon	44,110	4.2
7,615	0.6	In house cash deposits	11,665	1.1
<b>1,309,093</b>	<b>100.0</b>	<b>Total</b>	<b>1,045,577</b>	<b>100.0</b>

The managed funds in which the Scheme has invested are all operated or managed by companies registered in the United Kingdom. The following investments represent more than 5% of the net assets of the scheme.

31/03/2017		Name of holding	31/03/2016	
£000	%		£000	%
138,965	11%	Legal & General World Emerging Equity Index	102,915	9.8
151,526	12%	Legal & General UK Equities Index	160,204	15.3
222,584	17%	Legal & General North American Equities	240,793	23.0
74,404	6%	Legal & General European (ex UK) Equities	79,217	7.6
183,837	14%	Legal & General Index Linked Gilts	150,733	14.4
214,432	16%	Legal & General Low Carbon Index	0	0.0

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## 15. Analysis of derivatives

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

## 16. Fair Value Hierarchy

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

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

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

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## Sensitivity of assets valued at level 3

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

Asset	Assessed Valuation Range +/-	Valuation as at 31/03/2017	Value on Increase	Value on Decrease
		£000	£000	£000
Pooled UK property unit trusts	2%	90,845	92,662	89,028
Private Equity	5%	54,278	56,992	51,564
		<b>145,123</b>	<b>149,654</b>	<b>140,592</b>

## 16a. Fair Value Hierarchy

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

### Level 1

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

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

### Level 2

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

### Level 3

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

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

# PENSION FUND

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

Values as at 31/03/16 restated	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets at fair value through profit and loss	2,581	878,760	143,542	1,024,883
<b>Total</b>	<b>2,581</b>	<b>878,760</b>	<b>143,542</b>	<b>1,024,883</b>

The figures for level 2 and level 3 investments have been restated from 2015/16 to show £29.286m of pooled property fund investments as level 3 investments rather than level 2 investments. In the 2015/16 accounts the £2.581m assets at level 1 was shown as 'Loans and receivables' rather than 'Financial assets at fair value through profit and loss': this is now shown as 'Financial assets through profit and loss'.

## 16b. Transfers between Levels 1 and 2

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

## 16c. Reconciliation of fair value measurements within level 3

2016/17	Value at 1st April 2016 restated	Purchases in the year	Sales in the year	Unrealised gains (losses)	Realised gains (losses)	Value at 31st March 2017
	£000	£000	£000	£000	£000	£000
Pooled UK property unit trusts	100,988	2,000	(9,791)	(2,275)	(77)	90,845
Private Equity	42,554	9,106	(8,959)	10,404	1,173	54,278
<b>Total</b>	<b>143,542</b>	<b>11,106</b>	<b>(18,750)</b>	<b>8,129</b>	<b>1,096</b>	<b>145,123</b>

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

## 17. Financial Instruments

### 17a. Classification of financial instruments

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

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financial liabilities at amortised cost because they are not held for trading.

The 2015/16 accounts included the Fund's £150k equity investment in the London Collective Investment Vehicle (CIV) in 'Loans and Receivables' section of this note, this is now shown as a long term investment below.

31/03/2017		31/03/2016
Fair Value	Name of holding	Fair Value restated
£000		£000
<b>Long Term Investments</b>		
150	- London CIV	150
<b>150</b>		<b>150</b>
<b>Financial assets at fair value through profit or loss</b>		
1,275,149	- Pooled investment vehicles	1,022,302
37	- Other investment balances	2,581
<b>1,275,186</b>		<b>1,024,883</b>
<b>Loans and receivables</b>		
33,907	- Cash deposits	20,694
1,488	- Debtors	2,140
<b>35,395</b>		<b>22,984</b>
<b>Financial liabilities at amortised cost</b>		
(2,736)	- Creditors	(1,467)
(511)	- Cash overdrawn	(123)
<b>(3,247)</b>		<b>(1,590)</b>
<b>1,307,484</b>	<b>Net Assets</b>	<b>1,046,277</b>

The fair values shown above are the same as the carrying value

for each line.

## 17b. Net gains and losses on financial instruments

2016/17		2015/16
£000		£000
	Financial Assets	
262,513	Fair value through profit or loss	1,305
(4)	Loans and receivables	1,901
<b>262,509</b>		<b>3,206</b>

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

## 18. Nature and extent of risks arising from Financial Instruments

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

### a) Management of risk

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

## PENSION FUND

### Report and Accounts.

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

The listed equity and index linked portfolios held within pooled investment vehicles, representing 67.5% of the fund's investment strategy (this mandate is currently overweight in actual terms as newer investment mandates are funded from the passive portfolios), are managed on a passive basis to minimise the volatility of returns compared with market indices and to reduce the fees and governance requirements.

#### b) Market price risk

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

As at 31/03/2017	Value	%	Value on	Value on
	£000	change	increase	decrease
	£000	%	£000	£000
UK equities	145,910	13.2	165,214	126,606
Overseas equities	721,999	17.4	847,696	596,301
UK bonds	183,837	11.4	204,715	162,959
Cash	33,907	0.0	33,907	33,907
Property	90,876	5.5	95,836	85,917
Alternatives	132,564	5.3	139,565	125,563
<b>Total Assets</b>	<b>1,309,093</b>		<b>1,486,933</b>	<b>1,131,252</b>
As at 31/03/2016	Value	%	Value on	Value on
	£000	change	increase	decrease
	£000	%	£000	£000
UK equities	159,980	10.3	176,458	143,502
Overseas equities	499,971	9.3	546,468	453,474
UK bonds	197,196	9.1	215,141	179,251
Cash	20,496	0.0	20,496	20,496
Property	100,989	2.7	103,716	98,262
Alternatives	66,945	6.5	71,296	62,594
<b>Total Assets</b>	<b>1,045,577</b>		<b>1,133,575</b>	<b>957,579</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. Eight (2015/16: five) investment managers have been appointed to further diversify the Pension Fund's investments and lower risk. No funds had been invested with the three new fund managers appointed in 2016/17 as at 31<sup>st</sup> March 2017. 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.

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

### c) Exchange rate risk

The Pension Fund holds assets in currencies other than sterling, which made up 61% of the Fund value on 31<sup>st</sup> March 2017, equivalent to £793 million (2015/16: £509 million). These arise from passive pooled equities, private equity, property and cash. Foreign currency exposures were not hedged in 2016/17.

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

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

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

As at 31/03/2016	Value	%	Value on increase	Value on decrease
	£000	%	£000	£000
Overseas equities	499,971	10.0	549,969	449,975
Overseas property	420	10.0	462	378
Private equity	6,904	10.0	7,594	6,214
Cash	1,301	10.0	1,431	1,171
<b>Total Assets</b>	<b>508,596</b>	<b>10.0</b>	<b>559,456</b>	<b>457,736</b>

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

### d) Interest Rate risk

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

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

	Interest earned 2015/16	Interest rate if 1% higher	Interest rate if 1% lower
	£000	£000	£000
Cash deposits	68	160	0
<b>Total</b>	<b>68</b>	<b>160</b>	<b>0</b>

### e) Credit risk and counterparty risk

Credit risk is the risk counterparty fails to fulfil a transaction it has

# PENSION FUND

committed to entering into. This risk is particularly relevant to the Council's non-sovereign bonds (including those held in pooled funds) and cash investments.

The Investment Management Agreements the Council has signed with the external fund managers set out limits on the types of bonds the fund managers can purchase for the Fund in order to limit the possibility of default. The table below shows the split of the bond investments by credit rating at 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2016. The majority of bonds (2017: £184 million, 2016 £197m) are UK Government index linked, with the balance being corporate bonds. The UK Government has an AA+ credit rating.

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

	Market value	AA	A	BBB	Below BBB
	31/03/2016				
	£000	%	%	%	%
Bond exposure in pooled investment vehicles	197,196	76	3	1	20
<b>Total / Weighted Average</b>	<b>197,196</b>	<b>76</b>	<b>3</b>	<b>1</b>	<b>20</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.

31/03/2017			31/03/2016	
Exposure	Credit rating		Exposure	Credit rating
£000			£000	
26,292	AA-	Northern Trust	9,029	AA-
7,615	AAAm	Money Market Funds	11,665	AAAm
<b>33,907</b>			<b>20,694</b>	

The limits for 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. All of the internally managed cash held on 31<sup>st</sup> March 2017 was in money market funds and bank accounts with the main bank or custodian, ensuring cash is available as required. Monitoring of the cashflow position daily assists with maintaining this position.

The majority of the Council's non cash investments are in pooled funds whose underlying holdings are listed equities or bonds. These funds have regular (at least monthly) trade dates, which

# PENSION FUND

ensure it is possible to realise the investments easily if necessary.

## 19. Funding Arrangements

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

The key elements of the funding policy are:

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

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

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

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

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

Contribution increases were phased in over the three-year period ending 31 March 2017 for both scheme employers and admitted bodies. The actuary agreed that the Council's contribution rate could increase by 1.5% over a three year period from April 2017, from 24.9% of pensionable salaries to 26.4% in March 2019. The actuary specified a minimum level of contributions in monetary terms to cover the past service deficit.

Individual employer's rates will vary depending on the

# PENSION FUND

demographic and actuarial factors particular to each employer in the Fund. Full details of contribution rates payable can be found in the 2016 actuarial valuation report.

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

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

\*An allowance is also made for promotional pay increases.

## 20. Actuarial present value of promised retirement benefits

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

31/03/17		31/03/16
£m		£m
(1,849)	Present Value of promised retirement benefits	(1,591)
1,307	Fair Value of scheme assets	1,046
<b>(542)</b>	<b>Net Liability</b>	<b>(545)</b>

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

## 21. Current assets

The current assets figures have been restated for 31/03/16 to take account of the £150k long term investment in the London CIV: this had been included as a sundry debtor and public corporation or trading fund in the below notes.

31/03/17		31/03/16
£000		£000
	Debtors	
89	- Contributions due - employees	105
1,351	- Contributions due - employers	1,830
48	- Sundry debtors	205
<b>1,488</b>	<b>Total</b>	<b>2,140</b>

The below is an analysis of debtors.

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31/03/17		31/03/16
£000		£000
48	Central government bodies	32
165	Public corporations and trading funds	83
1,275	Other entities and individuals	2,025
<b>1,488</b>	<b>Total</b>	<b>2,140</b>

## 22. Current liabilities

31/03/17		31/03/16
£000		£000
(1,260)	Sundry creditors	(1,313)
(1,476)	Benefits payable	(154)
(511)	Bank overdraft	(123)
<b>(3,247)</b>	<b>Total</b>	<b>(1,590)</b>

The below is an analysis of creditors.

31/03/17		31/03/16
£000		£000
(92)	Other local authorities	(154)
(745)	Public corporations and trading funds	(731)
(2,410)	Other entities and individuals	(705)
<b>(3,247)</b>	<b>Total</b>	<b>(1,590)</b>

## 23. Additional Voluntary Contributions ("AVCs")

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

Movements by provider are summarised below:

31/03/2017	Equitable Life Assurance Society	31/03/2016
£000		£000
257	Value as at 6 April	344
0	Contributions received	2
(30)	Retirement benefits and changes	(89)
19	Changes in market value	0
<b>246</b>	<b>Value as at 5 April</b>	<b>257</b>
121	Equitable with profits	138
0	Equitable with deposit account fund	46
126	Equitable unit linked	73
<b>246</b>	<b>Total</b>	<b>257</b>

2	Number of active members	2
32	Number of members with preserved benefits	35

31/03/2017	Prudential Assurance	31/03/2016
£000		£000
754	Value as at 1 April	846
213	Contributions received	136
(281)	Retirement benefits and changes	(273)
35	Changes in market value	45
<b>721</b>	<b>Value as at 31 March</b>	<b>754</b>
483	Prudential with profits cash accumulation	466
85	Prudential deposit fund	87
153	Prudential unit linked	201
<b>721</b>	<b>Total</b>	<b>754</b>

73	Number of active members	77
23	Number of members with preserved benefits	26

## PENSION FUND

31/03/2017	Clerical and Medical	31/03/2016
£000		£000
42	Value as at 1 April	41
2	Contributions received	2
5	Changes in market value	(1)
<b>49</b>	<b>Value as at 31 March</b>	<b>42</b>
6	Clerical Medical with profits	6
43	Clerical Medical unit linked	36
<b>49</b>	<b>Total</b>	<b>42</b>
2	Number of active members	2
3	Number of members with preserved benefits	3

### 24. Agency Services

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

### 25. Related party transactions

#### Haringey Council

In 2016/17 the Pension Fund paid £0.571 million to the Council for administration and legal services (£0.571 million in 2015/16). As at 31<sup>st</sup> March 2017 an amount of £0.858 million was due from the Council to the Fund (£1.475 million in 2015/16).

#### Governance

During 2016/17 no Council members who served on the Pensions Committee and Board were also members of the Pension Fund. One of the employer and employee representatives for the Committee and Board was a fund member. Committee and Board members are required to declare their interests at the beginning of each Committee meeting and

as necessary during the discussion of individual items of business at Committee meetings if it becomes clear that a conflict of interest has arisen.

#### Key Management Personnel

The key management personnel for the fund is the Section 151 Officer for Haringey Council. The Council does not recharge the pension fund for this officer's costs. More details regarding the remuneration for this post can be found in the Council's statement of accounts.

### 26. Contingent liabilities and contractual commitments

The Fund had outstanding commitments to invest of £122.7 million (£50.4 million with Pantheon – Private Equity, £21.8 million with Allianz – Infrastructure debt, £0.5 million with CBRE Property and £50m with Aviva Property at 31<sup>st</sup> March 2017 (2016: £81.5 million). The commitments relate to outstanding call payments due in relation to the private equity and property and infrastructure debt portfolios.

### 27. Contingent assets

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

# PENSION FUND

## Annex 1 to the Financial Statements

### Pension Fund Accounts Reporting Requirement

#### Introduction

CIPFA's Code of Practice on Local Authority Accounting 2016/17 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Haringey Pension Fund ("the Fund").

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

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

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

#### Present value of promised retirement benefits

Present value of Promised Retirement Benefits	Year ended 31/03/2017	Year ended 31/03/2016
Active members	666	719
Deferred pensioners	515	371
Pensioners	618	501
<b>Total</b>	<b>1,849</b>	<b>1,591</b>

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

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

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

#### Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2017 and 31 March 2016. I estimate that the impact of the change in financial assumptions to 31 March 2017 is to increase the actuarial present value by £265m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £34m.

# PENSION FUND

## Financial assumptions

Year ended	31 Mar 2017 % p.a.	31 Mar 2016 % p.a.
Inflation/Pensions Increase Rate	2.4	2.2
Salary Increase Rate	3.0	4.2
Discount Rate	2.6	3.5

## Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

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

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

## Commutation assumptions

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

## Sensitivity Analysis

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

Change in assumptions for the year ended 31 March 2016	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% decrease in discount rate	10	180
0.5% increase in salary increase rate	2	32
0.5% increase in pensions increase rate	8	145

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

## Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2017 for accounting purposes'. The covering report identifies the appropriate reliance's and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.



Douglas Green FFA

27 April 2017

For and on behalf of Hymans Robertson LLP

# GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**International Financial Reporting Standards (IFRS)** are the accounting standards adopted by the International Accounting

# GLOSSARY

Standards Board (IASB). Councils are required to produce their accounts using IFRS.

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

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

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

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

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

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

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

expenditure.

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

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

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

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

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

## Annual Governance Statement 2016/17

### 1. Scope of responsibility

- 1.1 Haringey is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Haringey also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, with regard to a combination of economy, efficiency and effectiveness.
- 1.2 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 the Council's commitments as part of the Local Code of Corporate Governance, together with how it gets assurance that these commitments are in place and effective; it also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015, in relation to the publication of an Annual Governance Statement.

### 2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled. The framework also comprises the activities through which it accounts to, engages with and leads the community. Through the framework the authority is able to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
- 2.2 The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, but it can provide a reasonable assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Haringey's policies, aims and objectives. The system of controls also allows for the evaluation of the likelihood of risks being realised and the impact should they be realised, ensuring that we are able to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Haringey for the year ended 31st March 2017 and up to the date of the approval of the annual report and accounts.

### 3. The Governance Framework

#### Documentation demonstrating compliance with the governance principles

#### A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

##### Behaving with Integrity

- a) The Council's Member Code of Conduct (July 2014) requires members to declare interests; applies to Members and co-opted voting members on election or appointment. Published on the internet:  
[http://www.haringey.gov.uk/sites/haringeygovuk/files/lbh\\_constitution\\_part\\_5\\_section\\_a\\_-\\_part\\_1\\_\\_0.pdf](http://www.haringey.gov.uk/sites/haringeygovuk/files/lbh_constitution_part_5_section_a_-_part_1__0.pdf)
- b) Induction is provided for all new Members when they are elected on expected standards of behaviour.
- c) Officer Code of Conduct (February 2012). Published on the internal website. Code requires officers to declare all potential conflicts of interests and is provided to all new employees. Regular reminders are issued via internal staff newsletters on expected standards of behaviour.
- d) Haringey Values updated in 2015 (Human, Ambitious, Accountable, and Professional). Published on the internal website and internet:  
<http://www.haringey.gov.uk/local-democracy/our-standards>
- e) Decision making practices for member decisions follow legal and transparency requirements. Officer decisions are also recorded and published on Modern.gov: <http://www.minutes.haringey.gov.uk/mgDelegatedDecisions.aspx?DS=2&bcr=1>
- f) Register of interests and gifts and hospitality for members/co-optees checked on election/appointment. Minutes show declarations of interest sought and appropriate declarations made for each meeting. <http://www.haringey.gov.uk/local-democracy/our-standards/register-members-interests>
- g) Requirement for all new staff to complete Register of Interests declaration. Senior managers are required to complete a new form every two years; staff should complete a new form as/when circumstances change. Gifts and hospitality for members are recorded with their declarations of interests and are published on the website: <http://www.haringey.gov.uk/local-democracy/our-standards/register-members-interests> For officers, declaration forms are retained in Human Resources.
- h) Standard report format requires report authors to state how their proposal meets the corporate objectives and priorities. Report authors must also provide reasoning and evidence for proposals, so that the basis for decisions is clear and include statutory officer's advice,

### **Documentation demonstrating compliance with the governance principles**

including legal and finance advice. Training for report authors on writing clear, logical and objective reports was provided for officers in 2016/17 and standard templates are held on the internal website.

- i) Anti-fraud and corruption policies are in place, including the Whistle blowing policy (July 2015). The Head of Audit and Risk Management reports on actions, effectiveness and outcomes (and use of the whistle blowing policy) to Corporate Committee and provides awareness presentations to Corporate Management Group. Copies of the policies are on the internet:  
[http://www.haringey.gov.uk/sites/haringeygovuk/files/anti-fraud\\_and\\_corruption\\_policy\\_july\\_2015\\_-\\_appendix\\_2\\_whistleblowing\\_policy.pdf](http://www.haringey.gov.uk/sites/haringeygovuk/files/anti-fraud_and_corruption_policy_july_2015_-_appendix_2_whistleblowing_policy.pdf)  
[http://www.haringey.gov.uk/sites/haringeygovuk/files/anti-fraud\\_and\\_corruption\\_policy\\_july\\_2015.pdf](http://www.haringey.gov.uk/sites/haringeygovuk/files/anti-fraud_and_corruption_policy_july_2015.pdf)
- k) Corporate and service specific complaints policies are in place and published on the website. Level of complaints upheld at Stage 1 and 2 is monitored and reported regularly to the Council's Statutory Officers Group (latest report 18/10/16). Following the transfer of Feedback and Information Governance (FIG) Team to the Shared Service Centre (SSC) there has been an overhaul of reporting with an emphasis on learning from complaints. More information is being published and made easily accessible to customers – as part of this we are also conducting a review of the Publication Scheme. Training sessions have been developed looking at examples of best practice in responses and getting it right first time.  
<http://www.haringey.gov.uk/contact/council-feedback/complaints-about-council>
- l) Local Code of Corporate Governance (2013) in place and is published on the website: <http://www.haringey.gov.uk/local-democracy/our-standards>

### **Demonstrating strong commitment to ethical values**

- m) The Standards Committee, along with the Council's Monitoring Officer, establishes monitors and maintains the organisation's ethical standards and performance, reporting to full Council as necessary. The committee deals with allegations of breaches of the Member Code and issue (or require Groups to issue) reminders/advice notes to Members where issues of conduct cause concern.  
<http://www.haringey.gov.uk/local-democracy/our-standards/standards-committee>
- n) The Council is incorporating the Social Value Act requirements into all procurement and contracts; including a standard clause referring to 'PREVENT' in all contracts, as well as safeguarding and health and safety. The Council has various human resources policies and procedures in place; a process to review these was agreed by Staffing and Remuneration Committee in 2016/17:  
[http://www.minutes.haringey.gov.uk/documents/s85741/SR\\_HR-Policy-Clustering%20JMcG.pdf](http://www.minutes.haringey.gov.uk/documents/s85741/SR_HR-Policy-Clustering%20JMcG.pdf)

### **Documentation demonstrating compliance with the governance principles**

- o) The Council encourages external providers of services to act with integrity and in compliance with high ethical standards expected by the organisation in information sharing;

<http://www.haringey.gov.uk/community/community-safety-and-engagement/crime-and-disorder-information-sharing-protocol>

<http://www.haringey.gov.uk/sites/haringeygovuk/files/safeguarding-adults-multi-agency-isp-2013.pdf>

In procurement:

<http://www.haringey.gov.uk/business/selling-council/council-contracts>

### **Respecting the rule of law**

- p) Statutory officers are appointed by full Council. Their discipline/dismissals are dealt with in line with legal requirements that take account of the need to fulfil their responsibilities in accordance with legislative and regulatory requirements.
- q) The Council optimises the powers available for the benefit of citizens, communities and other stakeholders. Decisions are taken by Cabinet or full Council and examples in 2016/17 include Tottenham Hale regeneration, the ADA digital skills college, Marcus Garvey Library, and the Council development vehicle.
- r) Breaches of law/financial regulations can be the subject of a report to full Council by the relevant statutory officer. No statutory officer reports have been required in 2016/17.
- s) Statutory officers are available at meetings of the Council/Cabinet to advise and ensure law and regulations are not breached. The Council Constitution is reviewed and updated regularly and published on the internet: <http://www.haringey.gov.uk/local-democracy/about-council/council-constitution>

### **B. Ensuring openness and comprehensive stakeholder engagement**

#### **Openness/ Implementing good practice in transparency**

- a) The Council Publication Scheme sets out information available to view or download including under the requirements of the Transparency Code 2015. <http://www.haringey.gov.uk/local-democracy/publications/publication-scheme>
- b) Member decisions are rarely taken in the private (Part 2) section of meetings. One decision was has been taken in Part 2 in 2016/17, with five reports relating to procurement having part 2 appendices covering the commercially confidential information. Member delegated decisions are also taken at meetings advertised and open to the public. The constitution allows for deputations and petitions and a call in

### **Documentation demonstrating compliance with the governance principles**

procedure for cabinet key decisions is in place. The local and statutory requirements are set out in the Council Constitution:

<http://www.haringey.gov.uk/local-democracy/about-council/council-constitution>

- c) The Council carries out consultation on a regular basis with stakeholders. It has a consultation co-ordinator and a consultation charter and toolkit on its internal website. All consultations require a consultation plan which is posted on the consultation e-plan on the internet.

<http://www.haringey.gov.uk/local-democracy/have-your-say-haringey>. <http://www.haringey.gov.uk/local-democracy/have-your-say-haringey/our-commitments-you>

<http://www.haringey.gov.uk/local-democracy/policies-and-strategies/corporate-plan-2015-18/your-haringey-your-future>

The Council publishes 'Performance Wheels' on Corporate Plan objectives and outcomes on the website; feedback on our performance is encouraged through this route: <http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance>

### **Engaging comprehensively with institutional stakeholders**

- d) A new Partnership with the community sector was approved in December 2015 designed to forge stronger relationships with the local voluntary sector, working with the Moracle Foundation to improve the strength of the voluntary sector, enabling it to attract more funding and investment to support local communities. Co-production is being widely used across the Council's Corporate Plan Priority 2 to redesign services and deliver outcomes; the processes encompass full engagement with stakeholders and service users.

- e) Formal and informal partnerships allow for resources to be used more efficiently and outcomes achieved more effectively; the Corporate Plan incorporates key partnership working across all its priorities, including the Local Safeguarding Children's Board (LSCB), Safeguarding Adults Board (SAB), Multi-Agency Risk Assessment Conference (MARAC) and the Community Safety Partnership (CSP). Agendas and minutes for the CSP are published on the website: <http://www.minutes.haringey.gov.uk/ieListMeetings.aspx?CId=444&Year=0>

Examples where the Council participates in partnership include the Joint Health & Wellbeing Partnership with Islington; the shared information technology service with Camden and Islington; delivering the STEM commission recommendations; working with our schools to improve outcomes for children.

- f) Resident engagement also occurs in formal consultation and engagement processes; examples include between October and December 2016 on service priorities which was reported to Cabinet:

[http://www.minutes.haringey.gov.uk/documents/s91191/Cab%20February%202017%20-%20MTFS%20and%20budget%20report%20-%20FINAL%20VERSION\\_18.48.pdf](http://www.minutes.haringey.gov.uk/documents/s91191/Cab%20February%202017%20-%20MTFS%20and%20budget%20report%20-%20FINAL%20VERSION_18.48.pdf)

**Documentation demonstrating compliance with the governance principles**

g) The Council also uses social and print media to engage with residents and stakeholders, including the Council website, My Account, Twitter, Face book, Haringey People and the weekly Haringey People online. The Council also has specific partnerships and stakeholder newsletters including Team Noel Park; and Northumberland Park to engage with residents.

**C. Defining outcomes in terms of sustainable economic, social, and environmental benefits; and**

**D. Determining the actions necessary to optimise the achievement of the intended outcomes**

**Defining actions/outcomes and sustainable economic, social and environmental benefits**

- a) The Corporate Plan sets out how the Council might work with partners and with communities to improve the borough and make Haringey a more successful place, while delivering around £70million savings by 2018. The plan has five core priority areas, each under-pinned by a series of ambitious targets. It considers and balances the economic, social and environmental impact of policies, plans and decisions. The Plan includes a challenging set of performance measures. Programme planning and management require focus on outcomes and benefits identification and tracking as part of project implementation. There is a clear and consistent approach to the reporting of outcomes, benefits, risks and issues across Priority Boards. The Plan is published on the website: <http://www.haringey.gov.uk/local-democracy/policies-and-strategies/corporate-plan-2015-18>
- a) The Council publishes updates on its website to show how the Council and partners are achieving against specific targets every three months. The outcome targets specify the intended impact on service users, residents and other stakeholders.
- b) The Council has an agreed Medium Term Financial Strategy (MTFS) and Workforce Plan. Agreed at the same time as the Corporate Plan, these set out how the Council will deliver the corporate plan taking into account the full cost of operations and within available resources, balancing service priorities, and ensure its workforce has the right skills to enable it to achieve the agreed outcomes. Quarterly reports are provided to the Cabinet: <http://www.minutes.haringey.gov.uk/mgAi.aspx?ID=40179#mgDocuments>
- c) Robust planning and control cycles cover strategic and operational plans, priorities and targets. A new internal governance process was implemented in 2016/17 to provide regular monitoring and scrutiny of the achievement of the corporate plan and resources applied. For each priority, three new governance Boards were introduced: Finance Sub-groups and Operational Boards attended by senior officers and Strategic Boards attended by the relevant Cabinet Members. Performance against objectives is published on the website: <http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance>

#### **Documentation demonstrating compliance with the governance principles**

- d) A new 10-year capital strategy was approved by Full Council in July 2016, which sets out the Council's longer term investment requirements linked to priority objectives:

<http://www.minutes.haringey.gov.uk/documents/s86587/Report%20from%20Cabinet%20to%20Council%20-%20Capital%20Strategy.pdf>

#### **Determining actions and optimising achievement of intended outcomes**

- e) The Council includes requirements to enhance social value in contracts. For example, construction projects over £1m in value must include an apprenticeship scheme, and where possible, employers are encouraged to pay the London Living Wage. High value procurements include a significant weighting in the 'social value' section and, where applicable, requirements as to the use of community assets.

#### **E. Developing the entity's capacity, including the capability of its leadership and the individuals within it**

##### **Developing the entity's capacity**

- a) The Council's workforce plan runs from 2015-2018 and aims to ensure the Council has the right people in the right places with the appropriate skill to deliver the Council's priorities. The plan is published on the website: <http://www.haringey.gov.uk/local-democracy/policies-and-strategies/corporate-plan-2015-18>  
Workforce expectations also form a clear part of contracting and commissioning processes, as our workforce is not limited to employed staff, including complying with minimum and London Living Wage requirements.

##### **Developing the capability of the entity's leadership and other individuals**

- b) The Council Constitution specifies the types of decisions that are delegated and those reserved for the collective decision making of the full Council or Cabinet. <http://www.haringey.gov.uk/local-democracy/about-council/council-constitution>
- c) The Council's Constitution sets out the leader and chief executive roles to ensure the respective responsibilities are defined in accordance with decision making accountabilities. These comply with relevant statutory requirements. It also includes the general scheme of delegation. Each service area also has a service area scheme of authorisation for officers, currently published on the intranet.
- d) Members who sit on the Corporate and Regulatory Committees are provided with training specific to their responsibilities for these committees. Training sessions during 2016/17 included planning, licensing, audit, finance, pensions and treasury.

#### **Documentation demonstrating compliance with the governance principles**

- e) The Council provides a programme of training for all members, and members have access to the Council's corporate training and development programme, which is published on the internal website.
- f) During 2016/17 the Council rolled out 'My Conversation', a new performance management process, to all staff which focuses on personal and organisational development and performance; the Staffing and Remuneration Committee receives regular reports on people management issues in line with the Workforce Plan objectives. Guidance and templates for all staff are published on the internal website.
- g) The Council's Workforce Health and Wellbeing Strategy 2015-18 focuses on ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. The Council's corporate Health, Safety and Wellbeing Board monitors all key aspects of statutory and local requirements and has an action plan in place to address any identified gaps in compliance. Health and Wellbeing Fairs have been run to promote employee health.
- h) The Council has protocols in place which govern how the operational and working relationships between officers and members are managed and forms part of the Constitution: <http://www.haringey.gov.uk/local-democracy/about-council/council-constitution>
- i) The Council reviews operations, performance and use of assets on a regular basis to ensure their continuing effectiveness; the Corporate Plan highlights key performance objectives, targets and outcomes which are monitored and reported via the Council website. The performance reporting also compares current performance with statistical neighbours, London and England averages in most cases: <http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance>
- j) The Council has undertaken a Local Government Association (LGA) Peer Review and a 'Towards Excellence in Adult Social Care' of our adult social care services. No significant risks or issues were reported.

#### **F. Managing risks and performance through robust internal control and strong public financial management; and**

#### **G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

##### **Managing risk**

- a) Haringey has a corporate Risk Management Policy and Strategy which is published on the internal website and reviewed on a regular basis. 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.
- b) The Council's key risks are managed via corporate risk and Priority Boards risk registers; each is regularly reviewed via strategic and operational board meetings. Responsibility for individual risks and issues identified is clearly set out in risk registers. Internal audit reviews

### **Documentation demonstrating compliance with the governance principles**

of key risks are undertaken as part of the annual audit programme. Performance objectives and outcomes are reported on the website:  
<http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance>

- c) Haringey's business continuity planning is based on risk assessment and business impact analysis. Each service area produces a business continuity plan which is updated twice a year. Service continuity plans are incorporated into the Council-wide Business Continuity Plan. No significant business continuity issues were reported during the year.

### **Managing performance**

- d) The Council monitors service delivery effectively including planning, specification, execution and independent post implementation review which is set out in the Corporate Plan and outcome objectives:  
<http://www.haringey.gov.uk/local-democracy/policies-and-strategies/corporate-plan-2015-18>
- e) Overview and Scrutiny takes a detailed look at the Council's decisions and policies and works to promote open decision making and democratic accountability in Haringey by holding the Cabinet to account; developing and reviewing policy in an inclusive cross-party manner that involves local communities and other interested parties, reviewing the performance of the Council and scrutinising local services not provided by the Council, such as health services. Overview and Scrutiny Committee also reviews the Performance Wheels on a quarterly basis and individual Scrutiny Panels consider performance with reference to their reviews. The reports and recommendations are discussed and responded to by the Cabinet and published on the Council's website:  
<http://www.minutes.haringey.gov.uk/ieListMeetings.aspx?CId=128&Year=0>

### **Strong public financial management and robust internal control**

- f) The Medium Term Financial Strategy (MTFS) outlines the overall financial strategy for achieving the Council's priorities. The MTFS requires £70m of savings to deliver a balanced budget position each year between 2015 and 2018. The savings proposals were consulted on with residents, before being approved by Full Council in February 2015. Each Priority Board considers finance and budgets at every meeting, looking at both the budget and savings positions and tracking progress on both. Transformation and delivery of outcomes are strongly aligned to achieving savings and remaining within budget limits; the performance outcomes are reported on the website.
- g) The Council's financial management is based on a framework of regular management information and review to inform managers and members of the current budget position. Managers submit monthly budget forecasts and the Cabinet receives quarterly budget management information. The implementation of the new fortnightly Finance Sub-groups in 2016/17 allowed for greater senior officer scrutiny of the budget forecasts at an early stage. This led to a focus on key risk areas and the implementation of a number of effective

### **Documentation demonstrating compliance with the governance principles**

management plans to manage demand pressures. Corporate spend controls were also implemented as a result and this led to the projected overspend reducing from £28m at the end of the first quarter to £18m by quarter 3:

<http://www.minutes.haringey.gov.uk/documents/s91203/Period%209%20Financial%20Report%20to%20Cabinet%20-%20Final%20-%20010217%20version.pdf>

- h) The Council operates a 'zero tolerance' approach to fraud and corruption. The anti-fraud and corruption policy includes a fraud response plan, anti-bribery and money laundering policies and a whistle-blowing policy. The anti-fraud policy is published on the Council website and regular articles on how to report fraud are published in staff newsletters and Haringey People. In 2016/17, the Council investigated and recovered 48 illegally sublet properties; and prevented 100 potentially fraudulent Right to Buy applications in line with the anti-fraud policy. Referrals made using the whistle blowing policy were all reviewed, investigated and reported to the Corporate Committee, copies of the reports are on the website:  
<http://www.minutes.haringey.gov.uk/documents/s90792/Counter%20Fraud%20update%20report%20Qtr%203%202016-17%20final%202.pdf>
- i) The Council's internal and external auditors produce annual audit reports and the Annual Audit Letter, which were both reported to the Corporate Committee. External audit reported that the council had provided a good set of financial statements and working papers for 2015/16. No significant governance issues were raised by either report; recommendations were made to address some identified control weaknesses.
- j) Regular internal and external audit reviews check compliance with financial and contract procedure rules across the Council and the outcomes of these are reported to the Corporate Committee on a quarterly basis. All high priority recommendations, excluding those covering schools audits, made by internal audit were found to be implemented when follow up audits were undertaken. The Corporate Committee fulfilled its terms of reference in relation to audit functions; and reported positive outcomes in relation to pro-active counter-fraud activities in 2016/17.
- k) The Council's internal control arrangements are subject to annual self assessment by the Head of Audit and Risk Management; any gaps in compliance with mandatory standards are included in the statutory annual Head of Audit report.

### **Managing data**

- l) The Council has policies dealing with various aspects of data management including security and data protection; Freedom of Information Act; information asset registers; and general records management. These and supporting guidance are all published on the intranet. Data quality policy is published on the website: [http://www.haringey.gov.uk/sites/haringeygovuk/files/data\\_quality\\_policy\\_2013.pdf](http://www.haringey.gov.uk/sites/haringeygovuk/files/data_quality_policy_2013.pdf)

#### **Documentation demonstrating compliance with the governance principles**

- m) The Statutory Officers Group in August 2016 agreed a new protocol for the development of and accountability for data sharing protocols with partners.

#### **Implementing good practices in reporting**

- n) The Council produces an annual report to accompany its statement of accounts; for 2015/16 this received an unqualified opinion from the external auditor in 2016/17, who confirmed that the accounts provided a true and fair view of the Council's financial position; and the arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. Under the Local Accountability Act, the Council is responsible for appointing its external auditors from 2018/19; approval for the preferred appointment process was obtained from Corporate Committee in November 2016 and Full Council in February 2017:  
[http://www.minutes.haringey.gov.uk/documents/s91371/CC\\_to%20Council%202017%2002%2027%20External%20Audit%20appointment.pdf](http://www.minutes.haringey.gov.uk/documents/s91371/CC_to%20Council%202017%2002%2027%20External%20Audit%20appointment.pdf)
- o) The Council's Annual Governance Statement (AGS) is produced in accordance with required guidance and included in the statement of accounts; the AGS is reviewed by the Statutory Officers Group and Corporate Committee to ensure that any gaps in assurance or compliance issues are identified and addressed. Significant issues reported in 2015/16 are being addressed.
- p) As part of the Corporate Plan delivery arrangements, five Priority Boards are responsible for delivering the Corporate Plan with a responsible manager allocated as owner for each corporate priority. Outcomes and performance against all the priorities' objectives are published on the website: <http://www.haringey.gov.uk/local-democracy/performance-and-finance/council-performance>

#### **Assurance and effective accountability**

- q) Internal and external audit provide assurance on the Council's system of internal control to support the section 151 officer requirements, including reporting compliance with financial and contract procedure rules across the Council. The outcomes of audits are reported to the Corporate Committee on a quarterly basis. All outstanding recommendations are reported to Corporate Committee; a focus is maintained on ensuring all high priority recommendations are implemented. None remained outstanding in 2016/17.
- r) The Head of Audit and Risk Management and the internal audit service fully complied with the requirements of the mandatory UK Public Sector Internal Audit Standards, as evidenced by peer review and self assessment. Access to officers, members and information is guaranteed by the Constitution.

# ANNUAL GOVERNANCE STATEMENT

## 4. Significant governance issues

4.1 The Council identified some key areas where work would be undertaken in 2016/17 to ensure governance arrangements were in place and effective. An action plan was drawn up and progress on this is set out below.

Issue	Agreed Action/ Deadline	Progress update
Significant budget overspends within Children's and Adult Social Services and the Housing (Temporary Accommodation) budget.	Ensure the demand-led budgets within Children's and Adult Social Services and Temporary Accommodation are managed effectively in 2016/17 to reduce the identified overspends. Deadline: March 2017	Actions in progress: Issue included again for 2016/17 governance statement.
Implement new processes agreed in the Council's Workforce Plan to develop and manage staff effectively.	Performance management framework for employees to be implemented across all service areas in 2016/17; the outcomes reported to senior managers to assist in improving the Council's training and development plans. Deadline: March 2017	Complete.
Changes to the Council's governance structures were made to assist the delivery of the Corporate Plan.	Implement the new governance structures to assist the delivery of the outcomes in the Corporate Plan. Revise the Council's Local Code of Corporate Governance to reflect the changes in the corporate structures. Deadline: March 2017	In progress: Priority Boards' governance structures in place; Local Code of Corporate Governance to be agreed in 2017/18.

## ANNUAL GOVERNANCE STATEMENT

4.2 The Council has identified the following significant governance issues during 2016/17. It is proposed over the coming year to take steps to address the governance issues in these areas and these are set out in the action plan below. The action plan will be monitored during the year to ensure all issues are appropriately addressed.

Issue	Action	Responsibility	Due date
Delivery of the MTFS savings targets – significant budget overspends in 2016/17.	Ensure the demand-led budgets within Children’s and Adult Social Services and Temporary Accommodation are managed effectively in 2017/18 to deliver a balanced budget. Where MTFS savings targets cannot be met, the services will need to identify alternative savings plans to deliver a balanced budget. Regular reports on progress will be made to Cabinet.	Director of Children’s Services; Director of Adult Services; Section 151 Officer	March 2018
Recommendations were made by external audit to address some identified control weaknesses.	An action plan is in place to address the recommendations. Reports on progress will be made to Corporate Committee during 2017/18.	Section 151 Officer	March 2018
Schools performance; significant deterioration in audit assurance outcomes and financial balances.	The Council’s Senior Leadership Team, in conjunction with the Schools Forum, is developing an action plan to address financial and control weaknesses. Audit follow ups and action plans will be reported to the Schools Forum and Corporate Committee.	Director of Children’s Services; Section 151 Officer	March 2018
Preparing for the new EU General Data Protection Regulations in 2018.	An action plan is in place, which includes other key information governance requirements including Freedom of Information/Environmental Information Regulations; Transparency Code; and data sharing requirements.	Chief Operating Officer	March 2018
Updating the Local Code of Corporate Governance to reflect the new CIPFA/SOLACE guidance.	Revise the Council’s Local Code of Corporate Governance: ensure that it reflects the new Priority Boards’ governance structures and the 2016 guidance.	Assistant Director of Corporate Governance	March 2018
The Council’s Accounts Payable Manager identified that corporate payment control processes had broken down within Parks and Leisure Services.	A reconciliation of expenditure was undertaken to ensure that payments to authorised suppliers in Parks and Leisure Services had been made in accordance with agreed processes. New corporate processes were implemented in 2016/17; Internal Audit will review the new control processes to confirm they are operating effectively in 2017/18.	Assistant Director for Commercial and Operations	March 2018

# ANNUAL GOVERNANCE STATEMENT

## 5. Review of effectiveness

- 5.1 Haringey Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the statements of assurance and annual governance self-assessments by each director and assistant director, who have responsibility for the development and maintenance of the governance environment; the Head of Audit and Risk Management's annual report, and also by comments made by the Council's external auditors and other review agencies and inspectorates.
- 5.2 The Chief Operating Officer who holds the Council's statutory section 151 Officer role; the Assistant Director of Corporate Governance (the Council's Monitoring Officer); and the Head of Audit and Risk Management have also reviewed the work done by the Council relating to governance issues in 2016/17. Their comments on the key governance issues are as follows:
- Chief Operating Officer: There were significant overspends in three areas in both 2015/16 and 2016/17: Children's Services, Adult Social Services and Temporary Accommodation. Directors, Assistant Directors and the s151 Officer have been working to bring the services' spending in line with approved budgets, but the Council made a one-off contribution from non-ring fenced reserves to balance the budgets in these areas. Further action in all these areas will still be required during 2017/18 if the Council's MTFS is to be achieved.
  - Assistant Director of Corporate Governance: No significant governance issues were identified during the year in relation to Monitoring Officer functions.
  - Head of Audit and Risk Management: Work to support schools to address control weaknesses was maintained in 2016/17; however outcomes from school audits returned a significantly worse level of assurance overall: three schools received a 'nil' assurance rating; eleven schools received a 'limited' assurance rating; and five schools received a 'substantial' rating. Internal Audit provided training and guidance for school governors, head teachers and school finance staff in advance of all audits. Reports were made to the Schools Forum and Corporate Committee where the correlation between having a poor financial situation and a 'limited' or 'nil' assurance audit rating was highlighted. It has been agreed that further work with the Schools Forum will be undertaken during 2017/18 to help to improve the control and management processes at schools. No other significant governance issues were raised by internal audit during 2016/17.
- 5.3 The Head of Audit and Risk Management has also provided an Annual Audit Report and opinion for 2016/17. The report concluded that in most areas across the Council, with the exception of those areas receiving 'limited' assurance, there are sound internal financial control systems and corporate governance arrangements in place, and that risk management arrangements are satisfactory. All high priority recommendations outside of school audits were confirmed as being implemented when internal audit completed the follow up reviews.

## ANNUAL GOVERNANCE STATEMENT

- 5.4 Priority Owners have completed a statement of assurance covering 2016/17 which is informed by work carried out by Directors; Assistant Directors; heads of service and managers; internal audit; any external assessments; and risk management processes. The statements are used to provide assurance that any significant control issues that have been brought to their attention have been dealt with appropriately. No significant governance issues, apart from those identified at paragraph 4.2 were recorded.
- 5.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) statements on the role of the Chief Financial Officer (CFO) and the role of the Head of Internal Audit (HoA) in public service organisations have both been incorporated into the Council's overall governance arrangements. During 2016/17, the Council can confirm that both the CFO and HoA fulfilled all the requirements set out within the CIPFA statements, and assurance on this was obtained via internal and external audit reviews. No gaps in compliance were identified for either role.
- 5.6 The Leader of the Council and the Chief Executive have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Corporate Committee, and a plan to implement enhancements and ensure continuous improvement of the system is in place.
- 5.7 The evidence provided with regards to the production of the Annual Governance Statement has been considered by the Chief Executive and officers at the Statutory Officers' Group meetings on 15 November 2016 and 4 April 2017; and by the Council's Corporate Committee on 25 July 2017, who concluded that the Council has satisfactory governance systems in place and satisfactory plans to address the identified issues to ensure improvement; these arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The Chief Executive and the Statutory Officers' Group are committed to implementing the action plan, strengthening and improving controls and keeping the effectiveness of the Council's corporate governance arrangements under review during the year.

Signed by:

**Councillor Claire Kober**  
**Leader of the Council**

**Zina Etheridge**  
**Interim Chief Executive**