London Borough of Enfield

Statement of Accounts 2011-12

James Rolfe
Director of Finance, Resources & Customer Services

www.enfield.gov.uk

London Borough of Enfield – Statement of Accounts 2011/12

TABLE OF CONTENTS

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this Authority, that officer is James Rolfe, the Director of Finance, Resources & Customer Services;

- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

- To approve the Statement of Accounts.

THE DIRECTOR OF FINANCE, RESOURCES & CUSTOMER SERVICES' RESPONSIBILITIES

The Director of Finance, Resources & Customer Services is responsible for preparing the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (`the Code) based on International Financial Reporting Standards.

In preparing this Statement of Accounts, the Director of Finance, Resources & Customer Services has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code

The Director of Finance, Resources & Customer Services has also:

- Kept proper accounting records which were up to date, and
- Taken reasonable steps to prevent and detect fraud and other irregularities

CERTIFICATION BY THE DIRECTOR OF FINANCE, RESOURCES & CUSTOMER SERVICES AND THE CHAIRMAN OF THE AUDIT COMMITTEE

Certification

I certify that the Statement of Accounts give a true and fair view of the financial position of the Authority and of its expenditure and income for the year ended 31 March 2012

Signed	Signed
	D. Lemonides
James Rolfe Director of Finance, Resources & Customer Services	Dino Lemonides Chairman of the Audit Committee
27 September 2012	27 September 2012

1. INTRODUCTION

These accounts set out details of the Council's income and expenditure for the 2011/12 financial year and its financial position at 31st March 2012.

The accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 which is based on International Financial Reporting Standards (IFRS) and developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. The Code specifies the principles and practices of accounting required to give a "true and fair" view of the financial position of a local authority and sets out the proper accounting practices with which, by law, local authorities must comply. Proper practices also include the requirements of other codes of practice such as the CIPFA Service Reporting Code of Practice.

The Code incorporates the statutory framework established by the Accounts and Audit Regulations 2003 and subsequent amendments in force at 31st March 2012. The accounts are a public document but the main intended audience is those with an interest in local government finance. A glossary of technical terms is included at the back of the document.

2. THE COUNCIL'S ACCOUNTS

The accounts are divided into 3 sections as detailed below:

Section 1 - Core Financial Statements

These comprise:

a) The Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council analysed into "usable reserves" which can be applied to fund expenditure or reduce local taxation and other "unusable reserves".

The Statement discloses an increase in the Council's Usable Reserves (revenue and capital) from £142.2m at 31st March 2011 to £155.4m at 31st March 2012 and a reduction in unusable reserves (revenue and capital) from £581.9m to £415.4m.

b) The Comprehensive Income and Expenditure Statement

The Statement brings together the expenditure and income relating to all of the Council's functions. It excludes Trust Funds where the Council is acting as the trustee of a Charitable Trust. The Comprehensive Income and Expenditure Statement is prepared in accordance with accepted accounting practices. The presentation and format of the statement conforms to the requirements set out in the Code. However, the Council raises taxation to cover its expenditure in accordance with regulations. The reconciliation between the Deficit on Provision of Services shown in the Comprehensive Income and Expenditure Statement and the taxation position is shown in the Movement in Reserves Statement.

The analysis of service expenditure follows the requirements of the CIPFA Service Reporting Code of Practice. This is a separate Code of Practice concerned with the detailed financial reporting of the costs of local authority services.

The Statement discloses a deficit on the provision of services of £108.6m (£160.2m 2010/11) for the year on the basis of generally accepted accounting practices. The reconciliation of this figure to the position on the HRA and General Fund is disclosed in the Movement in Reserves Statement, which shows the General Fund Balance (excluding a £5.7m underspend on School Delegated Funds) has increased by £1.5m and the HRA Balance by £2.8m

c) The Balance Sheet

The Balance Sheet is fundamental to an understanding of the Council's year end financial position. It shows the balances and reserves at the Council's disposal, its long-term indebtedness and details of the Council's assets and liabilities. It excludes Trust Funds but includes the Council's share of the Collection Fund accumulated surplus and housing related balances.

The net assets of the Council (assets less liabilities) are matched by reserves; these are explained in the Movement in Reserves Statement.

The Balance Sheet discloses a reduction in the net worth of the Council by £153.3m. This is primarily due to an increase in the Pension Fund Deficit (£84m) and the movement in the carrying value of noncurrent assets. This also reflects the transfer of schools' assets to Academy and Free School status at nil consideration (£15.7m) and the buy out of the housing subsidy system payment to the DCLG matched by equivalent borrowing costs (£28.8m).

d) The Cash Flow Statement

The Cash Flow Statement summarises the inflows and outflows of cash and cash equivalents during the year classifying them as operating, investing and financing activities.

The Statement discloses an increase in cash and cash equivalents from a net liability of £2.6m as at 31 March 2011 to a net asset of £32.3m at 31st March 2012. This movement is primarily due to an increase in the amount of cash held in highly liquid deposits at 31 March 2012 partly reflected by an increase in temporary borrowing arrangements.

e) Notes to the Core Financial Statements

These provide specific disclosures on many of the key items included in the accounts, as prescribed by the Code. Additional notes have been provided where appropriate in order to provide greater clarity. The Notes include a Statement of the Council's Accounting Policies which have been applied in preparing the Financial Statements.

Section 2 - Supplementary Statements

a) The Housing Revenue Account (HRA) Income and Expenditure Statement

The Council has a statutory obligation to account separately for its housing landlord role. The HRA Income and Expenditure Statement is prepared on the basis of accepted accounting practices. However, the Council raises rents and receives subsidy in accordance with regulations. The Deficit on the Provision of HRA Services shown in the HRA Income and Expenditure Statement is reconciled to the basis on which rents are raised and subsidy receivable in the Movement in Reserves Statement.

The Statement discloses a deficit of £46m (£159m in 2010/11) based on generally accepted accounting practices. The deficit in 2010/11 was largely due the exceptional item reported for that year in respect of the adoption of a lower social housing factor applied to the market value of council dwellings (a reduction from 37% to 25%. The 2011/12 deficit has arisen because of the housing subsidy buy out payment to the DCLG (£28.8m), the impairment of assets associated with the re-development of the Ladderswood and Highmead Estates and other movements in asset values reflected in the Income and Expenditure Statement.

b) The Collection Fund Statement

This Statement is an agent's statement that reflects the statutory requirement for the Council, as a billing authority, to maintain a separate Collection Fund which shows the Council's transactions for council tax and non-domestic rates.

The Statement shows the way in which these funds have been distributed to the Greater London Authority and to the Council's General Fund.

The Fund showed a surplus £0.3m as at 31 March 2012 (surplus of £0.2m as at 31 March 2011). The surplus shows that collection rates are being maintained despite the current economic climate.

Section 3 – Pension Fund Accounts

These accounts disclose the annual income and expenditure of the Council's Pension Fund and state the market value of the investments held by the Fund at the year end.

3. GENERAL FUND REVENUE EXPENDITURE

General Fund revenue expenditure is expenditure on the main Council Departments – Schools and Children's Services, Environment, Health, Housing and Adult Social Care (except those provided as part of the Council's housing related landlord functions, which are included in the Housing Revenue Account), Regeneration, Leisure and Culture, Finance, Resources and Customer Services and the Chief Executive's Department. It consists of expenditure on items which are consumed within a year (such as salaries and running expenses) and is financed from government grants, council tax, non-domestic rates and other income.

The Council set its 2011/12 budget at the Council meeting on the 2nd March 2011. The net budget requirement was set at £252m.

The Band D Council Tax for 2011/12 was set at £1,410.16 (£1,100.34 for services provided by the London Borough of Enfield and £309.82 for the Greater London Authority). The council tax was frozen in 2011/12. Enfield's Band D Council Tax was £18 below the Outer London average.

2011/12 OUTTURN

2011/12 was the first full year of the Government's austerity plans which resulted in Enfield's Government funding (excluding schools) being cut by nearly 10% (£17m). The Council faced a funding gap of £34.5m which it met by implementing a mix of efficiency savings and cost reductions through new methods of service delivery. The outturn demonstrates that the Council met and exceeded these testing saving targets. Table 1 below analyses General Fund service expenditure compared to the final approved budget for 2011/12. The table is based on the Council's management accounts (excluding capital and support service recharges which do not affect the bottom line) and does not therefore match the prescribed structure of the Comprehensive Income & Expenditure Statement:

TABLE 1

2011/12 Outturn	Latest Budget	Outturn	Variance
	£000's	**£000's**	**£000's**
Chief Executive	4,787	4,708	(79)
Environment	32,646	32,585	(61)
Finance, Resources & Customer Services	43,171	43,152	(19)
Health, Housing and Adult Social Care	98,576	96,172	(2,404)
Regeneration, Leisure & Culture	10,177	9,976	(201)
Schools & Children's Services	59,192	58,489	(703)
Total: Service Departments	**248,549**	**245,082**	**(3,467)**
Corporate Expenditure:			
Capital Financing Costs	20,877	17,732	(3,145)
Levies	8,340	7,895	(445)
Provision for Bad Debts	812	700	(112)
VAT Recovery (Flemming Case)	0	(1,440)	(1,440)
Housing & Council Tax Benefits	89	(1,675)	(1,764)
Contingencies	3,300	2,703	(597)
Un-ring Fenced Grants	(19,627)	(19,627)	0
Transfers To / (From) Reserves	(10,029)	(6,817)	3,212
Exceptional Item	0	6,300	6,300
Net Operating Expenditure	**252,311**	**250,853**	**(1,458)**
Formula Grant	(131,038)	(131,038)	0
Council Tax	(121,273)	(121,273)	0
Contribution to General Fund Balance	**0**	**(1,458)**	**(1,458)**

During 2011/12, the Council's revenue expenditure against budget was monitored monthly and reported to Cabinet in some detail. The Council was committed to containing its expenditure within budget and, where pressures became evident, action was taken to minimise the impact on the overall position whilst ensuring that the delivery of key services was not jeopardised. The accounts reflect the following:-

- £3.5m underspend across services which will be used to maintain the Council's financial resilience in the face of reductions in public spending and increasing service demands from Enfield's growing population
- Additional Government capital grants received in year which reduced the Council's borrowing requirements and created savings on loan interest and repayment costs compared to estimates.
- Recovery of VAT from HM Revenues & Customs. This relates to the 'Flemming' case which enables Enfield to recover VAT back to an earlier period than previously allowed by HMRC.
- Finalisation of housing and council tax benefit subsidy claims resulting in more grant being due from the Government than estimated in the 2010/11 accounts and budgeted for in 2011/12.
- An exceptional charge of £6.2m to the General Fund (in accordance with accounting requirements) resulting from incorrect postings between the balance sheet, capital and revenue accounts over the last ten years. The cost has been covered by the savings on capital financing costs (£3m) and one-off VAT and Benefit Grant claims (£3m). Further details are set out below. It should be recognised that the system weaknesses leading to this position have been fully investigated and resolved with new procedures and controls put in place to prevent any such occurrence in future.

As a result of the Council's tight budget control it has been able to set aside additional funding within earmarked reserves to provide further resources for future expenditure/risks in connection with:

- Potential service restructuring costs as part of the Council's proposals to achieve long term efficiencies and address future savings targets (£1.5m)
- Projects to bring empty properties back into use (£0.527m)
- New pressures facing the Council in 2011/12 arising from the Olympics, regeneration schemes and ongoing demographic changes requiring more local services including support for children in the borough through a range of initiatives (£1.8m)

The Council's General Fund balance has been increased by £1.5m to £14.0m (excluding the amount attributable to schools' delegated budgets). This has been assessed by the Director of Finance, Resources and Customer Services as being the minimum needed to protect the Council from future financial risks. In addition, available earmarked reserves amount to £76m which provide additional scope to deal with unforeseen events and costs.

EXCEPTIONAL CHARGE

As mentioned earlier, an exceptional charge has been made in the accounts. The charge relates to errors in the Council's invoice and Agency payment postings dating back to 2001. Both transactions relate to the processing of payments through the Goods Receipting Account on the Balance Sheet and gives rise to the incorrect charging of revenue and capital accounts. It must be emphasised that changes have been implemented to remove the risk of any repeat in the future. The details are set out below.

Invoice Payments

The Council introduced the System Application Product (SAP) in February 2001 as its primary financial system. The SAP system is an integrated financial system designed to streamline and automate financial processes where possible. The system makes payments when the Purchase Order raised by the Council to the supplier matches the supply of services and invoice charges. Raising a Purchase Order creates a charge in the Council's accounts (revenue or capital) when the PO is goods receipted. The transaction is held on the balance sheet (i.e. as creditors in a specific Goods Receipt Account) pending payment.

Errors were identified where invoices were paid and charged to the accounts without reference and matching back to the purchase orders; this resulted in double charges (but not duplicate payments) in the accounts. The unmatched purchase orders remained as un-reconciled creditors on the balance sheet and had accumulated since 2001.

Agency Staff Payments

The investigation into the Good Receipting balance revealed that agency staff payments had been paid against this balance but had not been fully charged in the service revenue accounts over a period of years. The agency staff payment process has been reviewed and strengthened. Agency staff payments are now cleared to revenue on a weekly basis.

Outcome

The Council has concluded its investigation into the agency process and fully implemented all governance and system recommendations to remove weaknesses in the Goods Receipting system.

The accounting conclusion is that £6.2m of accumulated balance sheet transactions needed to be written back to revenue as part of the 2011/12 accounts. The overall understatement of previous year accounts has built up over the last 10 years and so is not material to the 2011/12 accounts. The Council was able to utilise corporate contingencies and one off underspends in order to maintain the Council's recommended level of balances. £1.3m was also credited to Capital schemes as part of the closedown process for 2011/12 again relating to balances that had accumulated over a ten year period. The result is the correction of the balance sheet in respect of accumulated compensating errors between understated creditors and overstated reserves.

FORWARD LOOK

The Chancellor of the Exchequer delivered the 2010 Spending Review (SR) to Parliament in October 2010. The report published Government spending plans for the four years covering 2011/12 to 2014/15 which, after two years in power, still remains the Coalition Government's most detailed financial statement upon which the Council can base its financial forecasts of public spending. After allowing for inflation, councils are required to reduce spending by 26%, amongst the biggest cuts in the public sector.

The Local Government Finance Settlement for 2011/12 and 2012/13 set out cuts to Enfield's core grants of £17m (10%) in 2011/12 and a further £8m (5%) in 2012/13. The Chancellor's 2012 Budget Statement included analysis by the Office for Budget Responsibility which showed that the 0.9% public spending cuts planned by the Government for 2015/16 and 2016/17 means that Government

Departments and Local Government will face further real cuts of 6% or around a £7m reduction in annual funding for Enfield. This cut will increase if the Government decides to protect the NHS and Schools as it did in the 2010 SR.

In addition to the public spending reductions, the Government is in the process of introducing changes to the way the NHS and Schools operate, amalgamation of existing benefits into one Universal Credit and major changes to local government finance. A very brief summary of the potential impact of these and other factors critical to the services provided and funded by Enfield is as follows:

- Transfers of funding from council supported schools to independent Academies and Free Schools will include resources to help children with special needs.
- The Government currently provide councils with revenue support grant and administers the pooling of business rates nationally with the aim of redistributing funding between councils based on need and deprivation. From April 2013 this will be abolished and instead, councils will retain some of the local business rates they collect. The aim is to give councils incentives to grow local business and retain some of the additional tax raised. However, the Government will top-slice part of the business rates and continue some form of redistribution based on need. The new scheme is still under development but will certainly have a significant impact on Enfield's finances, irrespective of the final details because Enfield is a high need area with relatively low resources.
- Council tax benefits will be abolished from April 2013 and replaced by a system of discounts run and determined by each council. The Government will continue to provide a grant to fund the new scheme but it will be reduced by 10% compared to current subsidies. The Government has legislated to protect pensioners. Councils are looking at a mix of cuts to working age benefits and service savings to meet the 10% cut in funding. Enfield is reviewing a range of options and will consult with local residents before implementing any new scheme.
- The Government's Universal Credit will impose a cap on the maximum benefit payable. As a result, migration is taking place to more affordable housing areas. Enfield has already experienced an increase in claimants moving to the borough which will inevitably increase demand for financial support and possibly services.
- Under NHS reforms, the Council will take over certain responsibilities for public health currently managed by the Primary Care Trust. Funding will also be transferred but there are concerns that this will be insufficient to meet Enfield's needs.
- Enfield's population continues to grow and age, adding pressure to services for the young, elderly and vulnerable in particular. The public sector finances are struggling with existing commitments and demographic changes are adding additional financial pressures.

The Council's medium term financial plan is constantly revised to take account of these developments and risks, inflation, the cost of borrowing including interest rates, the continued stagnation of the economy and the need to contain council tax increases within yet to be announced Government regulated thresholds. The latest forecast is set out below.

TABLE 2

Medium Term Financial Plan Updated	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Council Tax Base Budget	**121,500**	**125,656**	**129,939**	**133,843**
Inflation / Pay Awards	5,170	5,270	6,000	6,000
Pressures	5,173	6,540	4,017	2,600
Council Tax Benefit localisation	4,950	1,290	1,340	0
Demographic pressures	4,314	3,789	2,735	0
Risks & Growth	0	317	(243)	0
Planned Savings	(10,178)	(7,177)	(2,185)	0
Full year effects	(1,019)	(873)	89	0
Formula Grant changes	163	5,880	7,300	6,900
Council Tax Freeze Grant 12/13	3,050	0	0	0
Further savings to be agreed	(7,467)	(10,753)	(15,149)	(15,500)
Council Tax Requirement	**125,656**	**129,939**	**133,843**	**133,843**
Tax base	**110,866**	**111,309**	**111,309**	**111,309**
Band D (£)	**1,133.00**	**1,167.00**	**1,202.00**	**1,202.00**
% tax change	**3.00%**	**3.00%**	**3.00%**	**0.00%**

To restrict tax increase to 3% will require the Council to find annual savings in excess of £7m to 10m over the next four years and probably well beyond. Work is underway to identify how to achieve this level of saving, but whilst every effort will be made to protect services, the scale of the cost reductions makes it impossible for the Council to guarantee that all services can be protected.

In recent years capital expenditure has increased significantly with a large proportion of the programme funded by borrowing. As such the revenue impact of funding the capital programme is a major cost in the medium term financial plan. The cut in government funding has only added to the pressure to finance investment by borrowing paid for by the council tax. The Council is reviewing the existing programme to ensure that the capital programme delivers key objectives but is also affordable and borrowing requirements are minimised.

The revenue outturn for 2011/12 was positive in that services and costs were contained within budget, even with challenging saving targets. Balances and reserves have been kept at a sufficient level to enable the Council to plan with the resources needed to invest in improvements necessary to implement innovative solutions to service and financial challenges.

4. OTHER MATERIAL TRANSACTIONS, PROVISIONS AND CONTINGENCIES

The financial statements include the following significant transactions. These are covered in more detail in Note 5 to the financial statements.

- The transfer to academy status of Enfield Grammar school during the year and the establishment of the Woodpecker Free School on the former Salisbury Upper School site. This has required the de-recognition of the carrying value of the related assets in the financial statements under the gain/loss on the disposal of assets – £15.7m.

- The payment of £28.789m to central government, funded from equivalent borrowing, to buy out of the housing subsidy system and enable the transition to Housing Revenue Account Self Financing from 1st April 2012.

Significant Provisions include:-

- £7.847m in relation to employee short term compensated absences
- £6.451m in relation to estimated claims against the Insurance Fund

Further information is given in Note 21

The Authority has one significant Contingent Liability. This concerns a potential liability, estimated at £1.6m, in connection with the Council's former insurer, MMI.

Further information is given in Note 41

5. HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) consists of expenditure on council-owned housing, which is offset by rental income and government subsidy. The 1989 Local Government and Housing Act requires the Housing Revenue Account to be kept separately from other accounts; in particular, funding of HRA expenditure must be met from within the HRA and not as a call on General Fund resources.

The HRA generated a surplus of £2.8m in 2011/12 (£0.5m surplus in 2010/11). This takes into account the legislative requirements for the calculation of the HRA Balance and has been transferred to the HRA Balance brought forward to give a total HRA Retained Balance of £11.6m at 31 March 2012.

The number of operational council owned homes fell from 11,571 at 31st March 2011 to 11,299 at 31st March 2012 because of right-to-buy sales and the disposal of surplus properties. A total of 267 dwellings are being held as either surplus assets or held for sale subject to future disposal/estate re-development.

Since 1st April 2008, the Council's housing stock has been managed by Enfield Homes, a wholly owned subsidiary management company.

6. CAPITAL EXPENDITURE & INCOME

The principal elements of the capital programme in 2011/12 were further investment in school buildings particularly to meet forecast demand for new primary school places through both temporary arrangements and permanent expansions across the schools portfolio and improvements to the housing stock through the Decent Homes programme. School improvements include the completion of the new extension at St John and St James CE Primary School and provision of additional classes in several primary schools.

Southbury Leisure Centre, QEII Stadium, Millfield House and Thomas Hardy House improvements were all completed in 2011/12. Forty Hall has also re-opened to the public in June following a major improvement programme.

Road and footway improvements included the refurbishment of several bridges, new road safety crash barriers, nearly 22km of carriageway resurfaced or treated and 6 miles of footway replaced.

Future Developments

The main construction contract on the new Oasis Academy Hadley development has started along with the commencement of major expansion projects at Capel Manor, Honilands and St Michael's CE Primary Schools. In addition, the Council is proceeding with the re-development and regeneration of the Highmead and Ladderswood Estates. These major projects are due to commence on site during 2012/13 through Registered Social Landlords in partnership with commercial developers.

Table 3 below shows the capital expenditure incurred in 2011/12 compared to the approved programme reported for December 2011. The capital outturn will require some re-profiling of the capital programme which will impact on the 2012/13 and future years' budgets.

TABLE 3

Capital Expenditure:	**Projected £000s**	**Outturn £000s**
Payment to DCLG – Buy Out of Housing Subsidy	28,789	28,789
Schools and Educational Establishments	48,103	45,128
Council Dwellings	29,180	25,042
Housing Grants	4,735	3,037
Waste Services	2,442	2,337
Residential and Day Care Services	384	291
Transport and Environmental Schemes	14,586	13,938
Youth Services	1,252	879
Leisure and Recreation	9,607	7,565
Corporate Buildings and Improvements	1,789	1,395
Regeneration Projects	4,439	3,647
Housing Regeneration Projects	600	1,584
Community Safety	581	310
Parks and Open Spaces	1,213	1,060
Street Lighting	5,098	5,552
Vehicles and Moveable Plant	1,934	2,231
Improvements to Community Halls	88	96
Residents Priority Fund	779	206
IT infrastructure & programmes	71	671
Total Capital Expenditure in 2011/12	**155,670**	**143,758**

Sources of Finance:	**Projected £000s**	**Outturn £000s**
Borrowing supported by Government subsidy	(14,000)	(14,000)
Unsupported borrowing	(55,842)	(48,948)
Capital Receipts	(9,018)	(8,618)
Major Repairs Reserve	(13,844)	(10,675)
Government Grants/Reimbursements and Other Contributions	(53,673)	(48,018)
Revenue	(4,195)	(8,038)
Increase in Finance Lease Liabilities	(5,098)	(5,461)
Total Capital Funding	**(155,670)**	**(143,758)**

The Council generated new capital receipts in the year of £12.4m (net of disposal costs) largely from the disposal of surplus property within the HRA (£5.0m) and the General Fund (£7.4m) including net receipts of £1.066m from the sale of Council Housing Stock under Right to Buy provisions of which £1.045m is usable. The high level of retained RTB receipts reflects the offsetting before pooling of allowable expenditure on buying back dwellings from leaseholders largely as part of the redevelopment of the Highmead and Ladderswood Estates.

The Council entered into a new long term borrowing arrangement in 2011/12 in order to fund the Housing Subsidy Buy Out payment to the DCLG (£28.789m). Total principal long term borrowing outstanding at 31st March 2012 has therefore increased from £215.3m at 31st March 2011 to £244.1m. Additionally, the Council has increased its short term borrowing from £2.8m at 31st March 2011 to £20.0m at 31st March 2012. Under the Prudential Code for Local Authority Capital Finance, the level of external borrowing undertaken by the Council must not exceed its Capital Financing Requirement.

The Council's Capital Financing Requirement (CFR) which represents the amount of accumulated capital expenditure to date for which resources have yet to be set aside has increased from £355.8m to £408.3m during year. The increase is reflected in amount of capital expenditure funded from borrowing shown in table 3 and (increase in lease liabilities less repayments in year) the net movement in finance lease liabilities in the year. This is analysed between the HRA (£157.7m) and General Fund (£250.6m). Under statutory regulation, the Council is required to set aside each year an amount from its revenue budget to reduce its General Fund CFR. The Council has kept its use of borrowing within its existing plans agreed in the budget setting process and has provided for the statutory reduction in its existing General Fund CFR in the Medium Term Financial Plan. The HRA CFR will be managed through the HRA Business Plan under the HRA Self Financing framework.

At 31st March 2012, the Council had capital resources available to fund future expenditure of £17.6m (unapplied capital grants), £11.4m (unapplied capital receipts) and £6.7m (revenue reserves earmarked for capital funding).

The Council is continuing to review its property asset base to identify future disposals to generate more capital receipts over the medium term subject to achieving targeted proceeds in the current economic circumstances. In light of Central Government fiscal plans, there is uncertainty over the future levels of Government capital grant funding – similarly, it is not expected there will be any supported borrowing allocations within the RSG process in the medium term. As a consequence, the review and close monitoring of the capital programme is a key Council priority.

7. PENSION LIABILITY

The Statement of Accounts incorporates in full the accounting requirements of IAS19 (Employee Benefits) as contained in the Local Authority Code of Practice on Local Authority Accounting. Further details are provided in the statement of accounting policies and in Note to the Core Financial Statements.

The Pension Liability reflects the underlying commitments the Council has in the long run to pay retirement benefits. The net pension liability has increased from £317.9m as at 31 March 2011 to £401.9m as at 31 March 2012. This movement is predominantly due to Actuarial losses of £79.5m, whereby actual experience and events on scheme assets and liabilities during the financial year differed from the earlier accounting assumptions made for those areas.

The adjustments made to the CIES to comply with IAS19 have had the following effect on the 2011/12 Comprehensive Income and Expenditure Account:

- Reported expenditure within the Net Cost of Services has been reduced by £3.7m, representing the difference between employers pension contributions made in the year to the cost of pension benefits actually earned under the Accounting Standard;

- The figure for Financing & Investment Income and Expenditure has received a net charge of £8.1m due to the difference between pension interest costs and the expected return on pension assets;

- Actuarial losses of £79.5m, as explained above,

However, there is no effect on the Council's overall capital or revenue resources arising from these adjustments, as they are reversed out in the Movement in Reserves Statement, with the contra entry posted to the Pension Fund Reserve.

8. CHANGES IN ACCOUNTING POLICIES AND PRIOR PERIOD ADJUSTMENTS

In preparing the Statement of Accounts for 2011/12, the Council has adopted the following changes in accounting policy

Table 4. Changes in Accounting Policy

Accounting Policy	Nature of Change in Accounting Policy
Heritage Assets	The adoption in the CIPFA Code of Practice on Local Authority Accounting of the requirements of FRS 30 Heritage Assets. This refers to the separate recognition in the balance sheet of assets meeting this definition – i.e. assets having historical, artistic, scientific technological or environmental qualities that are held principally for their contribution to knowledge and culture rather than the delivery of services. In particular, this required the recognition in the Balance Sheet of Civic Regalia and material items held as part of the Council's Museum And Gallery Collections at their insurance value.
Trading Operations	Previously, the (surplus)/deficits of services operating on a competitive internal trading basis within the Council were shown on the Comprehensive Income and Expenditure Statement under the Section `Financing & Investment Income & Expenditure'. In order to ensure consistency with CIPFA's Service Expenditure Reporting Code of Practice (SERCOP), such (surplus)/deficits are now included within the Net Cost of Services Section of the Comprehensive Income and Expenditure Statement. A Disclosure Note on Trading Operations will only be provided if the (surplus)/deficit of a Trading Unit is considered materially significant and where the Council is exposed to external commercial risks

The 2010-11 Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet as at 31.03.2010 and 31.03.11 have been re-stated to reflect these changes in accounting policies and also to reflect:

- The service expenditure analysis to be recognised in the Cost of Services Section of the CIES, as prescribed by CIPFA in the current Service Expenditure Code of Practice (SERCOP);

- A review of valuations and accounting entries on leased out properties that are subject to finance leases.

The overall impact is a £2k increase in the Deficit on Provision of Services in 2010/11 and an increase of £3,144k in the Council's Net Worth as at 31 March 2011, as detailed in Tables 5 & 6 below

Table 5. Re-stated 2010-11 Comprehensive Income and Expenditure Statement

	Per Published 2010-11 SoA	changes due to SERCOP classifications	change in Accounting Policy for Trading Operations	Re-evaluation of Leased Out Properties	Other Amendments	Restated 2010-11 CIES figures
	£000	£000	£000	£000	£000	£000
Adult social care	89,679					89,679
Central services	0	26,486	(608)			25,878
Central Services to the Public	11,376	(11,376)				0
Court Services	235	(235)				0
Corporate & Democratic Core	10,144	(10,144)				0
Non Distributed Costs	4,731	(4,731)				0
Children's and education services	116,062		33			116,095
Cultural & Related services	0	30,228				30,228
Environmental & Regulatory Services	0	25,408				25,408
Planning Services	0	6,679				6,679
Cultural Environmental Regulatory & Planning Services	62,315	(62,315)				(0)
Highways and transport services	21,607				13	21,620
Housing services	67,016					67,016
Exceptional Items	12,849					12,849
Cost of Services	**396,014**	**(0)**	**(575)**	**0**	**13**	**395,452**
Other Operating Expenditure						
(Gain) / Loss on disposal of non current assets	54,996					54,996
Payments to Housing Capital Receipts Pool	780					780
Precepts and Levies	9,612					9,612
Sub total	**65,388**	**0**	**0**	**0**	**0**	**65,388**
Financing and Investment Income & Expenditure						
Interest payable and similar charges	17,084					17,084
Pensions Interest Cost	46,154					46,154
Interest and investment income	(5,076)			17		(5,059)
Return on Pension Assets	(38,808)					(38,808)
Dividend Income from Joint Venture	(739)		575			(164)
Market Value Impairment of Trading Assets						0
Impairment on Investments	8					8
Income, expenditure and valuation changes of Investment Properties	(7,790)			(32)		(7,822)
Sub total	**10,832**	**0**	**575**	**(15)**	**0**	**11,392**
Taxation and non-specific grant income						
Income from Council Tax	(120,228)					(120,228)
NNDR Distribution	(106,461)					(106,461)
Performance Reward Grant	(189)					(189)
PFI Revenue Support	(6,800)					(6,800)
LABGI Grant	0					0
General Government Grants	(41,974)					(41,974)
Capital Grants & Contributions	(36,336)					(36,336)
Sub total	(311,989)	0	0	0	0	(311,989)
Deficit on the provision of services	**160,245**	**(0)**	**0**	**(15)**	**13**	**160,243**
(Surplus) / Deficit on revaluation of non-current assets	140,675					140,675
Actuarial losses on pension fund assets & liabilities	50,110					50,110
Other comprehensive (gains) / losses	(13)					(13)
Total comprehensive income and expenditure	351,016	(0)	0	(15)	13	351,014

TABLE 6. Re-Stated 31 March 2011 Balance Sheet

	Balance 31.03.11 as per Published Statement of Accounts	Amendments due to Changes in Accounting Policy	Recognition of Heritage Assets	Amendments due to review of leased out property	Other Amendments	Re-stated Balance as at 31.03.2011
	£000	£000	£000	£000	£000	£000
Property, Plant & Equipment	1,216,857		(4,138)		(20)	1,212,699
Heritage Assets	0		5,218			5,218
Investment Property	95,873			1,716		97,589
Intangible Assets	2,991					2,991
Deferred Charges / Refcus	0					0
Long Term Investments						0
Long Term Debtors	4,804			385		5,189
Total Long Term Assets	1,320,525	0	1,080	2,101	(20)	1,323,686
Short Term Investments	24,386					24,386
Assets Held for Sale	1,731					1,731
Inventories	229					229
Short Term Debtors	417,160			(17)		417,143
Cash & Cash Equivalents	7,566					7,566
Total Current Assets	451,072	0	0	(17)	0	451,055
Cash & Cash Equivalents	(10,199)					(10,199)
Short Term Borrowing	(2,800)					(2,800)
Short Term Creditors	(428,742)					(428,742)
Provisions	(9,411)					(9,411)
Total Current Liabilities	(451,153)	0	0	0	0	(451,153)
Long Term Creditors	(54,810)					(54,810)
Provisions	(7,091)					(7,091)
Long Term Borrowing	(218,560)					(218,560)
Pension Liability	(317,972)					(317,972)
Capital Grants Receipts in Advance	(994)					(994)
Long Term Liabilities	(599,428)	0	0	0	0	(599,428)
NET ASSETS	721,017	0	1,080	2,084	(20)	724,161
Revaluation Reserve	(84,164)		(1,080)			(85,244)
Capital Adjustment Account	(819,920)			(1,716)	20	(821,616)
Financial Instruments Adjustment Account	2,544					2,544
Deferred Capital Receipts Reserve	(2,969)			(368)		(3,337)
Pensions Reserve	317,972					317,972
Collection Fund Adjustment Account	(129)					(129)
Accumulated Absences Account	7,847					7,847
Unuseable Reserves	(578,818)	0	(1,080)	(2,084)	20	(581,962)
Capital Grants Unapplied	(24,209)					(24,209)
Major Repairs Reserve	(7,927)					(7,927)
Useable Capital Receipts Reserve	(7,547)					(7,547)
Housing Revenue Account	(8,739)					(8,739)
General Fund & Schools Balance	(24,331)					(24,331)
Earmarked Reserves	(69,445)					(69,445)
Useable Reserves	(142,198)	0	0	0	0	(142,198)
TOTAL NET WORTH	(721,017)	0	(1,080)	(2,084)	20	(724,161)

SECTION 1 - CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

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

Movement in Reserve Statement

	Useable Reserves								Unusable Reserves								
	General Fund Balance	Housing Revenue Account Balance	Earmarked General Fund Reserves	Earmarked Housing Revenue Account Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Financial Instrument Adjustment Account	Pension Reserve	Accumulated Absences Account	Total Unuseable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance b/fwd 01.04.2010	(21,322)	(8,194)	(60,261)	(11,049)	(13,687)	(6,348)	(13,367)	(134,228)	(227,848)	(1,082,526)	(3,372)	(556)	2,899	362,611	7,847	(940,946)	(1,075,174)
Deficit on the provision of services	1,354	158,889						160,243								0	160,243
other comprehensive income and expenditure	(13)							(13)	140,675					50,110		190,784	190,771
Total Comprehensive Income and Expenditure	1,341	158,889	0	0	0	0	0	160,230	140,675	0	0	0	0	50,110	0	190,784	351,014
adjustments between accounting basis and funding basis under regulations	(4,286)	(157,636)			6,140	(1,579)	(10,842)	(168,203)	1,929	260,910	35	427	(355)	(94,748)		168,200	0
Other transfers & adjustments																	
net increase or decrease before transfers to earmarked reserves	(2,945)	1,253	0	0	6,140	(1,579)	(10,842)	(7,973)	1,929	260,910	35	427	(355)	(94,748)	0	168,200	160,226
transfers to or from earmarked reserves	(65)	(1,799)	66	1,799												0	0
(increase) / decrease in year	(3,011)	(546)	66	1,799	6,140	(1,579)	(10,842)	(7,973)	142,604	260,910	35	427	(355)	(44,639)	0	358,984	351,011
Balance c/fwd 31.03.2011	(24,333)	(8,740)	(60,195)	(9,250)	(7,547)	(7,927)	(24,209)	(142,200.80)	(85,244)	(821,616)	(3,337)	(129)	2,545	317,972	7,847	(581,962)	(724,161)

	General Fund Balance	Housing Revenue Account Balance	Earmarked General Fund Reserves	Earmarked Housing Revenue Account Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Financial Instrument Adjustment Account	Pension Reserve	Accumulated Absences Account	Total Unuseable Reserves	Total Reserves
Balance b/fwd 01.04.2011	(24,333)	(8,740)	(60,195)	(9,250)	(7,547)	(7,927)	(24,209)	(142,201)	(85,244)	(821,616)	(3,337)	(129)	2,545	317,972	7,847	(581,962)	(724,161)
(Surplus) / Deficit on the provision of services	62,649	45,941						108,590								0	108,590
other comprehensive income and expenditure	(29)							(29)	(34,744)					79,534		44,790	44,761
Total Comprehensive Income and Expenditure	62,620	45,941	0	0	0	0	0	108,561	(34,744)	0	0	0	0	79,534	0	44,790	153,351
adjustments between accounting basis and funding basis under regulations	(76,504)	(48,346)			(3,829)	365	6,573	(121,741)	5,963	110,856	903	(127)	(276)	4,422		121,741	0
net increase or decrease before transfers to earmarked reserves	(13,884)	(2,405)	0	0	(3,829)	365	6,573	(13,180)	(28,781)	110,856	903	(127)	(276)	83,956	0	166,531	153,351
transfers to/from Earmarked Reserves	6,662	(414)	(6,662)	414	0	0	0	0								0	0
(increase) / decrease in year	(7,222)	(2,819)	(6,662)	414	(3,829)	365	6,573	(13,180)	(28,781)	110,856	903	(127)	(276)	83,956	0	166,531	153,351
Balance c/fwd 31.03.2012	(31,553)	(11,559)	(66,857)	(8,836)	(11,376)	(7,562)	(17,636)	(155,379)	(114,025)	(710,760)	(2,434)	(256)	2,268	401,928	7,847	(415,431)	(570,810)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

		2011/12			2010/11
On its services the council spent:-	Note	Gross expenditure £000	Gross income £000	Net expenditure £000	Net expenditure* £000
Adult social care		121,997	(38,866)	83,131	89,679
Central services	26	122,506	(101,580)	20,926	25,878
Children's and education services		460,083	(321,153)	138,930	116,095
Cultural & Related services		28,855	(4,277)	24,578	30,228
Environmental & Regulatory Services		34,995	(8,298)	26,697	25,408
Highways and transport services		41,250	(19,223)	22,027	21,620
Housing services		421,065	(385,956)	35,109	67,016
Planning Services		11,173	(4,214)	6,959	6,679
Exceptional Items	5	35,030		35,030	12,849
COST OF SERVICES		1,276,954	(883,567)	393,387	395,452
Other Operating Expenditure					
(Gain) / Loss on disposal of non current assets				10,985	54,996
Payments to Housing Capital Receipts Pool				21	780
Precepts and Levies				7,663	9,612
Sub total				18,669	65,387
Financing and Investment Income & Expenditure					
Interest payable and similar charges				17,621	17,084
Pensions Interest Cost				47,958	46,154
Interest and investment income				(5,356)	(5,059)
Return on Pension Assets				(39,807)	(38,808)
Dividend Income from Joint Venture				(221)	(164)
Impairment on Investments				(135)	8
Investment Properties: Income, expenditure, valuation changes & gain on disposal	10			(7,895)	(7,822)
Sub total				12,165	11,392
Taxation and non-specific grant income	32				
Income from Council Tax				(121,400)	(120,228)
NNDR Distribution				(100,098)	(106,461)
Performance Reward Grant				0	(189)
PFI Revenue Support Grant				(6,800)	(6,800)
General Government Grants				(49,974)	(41,974)
Capital Grants & Contributions				(37,359)	(36,336)
Sub total				(315,631)	(311,989)
(Surplus) / Deficit on the Provision of Services				**108,590**	**160,242**
(Surplus) / Deficit on revaluation of non-current assets				(34,744)	140,675
Actuarial (gains) / losses on pension fund assets & liabilities	40			79,534	50,110
Other comprehensive (gains) / losses				(29)	(13)
Total comprehensive income and expenditure				153,350	351,013

* Re stated

BALANCE SHEET

The Balance Sheet shows the value of the assets and liabilities recognised by the Authority as at 31 March. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories: -

The first category of reserves are usable reserves, i.e. those reserves that the Council can use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves is those that the Council cannot use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

	Note	31 March 2012 £000	31 March 2011* £000	31 March 2010 £000
LONG TERM ASSETS				
Property, Plant & Equipment	9	1,187,115	1,212,699	1,570,096
Heritage Assets	11	5,096	5,218	4,570
Investment Property		95,721	97,589	94,999
Intangible Assets	12	2,419	2,991	4,188
Long Term Investments		0	0	5,264
Long Term Debtors	17	4,482	5,189	5,012
Total: Long Term Assets		**1,294,834**	**1,323,686**	**1,684,129**
CURRENT ASSETS				
Short Term Investments	14	1,018	24,386	2,496
Assets Held for Sale	18	2,173	1,731	22
Inventories	16	533	229	218
Short Term Debtors	17	71,575	74,955	62,432
Cash & Cash Equivalents	15	56,308	7,566	69,150
Total: Current Assets		**131,607**	**108,867**	**134,319**
CURRENT LIABILITIES				
Cash & Cash Equivalents	15	(23,973)	(10,199)	(11,466)
Short Term Borrowing	14	(23,224)	(2,800)	(5,013)
Short Term Creditors	20	(85,217)	(86,554)	(74,261)
Provisions	21	(13,929)	(9,411)	(10,684)
Other Short Term Liabilities				
Total: Current Liabilities		**(146,343)**	**(108,964)**	**(101,423)**
LONG TERM LIABILITIES				
Long Term Creditors	20	(57,673)	(54,810)	(52,736)
Provisions	21	(3,808)	(7,091)	(5,738)
Long Term Borrowing	14	(244,291)	(218,560)	(218,560)
Pension Liability		(401,928)	(317,972)	(362,611)
Capital Grants Received in Advance		(1,588)	(995)	(2,206)
Total: Long Term Liabilities		**(709,288)**	**(599,428)**	**(641,851)**
NET ASSETS		**570,810**	**724,161**	**1,075,176**
UNUSEABLE RESERVES				
Revaluation Reserve		(114,025)	(85,244)	(227,848)
Capital Adjustment Account		(710,760)	(821,616)	(1,082,526)
Financial Instruments Adjustment Account		2,268	2,544	2,899
Deferred Capital Receipts Reserve		(2,434)	(3,337)	(3,372)
Pensions Reserve		401,928	317,972	362,611
Collection Fund Adjustment Account		(256)	(129)	(556)
Accumulated Absences Account		7,847	7,847	7,847
Total: Unuseable Reserves	22	**(415,432)**	**(581,962)**	**(940,945)**
USEABLE RESERVES				
Capital Grants Unapplied		(17,636)	(24,209)	(13,367)
Major Repairs Reserve		(7,562)	(7,927)	(6,348)
Useable Capital Receipts Reserve		(11,376)	(7,547)	(13,687)
Housing Revenue Account		(11,559)	(8,739)	(8,194)
General Fund & Schools Balance		(31,553)	(24,331)	(21,322)
Earmarked Reserves	8	(75,693)	(69,445)	(71,311)
Total: Useable Reserves		**(155,377)**	**(142,198)**	**(134,229)**
TOTAL NET WORTH		**(570,810)**	**(724,161)**	**(1,075,174)**

* Re stated

27 September 2012

The unaudited accounts were authorised for issue on 29 June 2012 by James Rolfe, Director of Finance, Resources and Customer Services. The audited accounts were authorised for issue on 27 September by the Council's Audit Committee. As at 31 March 2012, General Fund Balances were £13.966m and School Delegated Balances were £17.587m

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council has generated and used cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities shows how the Council has funded its operations from taxation and grant income or from the recipients of services provided by the Authority. Investing activities refer to expenditure that contributes to the Council's future service delivery. Cash flows arising from financing activities refer to the raising and repayment of loans and other long term liabilities.

	2011/12 £000s	2010/11 £000s
Net (Surplus)/Deficit on the provision of services	**108,590**	**160,243**
Adjust net (surplus)/deficit on the provision of services for non cash movements	-132,841	-179,538
Adjust for items in the net (surplus)/deficit on the provision of services that are investing or financing activities	12,415	1,525
Net cash flow from operating activities	**-11,836**	**-17,770**
Investing activities (see Note 24)	25,067	68,870
Financing activities (see Note 25)	-48,200	9,215
Net (increase)/decrease in cash and cash equivalents	**-34,969**	**60,315**
Cash and cash equivalents at the beginning of the reporting period	**2,633**	**-57,682**
Cash and cash equivalents at the end of the reporting period	**-32,335**	**2,633**

Cash Flow Statement - Adjustments to net (surplus)/deficit on the provision of services	**2011/12 £000s**	**2010/11 £000s**
Capital Charges Debited to the CIES	-148,227	-264,879
Increase in provision for impairment of debts	-108	-2,236
Movement in creditors	339,002	-39,921
Movement in debtors	-339,558	45,666
Increase in stock	304	11
Increase in provisions	-906	-655
Grants Received to fund capital expenditure	41,670	44,249
Pension liability	-4,422	94,749
Carrying amount of non-current assets sold	-20,596	-56,522
Total adjustments to net (surplus)/deficit on the provision of services	**-132,841**	**-179,538**

SECTION 1 - NOTES TO CORE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at 31st March 2012. This Note sets out the accounting policies and bases of estimation the Council has selected in preparing the Statement. The general principles adopted in compiling the Statement of Accounts for 2011/12 are consistent with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the CIPFA Service Reporting Code of Practice 2011/12, based on by International Financial Reporting Standards (IFRS) and statutory regulation. All balances are stated in GBP pounds rounded to the nearest thousand (£000s). Consequently, rounded balances in the notes may not agree exactly to the primary statements.

Monetary Assets and Liabilities, Non-Monetary Assets and Non-Monetary Liabilities
The valuation of specific assets and liabilities is detailed in the following accounting policies. Where not specified, assets and liabilities are recorded at historical cost.

Revenues and Expenses
Income is recognised in the determination of the results for the reporting period when, and only when, there is reasonable certainty that the inflow of economic benefits or service potential has occurred and can be measured reliably. An expense is recognised in the determination of the results for the reporting period when, and only when, there is reasonable certainty that the consumption or loss of economic benefit or service potential has occurred resulting in a reduction in assets or an increase in liabilities and can be measured reliably.

Interest receivable on investments and payable on borrowings is accounted for as income and expenditure respectively on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows set out in the relevant contract.

Judgements
The preparation of the financial statements requires the use and determination of accounting estimates and the application of management assumptions that have the potential to cause material adjustments to the carrying amount of assets and liabilities during the course of the financial year. Such estimates, judgements and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

1.2 DEBTORS AND CREDITORS

The accounts are prepared on the basis of accrued income and expenditure and therefore include all sums due to the Council and all sums payable by the Council for work done or goods received in the year except for payments of under £1,000 due to creditors (£6,000 in the case of capital projects), which are excluded unless a large number of such invoices would distort a particular budget heading or where the expenditure incurred is grant funded and the grant funding is time expired by 31st March.

Impairment of debt is deducted from debtors' balances. If there is evidence that debts are irrecoverable, they are written off against the appropriate provision.

Impairment of debts are maintained at levels that reflect the age profile of the outstanding arrears and the likelihood of recovery based on expected collection rates.

1.3 CASH AND CASH EQUIVALENTS

For the purposes of the Balance Sheet and Cash Flow Statement, cash comprises cash in hand, deposits held on call with banks, other short term highly liquid investments with original maturities of three months or less from the date of acquisition and bank overdrafts which are used in the treasury management function on a day to day basis to the extent that none of these represent cash sums held against a specific liability such as refundable deposits. Cash held on behalf of other parties under non Council controls are not cash related.

The Cash Flow Statement has been prepared using the indirect method as recommended by the CIPFA Code.

1.4 EXCEPTIONAL ITEMS

Where exceptional events have a significant effect on the statement of accounts, the activity is reported as a separate line on the Comprehensive Income and Expenditure Statement with further details given in a note to the accounts. Details are included in Note 5.

1.5 PRIOR PERIOD ADJUSTMENTS

Prior period adjustments are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and relate either to changes in accounting policy required by the Code or to the correction of material errors in previous years' accounts.

Prior period adjustments are included in the current Statement of Accounts as a result of the adoption of FRS 30 Heritage Assets in the CIPFA IFRS Code of Practice.

Changes in accounting estimates are accounted for in the year the estimate is revised and are not treated as prior period adjustments.

1.6 EMPLOYEE BENEFITS

Benefits Payable During Employment

Short term employee benefits relate to amounts expected to be paid to employees for annual leave, leave in lieu of statutory holidays and flexitime untaken at the year end which can be carried forward into the next financial year.

Accrued annual leave, leave in lieu and flexitime is recognised as an expense in the Comprehensive Income and Expenditure Statement and represents the amount that the Council has a present obligation to pay resulting from employees' services provided up to the Balance Sheet date. The accrual is calculated at nominal amounts based on the remuneration rates that will be paid when the liability is settled.

In accordance with statutory regulation, the accrual is reversed out in the Movement in Reserves Statement and disclosed in the Accumulated Absences Account in the Balance Sheet. The expenditure is a charge to the General Fund when the liability is settled.

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 affect the amount to be disclosed. The next review will be undertaken for the 2012/13 financial statements.

Termination Benefits

Termination benefits are payable when the Council decides to terminate the employment of a member of staff or a member of staff accepts voluntary redundancy. Costs are accrued in the Comprehensive Income and Expenditure Statement (Non Distributed Costs) once the Council is committed to the termination of the employment or an offer of voluntary redundancy is made.

Post Employment Benefits

The Council participates in three separate schemes.

The three schemes provide members with defined benefits related to pay and service. They are as follows:

- **Teachers –** Teachers employed by the Council are members of the Teachers' Pensions Scheme, administered by Teachers Pensions (TP). It provides teachers with defined benefits upon their retirement. The Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

  The pension cost charged to the accounts is the contribution rate set by TP on the basis of a notional fund. The arrangements for the Teachers' scheme mean that the liabilities for the benefits payable cannot be identified to the Council. The scheme is, therefore, accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the balance sheet.

- **London Pension Fund Authority (LPFA) Scheme –** One member of staff employed by the Council has retained membership of the above fund, which is a funded scheme. The LPFA is designated an 'Administering Authority' within the Local Government Superannuation Regulations 1995. The LPFA maintains the Fund and administers the terms of the scheme in respect of those who participate in it. The pension costs that are charged to the Council's accounts in respect of the relevant employee are equal to the employer's contribution rate paid to the funded scheme.

  In addition, the Council pays a levy to the LPFA each year to meet expenditure on premature retirement compensation and other outstanding personnel matters relating to the former employees of the Greater London Council, the Inner London Education Authority and the London Residuary Body, and also makes a contribution to the deficit of the LPFA pension fund.

- **Other employees -** Subject to certain qualifying criteria, all other employees are eligible to join the Council's Local Government Superannuation Scheme.

  The Council's Local Government Pension Scheme is accounted for as a defined benefit scheme. The financial statements reflect the Council's liabilities, calculated on an actuarial basis, to increase contributions to the pension fund to make up any shortfall in attributable net assets, rather than the employer's contributions actually payable to the pension fund in the year.

Liabilities are assessed using assumptions about mortality rates, employee turnover rates and projected earnings for current employees, discounted to their value at current prices. In addition an assumed take-up of commutation has been allowed for in the calculations; this refers to the options available to employees to receive a higher lump sum on retirement in return for a lower annual pension. The discount rate used is based on the yield available on long dated high quality corporate bonds of equivalent currency and term to scheme liabilities.

The assets of the 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;
- Unities securities – current bid price.

The change in the net pension liability is analysed as follows:

- Current service costs – the increase in liabilities as a result of the years of service earned in the year allocated to service revenue accounts within the Cost of Services;
- Past service cost – the increase in liabilities arising from decisions made in the year where the effect relates to years of service earned in earlier years included as part of Non Distributed Costs within the Cost of Services;
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid charged to the Surplus or Deficit on Provision of Services;
- Expected return on assets – the annual investment return on fund assets based on an average of the expected long term return credited to the Surplus or Deficit on Provision of Services;
- Gains/losses on settlements and curtailments – the outcome of actions that relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees (e.g. the transfer of operations to other bodies) included as part of Non Distributed Costs within the Cost of Services;
- 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 in Other Comprehensive Income and Expenditure;
- Contributions paid to the Council's pension fund by way of employer's contributions;
- Assumptions with regard to the take up of commutation.

Statutory provisions limit the Council to raising council tax only to cover the amounts actually payable by the Council to the pension fund in the year rather than the above calculations under the relevant accounting standards. Consequently, there is an appropriation to the Pensions Reserve within the Movement in Reserves Statement to adjust the notional debits and credits for retirement benefits to match the actual amount payable to the pension fund.

Where employees retire early and are able to receive their pension immediately, the cost to the pension fund is debited to the Comprehensive Income and Expenditure Statement in the year the decision is made.

These accounting policies have not been applied to the Council's share of the LPFA scheme on the basis that this is not material to an understanding of the Council's financial position. The financial statements reflect the actual amounts payable in the year by the Council in connection with this scheme.

1.7 EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date refer to developments that have taken place between the end of the financial year and the date the Statement of Accounts is issued for publication. The accounts reflect adjustments for events that provide further information on the conditions that existed at 31st March.

The accounts are not adjusted for a change in conditions taking place after 31st March although the nature and estimated effect of the change is reported in the notes to the accounts.

1.8 TRADING OPERATIONS

Where the Council provides services on a profit making competitive basis to external parties, the surplus/deficit is reported separately in the Comprehensive Income and Expenditure Statement under Financing and Investment Income and Expenditure. Where a Team or Unit provides services on a competitive basis to other parts of the Council (i.e. where the department receiving the service has a choice whether or not to purchase the service), the surplus or deficit is repatriated to the Departments who used the Service within Cost of Services in the Comprehensive Income and Expenditure Statement. If these surplus/deficits are deemed materially significant, additional information is provided elsewhere within the Notes to the Core Financial Statements.

1.9 GRANTS AND CONTRIBUTIONS

Revenue Grants and Contributions

Service revenue grants and contributions are accounted for on an accruals basis and are credited as income to appropriate service headings within the Comprehensive Income and Expenditure Statement once the Council has satisfied the conditions of the grant/contribution to the extent that the grant/contribution does not have to be repaid to the awarding body and there is reasonable certainty that the funding is receivable.

Specific grants not received at the balance sheet date but the related expenditure has been incurred and the grant conditions have been complied with are recorded in the Balance Sheet as debtors.

When grants have been received but the related expenditure has not been incurred and it is expected that the grant conditions will be complied with in the following or a subsequent financial year are recorded as Receipts in Advance.

Grants received at the balance sheet date but the related expenditure has not been incurred and it is expected that the grant conditions will not be complied with are recorded as creditors as there is reasonable certainty that the grant will have to be repaid.

General non-specific grants (Revenue Support Grant, National Non-Domestic Rates) are credited to the Comprehensive Income and Expenditure Statement as sources of funding under Taxation and Non-Specific Grant Income.

Capital Grants and Contributions

Grants and contributions to capital expenditure are accounted for on an accruals basis and are credited to the Comprehensive Income and Expenditure Statement under Taxation and Non-Specific Grant Income when the grant conditions have been met to the extent that the grant/contribution does not have to be repaid to the awarding body. They are then reversed out in the Movement in Reserves Statement and transferred to Capital Grants Unapplied.

Capital grants received where conditions have been met are transferred from Capital Grants Unapplied to the Capital Adjustment Account when they are applied to fund capital expenditure. Capital grants received but the grant conditions have not been met are recorded as Capital Grants Receipts in Advance where conditions are expected to be met in a future year or Capital Grants Creditors where the conditions are not expected to be met and it is expected the grant/contribution will have to be repaid.

Grants received in respect of PFI Contracts are accounted for as general revenue grants in the Comprehensive Income and Expenditure Statement in the year in which they become receivable under Taxation and Non-Specific Grant Income.

1.10 COST OF SUPPORT SERVICES

The cost of central overheads and support services including the surplus/deficits on internal trading services is fully allocated to departments in proportion to the benefits received and in accordance with the CIPFA Service Reporting Code of Practice. The basis of these allocations is as follows:

COST	BASIS OF ALLOCATION
Administrative buildings	Areas occupied
Computer services	Actual usage
Central offices services	Actual usage
Central/professional services	Staff time

Certain costs are held centrally and not allocated to services. These are:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation;

- Non-Distributed Costs – largely employment termination costs and the cost of discretionary benefits awarded to employees retiring early.

1.11 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities refer to possible material obligations at 31 March that cannot be readily quantified properly at the balance sheet date and there is a high level of uncertainty over the extent of the Council's liability. No entries in the accounts are made for contingent liabilities but they are reported in Note 41 to the Financial Statements. In the main, they refer to contractual matters that are subject to legal proceedings.

Contingent assets refer to transactions that may give rise to future economic benefits to the Council but cannot be estimated with reasonable certainty at the balance sheet date. A contingent asset may be a sum owed to the Council but which at the balance sheet date is subject to the resolution of legal proceedings.

The Council has adopted a de minimis level of £250k for the disclosure of contingent assets and contingent liabilities.

1.12 COUNCIL TAX

The amount of council tax income recognised in the Comprehensive Income and Expenditure Statement is the Council's share of the accrued council tax income for the year and not the tax demand for the year.

This treatment recognises the role of the Council as a billing Authority acting as an agent of the precepting Council - Greater London Authority (GLA) and of itself for the collection and distribution of council tax income.

This does not affect the Collection Fund Statement itself since the preparation of this statement is prescribed by legislation.

The Collection Fund Adjustment Account records the difference between the amount of council tax income included in the Comprehensive Income and Expenditure Statement and the amount required to be credited to the General Fund by regulation – the Council Tax Demand.

The movement on the Collection Fund Adjustment Account is a reconciling item in the Movement in Reserves Statement. The balance on the Collection Fund Adjustment Account reflects the Council's share of the accumulated net surplus/deficit on the Collection Fund.

The GLA's share of the net surplus/deficit on the Collection Fund, council tax arrears, council tax overpayments and impairment of debt is disclosed as a net debtor/creditor in the Balance Sheet.

1.13 NATIONAL NON DOMESTIC RATES

The Council carries out the collection of National Non Domestic Rates as an agent on behalf of Central Government. The Council accounts for its share of the redistribution of the National NNDR Pool and the cost of collection allowance it receives from Central Government through the Comprehensive Income and Expenditure Statement.

NNDR arrears, provision for impairment of debt, prepayments and over payments and the Central Government debtor/creditor for the amount due from/to the national pool are consolidated into a single debtor/creditor for amounts due from/to Central Government for the purposes of presenting the financial statements.

The Council accounts for the GLA's Business Rate Supplement on an agency basis through the Collection Fund and only accounts for the receipt of the associated cost of collection allowance in its Comprehensive Income and Expenditure Statement. The year end balances attributable to the collection of the Business Rate Supplement including arrears, overpayments and impairment of debt is disclosed as a net debtor/creditor with the GLA in the Balance Sheet.

1.14 INTANGIBLE ASSETS

Intangible fixed assets refer to items of expenditure from which the Council expects to obtain future economic benefits but which do not have physical substance. Generally, they refer to the acquisition and implementation costs of major new IT systems.

Intangible assets are capitalised at cost and are amortised to revenue over the expected economic life of the expenditure (3-10 years) reviewed annually. Where there is evidence of impairment at the end of the financial year, the impairment loss is written off against any revaluation gain held in the Revaluation Reserve for the relevant asset with any excess charged in the Comprehensive Income and Expenditure Statement. The impairment loss is reversed out in the Movement in Reserves Statement and posted to the Capital Adjustment Account so there is no impact on the General Fund.

1.15 PROPERTY, PLANT AND EQUIPMENT

Acquisition and Recognition

Items of property, plant and equipment are recognised as non-current assets when future economic benefits or service potential are expected to flow to the Council. Relevant accrued costs comprise initial acquisition, construction and subsequent enhancement or replacement (whole or in part) of the asset and include incidental costs such as professional and technical fees attributable to bringing the asset into working condition for its intended use. Expenditure necessarily incurred in either maintaining the operational capacity of the assets or ensuring that their original estimated lives are achieved is considered maintenance and is treated as an expense as incurred.

Valuation

Property, plant and equipment assets including items acquired under finance leases are valued at fair value except as stated below and are subject to ongoing review and re-valued as necessary so that the carrying amount of each asset class does not materially differ from its fair value (where applicable) at the reporting date.

- operational land and buildings including operational facilities in Parks – are included in the balance sheet at fair value in existing use (non-specialised) or depreciated replacement cost (specialised) adopting the Modern Equivalent Asset methodology, car parks and parks concessions having an operational purpose are valued according to their income generation potential, residential establishments are valued on bed capacity with reference to market values;

- infrastructure assets - are included at depreciated historic cost;

- community assets – Parks land is recorded at a nominal value per hectare as market values cannot be economically and reliably measured – this represents a departure from the code which requires community assets to be reported at historic cost – the use of nominal values per hectare is considered to give a fairer representation of value for these assets; expenditure on parks (other than in connection with material operational facilities) is recorded at historic cost;

- Council dwellings are valued at Existing Use Value - Social Housing using beacon property values in accordance with the guidance published by the DCLG in January 2011;

- Vehicles, Plant and Equipment are valued at historic cost less depreciation as an approximation to current value.

The freehold and leasehold properties that comprise the Council's property portfolio are subject to a five year rolling programme of valuation inspections. This ensures that where market conditions or rebuilding costs alter, all affected assets are considered over a reasonable period of time. A desktop revaluation is carried out annually of all property assets subject to the Modern Equivalent Asset approach to DRC valuations that have not been formally inspected in the year.

Where assets are re-valued, the effective date is 1st April at the start of the financial year.

Where appropriate, the Council also uses indexation as part of its valuation process where there is evidence of material changes in market values subsequent to the asset valuation date. This may refer either to in year changes that would affect the carrying value of assets at 31st March or to interim measures to index asset values between planned revaluations during the life of the five year revaluation programme.

Infrastructure and Community assets are recognised in the Balance Sheet as the expenditure is incurred. Other operational assets are recognised from the date they become operational. Until that time, they are included as assets under construction and valued at cost.

The Council has adopted the following de minimis levels for the recognition of new assets and for assessing the effect of additional expenditure on the value of existing assets in the Asset Register. The Asset Register forms the basis for recording the carrying value of Non-Current Assets in the Balance Sheet. Expenditure is not recognised in the Asset Register where it falls below the following criteria:

- Purchases of short life (up to 5 years) single item assets having a value of less than £10,000 at the date of acquisition;

- Capital schemes costing less than £50,000 relating to construction projects.

Revaluations

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains which are shown under Other Comprehensive Income in the Comprehensive Income and expenditure Statement.

For a revaluation loss, the carrying value of the asset is written down against any balance for the asset in the Revaluation Reserve in the first instance. Where there is no balance or insufficient balance in the Revaluation Reserve, the loss or balance of the loss is debited to the relevant service line in the Comprehensive Income and Expenditure Statement and reversed out in the Movement in Reserves Statement to the Capital Adjustment Account.

Where a revaluation loss that has been debited to the Comprehensive Income and Expenditure Statement and is subsequently reversed by a revaluation gain, the Comprehensive Income and Expenditure Statement is credited up to the amount of the original debit less the amount of depreciation that would have been charged had the loss not taken place. The revaluation gain is reversed out in the Movement in Reserves Statement to the Capital Adjustment Account.

The Revaluation Reserve records the effect of the revaluation of property, plant and equipment and intangible fixed assets. The reserve was created with a zero balance on 1st April 2007. The historic cost of assets was taken to be their current value at that date. The balance on the Revaluation Reserve therefore includes only the net effect of revaluations subsequent to 1st April 2007.

Impairment

The balance sheet valuation of all Property, Plant and Equipment assets is reviewed annually to determine whether there is an indication that impairment has occurred as opposed to a downward valuation. An impairment loss may be due to the consumption of economic benefits e.g. physical damage or obsolescence, an adverse change in the statutory or regulatory environment relating to the use of the asset or a material deterioration in the service potential of the asset beyond normal depreciation.

An impairment loss is determined as the amount by which the carrying value of the asset exceeds its recoverable amount being determined as the higher of its fair value (less costs to sell) or its depreciated replacement cost.

An impairment loss is recognised in the Comprehensive Income and Expenditure Statement unless the asset is carried at a re-valued amount. Where the asset is measured at a re-valued amount, the impairment loss is offset against any available amount in the Revaluation Reserve in the first instance. Where an impairment loss or balance of an impairment loss is charged to the Comprehensive Income and Expenditure Statement, it is reversed out to the Capital Adjustment Account through the Movement in Reserves Statement.

Where an impairment loss is subsequently re-estimated as a consequence of a reassessment of the factors giving rise to the impairment, the carrying amount of the asset is increased to the revised estimate of its recoverable amount provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. A reversal of an impairment loss is credited in the Comprehensive Income and Expenditure Statement unless the asset is carried at a re-valued amount in which case the reversal of the impairment loss is treated as a revaluation increase to the extent that no impairment losses have been previously recognised in the Comprehensive Income and Expenditure Statement.

Where a reversal of an impairment loss is credited to the Comprehensive Income and Expenditure Statement, it is reversed out to the Capital Adjustment Account through the Movement in Reserves Statement.

Disposals

Where an asset is disposed of, decommissioned or transferred, the carrying value of the asset in the balance sheet is written off to the Comprehensive Income and Expenditure Statement. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement. The net figure is reported as the gain or loss on disposal after taking into account costs incurred incidental to the disposal. However, in accordance with statutory financing arrangements, the carrying value of disposals is appropriated to the Capital Adjustment Account and the receipts appropriated to the Usable Capital Receipts Reserve as a reconciling item through the Movement in Reserves Statement. Any revaluation gain held in the Revaluation Reserve in respect of a disposal is transferred to the Capital Adjustment Account.

Capital receipts arising from the disposal of assets held in the General Fund are used to finance new capital expenditure where the total amount of the receipt is in excess of £10,000. Regulations enable up to 4% of each receipt to be used in the funding of the costs associated with, and incidental to, the disposal of the asset. In accordance with statutory regulation, receipts of £10,000 or less in total are credited to the relevant service heading in the Comprehensive Income and Expenditure Statement.

Under the Local Government Act 2003, 75% of the proceeds arising from the sale of Council dwellings under right to buy legislation and 50% of the proceeds arising from the sale of land held in the HRA for housing purposes must be paid over to Central Government for redistribution subject to legislative provisions allowing for any qualifying offsetting expenditure to be taken into account. The total amount payable to Government is disclosed in Other Operating Expenditure in the Comprehensive Income and Expenditure Statement and offset by a contribution from the Usable Capital Receipts Reserve in the Movement in Reserves Statement.

1.16 DEPRECIATION

Depreciation represents the consumption of the service potential embodied in the asset. To achieve a systematic and rational allocation of their value, property, plant and equipment assets (excluding land) are depreciated over their estimated useful lives reviewed annually – estimated useful lives are summarised in the table below. The Council uses the Reducing Balance method of depreciation.

Property, plant and equipment assets are depreciated from the date acquired or installed ready for use or in the case of constructed assets from the time the asset is completed and commissioned. Charges for depreciation are included as charges to service revenue accounts. Estimated useful lives are reviewed as part of the asset revaluation exercises, or where, in the interim there has been an enhancement to an asset that has extended its useful operational life, or where as a result of physical damage, obsolescence or similar impairment, its estimated operational life has reduced.

Where revaluation gains are depreciated, the amount is transferred from the Revaluation Reserve to the Capital Adjustment Account. The Council's general policy is to provide for the depreciation of assets over the following periods (by the straight line method) unless in the opinion of the Council's Valuation Officer or the responsible service manager in the case of vehicles and equipment a lesser period should be used having regard to the nature of the expenditure incurred.

Council Dwellings* and Operational Buildings	35-50 years
Infrastructure	40 years
Vehicles	3-10 years
Plant and machinery	3-7 years

The land element of Community Assets e.g. parks, are held in perpetuity and have an indefinite useful life. As such no depreciation charges are made. However where a building is present on Community Asset Land – e.g. a Pavilion, it is classed as an Operational Asset and depreciation is charged based on its useful economic life, consistent with Operational Buildings.

*In accordance with CIPFA guidelines Council Dwellings are depreciated by an amount equal to the Major Repairs Allowance as being a proxy for depreciation. Other Housing properties are depreciated in the normal manner.

Components or a group of components that form part of a larger parent asset are recognised separately from the rest of the asset and may be replaced during the useful life of the parent. Each component or groups of components are depreciated over their individual life or the life of the parent asset if shorter. To qualify as a component or a group of components, all the following conditions must be satisfied. The component has:

- a significantly different life from the rest of the parent asset;
- a significant cost (above £0.5m) in relation to the whole asset ;
- an economic or service potential to the Council in a different pattern to the rest of the asset.

The carrying value of items within a parent asset not identified as a component, are de-recognised when the capitalised cost of a replacement is incurred.

Components or groups of components having the same expected life are identified and reviewed at the time the asset is inspected.

1.17 HERITAGE ASSETS

Heritage Assets are those that the Council holds in trust for future generations because of their cultural, environmental or historical associations – they include historical buildings (Forty Hall and Broomfield House), Civic regalia, museum and art gallery collections and works of art.

Heritage Assets excludes listed buildings which are held for operational purposes.

Heritage Assets are generally recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. Similarly, impairment is recognised and measured in accordance with the Council's general policy on impairment – with regard to Heritage Assets, this refers to circumstances where an item has suffered deterioration, physical damage or where doubts have arisen over the item's authenticity.

The civic regalia, museum collections and works of art are reported in the balance sheet at insurance valuation based on market values. These items are deemed to have indeterminate lives; the Council, therefore, does not consider it appropriate to charge depreciation.

The balance sheet valuation of the museum collection, which is carried out by external valuers, is based only on artefacts that are considered to have a material financial value – the balance sheet value therefore only reflects some 250 items. This comprises the whole of the Council's art collection, furniture and coins and a small proportion of the rest of the collection as recommended by the museum staff.

Acquisitions are rare but should they occur they are initially recognised at cost. If the item has been donated to the Council, it is recognised at market valuation.

Historical buildings are re-valued in accordance with the five year rolling programme of property valuations; other items including civic regalia, the museum collections and works of art (where material) are valued every five years – the date of the most recent valuation of these artefacts was October 2010.

1.18 INVESTMENT PROPERTIES

Investment properties are held either for earning rentals or for capital appreciation; they do not have a function that supports the delivery of council services.

They are valued at fair value annually reflecting the market conditions at the balance sheet date; they are not depreciated. Rental income and revaluation gains or losses are recognised in the Comprehensive Income and Expenditure Statement under Financing and Investment Income and Expenditure. Disposal and revaluation gains and losses are reversed out to the Capital Adjustment Account through the Movement in Reserves Statement.

1.19 NON CURRENT ASSETS HELD FOR SALE AND SURPLUS ASSETS

Non Current Assets Held for Sale comprise those assets the Council has determined are for immediate sale in their present condition and are expected to be sold in the next twelve months. These assets are valued at the lower of their carrying value or their fair value less costs to sell. Fair values are determined on the basis of current market conditions. The assets are not depreciated.

Assets that are not in operational use and do not meet the definition of investment properties, nor non-current assets held for sale, are classified as surplus assets. They are valued according to their most recent use by the Council. Generally, they refer to properties where the Council has yet to proceed with the disposal of the properties or is considering developing them for alternative use.

1.20 CHARGES TO REVENUE FOR NON CURRENT ASSETS

The charges made to General Fund services equate to the sum of:

- depreciation on property, plant and equipment;
- amortisation of intangible assets attributable to services;
- revaluation and impairment losses where there is insufficient revaluation gains held for the assets concerned in the Revaluation Reserve against which the losses can be written off;
- capital expenditure below de minimis levels.

Depreciation, amortisations and impairment losses are not charges that affect the overall level of expenditure to be met from the council tax. However, the Council is required to set aside an annual provision from revenue to reduce its overall underlying borrowing requirement. This is known as the minimum revenue provision and must be determined prudently in accordance with guidance provided by DCLG. For 2011/12, the Council has set aside:

- 4% of the Council's adjusted General Fund Capital Financing Requirement at 1st April 2011 where this relates to capital expenditure funded from borrowing as at 31st March 2008 and capital expenditure incurred thereafter and funded from supported borrowing (i.e. where there is revenue provision recognised in the Council's Revenue Support Grant Settlement);

- Provision for the amortisation of unsupported borrowing incurred at 31st March 2011 reflecting the estimated life of the related expenditure.

An adjustment is made to reconcile depreciation, amortisation and impairments to the minimum revenue provision through a contribution from the Capital Adjustment Account. Capital charges to the HRA are based on the HRA capital financing requirement (the amount deemed to have been borrowed to fund capital expenditure in the HRA) multiplied by the Consolidated Rate of Interest (the rate calculated in accordance with a direction on the HRA by the Department for Communities and Local Government).

1.21 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Legislation allows some expenditure to be classified as capital for funding purposes even though it does not result in the expenditure being carried on the Balance Sheet as a non current asset. The purpose of this is to enable the expenditure to be funded from capital resources rather than be charged to the General Fund/HRA and impact on that year's council tax or rent income from council house tenants. For example, the Council pays Housing Assistance Grants to owner-occupiers. These are recorded as expenditure for capital purposes, but such expenditure does not result in the Council acquiring an asset.

Such expenditure and any grant receivable is debited/credited to the relevant service heading in the Comprehensive Income and Expenditure Statement. Statutory provisions that allow capital resources to meet the expenditure are accounted for by debiting the Capital Adjustment Account and crediting the General Fund/HRA Balance and are shown as a reconciling item in the Movement in Reserves Statement.

1.22 PFI CONTRACTS

PFI contracts are agreements for the provision of assets or enhancements to assets that are then used by the PFI contractor to deliver services. The Council has three PFI contracts:

- Highlands Secondary School;

- Starksfield Primary School and the refurbishment and extension to Tottenhall Primary School and Lea Valley Secondary School;

- The provision of street lighting services.

As the Council controls/regulates the services provided under the above PFI contracts and acquires ownership of the assets at the end of the contract term at no additional charge, the Council has concluded that these arrangements meet the definition of Service Concessions.

The accounting policy for PFI contracts:

- recognises on the Council's Balance Sheet the assets/enhancements provided and a corresponding liability for the amounts due to the contractor to pay for the assets;

- recognises on the Council's Balance Sheet all non current assets that were transferred to the PFI contractor at the start of the contract and used directly in the delivery of services;

- provides for the depreciation and revaluation of assets in the same way as other property, plant and equipment owned by the Council.

The amounts payable to the PFI contractor annually are therefore analysed into the following five elements:

- the value of services provided during the year charged to the relevant service in the Comprehensive Income and Expenditure Statement;

- an interest charge on the outstanding balance sheet liability charged to Interest Payable in the Comprehensive Income and Expenditure Statement;

- a payment towards the liability applied to write down the balance sheet liability to the PFI contractor equivalent to Minimum Revenue Provision under statutory regulation;

- a contingent rent representing increases in the amount paid for the assets during the contract charged to Interest Payable in the Comprehensive Income and Expenditure Statement;

- Lifecycle replacement costs recognised as non-current assets where material or expensed to revenue where immaterial.

1.23 LEASING

Finance Leases

Leases of property, plant and equipment under which the Council substantially assumes all the risks and rewards of ownership are classified as finance leases where an evaluation of the lease arrangement meets the criteria set out in the Code and the net present value of the minimum lease repayments is greater than 80% of the asset value.

All leases of land and buildings for a period of fifteen years or less or equipment for a period of three years or less are treated as operating leases without further evaluation. In addition, leased out properties are considered to be operating leases where the current passing rental income is less than £30,000 per annum.

Assets acquired under finance leases are recorded in the Council's balance sheet as non-current assets and are valued and depreciated in the same way as other assets of the same classification; they are depreciated over the lease term where this is shorter than the asset's estimated useful life. The acquisition of the interest is recorded as a liability at the commencement of the lease and written down as the leasing charges become payable at a constant rate of return. The finance element of the leasing charge is debited to external interest payable in the Comprehensive Income and Expenditure Statement; the principal repayment of the lease liability is accounted for as part of Minimum Revenue Provision within the Movement in Reserves Statement under statutory regulation.

Amounts due to the Council under finance leases are accounted for as long term debtors; the related asset is not recognised in the Balance Sheet. The repayment of the principal element is applied in reducing the long term debtor and classified as a capital receipt. The interest element of the lease repayment is credited in the Comprehensive Income and Expenditure Statement as interest receivable. In accordance with statutory regulation, an amount equivalent to the total principal repaid to the Council under finance leases taken out prior to 1st April 2010 is transferred from the Usable Capital Receipts Reserve to the General Fund through the Movement in Reserves Statement.

Operating Leases

Lease rentals payable or receivable under operating leases (including all leases of land) are debited or credited to service revenue accounts in equal instalments over the term of the lease net of incentives contained in the lease (such as rent free periods). Assets acquired under operating leases are not recorded as assets in the financial statements.

Assets leased out under operating leases are recognised in the Balance Sheet and depreciated over their expected useful life consistent with similar owned property, plant and equipment. Lease rentals receivable are credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement over the life of the lease on a straight line basis.

1.24 STOCKS AND INVENTORIES

Stocks, where material, are included in the balance sheet at the lower of cost or net realisable value.

1.25 PROVISIONS, RESERVES AND BALANCES

Provisions

Provisions are recognised when the Council has a present legal or constructive obligation as result of past events, that it is probable that an outflow of resources will be required to settle the obligation, and that a reasonable estimate of the provision can be made. Provisions are reviewed at the Balance Sheet date and adjusted to reflect current available information. When it is considered very likely the provision is no longer needed, the provision is reversed and credited back to the relevant revenue account.

Provisions are also created in respect of impairment of debt where there is some uncertainty over the Council's entitlement to receive income. This may arise in connection with changes in the eligibility criteria of Central Government grant programmes or as a result of the interpretation of new legislation.

Reserves and Balances

Reserves and balances are amounts set aside from Council funds, including unapplied revenue grants where conditions have been met at the Balance Sheet date, at the discretion of the Council for either general or earmarked purposes to meet future expenditure. Earmarked Reserves are created by appropriating amounts in the Movement in Reserves Statement.

When expenditure is incurred in connection with a reserve, the expenditure is charged to the service heading in the Comprehensive Income and Expenditure Statement and met by an appropriation from the reserve so there is no charge against council tax for the expenditure.

Capital Grants Unapplied, the Capital Receipts Reserve and the Major Repairs Reserve can only be used to fund capital expenditure.

Certain reserves do not represent usable resources for the Council and can only be used for specific statutory purposes. The purpose of these reserves is explained in the relevant policies e.g. the Revaluation Reserve represents the surplus balance arising from the periodic revaluation of property, plant and equipment and intangible assets; the Capital

Adjustment Account represents the amounts set aside from revenue, capital grants and usable capital receipts to finance new capital expenditure and for the statutory repayment of the Council's underlying borrowing requirement. The Capital Adjustment Account also includes the contra entries to the debits/credits posted to the Comprehensive Income and Expenditure Statement for depreciation, impairment and revaluation, the carrying value of assets disposed of and REFCUS expenditure.

1.26 TRUST FUNDS

Certain sums of money are administered by the Council as custodian on behalf of others. Where the Council is acting as the trustee of a Charitable Trust, such sums are not included in the Financial Statements but are detailed in Note 42 for information purposes. These figures have been compiled under these accounting policies; the investments of the Funds are shown both at cost and market value as at 31 March 2011.

Similarly funds administered by the Council arising from receivership or appointeeships and other funds held by the Council such as residents property accounts and other miscellaneous funds held on behalf of social services establishments are also not included in the Financial Statements but are also disclosed in Note 42 for information purposes.

1.27 INTEREST ON BALANCES

Interest is added to balances held on Trust Funds and the Housing Revenue Account as well as some other specific accounts and reserves to preserve the purchasing power of the funds.

1.28 SCHOOLS

The Council receives a Dedicated Schools Grant from the Government. The Council allocates this from a central budget to individual schools ("delegated school budgets"). Schools who have a Delegated Budget are said to be `LEA Maintained' because the Local Education Authority funds their revenue expenditure. All LEA Maintained Schools in the Borough operate their own bank accounts and keep their own financial records independent of the Council's corporate financial systems. At the end of the financial year, All LEA Maintained Schools submit annual returns for consolidation into the Council's Statement of Accounts and their expenditure is included in the Comprehensive Income and Expenditure Statement under Children's and Education Services. The balances of LEA Maintained Schools are included in the Council's Balance Sheet.

The Accounting treatment of land and buildings for each type of school is based on the legal framework and practical obligations underlying each type of school. The Council owns the land and buildings of Community Schools and their value is included in the Council's Balance Sheet under Non-Current Assets. For Foundation Schools, whilst legal title technically lies with the school's Foundation Trust, the Council carries the bulk of risks and rewards associated with ownership and therefore the value of land and buildings for these schools is also included in the Council's Balance Sheet under Non-Current Assets. The land and buildings of Voluntary Aided schools are not owned by the Council and are therefore not shown on the Council's Balance Sheet. Any resources which the Council might choose to allocate to a Voluntary Aided School for the purpose of Capital Expenditure is treated in the Council's accounts as Revenue Expenditure Financed from Capital under Statute (REFCUS) and charged to the Comprehensive Income and Expenditure Statement under Children's and Education Services.

Four LEA Maintained Schools occupy buildings which have been constructed or re-furbished under PFI contracts. The value of these buildings is shown on the Council's Balance Sheet under Non-Current Assets with the liability for the lease repayments shown under Long Term Liabilities.

Former LEA Maintained Schools which have become Academies are de-recognised from the date the Academy is created and the school no longer receives funding directly from the Council. For Community and Foundation Schools transferring to Academy Status, this includes writing out the carrying value of the related assets from the Balance Sheet through the Comprehensive Income and Expenditure Statement under Other Operating Expenditure as part of the gain/loss on disposal of assets.

As at 31 March 2012 the Council has 22 Maintained Schools which are classified as Voluntary Maintained. Whilst the income, expenditure and balances pertaining to Voluntary Maintained Schools are consolidated in the Council's Accounts, the value of the land and property is not. This is consistent with current requirements of the Code of Practice.

1.29 FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Gains or losses on the repurchase or early settlement of borrowing are credited and debited to the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification and exchange of existing instruments, the premium and discount is respectively added to or deducted from the amortised cost of the new or modified loan, and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund 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. With regard to the HRA, premiums and discounts on the repurchase of HRA debt is amortised to the HRA over the remaining life of the debt repaid or ten years, whichever is the lower.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.30 FINANCIAL ASSETS

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed and determinable payments but are not quoted in an active market; and

- Available-for-sale-assets – assets that have a quoted market price and/or do not have fixed or determinable repayments.

Loans and receivables

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

However, the Council has made a number of loans at less than market rates (soft loans), for instance where it is required to do so by statute. When soft loans are made a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that would be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of the amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. A review of all of the areas affected by these has demonstrated the effect of disclosing the interest foregone to be de minimis (below £0.5m).

Available-for-sale assets

Available for sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective interest rate for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

Changes in fair value are balanced by an entry in the available-for-sale reserve and the gain/loss is recognised in Other Comprehensive Income and Expenditure. The exception is where impairment losses have been incurred – these are recognised in the Financing and Investment Income and Expenditure, along with any net gain/loss for the asset accumulated in the reserve.

Where assets are identified as impaired, because of a likelihood arising from past events that payments due under the contract will not be made, the asset is written down and a charge made to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on de-recognition of the asset are credited/debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in Other Comprehensive Income and Expenditure and transferred from the Available for Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

1.31 VAT

The financial statements exclude the effect of VAT other than any amount that is irrecoverable from HM Revenue and Customs.

1.32 FINANCIAL RELATIONSHIPS WITH COMPANIES AND OTHER ORGANISATIONS

Where the Council has controlling interests in Subsidiaries, Associates or Joint Venture Companies, the Council consolidates its interests into a set of Group Accounts, unless the interests are considered not material to the Council's financial position. Where the Council has interests which fall within the Group Boundary, a professional judgement is made as to whether it is economic to prepare Group Accounts compared to the additional benefits accruing to the reader of the Accounts in understanding the Council's financial activities and obligations. This judgement has due regard to the impact of consolidation on the Council's financial statements; if the professional judgement is that the time and cost of consolidating the interest would not justify any additional benefit, then the interest in that Company is not consolidated.

The Council has undertaken a review of its interests in other bodies in accordance with the relevant accounting tests contained in the CIPFA Code of Practice and has concluded that it does have a group relationship with the following companies:

Enfield Homes Ltd

With effect from 1st April 2008, the Council established a management company (Enfield Homes Ltd) to manage its Housing Stock. This company is a wholly owned subsidiary of the Council and as such the Council's interest in it falls within the Group Boundary. However, a professional judgement on the materiality, size and impact of incorporating this interest into the Group Accounts concluded that the time and cost in doing so would not be justified by the additional benefits to the users of the accounts. Information on the financial performance and standing of Enfield Homes and how this relates to the Council is provided in Note 33 to the Core Financial Statements.

Enfield Norse Ltd

On 1st May 2009, the Council entered into an agreement with Norse Commercial Services Ltd (the trading arm of Norfolk County Council) to establish Enfield Norse Ltd. The company provides building cleaning services to the Council and its Schools. As a Joint Venture, the Council's interest in Enfield Norse Ltd falls within the Group Boundary. However, a professional judgement on the materiality, size and impact on incorporating this interest into the Group Accounts concluded that the time and cost in doing so would not be justified by the additional benefits to the users of the accounts. Information on the financial performance and standing of Enfield Norse and how this relates to the Council is provided in Note 33 to the Core Financial Statements.

New River Services Ltd

In 2011, the Council set up New River Services Ltd, a company wholly owned by the Authority with the Board made up of Councillors and Senior Officers. The purpose of the Company is to provide a legal platform which will enable the Authority to trade its services with other public bodies on a commercial basis. As and when the Company becomes operational, its inclusion into the Group Accounts will be depend on materiality and cost versus benefit considerations as outlined in the Policy above.

Other Organisations

In addition, the Council has a financial relationship with a number of other bodies and this is explained in Note 33 to the Core Financial Statements; these relationships do not give rise to a significant degree of influence or control.

1.33 INSURANCE ARRANGEMENTS

The Council's insurance arrangements comprise both internal and external arrangements. The internal insurance fund provides cover in full for tree root damage claims, burglary and "all risks" on specified equipment. In addition, the fund meets the cost of all claims within the external policy excesses for general building fire damage (including housing properties), motor, cash and public and employer liability claims.

External cover is arranged for claims above the policy excesses noted above and for specific risks in full such as those in respect of industrial and commercial properties, leaseholder properties, terrorism and material damage arising from storm and flood, and associated business interruption, for all general buildings.

Details of insurance reserves and provisions are included in Notes 8 and 21.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

For the 2012/13 financial statements, the CIPFA Code has adopted amendments to IFRS 7 Financial Instruments: Disclosures.

The purpose of the amendments is to improve the disclosure requirements relating to the transfer of financial assets. The standard requires new disclosures when a financial asset is de-recognised either in part or in its entirety but the transferor entity retains some form of contractual right or obligation in connection with the asset.

The effective date of this change in accounting arrangements is 1st April 2012. However, it is not expected the Council will have any qualifying transactions which would require the adoption of a new accounting policy under the standard.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies as set out in Note 1, the Council has had to make judgements about certain complex transactions. These are:

- The Council had £5m deposited with the Heritable Bank of Iceland at the time the bank went into administration in 2008. The Council has made provision for the estimated impairment of the investment based on the most recent advice from the bank's administrators on the likely amount recoverable and the timing of those receipts;

- The Council has reviewed its PFI contracts for the provision of schools and street lighting services and has concluded that the Council controls these services and the residual values of the assets at the end of the contracts. The accounting policies for PFI and similar contracts have been applied and the related assets are recorded on the Council's Balance Sheet;

- In accounting for the Council's exposure to possible future losses and obligations, provisions have been made where there is sufficient objective evidence to enable the extent and timing to be reasonably estimated; where there is a high degree of uncertainty, a contingent liability has been disclosed where material (above £250k). Accruals are made in the financial statements for estimated liabilities arising from the Council's normal business activities including those which may be subject to dispute or negotiation with the supplier;

- In classifying assets as Investment Properties, the Council has done so on the basis of the purpose for which these assets are held in maximising the generation of income at market rents or capital appreciation for the benefit of its services. Investment Properties include council owned retail, commercial and industrial premises;

- The recognition of the assets of the different categories of school in local authority accounts continues to be a matter of debate nationally in the context of what should constitute the overall accounting framework for maintained schools. In particular, this concerns whether the assets of Foundation Schools and Voluntary Aided Schools should be recognised on local authority balance sheets. As at 31st March 2012, Enfield had 22 Voluntary Aided Schools (18 Primary; 4 Secondary) and 1 Foundation School (1 Secondary). For 2011/12, the Council has continued to apply its existing accounting policy of not recognising VA School assets on balance sheet on the basis that the Council does not directly control the economic benefits of these assets. Further clarification on this issue is expected to be provided in future updates of the CIPFA Accounting Code of Practice;

- In considering whether a lease is an operating or finance lease, the Council has taken into account the length of period of the agreement, the net present value of the lease payments in relation to the value of the assets involved, the degree of control the Council has over their use and its residual interest in them at the end of the agreements. Leases are therefore recognised as finance leases where the agreements are long term and reflect more than 80% of the assets value at the time of inception. Leases of land are all deemed to be operational leases;

- The Council has considered its relationships with other entities and has concluded that the inclusion of such interests in a set of group financial statements should only be made where there is a material effect on the Council's financial position and its obligations and therefore material for an understanding of its financial affairs;

- The Council has considered its contracts for the supply of services to determine whether such arrangements provide for the Council to specify, control and utilise a significant proportion of the assets deployed in the service provision and also provides the Council with a residual interest at the end of the contract. Such contracts might therefore contain a lease. No such contracts meeting this definition have been identified;

- The amount of government funding in respect of general and specific revenue grants and capital grants is reducing over the medium term as the Government seeks to reduce public expenditure. In response the Council has produced a four year budget from 2012/13 to contain expenditure within known and quantifiable resources. However, at this stage, there is insufficient firm indication on the effect this may have on specific asset and liability values.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future and otherwise uncertain events.

Estimates are made taking into account recent experience and current trends and other objective factors. Since balances cannot be determined with complete certainty, actual events could be materially different from the assumptions and estimates that have been made.

The principal items in the Council's Balance Sheet at 31 March 2012 which may materially be affected by future events are set out below;

Item	Uncertainty	Effect If Actual Results Differ From Assumptions
Property Plant and Equipment	Assets are depreciated over estimated useful lives reflecting the current condition of the assets. Asset useful lives may need to be reduced if there is a deterioration beyond the currently assessed future performance of these assets.	A reduction in useful lives will increase the annual depreciation charge and reduce asset carrying values. An increase in useful lives will give rise to a corresponding reduction in annual depreciation charges.
Provisions	Provision has been made for estimated insurance claims to be met from the Council's own internal insurance arrangements. The Council has taken actuarial advice on the Council's claims exposure in determining the provision. This includes actual and IBNR (incurred but not reported) claims.	An actuarial review is undertaken every three years to re-assess the Council's exposure. An increase of 10% in the value of estimated outstanding claims would require an additional provision of £650k. The Council has a separate earmarked insurance fund reserve (£3.160m) which may be used to address such losses.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of judgements relating to the discount rate used, the rate at which employee earnings are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council has engaged an actuary to advise on these assumptions and judgements	The effects on the pension liability of changes in individual assumptions can be measured. For example, a 0.5% increase in the discount rate assumption would give rise to a decrease in the pension fund liability of £76.6m. However, other factors are less quantifiable and changes in some assumptions may be affected by future legislation. Further information on the movement in the pension liability is included in Note 41.
Debtors	At 31 March 2011, the Council had a balance of General Fund and HRA sundry debt (including rents) of approx. £47.5m; a provision for impairment of debt of £17.1m has been made in respect of this debt based on current collection rates. The present economic climate may mean this is insufficient.	If collection rates deteriorate, it may be necessary to increase this level of impairment – a decrease of 1% in the level of collectable debt would require an additional provision of approx. £500k.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

The following items have been disclosed as Exceptional Items in the Comprehensive Income and Expenditure Statement.

Nature of Exceptional Item	**Amount £000**
Housing Revenue Account Self Financing	28,789
Review of Financial Controls	6,241
Total Exceptional Items included in Net Cost of Services	**35,030**

Housing Revenue Account Self Financing

With effect from 1st April 2012, the central government housing subsidy system came to an end. The new arrangements enable Housing Authorities to retain all their rental income and require them, in future, to manage their housing stock on a self financing basis through a 30 year business plan.

The transitional arrangements to the new approach include a once and for all settlement between central and local government whereby authorities either buy themselves out of a negative housing subsidy position or receive a lump sum in lieu of future subsidy receipts.

Under the Settlement Payment Determinations 2012, Enfield was required to make a payment to central government of £28.789m on 28th March 2012 to exit the subsidy system. The Council took out a loan of an equivalent amount from the PWLB on the same day.

In accordance with the Localism Act 2012, such payments are deemed to be capital. The expenditure has therefore been written out in the Comprehensive Income and Expenditure Statement and matched by an equivalent contribution from the Capital Adjustment Account as shown in the Movement in Reserves Statement.

Review of Financial Controls

During the course of 2011/12, the Council undertook a major review of its control procedures with regard to payments for goods and services.

The exercise identified a considerable number of transactions relating prior to 2011/12 and going back over several years where some items had been goods receipted incorrectly leading to duplicate transactions being charged in the accounts where items had been goods receipted and therefore charged in the accounts but no payment had subsequently been made by the Council.

The total value of these transactions amounted to a net a credit of £9.9m of which approximately £11.3m related to revenue items (prior year revenue expenditure overstated)

In addition, the exercise has disclosed a cumulative amount of £17.5m also relating to prior financial years in respect of agency staff costs that had not been charged to revenue.

The net effect of these errors is a net over statement of creditors in the Balance Sheet at 31st March 2011.

The outcome is a net additional charge to revenue in 2011/12 of £6.2m which has been disclosed as an exceptional item in the Comprehensive Income and Expenditure Statement. The capital related transactions are contained within the capital outturn as disclosed in Note 34.

Transfers to Academy Status and Free Schools

On 1st August 2011, one secondary school in Enfield became an academy. In addition, the assets relating to the former Salisbury Upper School have transferred to the Woodpecker Free School with effective from September 2011.

While the legal transfer of related assets has not yet been completed, the financial statements reflect the substance of the transfer. Consequently, the carrying value of the transferring assets has been de-recognised in the statements – this is included in the gain/loss on the disposal of assets calculation which forms part of Other Operating Expenditure in the Comprehensive Income and Expenditure Statement.

Net Book Value of Assets Disposed / Transferred	General Fund £000	HRA £000	Total £000
Academies & Fee Schools*	15,670	0	15,670
Other Non-current Asset Disposals	1,014	1,685	2,699
	16,684	1,685	18,369
Disposal Receipts	(1,320)	(6,083)	(7,403)
Contribution to the Housing Capital Receipts Pool	0	21	21
De-recognition of Finance Leases	(2)	0	(2)
(Gain) / loss on Disposal of Non-Current Assets	15,362	(4,377)	10,985

* relates to Assets transferred to Enfield Grammar School (£8,930k) and Woodpecker Free School (£6,740k)

6. EVENTS AFTER THE REPORTING PERIOD

The unaudited Statement of Accounts were authorised for issue by the Director of Finance on 29 June 2012. Where events taking place before this date would have provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes would have been adjusted in all material respects to reflect the impact of this information. However, no known events took place during this period, therefore no adjustments have been made to the Financial Statements or Notes.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note sets out the adjustments that need to be made to the Comprehensive Income and Expenditure Statement prepared on the basis of proper accounting practices in order to reconcile the Statement to the resources available to the Council to meet future capital and revenue expenditure as specified by statute. The note analyses the amounts shown in the Movement in Reserves Statement.

2010/11* £000	Adjustments Between Accounting Basis and Funding Basis under Regulations	2011/12 £000
160,242	Deficit on Provision of Services	108,590
	Amounts included in the Comprehensive Income & Expenditure Statement but required by statute to be excluded when determining the Movement in General Fund Balance	
(95,384)	Depreciation and impairment of non current assets	(114,514)
(161,798)	Excess depreciation & impairment charged to the HRA services over the Major Repairs Allowance element of Housing Subsidy	(21,685)
2,085	Investment Properties: Gain/Loss on Disposal and Movements in Fair and Market Value	217
44,249	Capital grants and contributions credited to the CIES	41,670
(12,804)	Revenue expenditure funded from capital under statute	(37,421)
(54,996)	net gain or loss on sale of non-current assets	(10,985)
355	amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	276
94,749	amount by which pension costs calculated in accordance with the Code (IAS 19) are different from the contributions due under the pension scheme regulations	(4,422)
(428)	amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	127
(183,970)	**Sub Total**	**(146,737)**
	Amounts not included in the Comprehensive Income and Expenditure Statement but required to be included by statute when determining the Movement on the General Fund Balance	
8,867	statutory provision for repayment of debt	10,509
2,909	Repayment of lease obligations	3,525
11,077	capital expenditure charged to the General Fund & HRA	8,038
(780)	transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	(21)
(22)	Other Contributions from the Capital Receipts Reserve	(164)
22,051	**Sub Total**	**21,888**
(161,920)	**Total**	**(124,850)**

*re-stated

8. TRANSFERS TO/ (FROM) EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11 & 2011/12.

Reserve and description of balance	Balance at 31 March 2012 £000's	Transfers Out 2011/12 £000's	Transfer In 2011/12 £000's	Balance at 31 March 2011 £000s	Transfers Out 2010/11 £000's	Transfers In 2010/11 £000's	Balance at 1 April 2010 £000's
HRA							
HRA Heating Reserve	0	0	0	0	(477)	0	477
HRA Repairs Fund	5,287	(14,044)	13,630	5,701	(13,943)	12,621	7,023
HRA - Capital Reserve	3,548	0	0	3,548	0	0	3,548
Total HRA	**8,835**	**(14,044)**	**13,630**	**9,249**	**(14,420)**	**12,621**	**11,048**
General Fund							
General Fund - Project Carry Forwards	17,905	(10,154)	17,161	10,898	(3,995)	10,898	3,995
ICT Investment Fund	6,956	(1,777)	2,039	6,694	(1,817)	1,942	6,569
Interest Rate Equalisation Reserve	4,254	0	0	4,254	(500)	2,610	2,144
Homelessness Initiatives	4,212	(440)	960	3,692	(1,392)	1,574	3,510
General Fund - Capital Reserve	3,244	(2,359)	1,498	4,105	(4,029)	1,439	6,695
Insurance Fund	3,160	(28)	592	2,596	(46)	305	2,337
Street Lighting PFI Investment Reserve	2,529	(259)	0	2,788	(529)	0	3,317
Sustainable Service Development	1,900	0	0	1,900	0	1,900	0
Waste Recycling Contract	1,565	(313)	232	1,646	(678)	1,646	678
European Social Fund	1,500	0	0	1,500	0	1,500	0
Place shaping reserve	1,455	0	150	1,305	(818)	0	2,123
Private Sector Leasing Repair Fund	1,343	(80)	74	1,349	(211)	174	1,386
SAP Upgrade Reserve	1,298	(490)	386	1,402	(185)	434	1,153
Redundancy / ER & Restructuring Reserve	1,033	(1,739)	1,038	1,734	(748)	715	1,767
Repair & Maintenance	932	(3,016)	2,689	1,259	(3,078)	2,931	1,406
Residents Priority Fund	930	0	930	0	0	0	0
Internal Leasing Fund	756	(1,711)	1,500	967	(42)	1,615	(606)
Replacement of Pericles System	704	(318)	0	1,022	(6)	0	1,028
Invest to Save	647	0	0	647	0	67	580
Council Development/Strategic Reserves	543	(1,548)	1,459	632	(3,882)	0	4,514
New Homes Bonus for Empty Properties	528	0	528	0	0	0	0
Performance Reward Grant	487	(50)	7	530	(2,540)	270	2,800
Support for Schools Facing Changes	328	0	328	0	0	0	0
Working Neighbourhoods Fund	326	(1,184)	18	1,492	(2,561)	1,487	2,566
Secondary School Places	120	0	120	0	0	0	0
Building Schools for the Future	0	0	0	0	(1,419)	0	1,419
Other Specific Reserves	3,442	(2,340)	2,758	3,024	(2,189)	2,472	2,741
Sub Total	**62,097**	**(27,806)**	**34,467**	**55,436**	**(30,665)**	**33,979**	**52,122**
Revenue Grant Reserves	4,105	(1,421)	1,377	4,149	(6,471)	3,117	7,503
S106 Receipts	656	(142)	188	610	(27)	0	637
Total General Fund Reserves	**66,858**	**(29,369)**	**36,032**	**60,195**	**(37,163)**	**37,096**	**60,262**
Total Earmarked Reserves	**75,693**	**(43,413)**	**49,662**	**69,444**	**(51,583)**	**49,717**	**71,310**

9. PROPERTY, PLANT AND EQUIPMENT MOVEMENT IN BALANCES 2011/12:

Cost or Valuation £000s	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE	PFI Assets inc within PPE
At 01.04.2011	**445,199**	**570,192**	**46,819**	**233,340**	**6,170**	**4,998**	**14,709**	**1,321,426**	**79,790**
Additions	24,212	22,370	6,574	19,253	1,601	0	31,004	105,015	5,552
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,557	28,218	0	0	1,851	175	0	34,800	11,974
Revaluation increases/(decreases) recognised in the I & E	(11,235)	(64,653)	0	(98)	(2,191)	62	0	(78,115)	(8,669)
Derecognition - Disposals	(1,703)	(17,003)	(1,238)	0	0	0	0	(19,944)	0
Derecognition – Other*	0	(5)	(19,012)	(1,774)	0	0	0	(20,790)	0
Assets reclassifed (to)/from Held for Sale	(931)	(602)	0	0	0	(1,641)	0	(3,174)	0
Other movements in cost or valuation**	(17,856)	(16,114)	652	0	553	556	(9,630)	(41,838)	0
As at 31.03.2012	**442,242**	**522,404**	**33,794**	**250,722**	**7,984**	**4,151**	**36,083**	**1,297,379**	**88,647**

*Derecognition-Other. Amounts net off to zero against the same line in the Accumulated Depreciation and Impairment Table and relate to the removal of nil balance assets no longer owned by the Council

** Other movements in cost or valuation relate to the transfer of assets between classes and the Derecognition of non-enhancing expenditure

Accumulated Depreciation and Impairment £000s	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE	PFI Assets inc within PPE
At 01.04.2011	**(9,782)**	**(21,868)**	**(32,167)**	**(44,912)**	**0**	**0**	**0**	**(108,728)**	**(7,100)**
Depreciation charge for 2011/12	(10,319)	(12,594)	(8,517)	(5,731)	(23)	0	0	(37,186)	(3,062)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Depreciation written out to the I & E	9,782	3,415	0	0	0	0	0	13,197	49
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the I & E	0	41	0	0	0	0	0	41	0
Derecognition - disposals	0	484	1,138	0	0	0	0	1,622	0
Derecognition - Other	0	4	19,012	1,774	0	0	0	20,790	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0	0
As at 31.03.2012	**(10,319)**	**(30,517)**	**(20,535)**	**(48,869)**	**(23)**	**0**	**0**	**(110,264)**	**(10,113)**
Net Book Value									
at 31 March 2012	**431,923**	**491,887**	**13,259**	**201,853**	**7,960**	**4,151**	**36,083**	**1,187,115**	**78,542**
at 31 March 2011	**435,417**	**548,323**	**14,652**	**188,429**	**6,170**	**4,998**	**14,709**	**1,212,698**	**72,690**

Comparative Movements in 2010/11:

Cost or Valuation £000s	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE	PFI Assets inc within PPE
At 01.04.2010	**843,979**	**643,876**	**42,855**	**212,708**	**18,682**	**6,187**	**12,756**	**1,781,043**	**77,466**
Additions	48,708	22,022	4,265	20,801	1,245	188	10,184	107,413	6,991
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(160,910)	19,297	100	0	0	20	0	(141,493)	(244)
Revaluation increases/(decreases) recognised in the I & E	(285,177)	(74,753)	(555)	(262)	(1,034)	(1,230)	0	(363,011)	(4,423)
De-recognition - Disposals	(360)	(59,921)	(341)	0	0	0	0	(60,622)	0
De-recognition - Other	0	(225)	(128)	0	0	0	0	(353)	0
Assets reclassified to/(from) AUC, Assets Held for Sale and Intangible Assets	(833)	(13)	(15)	0	0	(375)	0	(1,236)	0
Other movements in cost or valuation	(208)	19,908	638	94	(12,723)	208	(8,231)	(314)	0
As at 31.03.2011	**445,199**	**570,191**	**46,819**	**233,341**	**6,170**	**4,998**	**14,709**	**1,321,427**	**79,791**

Accumulated Depreciation and Impairment £000s	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE	PFI Assets inc within PPE
At 01.04.2010	**(128,148)**	**(17,623)**	**(25,334)**	**(39,848)**	**0**	**0**	**0**	**(210,953)**	**(4,844)**
Depreciation charge for 2010/11	(9,782)	(12,170)	(7,660)	(5,064)	0	0	0	(34,676)	(2,257)
Depreciation written out to the Revaluation Reserve	0	444	0	0	0	0	0	444	0
Depreciation written out to the I&E	89,703	4,980	555	0	0	0	0	95,238	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the I&E	38,445	0	0	0	0	0	0	38,445	0
De-recognition - disposals	0	2,492	144	0	0	0	0	2,636	0
De-recognition - Other	0	9	128	0	0	0	0	137	0
Other movements in depreciation and impairment	0		0	0	0	0	0	0	0
As at 31.03.2011	**(9,782)**	**(21,868)**	**(32,167)**	**(44,912)**	**0**	**0**	**0**	**(108,729)**	**(7,101)**
Net Book Value									
at 31 March 2010	**596,031**	**919,269**	**16,245**	**156,363**	**13,683**	**1,428**	**9,570**	**1,685,111**	**72,689**
at 31 March 2011	**435,417**	**548,323**	**14,652**	**188,429**	**6,170**	**4,998**	**14,709**	**1,212,698**	**49,591**

Capital Commitments

As at 31st March 2012, the Council was contractually committed to several major capital projects, which amounted to approximately £59.5m. The majority of these schemes will be practically complete in 2012-2013. These can be analysed as follows:-

SCHEMES	Note	2012/13 £'000	2013/14 and later £'000
Education Projects			
Cuckoo Hall Primary School Expansion	4	984	63
Eversley Primary School Permanent Places	1	1,538	51
Firs Farm School Permanent Places	3	3,507	120
St Michaels Primary	2	2,936	125
Suffolks Primary School Permanent Places	2	1,308	51
St Mary's Centre- Purchase for PRU	8	2,770	0
Russet House School Extension	1	1,612	67
Honilands Primary School Permanent Places	1	1,925	72
Worcesters Primary School	1	1,378	182
Prince of Wales School Additional Classrooms 2012	1	1,611	79
Houndsfield Primary - Modular Classrooms	1	2,827	81
Capel Manor Primary extension	1	3,775	117
Merryhills expansion	3	1,699	74
Highfield Primary School Modular Extension	1	1,370	40
St Matthew CE Primary, Edmonton Annexe - Additional reception class	1	1,182	0
Churchfield Primary Modernisation	1	2,023	89
Oasis Hadley Academy	1	19,958	0
My Place Youth Project	5	2,698	0
Housing Projects			
Lift Programme Phase 2	7	1,292	0
Jackson & Swinson - Decent Homes	6	689	0
South Street - Decent Homes	6	710	0
Cyntra Decent Homes	6	522	0
Total		**58,314**	**1,211**

Commitments shown above relate to the following work:-

1. Expansion of School
2. School Extension to two forms of entry.
3. School Extension to three forms of entry.
4. School Extension to four forms of entry.
5. Major Refurbishment
6. Modernising Windows, Kitchens and Bathrooms.
7. Lift Refurbishment
8. Acquisition

10. INVESTMENT PROPERTIES

The following items are included in the Investment Property line in the Comprehensive Income and Expenditure:

	2011/12 £000s	2010/11 * £000s
Rental and Service Charge Income from Investment Property	(8,612)	(8,403)
Related Operating Expenses	2,376	2,697
Changes in Fair Value	277	(2,116)
Gain on Disposal	(1,936)	0
Net (gain)/loss	**(7,895)**	**(7,822)**

*Restated

The following table summarises the movement in the fair value of investment properties over the year:

	2011/12 £000s	2010/11 £000s
Balance at the start of the year	97,589	95,000
Additions:		
Subsequent Expenditure	1,375	504
Disposals	(2,229)	0
Nets gains/(losses) from fair value adjustments	2,954	2,085
Losses arising from the buy back of commercial interests – Highmead and Ladderswood regeneration projects	(1,129)	0
Impairment of Highmead commercial properties	(2,102)	0
Transfers:		
From Assets Held for Sale	375	0
To Property, Plant & Equipment	(2,277)	0
From Assets Under Construction	1,164	0
Balance at the end of the year	**95,721**	**97,589**

11. HERITAGE ASSETS

Enfield is rich in archaeological interest particularly in its historic streetscene and public realm which are decorated with milestones, finger posts and signage, horse troughs, public fountains and assortment of street furniture. These assets have not been recognised on balance sheet in view of the likely cost of obtaining appropriate valuations and their impact on the carrying value of the Council's asset holding.

The CIPFA Code of Practice requires the Statement of Accounts to include a five year summary of transactions relating to Heritage Assets but stipulates this is not required for accounting periods commencing before 1st April 2010 where it is not practicable to do so or not material to an understanding of the Council's financial position. In view of the recent recognition of Heritage Assets in the Council's accounts, the current re-development and change in use of Forty Hall and the recent valuation of the museum collections, civic regalia and silverware, as explained below, Heritage asset transactions taking place prior to 1st April 2010 have not been disclosed.

	Forty Hall	Broomfield House	Museum Collections	Civic Regalia	Total Assets
	£'000	£'000	£'000	£'000	£'000
Balance B/Fwd – 1 April 2010	3,490	0	848	232	4,570
Revaluations	410	360	0	0	**770**
Depreciation charge for 2010/11	(111)	(11)	0	0	**(122)**
Balance C/Fwd – 31 March 2011	**3,788**	**349**	**848**	**232**	**5,218**

	Forty Hall	Broomfield House	Museum Collections	Civic Regalia	Total Assets
	£'000	£'000	£'000	£'000	£'000
Balance B/Fwd – 1 April 2011	**3,789**	**349**	**848**	**232**	**5,218**
Depreciation charge for 2011/12	(111)	(11)			**(122)**
Balance C/Fwd – 31 March 2012	**3,678**	**338**	**848**	**232**	**5,096**

Forty Hall

Forty Hall is considered to be one of England's finest historic houses. A major re-development of the Forty Hall Estate has been undertaken by the Council with the support of the Heritage Lottery Fund. The Estate is due to re-open in 2012/13 as an important visitor attraction and destination venue in the Borough.

The property formerly accommodated the Council's Museum Service and was classified as an operational property. In view of the change in use and the Council's purpose to promote the historic significance of Forty Hall, it is considered more appropriate to classify the building as a Heritage Asset. The estate grounds have continued to be classified under Community Assets.

Broomfield House

Broomfield House dates back to the 16th century and has important historic significance to the Borough. The house was badly damaged by fire in 1984 and again in 1993 and 1994. Following advice from English Heritage, the building has been made safe, the remains protected and archaeological and architectural features which could be salvaged have been taken to safe storage. The future use of the house and its possible restoration are subject to further consideration. The valuation of the property reflects the impairment of the building as a result of the fire damage.

Museum and Gallery Collections

The Council's museum and gallery collections are currently used for a rolling programme of temporary exhibitions pending the development of a permanent display area within the Dugdale Centre. The collections comprise some 15,000 artefacts – 13,000 in the main collection and 2,000 in the education handling collection. The Museum Service has an Acquisition and Disposal Policy that was approved by Cabinet in September 2008. This sets out the types of material the service collects, how and why such materials are collected in particular due to their provenance to Enfield and the procedure for the disposal of existing artefacts.

The Museum artefacts are held in perpetuity for the residents of the borough with the presumption against disposal for financial gain. Each artefact in the collection has its own unique accession number which is recorded along with other data relating to the item in the Museum Catalogue. Access to the collections is via regular changing displays and exhibitions around the borough and by appointment to view artefacts in store. The balance sheet valuation of the museum collection is based only on artefacts that are considered to have a material financial value – the balance sheet value therefore only reflects some 250 items. This comprises the whole of the Council's art collection, furniture and coins and a small proportion of the rest of the collection as recommended by the museum staff.

Civic Regalia and Silverware

This refers to mayoral chains, maces and other ornamentation associated with the London Borough of Enfield and its predecessor authorities.

12. INTANGIBLE ASSETS

The intangible assets of the Authority include software, licences and a number of key systems. There is one principle intangible asset, MSS/ESS SAP Software Licences, which carries a net book value at 31 March 2012 of £864k. The carrying amounts of all intangible assets are amortised on a straight-line basis and this amounted to a £734k charge to revenue in 2011/12. The movement on Intangible Assets balances during the year is as follows:

	2012 £000s	2011 £000s
Balances at 1st April		
Gross carrying amounts	9,388	9,227
Accumulated amortisation	(6,398)	(5,039)
Net carrying amount at 1st April	**2,991**	**4,188**
Additions:		
Acquisitions	32	208
Other Transactions:		
Revaluations increases/(decreases)	130	47
Other Changes		
Impairments to I & E		(57)
Amortisation for the period	(734)	(1,396)
Net carrying amount at 31 March	**2,419**	**2,991**
Comprising:		
Gross carrying amounts	6,154	9,388
Accumulated amortisation	(3,735)	(6,398)
	2,419	**2,991**

No items of capitalised software are individually material to the financial statements.

The Council revalues its software assets annually based on their remaining economic useful life. The accumulated revaluation reserve balance at 31st March 2012 pertaining to intangible assets is £313k

13. NON CURRENT ASSETS VALUATION

The freehold and leasehold properties which comprise the Council's property portfolio are subject to annual review. Properties are inspected over a five year rolling programme. For the 2011/12 financial statements, 20% of properties representing a cross section of the portfolio were inspected ensuring the annual inspection properly reflects the Council's asset holding.

Valuations have been undertaken either directly by staff in the Council's Property Services Division or commissioned from external valuers having specialised knowledge in particular property types and categories e.g. heritage and listed building properties. The valuation of green belt and retail portfolios were outsourced to the Council's managing agents for these properties.

All valuations have been approved by Keith Moss MRICS – the Council's Property Review Manager and were carried out in accordance with the requirements of the Royal Institution of Chartered Surveyors as incorporated in the Red Book. Valuations are determined as at 1st April 2011 and subsequently reviewed in the light of actual capital investment in the year.

The whole of the Council's investment portfolio has been re-valued to reflect market variations.

Specialist buildings valued at DRC following the MEA approach that have not been inspected have been re-valued by adjusting asset lives and updating building costs from the BCIS Index.

An impairment review has been undertaken to consider circumstances where there have been indications of a reduction in the service potential of assets through physical deterioration.

For Council Dwellings, the Council's housing stock has been divided into five geographical areas for inspection purposes over the five year rolling valuation programme – the Council's valuers therefore inspect one geographical area each year. The remaining postal areas and property types not inspected are valued by a local Chartered Surveyor specialising in residential properties. This is a desktop evaluation exercise only.

In January 2011, the DCLG published a Valuation Guide for Council Housing Stock. The guide set out factors for adjusting the total vacant possession value of council housing stock to give a social housing valuation for the purposes of disclosure in the financial statements. The guide advises the adoption of an adjustment factor to apply to the gross stock value to arrive at the social housing stock value – this adjustment reduces the carrying value of the stock down to 25% of the market value. There has been no change in the adjustment factor from that used in 2010/11.

The Council uses indexation where appropriate to reflect changes in asset values during the course of the year. For council dwellings, the Council uses market trend information provided by a local independent valuer. The use of local information is considered to give a more accurate reflection of property values in the borough.

All assets that were inspected in the year were considered for componentisation for the purposes of determining depreciation for the year.

The Council's housing stock has not been componentised as the Council adopts the Major Repairs Allowance as the proxy for depreciation charges. This approach is being reviewed for the preparation of the 2012/13 financial statements as a result of the ending of the housing subsidy system of which the MRA was an integral part.

Intangible asset values and estimated useful lives have been reviewed with the Assistant Director (Customer Services, Information and Transformation).

The Council's vehicle fleet values and estimated useful lives have been reviewed with the Assistant Director (Highways and Transportation).

14. FINANCIAL INSTRUMENTS

Financial Instruments - Classifications

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

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

Financial Liabilities

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

The Council's loan portfolio at year end consisted of PWLB and market debt. During the year temporary borrowing from the money markets was also undertaken. These forms of borrowing are measured at amortised cost which does not change the amount of cash paid under the terms of the loan but can impact on the charge made to in the Comprehensive Income and Expenditure Statement.

Financial Assets

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

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

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

The Council's portfolio of investments consists of fixed term deposits, money market funds and call/notice accounts. Term deposits where the date from acquisition to maturity is greater than three months and call accounts are classed as 'Loans and Receivables' and are measured at amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment. Trade Receivables (Debtors) are classified as Loans and Receivables. As these are considered immaterial, they have been measured at cost on the Balance Sheet. Money Market Funds are classified as Available for Sale.

Balances on money market funds and call accounts and short term investments (including accrued interest) at 31st March 2011 having a maturity date of three months or less from the date of acquisition are shown under 'Cash and Cash Equivalents' in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value.

The Council does not have any investments required to be measured at Fair Value through Profit and Loss.

Transaction costs

Measurement at amortised cost permits transaction costs related to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. However, they are charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred where the costs are below £250k.

Financial Instruments - Balances

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

	Long Term		Current	
	31 March 2012 £000s	31 March 2011 £000s	31 March 2012 £000s	31 March 2011 £000s
Borrowing	(244,136)	(215,347)	(20,000)	(2,800)
Accrued Interest	(3,224)	(3,213)	(155)	-
Trade Creditors	-	-	(61,244)	(57,195)
PFI Contract Liabilities	(56,958)	(54,168)	(2,308)	(3,178)
Finance Lease Liabilities	(715)	(642)	(232)	(292)
Total Financial Liabilities	**(305,033)**	**(273,370)**	**(83,939)**	**(63,465)**
Termed Deposits#	-	-	5,700	22,500
Call Accounts	-	-	12,900	-
Money Market Funds	-	-	25,000	-
Impaired deposit	-	-	1,018	1,735
Accrued Interest	-	-	48	216
Long Term Loans	750	763	11	31
Finance Lease Debtors	1,652	2,520	21	22
Trade Debtors	2,080	1,906	49,335	52,793
Total Financial Assets	**4,482**	**5,189**	**94,033**	**77,297**

The termed loan is less than three months in duration so is classed as a cash or cash equivalent.

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under ‘current liabilities’ or ‘current investments’. This would include accrued interest on long term liabilities that is payable/receivable in 2011/12.

Financial Instruments - Gains and Losses

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

2011/12 Gains & Losses	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale assets £000s	2011/12 Total £000s
Interest expense	17,621	0	0	17,621
Impairment losses	0	(135)	0	135
Interest payable and similar charges	**17,621**	**(135)**	**0**	**17,756**
Interest income#	0	(5,356)	0	(5,356)
Interest and investment income	**0**	**(5,356)**	**0**	**(5,356)**

2010/11 Gains & Losses	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale assets £000s	2010/11 Total £000s
Interest expense	17,084	0	0	17,084
Impairment losses	0	8	0	8
Interest payable and similar charges	**17,084**	**8**	**0**	**17,092**
Interest income#	0	(5,076)	0	(5,076)
Interest and investment income	**0**	**(5,076)**	**0**	**(5,076)**

Includes recharges

Financial Instruments - Fair Values

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

The 2010 Code of Practice requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined as the amount for which asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2011 and 31 March 2012 consisted of loans from the Public Works Loan Board (PWLB) and market loans. The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have had to pay to extinguish the loans on these dates. In the case of market loans, in the absence of information to the contrary, the Council has calculated the fair value based on equivalent swap rates at the Balance Sheet date.

In the case of the Council's investments, these consisted almost entirely of term deposits with Banks and Money market Funds. The maturity dates of these investments were within 12 months of the Balance Sheet date. The contracts of term deposits do not permit premature redemption. None of the investments were impaired (i.e. at risk of default).

Carrying amount 31 March 2012 £000	Fair value 31 March 2012 £000		Carrying amount 31 March 2011 £000	Fair value 31 March 2011 £000
		Financial Liabilities:		
(20,154)	(20,154)	Short Term Borrowing	(2,800)	(2,800)
(247,360)	(339,989)	Long Term Borrowing	(218,560)	(266,439)
(60,213)	(60,213)	Deferred Liabilities (PFI Contracts and Finance Leases)	(58,279)	(58,279)
(60,315)	(60,315)	Trade Payables (Creditors)	(57,195)	(57,195)
(388,042)	**(480,671)**	**Total Financial Liabilities**	**(336,834)**	**(384,713)**
		Financial Assets:		
1,018	1,018	Short Term Investments	24,386	24,386
761	761	Long Term Loans	794	794
1,673	1,673	Deferred Income (Finance Leases)	2,542	2,542
49,546	49,546	Trade Receivables (Debtors)	54,699	54,699
52,998	**52,998**	**Total Financial Assets**	**82,421**	**82,421**

Financial Liabilities

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

Financial Assets

The fair value for long term investments at the Balance Sheet date is higher than the carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

Premiums and Discounts

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

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

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

Premiums amortised under statutory provisions can be charged to the General Fund over either the remaining life of the original loan or the life of the replacement loan, whichever is the greater period. Discounts must be credited to the General Fund over 10 years or the life of the original loan, whichever is the shorter period.

In the case of the Housing Revenue Account premiums and discounts are applied over a maximum 10 year period in all circumstances in accordance with statutory requirements.

These transactions are controlled through the Financial Instruments Adjustments Account which forms part of Unusable Reserves in the Balance Sheet.

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

The main risks covered are:

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

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

Market Risk: The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

Credit Risk

Loans and Receivables

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, AAA-rated money market funds or Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy.

A limit of £20m is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group.

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Council's Treasury Management Strategy Statement for 2011-12, approved by Full Council on 24 February 2011.

As conditions in the financial sector had begun to show signs of improvement, albeit with substantial intervention by government authorities, the Authority decided it would be appropriate to diversify the counterparty list in 2010/11, through the inclusion of comparable non-UK Banks for investments. The sovereign states whose banks were included were Australia, Canada, Finland, France, Germany, Netherlands, Switzerland and the US. These countries, and the Banks within them, were selected after analysis and careful monitoring of:

- Credit Ratings (minimum long-term A+)
- Credit Default Swaps
- GDP; Net Debt as a Percentage of GDP
- Sovereign Support Mechanisms / potential support from a well-resourced parent institution
- Share Price

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

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

Counter party	Credit Rating Criteria Met When Investment Placed	Credit Rating Criteria Met on 31 March 2012	Balance Invested as at 31 March 2012 £000s		
			> 1 month and < 3 months* £000s	> 3 months and < 6 months £000s	> 6 months and < 12 months £000s
Local Authority	Yes	Yes	5,700	-	-
Money Market Funds	Yes	Yes	25,000	-	-
Call Accounts	Yes	Yes	12,900	-	-
Total			**43,600**	**-**	**-**

The above analysis shows that all deposits outstanding as at 31st March 2012 met the Council's credit rating criteria on the 31st March 2012.

The above analysis excludes the estimated carrying value after impairment of the Council's Icelandic Bank investment of £1.0m.

Trade Receivables

The following analysis summarises the Council's potential maximum exposure credit risk, based on the experience gathered over the last five financial years on the level of default on trade debtors, adjusted for current market conditions. As per the Code of Practice requirements, the disclosure below includes details only of debtors that have arisen as a result of trading activities. Balances and transactions arising from statutory functions (i.e. council tax and NNDR payments) are excluded from this disclosure note, as they have not arisen from contractual trading activities.

	Gross Debtors 31 March 2012 £'000	Bad Debt Provision 31 March 2012 £'000	Gross Debtors 31 March 2011 £'000	Bad Debt Provision 31 March 2011 £'000
Sundry Debtors	35,407	(8,647)	39,017	(8,361)
Housing Tenants	5,302	(2,272)	6,422	(2,233)
PSL/B&B	6,757	(6,174)	7,354	(6,641)
Total	**47,466**	**(17,093)**	**52,793**	**(17,235)**

Liquidity Risk

The Council has access to borrowing facilities via the Public Works Loan Board, commercial banks, bond issues, medium term notes, tax increment financing, the European Investment Bank, and other local authorities.

There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates. The Council's strategy is to ensure that no more than 15% of loans are due to mature within any rolling three-year period through a period of careful planning of new loans taken out and making early repayments.

The Council would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

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

	Years	**31 Mar 2012 £000s**	**% of total debt portfolio**
Short Term Borrowing	**Less than 1 year**	**20,000**	**7.57%**
Long Term Borrowing	Over 1 but not over 2	0	
	Over 2 but not over 5	0	
	Over 5 but not over 10	31,000	11.74%
	Over 10 but not over 15	0	
	Over 15 but not over 20	0	
	Over 20 but not over 25	20,070	7.6%
	Over 25 but not over 30	0	
	Over 30 but not over 35	15,000	5.68%
	Over 35 but not over 40	88,278	33.42%
	Over 40 but not over 45	45,000	17.04%
	Over 45	44,789	16.96%
Total Long Term Borrowing		**244,136**	**92.43%**
Total Borrowing		**264,136**	**100.00%**

Loans and other long term liabilities outstanding (nominal value):	**31 Mar 2012 £000s**	**31 Mar 2011 £000s**
Public Works Loans Board	214,136	185,347
Market Debt	30,000	30,000
Temporary Borrowing	20,000	2,800
Deferred Liabilities – PFI and finance leases	60,213	58,281
Total	**324,349**	**276,428**

Market Risk

Interest Rate Risk: The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 25% on external debt that can be subject to variable interest rates. At 31 March 2011, 100% of the debt portfolio was held in fixed rate instruments, and none in variable rate instruments.

Investments are also subject to movements in interest rates. As investments are made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

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

Foreign Exchange Risk: The Council has no financial asset or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

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

	£000s
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	+300
Share of overall impact debited to HRA	+491

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Impairment of Investments

Early in October 2008, certain Icelandic Banks collapsed and the UK subsidiaries of the banks went into administration. The Authority had £5m deposited in one of these institutions for one year with effect from 11th January 2008, namely the Heritable Bank of Iceland. At the time the investment was made, the bank's credit rating was F1 (short term) and 1 (support). These favourable indicators were within the parameters set within the Council's approved Treasury Management Strategy. All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council are determined by the administrators/receivers.

Based on the information available, the Council considered it appropriate to make impairment adjustments for the deposit in its Statements of Accounts for 2008/09, 2009/10 and 2010/11. The 2010/11 Statement took into account the creditors' report issued by the administrators in February 2011. Based on this report, the Council projected an 85p in the £ return to creditors by October 2012.
During 2011/12, the Authority actually received £0.927m from the administrators (17.4%). In the light of these receipts and the administrator's report issued in August 2011, the Authority has revised its assumptions on the timing of future recoveries and has decreased its estimate of the impairment from £0.961m at 31st March 2011 to £0.825m at 31st March 2012. This reflects a recovery of 88p in the £ return to creditors by January 2013.

	Previous Assumptions	Current Assumptions
2011/12 (Actual to Date)	70%	68%
April 2012	5%	4%
June 2012		
July 2012	5%	5%
October 2012	5%	5%
January 2013		6%

Recoveries are expressed as a percentage of the Authority's claim in the administration process, which includes interest accrued up to 6th October 2008. It is likely that further adjustments will be made to the accounts in future years in the light of actual receipts.

Details of the Council's Heritable Bank investment are set out below. The investment is reported in the current assets figure in the Balance Sheet.

Date Invested	Maturity Date	Amount Invested £000s	Interest Rate %	Carrying Amount £000s	Impairment £000s	Cash Received £000s
11/01/08	09/01/09	5,000	5.5	1,018	825	3,157

The carrying amount of the investment in the Balance Sheet has been calculated using the present value of the expected repayments discounted using the investment's original interest rate.

Interest credited to the Comprehensive Income and Expenditure Statement in respect of the investment is as follows:

Credited 2007/08 £000s	Received 2007/08 £000s	Credited 2008/09 £000s	Received 2008/09 £000s	Credited 2009/10 £000s	Received 2009/10 £000s
61	0	275	0	188	188

Credited 2010/11 £000s	Received 2010/11 £000s	Credited 2011/12 £000s	Received 2011/12 £000s
115	115	74	74

15. CASH AND CASH EQUIVALENTS

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

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

The Cash & Cash Equivalent Assets and Liabilities held by the Council are as follows.

Cash and Cash Equivalent Assets

Type		31 March 2012 £000s	31 March 2011 £000s
Call Accounts (same day access accounts)		43,648	216
Cash and Bank Current Accounts		12,660	7,350
	Total	56,308	7,566

Cash and Cash Equivalent Liabilities

Type		31 March 2012 £000s	31 March 2011 £000s
Client Deposits held		(760)	(729)
Main Bank Clearing Accounts		(23,213)	(9,470)
	Total	(23,973)	(10,199)

16. STOCK

The council holds a diverse range of stock items. Purchases of stock items are added to the carrying value of non current assets in the Balance Sheet with related expenditure being recognised at the time the item is allocated for use. The value of stock items are carried at the lesser of cost or net realisable value. The range and value stock held as at 31 March is shown in the table below.

	Value as at 31 March 2012	Value as at 31 March 2011
Nature of stock held	£000	£000
Beverages	4	0
Catering	113	91
Fuel	58	54
Golf Equipment	15	13
Museum / Shop Merchandise	1	3
Libraries Equipment	16	8
Park & Cemetery Equipment	17	12
Printing Materials	1	5
Refuse Materials	3	2
Security Equipment	40	33
Training Materials	4	8
Social Services Equipment	261	0
Total	**533**	**229**

17. DEBTORS, PAYMENTS IN ADVANCE & LONG TERM DEBTORS

	31 March 2012 £000s	31 March 2011 £000s
Amount due from Central Government re NNDR	122	5,523
Council Tax	26,387	25,739
Council tax/Community charge/NNDR costs	3,080	2,871
Trade Debtors account ledger/debtor accruals	25,333	18,035
Enfield Homes	1,939	2,295
Grants & Contributions	5,828	13,909
HMRC	10,609	6,662
Housing Benefit Overpayments	1,246	1,769
Housing Rents	19,652	19,909
Other Debtors	3,265	4,986
Impairment of Debt	(31,278)	(31,170)
Payments in Advance	5,392	4,428
Total Debtors	**71,575**	**74,955**

LONG TERM DEBTORS & LONG TERM PAYMENTS IN ADVANCE

	31 March 2012 £000s	31 March 2011 £000s
Housing Mortgages (amounts due after one year)	0	13
Loan to Enfield Enterprise	750	750
Secured Debt – Social Services	1,763	1,675
Secured Debt – Other Debt	230	231
Amounts receivable under Finance Leases	1,652	2,520
Sub Total	**4,395**	**5,189**
Long Term Payments in Advance	87	0
Total	**4,482**	**5,189**

18. ASSETS HELD FOR SALE

Assets Held For Sale refers to the carrying value of assets which are being actively marketed and are expected to be disposed of during the next financial year.

In particular, they include vacant properties that will transfer to the Council's development partner as part of the re-development of the Ladderswood & Highmead Estates. Further details are provided in the note below.

	2011/12 £000s	2010/11 £000s
Balance at 01 April	1,731	22
Assets newly classified as held for sale:		
- Property, Plant & Equipment	3,174	1,236
- Investment Properties	(375)	
Expenditure in year	0	2,104
Transfers from Assets Under Construction	1,723	0
Impairment Losses	(4,014)	(1,609)
Assets sold	(66)	(22)
Balance at 31 March	**2,174**	**1,731**

Expenditure transferred from assets under construction refers to costs incurred on the Ladderswood estate re-development project. A reclassification from Held for Sale to Investment Properties – Held for Sale was also made in year.

19. REDEVELOPMENT OF LADDERSWOOD AND HIGHMEAD ESTATES

In conjunction with development partners, the Council is in the process of implementing major new projects to redevelop and regenerate the Highmead and Ladderswood communities located in the south and south west areas of the borough.

The objectives of these projects are to re-provide residential housing on the sites including both private and affordable housing, to provide new community facilities and to develop new commercial space.

The Council has sought to secure the full vacant possession of the sites by decanting existing council tenants and negotiating with residential and commercial leaseholders and other third parties to release their interests in the sites. As at 31st March 2012, the decanted/empty premises are disclosed as Asset Held for Sale in the Council's Balance Sheet pending the commencement and implementation of the development agreements during 2012/13. Further decants and the buying out of leaseholder interests will continue into future years as the projects proceed.

Assets will be formally de-recognised in the financial statements as they are transferred to the developer during the implementation phases of the projects. The carrying value of the assets associated with the new developments that are vacant and have no further operational use to the Council as at 31st March 2012 have been written down in the financial statements to reflect the estimated recoverable amounts receivable by the Council for these assets under the respective development agreements. Further details are provided in Note 37.

20. CREDITORS, RECEIPTS IN ADVANCE AND LONG TERM LIABILITIES

SHORT TERM LIABILITIES

This refers to amounts due to be paid within one year of the balance sheet date.

	31 March 2012 £000s	31 March 2011 £000s
Trade	51,858	50,851
HMRC	9,051	9,091
NNDR	44	44
Council Tax Refunds	2,818	2,585
Grants & Contributions	6,549	4,679
Enfield Homes	1,272	480
Finance Leases (incl. PFI Contracts)	2,540	3,469
Other	1,567	1,185
Receipts in Advance	9,519	14,169
Total Creditors and Receipts in Advance	**85,218**	**86,554**

LONG TERM LIABILITIES

The balance of Long Term Creditors represents outstanding amounts payable (beyond 1 year of the balance sheet date) under PFI Contracts and Finance Leases. The in-year movement in Long Term Creditors is due to capital expenditure on those assets exceeding the principal repayments made.

	31 March 2012 £000s	31 March 2011 £000s	1 April 2010 £000s
Amounts due to be paid under PFI Contracts	56,958	54,168	50,356
Amounts due to be paid under other Finance Leases	715	642	2,380
Total	**57,673**	**54,810**	**52,736**

21. PROVISIONS

Provisions are liabilities which have arisen as at the Balance Sheet date wherein the Council has an obligation for future transfer of economic benefit. Whilst there is some uncertainty on the amount and timing of the eventual transfer of economic benefit, the obligations have been recognised as expenditure in the accounts.

Provisions are classified between short term (those estimated to be settled within 12 months of the balance sheet date) and long term (those estimated to be settled after 12 months of the balance sheet date) and are detailed in the table below.

Classification and Description	31 March 2012 £000s	31 March 2011 £000s
Short Term		
Building Dilapidations	478	81
Payment of discretionary grants	60	59
Redundancy payments & associated costs	360	236
Liability for claims from internal insurance fund	2,842	353
School Equipment Leases	25	44
PFI Facilities Management Fee	0	82
Performance Related Pay	1,250	397
Accumulated Staff Absences	7,847	7,847
Disputed Invoices	0	11
Legal Costs	0	55
Backdated Bonus Payments	0	30
Funding of LPFA Deficit	0	216
Carbon Reduction Commitment Levy	341	0
Regeneration Property Buy-Backs	328	0
Backdated Heating Costs	353	0
Other	45	0
Sub Total	**13,928**	**9,411**
Long Term		
School Leasing Payments	92	103
Liability for Building Dilapidations	106	434
Liability for claims from internal insurance fund	3,609	6,555
Sub Total	**3,808**	**7,091**
Total	**17,736**	**16,502**

The largest provisions relate to

i) Accumulated Staff Absences £7.847m - this amount represents the estimated value of untaken annual leave as at the balance sheet date

ii) Insurance £6.451m in total – this amount represents the estimated cost of claims against the Council's Internal Insurance Fund projected to be made for all insured events at the balance sheet date. This is in line with conclusions made by the Insurance Actuary.

22. Unusable Reserves

The table below summarises the Unusable Reserves as disclosed in the Balance Sheet:

	31 March 2012 £000s	31 March 2011 £000s
Revaluation Reserve	(114,025)	(85,244)
Capital Adjustment Account	(710,760)	(821,616)
Collection Fund Adjustment Account	(256)	(129)
Financial Instruments Adjustment Account	2,268	2,544
Deferred Capital Receipts Reserve	(2,434)	(3,337)
Accumulated Absences Account	7,847	7,847
Pensions Reserve	401,928	317,972
	(415,432)	**(581,963)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets having accumulated gains are:

- Revalued downwards or impaired and the gains are reduced or lost;
- Depreciated in the provision of services and the gains are consumed;
- Disposed of and the gains are realised.

The Reserve only contains revaluation gains accumulated since 1st April 2007 when the Reserve was created. Accumulated gains before that date are consolidated in the balance of the Capital Adjustment Account.

	2011/12 £000s	2010/11 £000s
Balance at 1 April	**(85,244)**	**(227,848)**
Downward / (Upward) revaluation of assets	(50,419)	140,675
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	15,618	0
Surplus or deficit on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	**(34,801)**	**140,675**
Difference between fair value depreciation and historical cost depreciation	1,930	1,566
Accumulated gains on assets disposed of in the year	3,093	363
Other Adjusting Amounts Written Off to the Capital Adjustment Account	993	0
Total Amount written off to the Capital Adjustment Account	**6,018**	**1,929**
Balance at 31 March	**(114,027)**	**(85,244)**

Capital Adjustment Account

The Capital Adjustment Account reconciles the timing differences between the different accounting arrangements for the consumption of non-current assets and for the financing of the acquisition, construction and enhancement of those assets under statutory provisions.

The Account is debited with the cost of depreciation, impairment losses and amortisations that have been charged to the Comprehensive Income and Expenditure Statement with reconciling items from the Revaluation Reserve to write off the depreciation, impairment and amortisation of revalued amounts.

The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains the accumulated net gains and losses on Investment Properties that have yet to be consumed by the Council.

The Account also contains the net accumulated revaluation gains on Property, Plant and Equipment prior to 1st April 2007 – the date when the Revaluation Reserve was first created to hold such gains.

	2011/12 £000s	2010/11 £000s
Balance at 1 April	(821,616)	(1,082,526)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation of Property, Plant & Equipment	26,817	24,889
Charges for depreciation of Heritage Assets	122	123
Amortisation of Intangible Assets	734	1,396
Revaluation and Impairment Losses on Property, Plant & Equipment	107,498	229,103
Revaluation and Impairment Losses on Assets Held for Sale	1,041	1,609
Revaluation and Impairment Losses on Intangible Assets	0	57
Transfer of Major Repairs Allowance to Major Repairs Reserve	10,309	9,782
Revenue Expenditure Funded from Capital Under Statute	37,421	12,804
Amounts of Non-Current Assets written off on disposal as part of the Gain/Loss on Disposal in the Comprehensive Income and Expenditure Statements	20,598	58,009
Amounts of outstanding liabilities under finance leases written off on disposal of the related asset as part of the Gain/Loss on Disposal in the Comprehensive Income and Expenditure Statement	(2)	(1,487)
Sub Total	**204,538**	**336,285**
Adjusting Amounts written out of the Revaluation Reserve		
Valuation of assets disposed of in the Comprehensive Income and Expenditure Statement	(3,093)	(363)
Other adjusting amounts written out of the Revaluation Reserve	(2,925)	(1,566)
Net written out amount of the cost of non-current assets consumed in the year	**198,520**	**334,356**
Capital financing applied in the year		
Capital receipts applied	(8,618)	(6,897)
Revenue contributions to fund capital expenditure	(8,038)	(11,077)
Major Repairs Reserve applied	(10,675)	(8,203)
Capital grants and contributions applied	(48,018)	(33,408)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(14,034)	(11,776)
	(89,383)	**(71,361)**
Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(383)	(2,085)
Movement in the carrying value of Investment Properties Held For Sale debited to the Comprehensive Income and Expenditure Statement	2,102	0
Balance at 31 March	**(710,760)**	**(821,616)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the difference between the Council's share of council tax income in the year shown in the Comprehensive Income and Expenditure Statement and the statutory arrangement for transferring amounts from the Collection Fund to the General Fund based on the council tax demand.

	2010/11 £000s	2010/11 £000s
Balance at 1 April	**(129)**	**(556)**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(127)	427
Balance at 31 March	**(256)**	**(129)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account reconciles the timing difference between the accounting arrangements for the income and expenditure relating to certain financial instruments and the statutory provisions for the recognition of gains or losses in respect of those instruments in the HRA and General Fund.

The Council uses the Account to manage premiums paid on the early settlement of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when incurred but reversed out of the General Fund and HRA balances in the Movement in Reserves Statement. The expense is posted back to the General Fund and HRA in the Movement in Reserves Statement over the unexpired term outstanding at the time the loans were redeemed. The balance on the Account at 31st March 2012 will be charged to the General Fund and HRA over the next 16 years.

	2011/12 £000s	2010/11 £000s
Balance at 1 April	**2,544**	**2,900**
Premiums incurred in the year charged to the Comprehensive Income and Expenditure Statement	0	0
Proportion of premiums incurred in previous financial years to be charged against the General Fund and HRA Balances in accordance with statutory requirements	(276)	(356)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in accordance with statutory requirements	(276)	(356)
Balance at 31 March	**2,268**	**2,544**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the proceeds from the disposal of non-current assets for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these resources as usable for financing new capital expenditure until they are backed by cash receipts. Once cash settlement takes place, amounts are transferred to the Capital Receipts Reserve.

Deferred Capital Receipts include amounts repayable to the Council under mortgage and loan advances and from the disposal of assets under finance leases.

	2011/12 £000s	2010/11 £000s
Balance at 1 April	**(3,337)**	**(3,371)**
Transfer to the Capital Receipts Reserve upon receipt of cash		
- Council Mortgages	33	13
- Amounts Received Under Finance Leases	22	21
De-recognition of Amounts Receivable Under Finance Leases	848	0
Balance at 31 March	**(2,434)**	**(3,337)**

Accumulated Absences Account

The Accumulated Absences Account holds the costs of accrued compensated absences not taken in the year e.g. annual leave and flexitime entitlements carried forward at 31 March. Statutory arrangements require the impact on the General Fund to be neutralised by transfers to or from the Account.

	2011/12 £000s	2010/11 £000s
Balance at 1 April	7,847	7,847
Cancellation of accrual made in the previous year	(7,847)	(7,847)
Amount accrued in the current year	7,847	7,847
Amount by which employee remuneration charged to the Comprehensive Income and Expenditure Statement is different from remuneration chargeable in the year according to statutory regulation	0	0
Balance at 31 March	**7,847**	**7,847**

Pensions Reserve

The Pensions Reserve reconciles the timing differences between the accounting arrangements for post employment benefits and the funding of benefits in accordance with statutory requirements. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees based on accrued years of service, updating liabilities to reflect inflation, reviewing assumptions and investment returns on resources set aside to meet such costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or pays pensions for which it is directly responsible. The debit balance on the Pension Reserve means there is a shortfall in the benefits earned by past and current employees and the resources that have been set aside to meet them. Statutory arrangements ensure that the required funding will be set aside by the time the benefits actually become payable.

Movement in Pension Fund Reserve

	2010/11 £000s	2010/11 £000s
Deficit Balance at 1 April	317,972	362,611
Actuarial (gains)/losses on pensions assets and liabilities	79,534	50,110
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	31,569	(69,182)
Employer's pension contributions payable in the year and direct payments to pensioners payable in the year	(27,147)	(25,567)
Deficit Balance at 31 March	**401,928**	**317,972**

23. SEGMENTAL ANALYSIS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is specified by the Service Area Code of Practice (SERCOP). However, decisions about resource allocation are taken by Cabinet on the basis of budget reports analysed across directorates.

These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:-

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses are charged to services in the Comprehensive Income and Expenditure Statement)

- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than the current service cost of benefits accrued in the year.

The income and expenditure of the Authority's Directorates recorded in the budget reports for the year is as follows:

Amounts reported for Resource Allocation Decisions 2011-12

	Directorate					
Directorate Income & Expenditure 2011-12	Health Housing & Adult Social Care	Finance & Corporate Resources	Regeneration, Leisure & Culture	Schools & Children's Services	Chief Executive	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(64,549)	(25,198)	(3,811)	(262,990)	(3,144)	(390,725)
Government Grants	(254)	(3,877)	0	(298,426)	0	(304,466)
Total Income	(64,803)	(29,075)	(3,811)	(561,415)	(3,144)	(695,192)
Employee Expenses	33,331	30,126	8,346	248,025	5,039	355,377
Other Service Expenses	127,644	42,101	5,442	371,879	2,812	584,896
						0
Total Expenditure	**160,975**	**72,227**	**13,788**	**619,904**	**7,851**	**940,274**
Net Expenditure	**96,172**	**43,152**	**9,977**	**58,489**	**4,708**	**245,082**

The comparative amounts reported for 2010-11 were as follows:-

	Directorate						
Directorate Income & Expenditure 2010-11	Health Housing & Adult Social Care	Finance & Corporate Resources	Regeneration, Leisure & Culture	Schools & Children's Services	Environmental Services	Chief Executive	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(66,668)	(78,543)	(4,181)	(38,052)	(37,882)	(9,227)	(234,553)
Government Grants	(3,526)	(292,523)	(31)	(319,783)	(1,911)	0	(617,774)
Total Income	(70,194)	(371,066)	(4,212)	(357,835)	(39,793)	(9,227)	(852,327)
Employee Expenses	33,414	33,678	8,905	259,345	27,626	5,489	368,457
Other Service Expenses	144,492	367,794	16,543	218,466	62,479	4,735	814,509
							0
Total Expenditure	**177,906**	**401,471**	**25,449**	**477,811**	**90,105**	**10,225**	**1,182,965**
Net Expenditure	**107,712**	**30,405**	**21,236**	**119,976**	**50,311**	**998**	**330,638**

Reconciliation to the Subjective Analysis

This reconciliation shows how the figures in the Directorate Analysis relate to the subjective analysis of the deficit on Provision of Services included in the Comprehensive Income and Expenditure Statement

2011/12 Reconciliation to the Subjective Analysis	Directorate Analysis	ADD: Services not included in Analysis	ADD: Amounts not reported to management for decision making	Deduct: Amounts not included in NCOS from CIES	Net Cost of Services (from CIES)	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(390,725)		(57,262)		(447,987)	(8,116)	(456,103)
Interest and investment income	0				0	(45,163)	(45,163)
Income from council tax	0				0	(121,400)	(121,400)
Government grants and contributions	(304,466)				(304,466)	(194,231)	(498,697)
Total Income	**(695,192)**	**0**	**(57,262)**	**0**	**(752,454)**	**(368,910)**	**(1,121,364)**
Employee expenses	355,377		(3,729)	0	351,648		351,648
Other service expenses	584,896		71,209	(9,863)	646,242		646,242
Support Service recharges	0				0		0
Depreciation, amortisation and impairment			147,950		147,950	(135)	147,815
Interest Payments	0				0	65,579	65,579
Precepts & Levies	0				0	7,663	7,663
Payments to Housing Capital Receipts Pool	0				0	21	21
Gain or Loss on Disposal of Fixed Assets	0				0	10,985	10,985
Total operating expenses	**940,274**	**0**	**215,430**	**(9,863)**	**1,145,841**	**84,113**	**1,229,954**
Deficit on the provision of services	**245,082**	**0**	**158,168**	**(9,863)**	**393,387**	**(284,797)**	**108,590**

Comparative amounts for 2010-11

2010/11 Reconciliation to the Subjective Analysis	Directorate Analysis	ADD: Services not included in Analysis	ADD: Amounts not reported to management for decision making	Deduct: Amounts not included in NCOS from CIES	Allocation of recharges	Net Cost of Services (from CIES)	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(234,553)		(54,374)	7,134		(281,793)	(8,529)	(290,322)
Interest and investment income	0					0	(43,885)	(43,885)
Income from council tax	0					0	(120,228)	(120,228)
Government grants and contributions	(617,774)			6,800		(610,974)	(191,760)	(802,735)
Total Income	**(852,327)**	**0**	**(54,374)**	**13,934**	**0**	**(892,767)**	**(364,402)**	**(1,257,169)**
Employee expenses	368,457		(55,832)	(25,567)		287,058		287,058
Other service expenses	641,575		27,640	(10,526)		658,689		658,689
Support Service recharges	78,453					78,453		78,453
Depreciation, amortisation and impairment	94,481			170,101		264,582	8	264,590
Interest Payments	0					0	63,238	63,238
Precepts & Levies	0					0	9,612	9,612
Payments to Housing Capital Receipts Pool	0					0	780	780
Gain or Loss on Disposal of Fixed Assets	0					0	54,996	54,996
Total operating expenses	**1,182,965**	**0**	**(28,192)**	**134,008**	**0**	**1,288,781**	**128,633**	**1,417,414**
Deficit on the provision of services	**330,638**	**0**	**(82,566)**	**147,942**	**0**	**396,014**	**(235,769)**	**160,245**

Reconciliation of Directorate Income and Expenditure to Net Cost of Services in the Comprehensive Income and Expenditure Statement

	2011/12 £000s	2010/11* £000s
Net Expenditure Reported in Directorate Analysis	245,082	330,638
Add: Items included in the Net Cost of Services but not reported to management in the Directorate Analysis	158,168	87,535
Deduct: Items not included in the Net Cost of Services but reported to management in the Directorate Analysis	9,863	(22,159)
Cost of Services in the Comprehensive Income and Expenditure Statement	**393,387**	**396,014**

* Figures as per the published 2010-11 Statement of Accounts

24. INVESTING ACTIVITIES

This note provides further analysis of the Investing Activities in the Cash Flow Statement.

Cash Flow Statement – Investing Activities	2011/12 £000s	2010/11 £000s
Purchase of property, plant and equipment, investment property and intangible assets	101,396	97,370
Proceeds from Short and Long Term Investments	(23,217)	(5,679)
Purchase of Short term investments	0	22,500
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(12,469)	(1,559)
Capital grants and contributions received	(40,642)	(43,762)
Total Investing Activities	**25,068**	**68,870**

25. FINANCING ACTIVITIES

This note provides further analysis of the Financing Activities in the Cash Flow Statement.

Cash Flow Statement – Financing Activities	2011/12 £000s	2010/11 £000s
Repayment of Short Term Borrowing	2,800	5,000
Cash receipts from Short Term Borrowing	(20,000)	(2,800)
Cash Receipts from Long Term Borrowing	(28,789)	0
Cash payments for the reduction of outstanding liabilities relating to finance leases and on balance sheet PFI contracts	3,525	2,909
Other payments / (receipts) from financing activities	(5,736)	4,106
Total Financing Activities	**(48,200)**	**9,215**

26. CENTRAL SERVICES

The figure of £20.926m disclosed for Central Services in the Comprehensive Income and Expenditure Statement comprises the following distinct elements:-

	2011/12 £000	2010/11 £000
Central Services to the Public	6,673	11,611
Corporate & Democratic Core Costs	7,475	10,144
Non Distributed Costs	6,778	4,123
Total:	**20,926**	**25,878**

27. POOLED BUDGETS

Under Section 75 of the NHS Act 2006, the Council has established joint arrangements with the NHS Enfield for the administration of an Integrated Community Equipment Services (ICES), a Learning Disabilities Fund and a Drug Alcohol Action Team (DAAT)

i) Integrated Communities Equipment Service. This provides equipment services for people with permanent and substantial difficulties, helping them to live in their own home.

Integrated Communities Equipment Service

	2011/12			2010/11*		2009/10*	
	£000	£000		£000	£000	£000	£000
Funding provided to the pooled budget							
LBE	1,219			1,189		1,131	
NHSE	415			418		419	
Preventative Tech Grant	7			7		15	
Pool Reserve brought forward**	187			88			
		1,827			1,702		1,565
Expenditure met from the pooled budget:							
LBE	1,340			1,512		1,461	
NHSE	0			0		0	
		1,340			1,512		1,461
Net Surplus/ (Deficit) to be carried forward		488	***		190		104

* Re-stated

** Pool carry forward is agreed at the ICES Steering group for use on ICES priority areas.

*** Amount higher than previous years due to the treatment of Stock in line with IAS 2 requirements.

ii) Learning Disabilities Joint Partnership This Fund enables the Council and the Trust to maintain integrated provision for the delivery of services to people with learning disability for whom the Council and the Trust have a responsibility to provide health and social care.

Learning Disabilities Joint Partnerships					
		2011/12		2010/11	
		£000	£000	£000	£000
Funding provided to the pooled budget					
	LBE	3,877		3,971	
	NHSE	1,438		1,459	
	Client Contributions	1,739		1,795	
			7,054		7,225
Expenditure met from the pooled budget:					
	LBE	4,954		4,932	
	NHSE	2,074		2,295	
			7,028		7,227
Net Surplus/ (Deficit)			26		-2

iii) Drug Alcohol Action Team (DAAT). This Team is responsible for the implementation of the National Drug Strategy 2010. The DAAT board members comprise of DoH, Ministry of Justice, National Treatment Agency and other key organisations with the role of managing and decision making for all matters relating to drug or alcohol misuse. The memorandum of agreement was formally signed 05th August 2010.

Drug Alcohol Action Team					
		2011/12		2010/11	
		£000	£000	£000	£000
Funding provided to the pooled budget					
	LBE	1,120		1,583	
	NHSE	2,864		2,342	
	*Pool Reserve brought forward	394		361	
			4,378		4,286
Expenditure met from the pooled budget:					
	LBE	1,277		1,550	
	NHSE	2,864		2,342	
			4,141		3,892
Net Surplus/ (Deficit) to be *carried forward			237		394
* Carry forward amounts are agreed at the DAAT board for use on DAAT priority areas.					

28. MEMBERS ALLOWANCES

Regulations require the annual publication of members' allowances. Detailed information is available at the Civic Centre and at all public libraries. A summary of the information concerned is shown the table below. Further details can be found at this link to the Council's web site.

	2011/12 £000s	2010/11 £000s
Basic allowances	665	669
Special responsibility allowances	290	275
	955	**944**

29. OFFICERS' REMUNERATION

i) Senior Employee's Earnings. Taxable remuneration, expense allowances and employers pension contributions in respect of Senior Employees is detailed below :

Senior Employee Designation		Taxable Pay	Performance Related Pay (Note 1)	Expenses Allowances	Pension Contribution	Total
		£	£	£	£	£
Rob Leak (Chief Executive)	2011/12	188,954.88	-	469.00	37,337.04	**226,760.92**
	2010/11	189,528.00	4,737.75	427.64	36,910.50	**231,603.89**
Director of Health, Housing & Adult Social Care	2011/12	130,832.88	6,160.50	-	27,100.65	**164,094.03**
	2010/11	131,406.00	228.25	-	25,010.56	**156,644.81**
Director of Finance, Resources & Customer Services	2011/12	132,725.88	4,795.50		27,204.57	**164,725.95**
	2010/11	130,563.00	2,567.25	-	25,294.80	**158,425.05**
Director of Schools and Childrens Services	2011/12	125,357.88	5,818.50	-	25,954.62	**157,131.00**
	2010/11	123,192.00	2,567.25	57.40	23,894.28	**149,710.93**
Director of Environment	2011/12	121,316.88	4,790.25	-	25,482.60	**151,589.73**
	2010/11	121,827.00	2,565.00	-	23,634.51	**148,026.51**
Director of Regeneration, Leisure and Culture	2011/12	118,511.88	4,795.50	-	24,404.49	**147,711.87**
	2010/11	116,352.00	2,565.00	-	22,594.23	**141,511.23**

Note 1: Performance Related Pay is paid with effect from 1st July rather than 1st April.

Note 2**:** The pay scales for the Chief Executive and Directors include a consolidated range and a non consolidated range. Progression through the consolidated range reflects performance and is consolidated into the future annual salary of each officer. Performance Related Pay beyond the consolidated range is not consolidated into the future annual salary of the officer; such payments are conditional on future performance. In 2010/11, only the Chief Executive received non consolidated payments.

Note 3: The Hutton Report on Senior Officers' Pay recommended a multiple factor of 8 for the Chief Executive's pay compared to core median pay. The Council's multiple factor is 7.5.

ii) Other Employee Earnings. In addition to Senior Employees identified above, the table below details the number of other employees whose taxable remuneration – which excludes employers pension contributions - exceeded £50,000

	2011/12				2010/11			
	Non Schools		Schools		Non Schools		Schools	
Taxable Remuneration band	Current	Left during the year	Current	Left during the year	Current	Left during the year	Current	Left during the year
£50,000 - £54,999	80	4	112	5	62	-	99	3
£55,000 - £59,999	27	2	55	1	35	1	64	2
£60,000 - £64,999	30	3	47	-	28	1	46	-
£65,000 - £69,999	17	-	29	-	17	-	15	1
£70,000 - £74,999	3	1	19	-	7	1	22	-
£75,000 - £79,999	2	-	12	1	4	-	10	-
£80,000 - £84,999	4	-	7	-	4	-	5	2
£85,000 - £89,999	6	1	3	-	5	1	3	-
£90,000 - £94,999	4	-	4	-	2	1	4	-
£95,000 - £99,999	4	-	2	-	6	-	3	-
£100,000 - £104,999	1	-	3	-	1	-	3	-
£105,000 - £109,999	-	-	1	1	-	-	1	-
£110,000 - £114,999	-	-	1	-	-	1	2	-
£115,000 - £119,999	-	-	1	-	-	-	-	-
£120,000 - £124,999	-	-	-	-	-	-	1	-
£125,000 - £129,999	-	-	1	-	-	-	-	-
£130,000 - £134,999	-	-	-	-	-	-	-	-
£135,000 - £139,999	-	-	-	-	-	-	-	-
£140,000 - £144,999	-	-	-	-	-	-	-	-
£145,000 - £149,999	-	-	-	-	-	-	-	-
£150,000 - £154,999	-	-	-	-	-	-	-	-
£155,000 - £159,999	-	-	-	-	-	-	-	-
£160,000 - £164,999	-	-	-	-	-	-	-	-
£165,000 - £169,999	-	-	-	1	-	-	-	-
Totals	**178**	**11**	**297**	**9**	**171**	**6**	**278**	**8**
TOTAL FOR YEAR	495				463			

30. EXTERNAL AUDIT COSTS

In 2011/12 the London Borough of Enfield incurred the following fees relating to external audit and inspection

	2011/12 £000s	2010/11 £000s
Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor	347	371
Fees payable to the Audit Commission in respect of statutory inspection	0	0
Fees payable to the External Auditors for the certification of grant claims and returns for the year	79	79
	426	**450**

31. DEDICATED SCHOOLS' GRANT

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families (DCSF) known as the Dedicated Schools' Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

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

		Central Expenditure	Individual Schools Budget	Total
A	Final DSG for 2011/12	0	0	240,967
B	Plus Brought forward from 2010/11	0	0	2,719
C	Less Carry forward to 2012/13 agreed in advance	0	0	3,219
D	Agreed initial budgeted distribution in 2011/12	21,885	218,582	240,467
E	In year adjustments	-1,489	1,489	0
F	Final budget distribution for 2011/12	20,396	220,071	240,467
G	Less Actual central expenditure	19,519	0	0
H	Less Actual ISB deployed to schools	0	220,071	
I	Plus Local authority contribution for 2011/12	0	0	0
J	Carry forward to 2012/13, including amount agreed in advance as shown above	4,096	0	4,096

Cumulative balances held by schools as at 31 March 2012 were £17.587m. This amount forms part of the `Balances General Fund & Schools' figure disclosed on the Balance Sheet.

32. GRANT INCOME

Grants, contributions and donations credited to the Comprehensive Income and Expenditure Statement are as follows:-.

	31 March 2012 £000s	31 March 2011 £000s
Credited to Taxation and Non Specific Grant Income		
Early Intervention Grant	14,556	-
Council Tax Freeze Grant	3,032	-
LSS Grant	802	-
New Homes Bonus	638	-
Performance Reward Grant	-	189
Private Finance Initiative Revenue Support Grant	6,800	6,800
Other	6	-
Area Based Grant	-	26,515
Revenue Support Grant	30,941	15,460
Capital Grants & Contributions	37,359	44,249
	94,134	**93,212**
Credited to Services		
Housing Benefit Subsidy	311,952	288,642
Dedicated Schools Grant	240,966	212,217
Pupil Premium Grant	6,618	-
Standards Fund	12,428	27,755
YPLA Grant	20,279	23,729
Schools Standards Grant	-	9,765
Childcare Grant	-	10,606
Grants from Enfield Primary Care Trust	11,189	9,769
DOH Health Reform Grant	4,901	-
Housing Benefit Administration	3,451	3,526
Community Focussed extended Schools Funding	3,181	3,152
Pupil Focussed Extended Schools Funding	-	2,336
Other Schools Government grants	702	2,305
Social Care Reform Grant	1,598	1,570
Aiming High for Disabled Children	-	1,174
London Teachers Additional Pay	-	1,170
Other Grants	8,966	12,716
	626,231	**610,432**

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

	2011/12 £000s	2010/11 £000s
Capital Grants Received in Advance	1,450	465

33. RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the 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 Authority. The Authority's Statement of Accounts are freely available to all Related Parties via the Council's Offices and its Website.

Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are set out in Note 32.

Other Public Bodies

The Authority operates a pooled budget arrangement with Enfield Primary Care Trust for the administration of a Learning Difficulties Fund, an Integrated Communities Equipment Service and a Learning Disabilities Fund – details of which are set out in Note 27.

Members and Officers

Council Members and senior staff are required to make declarations of interest concerning third party transactions, both in the form of an annual statement and by disclosing interests at Cabinet and other Council Meetings.

For financial year 2011/12 several members and senior officers declared they had interests with Local Voluntary Bodies, Charities, schools and other organisations. Transactions between the Council and the vast majority of these organisations were not materially significant and in all cases the member or officer was not in a position to control or direct them. Details of these interests are recorded in the Register of Members Interests which is open to public inspection. A handful of members declared interests with the following organisations with whom economic activity in the year was above £250k

Organisation	Members / Officers Declaring an Interest	Payments made by LBE to Organisation in 2011-12
North London Waste Authority(NWLA)	Ian Davis – Director of Environmental Services, is employed by NLWA as an Environment Adviser. His earnings with LBE are shown in Note 29	Statutory levy and charge of £6.3m
Cypriot Care Ltd	Cllr Amet Oykener is a Director of Cypriot Care Ltd, who provide Home Care Services in Enfield as well as other London Boroughs	Payment for Services of £450k
Enfield Enterprise Agency	Cllr Derek Levy is a Board Member and Director of Enfield Enterprise Agency – an independent, non profit making Business Advisory and Development Agency	Grant of £359k

Entities Controlled or Significantly Influenced by the Authority

Enfield Homes Ltd is a wholly owned subsidiary of the Authority. During financial year 2011-12, the Authority paid Enfield Homes Ltd £16.5m for the provision of Housing Management Services and repair and maintenance of the Council's Housing Stock (£17.9m in 2010/11). The Authority leases premises to the Company and also provides various support services to them e.g. Payroll, ICT etc. Total charges from the Authority to the Company in 2011/12 came to £3.5m (£6.7m in 2010/11). Enfield Homes Ltd is managed by a Board of 19 Members, 6 of whom are elected Councillors of the Authority, namely Councillors Marcus East, Christiana During, Lee Chamberlain, Denise Headley, Tashin Ibrahim, and Chaudhury Anwar.

The Authority owns 40% of the shares in Enfield Norse Ltd – being the Trading Arm of Norfolk County Council. The Company provides building cleaning services. During financial year 2011-12 the Authority received dividend income from Enfield Norse of £0.221m (£0.167m for 2010-11). James Rolfe (Director of Finance, Resources & Customer Services) is a Director of Enfield Norse Ltd.

In 2011, the Council set up New River Services Ltd, a company wholly owned by the Authority with the Board made up of Councillors and Senior Officers. The purpose of the Company is to provide a legal platform which will enable the Authority to trade its services with other public bodies on a commercial basis. As at 31 March 2012, the Company had not commenced trading. The Management Board includes Councillors Doug Taylor, Andrew Stafford and officers James Rolfe (Director of Finance, Resources and Customer Services) and John Austin (Assistant Director, Corporate Governance)

34. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The following analyses in year capital expenditure and how it has been financed

	2011/2012 £000s	2010/2011 £000s
Opening Capital Financing Requirement	**355,836**	**308,561**
Capital Investment		
Property, Plant and Equipment	105,015	107,412
Investment Properties	1,375	248
Intangible Assets	32	208
Assets Held for Sale	0	2,105
Revenue Expenditure Funded From Capital Under Statute*	37,336	12,745
	143,758	**122,718**
Sources of Finance		
Capital Receipts	(8,618)	(6,897)
Government Grants and Contributions	(48,018)	(33,408)
Direct Revenue Contributions	(18,713)	(19,280)
Minimum Revenue Provision	(14,034)	(11,776)
Increase in PFI Contract Liabilities	(1,920)	(4,423)
Decrease in Finance Lease Liabilities	(15)	341
	(91,318)	**(75,443)**
Closing Capital Financing Requirement	**408,276**	**355,836**
Increase in underlying need to borrow (supported by Government financial assistance)	14,000	37,177
Increase in underlying need to borrow (unsupported by Government financial assistance)	38,440	10,098
Increase in Capital Financing Requirement	**52,440**	**47,275**

*Analysis of Revenue Expenditure Funded from Capital under Statute

	2011/2012 £000	2010/2011 £000
Payment to DCLG – Buy Out of Housing Subsidy	28,789	0
Capital Contributions to VA Schools	5,010	7,454
Disabled Facilities Grants	1,946	1,976
Town Centre Compulsory Purchase Orders	0	940
Grants To Vacate	390	910
Grants to Housing Associations	756	632
House Repair Grants	225	327
Loft Extensions for Carers	0	149
Children's Centres	0	63
Youth Capital Fund	88	0
Other	132	294
Total Expenditure	**37,336**	**12,745**

35. LEASES

The Council as Lessee
Finance Leases

The Council has acquired a number of properties, vehicles and items of equipment under finance leases. These assets are carried as Property, Plant and Equipment and as Investment Properties in the Balance Sheet at the following net amounts.

	31 March 2012 £000s	31 March 2011 £000s
Vehicles, Plant, Furniture and Equipment	459	445
Investment Properties	289	1,689
Investment Properties Held For Sale	1,230	0
	1,978	**2,134**

Investment properties refer to the development of industrial premises which the Council leases out to commercial tenants. The valuations shown above include the land for which the Council owns the freehold. Investment Properties Held For sale refers to the commercial premises within the New Southgate Industrial Estate which will be transferred to the Council's development partners and subsequently re-provided through the regeneration of the Ladderswood Estate. The existing third party lease interest in these assets will also transfer to the new commercial units.

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property 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:

Finance lease liabilities (net present value of minimum lease payments)	31 March 2012 £000s	31 March 2011 £000s
• Current	232	292
• Non-current	715	642
Finance costs payable in future years	2,248	2,260
Minimum lease payments	**3,195**	**3,194**

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

	Minimum Lease payments		Finance Lease liabilities	
	2011/2012 £000s	2010/2011 £000s	2011/2012 £000s	2010/2011 £000s
Not later than one year	332	388	232	292
Later than one year and not later than five years	611	516	399	326
Later than five years	2,252	2,290	316	316
	3,195	**3,194**	**947**	**934**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/2012 £175k contingent rents were payable by the Council (2010/2011 - £175k).

Operating Leases

The Authority has acquired a number of administrative premises and vehicles by entering into operating leases, with typical lives of between 5 to 15 years for buildings and 3 to 5 years for vehicles.

The future lease payments due to be paid under these leases in future years are:

	2011/2012 £000s	2010/2011 £000s
Not later than one year	843	786
Later than one year and not later than five years	1,124	1,221
Later than five years	252	333
	2,219	**2,340**

The Council has sub-let some of the buildings and vehicles held under these operating leases. At 31 March 2012 the payments expected to be received under sub-leases was £117k (£239k at 31 March 2011). The expenditure charged to Net Cost of Services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2011/2012 £000s	2010/2011 £000s
Lease payments	1,812	1,648
Less sublease payments receivable	(174)	(189)
	1,638	**1,459**

The Council as Lessor
Finance Leases

The Council has a number of properties it has leased out under finance leases with a range of different remaining lease periods. The Council has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debt remains outstanding. The gross investment is made up of the following amounts:

Finance lease debtors (net present value of minimum lease payments)	**2011/2012 £000s**	**2010/2011 £000s**
• Current	21	22
• Non current	1,211	1,396
Unearned finance income	1,548	3,189
Unguaranteed residual value of property	441	1,124
Gross investment in the leases	**3,221**	**5,731**

	Gross investment in the leases		**Minimum lease payments**	
	2011/2012 £000s	**2010/2011 £000s**	**2011/2012 £000s**	**2010/2011 £000s**
Not later than one year	79	140	79	140
Later than one year and not later than five years	317	561	317	561
Later than five years	2,825	5,030	2,383	3,906
	3,221	**5,731**	**2,779**	**4,607**

The Council has taken into account the possibility that worsening financial circumstances might result in lease payments not being made. This is reflected in determining the amounts to be set aside for impairment of debts.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/2012, £128k contingent rents were receivable by the Council (2010/11 - £105k).

Operating Leases

The Council leases out land and buildings within its Investment Property portfolio under approx. 900 operating leases of varying lease periods. These include industrial and retail properties including land and the land element of finance leases, Green Belt agricultural tenancies and other recreational and commercial buildings. The Council received £7.852m in 2011/12 (£7.771m 2010/11) under these leases.

The table below sets out the future income profile arising from the most significant leases that generate annual income in excess of £20k (approx. 60 leases). The total annual receipts generated from these leases was £3.957m in 2011/12 (£3.753m 2010/11).

	2011/12 £000s	**2010/11 £000s**
Amount due not later than one year	3,624	3,397
Amount due later than one year and not later than five years	9,789	10,365
Later than five years	117,720	111,056
Total	**131,133**	**124,818**

36. PFI AND SIMILAR CONTRACTS

The Council has the following obligations arising from three PFI Schemes. In each case, the Council specifies the minimum standards for the services and the assets to be provided by the contractor and has the right to make deductions from the fees payable should those standards not be achieved. The assets will be transferred to the Council at the end of each contract for nil consideration and are therefore recognised on the Council's Balance Sheet; movements in their value in the year are detailed in the analysis of Movement in Property, Plant and Equipment in Note 9.

The Council makes agreed fixed payments each year which may be increased by inflation or reduced if the contractor fails to meet availability or performance standards in any year. Payments remaining to be made under each PFI contract at 31 March 2012 are shown below together with the outstanding liability to the contractor for capital expenditure incurred also as at 31 March 2012.

Street Lighting Services

Period	Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	Total £000s
Within one year	1,620	1,078	1,067	3,765
Two - five years	6,949	4,423	3,725	15,097
six - 10 years	9,806	5,558	3,387	18,751
11 - 15 years	11,360	5,615	2,009	18,984
16 - 20 years	10,585	4,688	603	15,876
Total	**40,320**	**21,362**	**10,791**	**72,473**

The carrying value of the Street Lighting scheme assets at 31 March 2012 was £25.6m (£21.1m at 31 March 2011).

Outstanding Liability for Reimbursement of Capital Expenditure	2011/12 £000s	2010/11 £000s
Balance Outstanding 1st April	**(18,286)**	**(12,871)**
Payments during the year	2,022	1,576
Capital expenditure incurred in the year	(5,098)	(6,991)
Balance Outstanding 31st March	**(21,362)**	**(18,286)**

Education – Provision of Highlands Secondary School

Period	Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	Total £000s
Within one year	667	482	1,343	2,492
Two - five years	2,908	2,580	4,812	10,300
six - 10 years	4,145	4,806	4,231	13,182
11 - 15 years	3,296	5,167	1,261	9,724
Total	**11,016**	**13,035**	**11,647**	**35,698**

The carrying value of assets held at 31 March 2012 was £25.9m (£22.2m at 31 March 2011).

Outstanding Liability for Reimbursement of Capital Expenditure	2011/12 £000s	2010/11 £000s
Balance Outstanding 1st April	**(13,491)**	**(13,820)**
Payments during the year	456	329
Balance Outstanding 31st March	**(13,035)**	**(13,491)**

Education – Provision of Starksfield Primary School and Refurbishment of Tottenhall Primary and Lea Valley Secondary Schools

Period	Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	Total £000s
Within one year	1,640	748	2,464	4,852
Two - five years	7,198	3,321	9,083	19,602
six - 10 years	10,516	5,958	9,237	25,711
11 - 15 years	12,438	8,815	5,725	26,978
16 – 20 years	6,675	6,028	1,138	13,841
Total	**38,467**	**24,870**	**27,647**	**90,984**

The carrying value of assets held at 31 March 2012 was £27.0m (£29.4m at 31 March 2011).

Outstanding Liability for Reimbursement of Capital Expenditure	2011/12 £000s	2010/11 £000s
Balance Outstanding 1st April	**(25,570)**	**(26,233)**
Payments during the year	700	663
Capital expenditure incurred in the year	0	0
Balance Outstanding 31st March	**(24,870)**	**(25,570)**

37. IMPAIRMENT LOSSES

The financial statements reflect losses and impairments of £7.2m in respect of the Ladderswood and Highmead Estate Regeneration Projects – (see Note 19).

	£000s
Assets Held For Sale (Note 18)	
Highmead Residential Properties	1,358
Ladderswood Residential Properties	2,655
	4,013
Investment Properties (Note 10)	
Losses arising from buying out commercial interests - Highmead	937
Losses arising from buying out commercial interests - Ladderswood	192
Impairment of Highmead Investment Properties	2,102
	3,231
Total	**7,244**

The residential and commercial assets of these estates are due to be transferred to a developer and registered social landlord commencing from 2012/13 as each phase of the development projects proceeds.

The losses and impairments reflect:

- the buying out of residential and commercial interests in both estates;

- the overall reduction in the value of assets that are currently vacant and held for transfer as at 31st March 2012 in order to ensure their carrying value does not exceed the consideration the Council is expected to receive from the respective development partners for these assets.

As at 31st March 2012, the residential element of the Highmead Estate has been fully vacated. However, approximately 50% of the Ladderswood Estate remains in occupation. These properties will be vacated or bought back as the project proceeds. Once these properties are available for transfer, their carrying values will be further impaired to match the consideration receivable. The total future impairment of these assets to be recognised is estimated at £1.5m.

38. TERMINATION BENEFITS & EXIT PACKAGES

Due to the need to make savings the Authority terminated the contracts of a number of employees in 2011/12, giving rise to redundancy payments of £1.8m (£0.8mm 2010/11). Whilst the Authority no longer grants enhanced pension benefits to staff leaving employment on grounds of Early Retirement, if an individual is aged 55 or over they can be entitled to receive their occupational pension at the point of redundancy. This gives rise to an extra strain on the Pension Fund, the cost of which is charged to the General Fund or the HRA. Redundancy payments and the Pension Strain effect are the key components of the Cost to the Authority of Exit Packages. The number and cost of Exit Packages in 2011-12 and 2010-11 were as follows: -

[A] Exit Package Cost Band	[B] Number of Compulsory Redundancies		[C] Number of other departures		[D] Total number of exit packages by cost band (b + c)		[E] Total cost of exit packages in each band	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12 £000	2010-11 £000
0 - £20k	68	41	-	-	68	41	672	218
£20k - £40k	33	24	-	-	33	24	964	492
£40k - £60k	15	4	-	-	15	4	679	174
£60k - £80k	6	1	-	-	6	1	409	79
£80k - £100k	-	-	-	-	-	-	-	-
£100k - £150k	1	2	-	-	1	2	133	203
£150k - £200k	-	-	-	-	-	-	-	-
Total	**123**	**72**	**-**	**-**	**123**	**72**	**2,857**	**1,167**

39. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011/12 employer contributions of £14.4m were paid to the Teachers Pension Scheme, representing 63% of the Authority's share of the estimated Scheme liabilities as at 31 March 2012. Contributions of £15.2m were made in 2010/11 which represented 72% of the Authority's share of the estimated Scheme Liabilities as at 31 March 2011.

The Authority is responsible for the costs of any 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 40.

40. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. The Authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by the London Borough of Enfield. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. As there are no investment assets built up to meet these liabilities, at the point of early retirement a cash transfer is made from the General Fund to the Pension Fund to cover this shortfall. This transfer is real expenditure to the General Fund and is normally financed from a revenue reserve.

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

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

	Local Government Pension Scheme 2011/12 £000	Local Government Pension Scheme 2010/11 £000	Discretionary Benefits Arrangements 2011/12 £000	Discretionary Benefits Arrangements 2010/11 £000
Comprehensive Income & Expenditure Statement				
Cost of Services				
current service cost	22,453	26,549	0	0
past service cost (gains) / losses	940	(97,599)	25	(5,478)
settlements and curtailments	0	0	0	0
Financing and Investment Income & Expenditure				
interest cost	45,436	43,534	2,522	2,620
expected return on scheme assets	(39,807)	(38,808)	0	0
Total Post Employment Benefit charged to the Surplus / Deficit on the Provision of Services	29,022	(66,324)	2,547	(2,858)
actuarial (gains) / losses	74,919	50,066	4,615	44
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	103,941	(16,258)	7,162	(2,814)
Movement in Reserves Statement				
reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	5,095	(88,738)		6,011
Actual amount charged against General Fund & HRA Balance for pensions in the year				
employers' contributions payable to the scheme	(23,927)	(22,414)		
retirement benefits payable to pensioners			(3,220)	(3,153)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £79.5m.

Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2011/12	2010/11	2011/12	2010/11
	£000	£000	£000	£000
Opening balance at 1 April	**839,446**	**858,830**	**47,433**	**53,400**
Current service cost	22,453	26,549		0
Interest cost	45,436	43,534	2,522	2,620
Contributions by scheme participants	7,534	7,949		0
Actuarial (gains) / losses	68,074	19,084	4,615	44
Benefits paid	(26,941)	(18,901)	(3,220)	(3,153)
Passed service costs	940	(97,599)	25	(5,478)
Entity combinations	0	0	0	0
Curtailments	0	0	0	0
Settlements	0	0	0	0
Closing balance at 31 March	**956,942**	**839,446**	**51,375**	**47,433**

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2011/12	2010/11
	£000	£000
Opening balance at 1 April	**568,907**	**549,619**
Expected rate of return	39,807	38,808
Actuarial gains / (losses)	(6,845)	(30,982)
Employer contributions	23,927	22,414
Contributions by scheme participants	7,534	7,949
Benefits paid	(26,941)	(18,901)
Entity combinations	0	0
Settlements	0	0
Closing balance at 31 March	**606,389**	**568,907**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £32.9m (£7.8m in 2010/11).

Scheme History

	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000
Present Value of Scheme Liabilities	(1,008,317)	(886,879)	(912,230)	(592,830)	(616,050)
Fair Value of Scheme Assets	606,389	568,907	549,619	423,989	520,372
Surplus / (deficit) in the scheme	(401,928)	(317,972)	(362,611)	(168,841)	(95,678)

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £1,008m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall Pension Fund balance of £402m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary

- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 is £24.4m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2013 are £3.4m.

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 future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by AON Hewitt Ltd, an independent firm of actuaries, with estimates based on the latest full valuation of the scheme as at 31 March 2010. The principal assumptions used by the actuary are shown in the table below.

Actuary's Principal Assumptions

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2011/12	2010/11	2011/12	2010/11
Long term expected rate of return on assets in the scheme				
Equity investments	8.1%	8.4%	-	-
Property	7.6%	7.9%	-	-
Bonds	3.4%	9.5%	-	-
Cash	1.8%	1.5%	-	-
Other Assets	8.1%	8.4%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	23.9	23.8	23.9%	23.8
Women	26.7	26.6	26.7%	26.6
Longevity at 65 for future pensioners:				
Men	25.6	25.6	25.6	25.6
Women	28.7	28.6	28.7	28.6
Rate of inflation	2.5%	2.8%	4.6%	2.7%
Rate of increase in salaries	5.0%	5.2%	-	-
Rate of increase to pensions in payment	2.5%	2.8%	2.4%	2.7%
Rate for discounting scheme liabilities	4.7%	5.4%	4.6%	5.5%
Take up of option to convert annual pension into retirement lump sum	30.0%	30.0%		

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Scheme Asset Type	31 March 2012	31 March 2011
Equity investments	45.4%	40.3%
Property	8.5%	9.0%
Bonds	23.4%	26.2%
Cash	3.8%	4.2%
Other Assets*	18.9%	20.3%

Other assets include hedge funds, currency holdings and asset allocation futures.

History of Gains and Losses

The actuarial losses identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012

	2011/12	2010/11	2009/10	2008/09	2007/08
Experience Gains / (losses) on assets	-1.10%	-5.4%	17.7%	-28.6%	6.3%
Experience Gains / (losses) on liabilities	-0.60%	0.6%	0.6%	0.4%	1.5%

41. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

A Contingent Liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the Authority,

As at 31 March 2012, the Authority has Contingent Liabilities as follows:-

- A potential liability estimated at £1.6m to cover claims made against the council by former employees, claims which were previously underwritten by Municipal Mutual Insurance (now in administration)

A Contingent Asset arises where a future inflow – to the Authority - of economic benefits or service potential is probable, but whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the Authority.

As at 31 March 2012, the Authority has Contingent Assets as follows:-

- Compensation is being sought from a Construction Company for faulty workmanship which the Authority will have to make good at considerable cost. The compensation sought is estimated to be in the region of £2m

- A potential claim against a Construction Company, estimated in the region of £0.5m, regarding culpability to clear asbestos material on a construction contact

42. TRUSTS AND OTHER MONEY

Although not part of the Balance Sheet the Council administers certain trusts and other sums of money as detailed below:

Funds	31 March 2012 £000s	31 March 2011 £000s
Belling Education Trust *	83	83
King George V Playing Field *	579	580
New Southgate Playground *	326	325
Other funds	93	91
	1,081	**1,079**
Receiverships and Other Clients Funds		
Receiverships	2,996	2,068
Appointeeships	779	610
Funds held and administered by Council's residential care homes	8	9
Discretionary Funds for Council's service users	132	127
Other Funds	19	23
	3,934	**2,837**
Total Trusts & Other Money	**5,015**	**3,916**
Represented by		
Investments at cost	25	25
Cash	4,990	3,891
	5,015	**3,916**
Market value of investments (Belling Education Trust)	**110**	**111**

* These are charitable trusts for which the Council acts as trustees.

The amounts above are kept within the Council's bank account but accounted for separately and an interest rate is based on the seven day rate.

The Belling Trust founded by the will of C.R. Belling applies its funds to the advancement of education, with particular interest in promoting electrical engineering and electronics.

King George V Playing Field trust has the objective of promoting the establishment of playing fields of a particular style, and New Southgate Playground Trust was established to provide and maintain recreational facilities.

The Council holds balances in respect of these schemes but has no liabilities.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account deals with the provision, maintenance and sales of council houses and flats. The HRA Income and Expenditure Statement shows the economic cost of providing housing services in accordance with generally accepted accounting practice rather than the amount to be funded from rents and government grants.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

	NOTES	2011/2012 £000s	2010/2011 £000s
INCOME			
Dwelling rents (gross)		(50,604)	(48,068)
Non-dwelling rents (gross)		(631)	(621)
Charges for services and facilities		(5,398)	(5,013)
Contributions towards expenditure		(629)	(672)
Total Income		**(57,262)**	**(54,374)**
EXPENDITURE			
Repairs and maintenance	**4**	12,891	13,943
Supervision and management		21,347	21,847
Rents, rates, taxes and other charges		261	193
Negative HRA subsidy payable	**8**	8,100	7,999
Depreciation and impairment of non-current assets	**6**	31,994	56,213
Debt management costs		23	38
Movement in the provision for impairment of debts	**10**	283	317
Sums directed by the Secretary of State that are expenditure in accordance with the Code	**11**	29,179	910
Exceptional Item		(482)	115,367
Other Operating Expenditure		21	780
Total Expenditure		**103,617**	**217,607**
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		46,355	163,539
HRA services' share of Corporate & Democratic Core		293	306
NET COST OF HRA SERVICES		**46,646**	**163,539**
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(Gain) or loss on sale of HRA non-current assets		(4,377)	(990)
Interest payable and similar charges		4,343	3,532
Interest and Investment income		(82)	(112)
Income and expenditure and changes in fair value of Investment Properties	**7**	1,762	(3,519)
Pensions interest cost and expected return on pension assets	**9**	20	25
Capital grants and contributions receivable		(2,223)	(2,805)
DEFICIT FOR THE YEAR ON HRA SERVICES		**46,089**	**159,670**

There is a statutory requirement to keep the HRA separate from other housing activities in accordance with Part VI and Schedule 4 of the Local Government and Housing Act 1989. Schedule 4 of the 1989 Act prescribes all the income and expenditure items that are to be included in the Housing Revenue Account. In addition, there is a requirement not to allow cross-subsidy to or from, the General Fund. The statement below reconciles the movement of the HRA balance to the (surplus)/deficit on the HRA Income and Expenditure Statement.

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

	31 March 2012 £000s	31 March 2011 £000s
Balance on the HRA at the end of the previous year	**(8,739)**	**(8,194)**
Deficit for the year on the HRA Income & Expenditure Statement	46,089	159,670
Adjustments between accounting basis and funding basis under statute:		
Difference between treatment of interest payable and premiums	46	110
Revenue expenditure funded from capital under statute	(29,179)	(910)
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(25,739)	(160,602)
Gain on sale of HRA non-current assets	4,377	990
HRA share of contributions to or from the Pensions Reserve	(11)	(29)
Capital expenditure funded by the HRA	0	0
Transfers to Capital Grants Unapplied Account	2,223	2,805
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	(21)	(780)
Other Contributions from the Capital Receipts Reserve	(28)	
NET (INCREASE)/DECREASE BEFORE TRANSFERS TO OR FROM RESERVES	**(2,243)**	**1,254**
Transfers to or (from) earmarked reserves	(576)	(1,799)
(Increase) in year on the HRA	**(2,819)**	**(545)**
BALANCE ON THE HRA AT THE END OF THE CURRENT YEAR	**(11,558)**	**(8,739)**

1. HOUSING STOCK

The Council was responsible for managing a Housing Revenue Account stock of 11,299 properties at 31st March 2012 compared with a total of 11,571 properties at 31st March 2011. An analysis of the types of homes is shown below. The Council is also a freeholder of 4,542 leased homes that were previously sold to tenants under the right-to-buy legislation.

	31 March 2012 Number of properties	31 March 2011 Number of properties
Low-rise flats (up to 2 storeys)	1,528	1,580
Medium-rise flats (3 to 5 storeys)	3,750	3,825
High-rise flats (6 storeys and over)	2,698	2,777
Houses and bungalows	3,316	3,318
Multi-occupied and shared ownership	5	69
Total housing stock	**11,297**	**11,569**

The figures of 11,297 and 11,569 exclude four properties classified as Council Dwellings that are not owned by the Council in full. Three of these assets are jointly owned at 50% each and one at 25% by a third party. The impact this would have on the Stated carrying value of Council Dwellings as at 31 March 2012 would be £82,500 (after applying the Social Housing Factor)

The Council also holds a number of vacant dwellings that are awaiting disposal or redevelopment at 31st March 2012 as follows:

	31 March 2012 Number of properties	31 March 2011 Number of properties
Surplus Properties:		
Sheltered Housing	91	89
Jasper Close	18	0
Highmeads Estate	0	61
Assets Held For Sale:		
Ladderswood Estate	79	51
Highmeads Estate	61	0
Cornerways Estate	18	0
	267	**201**

2. **STOCK VALUATION**

The open market value of the council's dwellings was £1,721m at 31st March 2012. The difference between this value and the existing use value £430.2m at 31st March 2012 represents the economic cost to Government of providing council housing at less than market rents. The social housing valuation is arrived at by applying an adjustment factor provided by the DCLG to the market value of the stock.

3. **MAJOR REPAIRS RESERVE**

The Major Repairs Allowance represents the estimated long term average amount of capital spending required to maintain the housing stock in its current condition. Any unapplied balance of the allowance may be carried forward into the following year in a ring fenced reserve which can only be used to fund capital expenditure on council dwellings.

	2011/2012 £000s	2010/2011 £000s
Balance at 1 April	(7,927)	(6,348)
MRA for the year	(10,309)	(9,782)
Amount applied in the funding of expenditure on council dwellings during 2011/12	10,675	8,203
Balance at 31 March	**(7,561)**	**(7,927)**

4. **HOUSING REPAIRS ACCOUNT**

	2011/12 £000	2010/2011 £000
Balance brought forward	(5,701)	(7,023)
Expenditure for the year	12,891	13,943
Contribution to the Repairs Fund	(12,315)	(12,621)
Balance carried forward	**(5,125)**	**(5,701)**

The balance forms part of the Council's earmarked reserves as set out in Note 8 to the Core Financial Statements.

5. HRA ASSETS

	1 April 2011	Acquisitions and Transfers From Assets Under Construction	Disposal/ Transfer	Depr'n	Reval'n	Impairment/ Downward Valuation (inc. reversals)	31 March 2012
Operational Assets	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Council Dwellings	435,416	23,130	(3,190)	(10,309)	4,547	(18,144)	431,450
Other Land & Buildings	17,909	200	0	(403)	456	(455)	17,707
Vehicles, Plant &Equipment	75	15	0	(62)	0	0	28
Surplus Assets	3,901	0	(1,085)	0	175	439	3,430
Total Property, Plant and Equipment	**457,301**	**23,345**	**(4,275)**	**(10,774)**	**5,178**	**(18,160)**	**452,615**
Investment Properties:							
John Lawrence Pub	201	36	(216)	0	15	(36)	0
Aerial Sites	2,129	0	0	0	130	(718)	1,541
Shops and Commercial Premises	23,556	1,026	(2,541)	0	1,023	(2,367)	20,697
Total Investment Properties	**25,886**	**1,062**	**(2,757)**	**0**	**1,168**	**(3,121)**	**22,238**
Intangible Assets	136	0	0	(34)	0	0	102
Assets Held For Sale	1,328	1,723	2,572	0	0	(4,014)	1,609
Investment Properties Held For Sale	0	0	2,757	0	0	(2,102)	655
TOTAL	**484,651**	**26,130**	**(1,703)**	**(10,808)**	**6,346**	**(27,397)**	**477,219**

The Council has adopted the policy of using the Major Repairs Allowance as the basis for calculating depreciation on council dwellings. Other HRA properties are depreciated in the same way as other council assets with the depreciation charges reversed out in the Movement on the HRA Statement.

Capital expenditure in the year amounted to £55.71m consisting of:

Expenditure on	**£000s**
Works To Stock – Decent Homes	14,294
Works To Stock – General Works	10,618
Leaseholder Buy Backs	130
Grants to Vacate (GTV)	390
Community Halls	96
Subsidy Buy Out – Payment to DCLG	28,789
Buying Out Commercial and Residential Interests (Regeneration Projects)	2,643
Demolition Costs	111
Regeneration Project Costs written out to revenue	(1,361)
Total	**55,710**
Funded by	
Supported Borrowing – Decent Homes	14,000
Unsupported Borrowing - PWLB	28,789
Unsupported Borrowing	1,913
Capital Grants and Contributions	238
Capital Receipts	96
Major Repairs Reserve	10,674
	55,710

Regeneration project costs written out to revenue refer to costs, that had formerly been capitalised, of facilitating the re-development of the Highmead and Ladderswood estates It is expected that these costs will be recovered from the disposal of assets associated with these projects.

Capital Receipts of £6.08m (net of disposal costs) were received in the year relating to disposal of Council Dwellings. Under the Pooling Regulations £0.021m of these receipts were paid over to the Government.

6. CAPITAL CHARGES

	2011/2012 £000s	**2010/2011 £000s**
Depreciation		
Council Dwellings – MRA	10,309	9,782
Other Land and Buildings	403	414
Vehicles, Plant and Equipment	62	57
Impairment and Downward Valuation		
Council Dwellings	18,196	323,737
Other Land and Buildings	455	1,423
Surplus Properties	(439)	1,231
Assets Held For Sale	2,973	1,609
Amortisation of Intangible Assets	34	34
Contribution From Revaluation Reserve	0	(166,707)
Total Capital Charges	**31,993**	**171,580**

7. INVESTMENT PROPERTIES

	2011/2012 £000s	2010/2011 £000s
Rental Income from Investment Properties	(2,456)	(2,336)
Direct Operating Expenses arising from Investment Property	163	13
Net (gain)/loss from fair value adjustments	824	(1,196)
Losses arising from buying out commercial interests – Highmead and Ladderswood regeneration projects	1,129	0
Impairment of Highmead Commercial Properties	2,102	0
Net (Gain) / Loss	**1,762**	**(3,519)**

8. HOUSING SUBSIDY

SUMMARY	2011/2012 £000s	2010/2011 £000s
Management & maintenance allowance	25,029	23,954
Capital Charges	6,078	5,306
Guideline Rent	(49,734)	(47,075)
Major Repairs Allowance	10,309	9,782
Negative Housing Subsidy	**(8,318)**	**(8,032)**
Previous year adjustments	218	33
Negative Housing Subsidy - payment to Secretary of State	**(8,100)**	**(7,999)**

The Housing Subsidy figure of £8,100k disclosed in the HRA statement includes adjustments to prior year's subsidy claims of £218k.

9. CONTRIBUTION FROM PENSIONS RESERVE

The HRA income and expenditure has been charged, as have other services, with the additional pension cost as required under IAS19. So as not to impact on the HRA position and resources, the entries are reversed out as a 'contribution from the pension reserve'. See the notes to the Core Financial Statements for further details of IAS19.

10. RENT ARREARS AND IMPAIRMENT OF DEBTS

Council tenants' rent arrears as at the 31st March 2012 were £3.178m compared to £3.388m at the 31st March 2011. The provision for impairment of debts was £1.542m (2010/11 £1.504m) and £0.244m (2010/11 £0.220m) was written off during the year.

In 2011/12 a contribution to the Impairment of debt of £283k was included in this balance (£317k 2010/11).

11. SUMS DIRECTED BY THE SECRETARY OF STATE

This represents expenditure on grants to vacate, which is classified as capital expenditure for funding purposes but does not create a tangible asset. It is therefore charged to the service as it occurs. The amount of grants to vacate attributed to the HRA was £390k (£910k in 2010/11).

The HRA subsidy regime was abolished with effect from 1 April 2012. The Council was required to pay the DCLG 28.789m .This debt settlement was made to DCLG on 28 March 2012.

12. ALMO – Enfield Homes Ltd

The management of all the housing stock of the Council is undertaken by Enfield Homes Ltd, an Arms Length Management Organisation (ALMO) wholly owned by the authority. The management agreement was for five years and it is currently being reviewed.

SECTION 2 - SUPPLEMENTARY STATEMENTS
COLLECTION FUND

This account represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. This fund accounts independently for the income relating to Council Tax and Business Rates on behalf of those bodies (including the Council's own General Fund) for whom the income is raised. The costs of administering collection are accounted for in the General Fund.

INCOME AND EXPENDITURE ACCOUNT		2011/2012		2010/2011	
	NOTE	£000s	£000s	£000s	£000s
INCOME					
Council taxpayers	1	(157,514)		(156,922)	
Business ratepayers	2	(97,332)		(91,364)	
Business Rate Supplement	3	(3,489)		(3,071)	
			(258,335)		**(251,357)**
EXPENDITURE					
Precepts and demands:					
London Borough of Enfield		121,273		120,656	
Greater London Authority		34,147		33,972	
			155,420		**154,628**
Business rates:					
Payment to national pool		96,980		91,008	
Cost of collection allowance		352		356	
			97,332		**91,364**
Business Rate Supplements					
Payment to GLA		3,472		3,049	
Cost of collection allowance		17		22	
			3,489		**3,071**
Impairment of debt:					
Council Tax – Contribution to provision for impairment of debt		1,933		2,842	
			1,933		**2,842**
(SURPLUS)/DEFICIT For year			**(161)**		**548**
(SURPLUS)/DEFICIT As at 1 April			**(165)**		**(713)**
(SURPLUS)/DEFICIT As at 31 March	4		**(326)**		**(165)**

1. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimated at 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income that the Council and its preceptors take from the Collection Fund for the forthcoming year and dividing this by the council tax base. This tax base represents the total number of properties in each band, adjusted by a proportion to convert the number to a

Band D equivalent and adjusted for discounts and estimated non-collectibles. The tax base calculation for 2010/11 is as follows:

BAND	Chargeable properties adjusted for discounts	Band D equivalent adjusted for estimated non-collection
A	2,645	2,592
B	7,134	6,991
C	25,234	24,730
D	32,015	31,374
E	23,039	22,578
F	11,950	11,711
G	9,085	8,903
H	1,572	1,541
	112,674	**110,420**

This basic amount of Council Tax for a Band D property, £1,410.16, (unchanged from 2010/11), is multiplied by the proportion specified for the particular band to give an individual amount due. The income receivable is attributable to the following sources:

	2011/2012 £000s	2010/2011 £000s
Billed to Council Tax Payers	120,574	121,244
Council Tax Benefits	36,940	35,678
	157,514	**156,922**

Analysis of Council Tax Impairment of debt

	2011/2012 £000s	2010/2011 £000s
Council Tax Provision for Impairment of debt B/fwd	12,186	9,904
Amount written off	(1,087)	(560)
Contribution to Provision for Impairment of debt	1,933	2,842
Council Tax Impairment of debt C/fwd	**13,032**	**12,186**

The figures above show the total Council Tax impairment of debt reflecting both the GLA precept and Enfield elements of the provision. Note 17 (Debtors and Payments in Advance) shows the Enfield proportion of the Impairment of debt only.

2. BUSINESS RATES

Business rates are organised on a national basis and re-valued every five years, the latest revaluation being in 2010. In 2011/12 the Government specified an amount of 42.6p for small businesses who qualify for rate relief and 43.3p for all other businesses. Local businesses pay rates calculated by multiplying their rateable value by these amounts. The Council is responsible for collecting rates due from the ratepayers in its area, but pays the proceeds into a Government-administered pool.

The Government redistributes the sums paid into the pool back to local authorities' General Funds in proportion to their Formula Grant allocations.

The total business rate pool income after reliefs and provisions of £97,332m for 2011/12 was based on the notified rateable values and their effective dates.

The total non-domestic rateable value for the area at the year-end, following the national revaluation, was £258.3m (2010/11 £259.4m).

3. BUSINESS RATE SUPPLEMENTS

Government legislation gives the Greater London Authority the power to levy an additional 2p Business Rate Supplement on London businesses as a contribution to the cost of the Crossrail scheme. As with national business rates, the Council collects the 2p business rates and pays the income over to the GLA. The total amount due for 2011/12 after reliefs and provisions was £3.489m.

4. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES/DEFICITS

The revenue account surplus of £326k relates to Council Tax at 31 March 2012, and will be distributed in subsequent years to the Council and its major preceptors in proportion to the value of the respective precepts and demands on the Collection Fund.

PENSION FUND ACCOUNTS

The London Borough of Enfield Pension Fund ('the Fund') is part of the Local Government Pension Scheme and is administered by the London Borough of Enfield ('The Council'). The Fund was established to provide benefits for employees which include retirement pensions, widows pensions, death grants and other lump sum payments.

The following description of the Scheme is a summary only. For more detail, reference should be made to the Enfield Pension Fund Annual Report 2011/12 and the underlying statutory powers underpinning the Scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

The Fund is governed by the Superannuation Act 1972. The Fund is administered under the following secondary legislation:

- the Local Government Pension Scheme (Benefits, Members and Contributions) Regulations 2007 (as amended)
- the Local Government Pension Scheme (Administration) Regulations 2008 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended)

It is a contributory final salary, defined benefit pension scheme administered by the Council to provide pensions and other benefits for pensionable employees of the London Borough of Enfield and for the employees of admitted and scheduled bodies eligible to participate in the Fund.

The Fund is financed by contributions from employees, employers and from gains on realised investments, interest and dividends on its investments.

The main investment objectives are to maximise the overall return from income and capital appreciation without high risk and to maintain the ready marketability of the portfolio to meet the fund's fluctuating cash requirements, and to react to the fund's increasing maturity.

The London Borough of Enfield has delegated responsibility for the management of the Pension Fund to the Pensions Board with the Corporate Director of Finance Resources & Customer Services being given delegated authority for the day to day operation of the Fund.

Membership

All local government employees (except casual employees and teachers) are automatically entered into the Fund. However membership of the LGPS is voluntary and employees are free to choose whether to opt out, remain in the Fund or make their own personal arrangements outside the Fund.

Organisations participating in the Enfield Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

The Fund consists of the employees of Enfield Council and the following bodies:

Scheduled Bodies:

- Southgate College
- Capel Manor College
- Enfield Homes
- Hadley Academy
- Enfield Academy
- Aylward Academy
- Cuckoo Hall Academy
- Nightingale Academy
- Kingsmead Academy
- Enfield Grammar School Academy (since August 2011)

Admitted Bodies:

- Sodexo Ltd
- Churchill
- Enfield Voluntary Groups
- NORSE
- Metropolitan Support Trust
- Fusion Lifestyle (previously Enfield Leisure)
- Kier Group Services

Admitted Bodies with no active members

- Fitzpatrick
- Birkin Services
- Hughes Gaidner
- Equion Facilities Management

As at the 31st March 2012 the Fund Membership was 15,102 compared to 14,599 at 31st March 2011. This is analysed below:

	31st March 2012	31st March 2011
Current Members	5,939	6,154
Retired Members	4,097	3,941
Deferred Members	3,764	3,778
Frozen/Undecided	1,302	726
	15,102	**14,599**

Member numbers include Enfield College, a scheduled body transferred out of the Fund on 28th March 2012 as follows: 37 retired members, 44 deferred members and 92 frozen/undecided members.

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31st March 2012. Employers also make contributions, which are set based on triennial actuarial funding valuations.

The last such valuation was at 31st March 2010. Current employer contribution rates can be found in the Statement to the Rates and Adjustments Certificate in the Enfield Fund Annual Report 2011/12. While individual rates were set for each employer the average rate for the Fund is 20.4%.

Benefits

Pension benefits under LGPS are based on final pensionable pay and length of service, summarised below:

	Service pre 1st April 2008	**Service post 31st March 2008**
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lumps Sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Automatic lump sum is still the same but is optional all or part can be converted into pension payments. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. Benefits are index-linked in order to keep pace with inflation. In June 2010, the government announced that the method of indexation would change from the Retail Prices Index to the Consumer Prices Index. This change took effect from 1st April 2011.

Following the Independent Public Sector Pension Commission, which reported in 2011 and subsequent negotiations on public sector pension reforms, the LGPS is due to see significant changes to the Scheme from 2014 which will impact the benefit structure of the Fund going forwards.

A copy of the Pension Fund Annual Council's Statement of Investment Principles (SIP) together with an assessment of Enfield's compliance with the Myner's Report and the Fund's compliance with the Government's compliance statement are all available on the Council's web site www.enfield.gov.uk

Basis of preparation
The financial statements have been prepared in accordance with the Local Government Pension Scheme (LGPS) (Benefits, Membership & Contributions) Regulations 2007 and LGPS (Management and Investment of Funds) Regulations 2009.

The Statement of Accounts summarises the Fund's transactions for the 2011/12 financial year and its position at year-end as at 31st March 2012. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* 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. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in Note 15 of these accounts.

Accounting Policies

a) Contributions income
Normal contributions, both from members and employers, are accounted for on an accruals basis, at the percentage rate recommended by the Fund Actuary, in the payroll period to which they relate.

The cost of early retirement contributions are accounted for in the period in which the liability is incurred.

b) Transfers to and from other schemes
Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their Additional Voluntary Contributions to purchase scheme benefits are accounted for on a receipts basis and are included as Transfers in.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfers agreements.

c) Investment income

i) Interest income
Interest income is recognised in the fund account as it accrues.

ii) Dividend income
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting is disclosed in the Net Assets Statement as other investment balances.

iii) Distributions from pooled funds
Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting is disclosed in the Net Assets Statement as other investment balances .

v) Movement in the net market value of investments
Changes in the net market value of investments are recognised as income and comprmise all realised and unrealised gains/losses during the year

d) Benefits payable
Pensions and lump benefits payable include all known to be due in respect of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation
The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from 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. Irrevocable tax is accounted for as a fund expense as it arises.

f) Administrative expenses
All administrative expenses are accounted for on an accruals basis. Relevant officer costs and other overheads are apportioned to the Fund.

g) Investment management expenses
All investment management expenses are accounted for an accruals basis as follows:

- Fees of the external investment managers and Custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management on either a monthly or quarterly basis.

- The exceptions to this are fees in relation to Private equity funds which are based on amounts committed to each fund.

- Fees in connection with some pooled investments are contained within the unit price, and are not separately disclosed.

The cost of obtaining investment advice from external consultants is included in investment management charges

h) Investments

Investments are shown in the Net Assets Statement at fair value as follows:

- **Quoted investments**

Valued by reference to their bid price at the close of business on 31st March 2012.

- **Unquoted investments**

The estimate of fair value after taking the advice of the Fund's investment manager.

- **Derivatives contracts**

Futures contracts are valued using relevant exchange prices at the accounting date. Exchange traded options are valued at the relevant exchange price for closing out the option at the accounting date.

- **Forward currency contracts**

The cost rate of the original transaction is compared to the market rate (being taken as the spot rate at the close of business of the day before).

- **Investment income**

Dividends and interest have been accounted for on an accruals basis. Investment income on overseas investments has been converted into sterling at the rate of exchange on settlement day.

- **Overseas investments**

Investments held in foreign currencies have been converted into sterling at the rate ruling on 31st March 2012.

- **Pooled investment vehicles**

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in fair value of the liability are recognised by the Fund.

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 Fund about the future or that are otherwise uncertain. Estimates are made taking into consideration 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.

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £420 million. There is a risk that this investment may be under- or overstated in the accounts

Events after the Balance Sheet Date

There have been no events since 31st March 2012 and up to the date when these accounts were authorised, which require any adjustments to these accounts. On 31st May 2012, proposed changes were announced in respect of the LGPS which would see the implementation of a new Career Average Revalued Earnings (CARE) Scheme effective from 1st April 2014. Other proposed changes would include retirement ages linked to a person's state pension age, the move to an accrual rate of 1/49th, higher member contributions for those earning over £34,000 and the option for flexibility over contributions. The changes will be consulted upon over the coming months and it is anticipated that new legislation will be put in place before the end of 2012/13. This would enable Fund Actuaries to take the changes into consideration for the next triennial actuarial valuation due to take place at 31st March 2013. At the time of finalising the accounts, it has not been possible to quantify the impact of the proposed changes

Additional voluntary contributions (AVCs)

Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main Fund and in accordance with the Local Government Pension Scheme (Management and Investment of Funds) regulations 2009, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Fund by the AVC provider are disclosed within transfers-in.

The current provider is Prudential. Funds held with Prudential are summarised below:

	Opening Balance at 1st April 2011 £000s	**Contributions & Transfers £000s**	**Sums Paid Out £000s**	**Investment Return £000s**	**Closing Balance at 31st March 2012 £000s**
With Profits Cash Accumulation	**852**	86	(138)	40	**840**
Deposit Fund Statement	**233**	153	(59)	1	**328**
Discretionary Fund	**202**	27	(43)	6	**192**
	1,287	**266**	**(240)**	**47**	**1,360**

FUND ACCOUNT FOR THE YEAR ENDED 31st MARCH 2012	Note	2011/12 £000s	2010/11 £000s
Contributions & benefits			
- Contributions receivable	1	35,945	34,350
- Transfers in	2	2,385	4,823
		38,330	**39,173**
- Benefits payable	3	(26,752)	(24,346)
- Payments to & on account of leavers	4	(6,500)	(4,942)
- Administrative expenses	5	(718)	(778)
		(33,970)	**(30,066)**
Net additions from dealings with members		**4,360**	**9,107**
Returns on investments			
- Investment income	6	8,160	9,272
- Taxation	7	(45)	(59)
- Investment portfolio expenses	8	(1,142)	(1,092)
- Changes in market value	9	25,668	20,704
Net returns on investments		**32,641**	**28,825**
Net change in assets available for benefits during the year		37,001	37,932
Opening net assets brought forward at 1 April		609,876	571,944
Net assets carried forward as at 31 March 2012		**646,877**	**609,876**

NET ASSETS STATEMENT AS AT 31st MARCH 2012	Note	2012 £000s	2011 £000s	2010 £000s
Investment assets		648,456	608,710	561,936
Cash deposits		20,316	28,894	8,014
Other investment balances		1,665	469	2,049
Investment liabilities		(24,489)	(27,967)	(1,069)
	9	**645,948**	**610,106**	**570,930**
Current assets	10	1,136	460	1,098
Current liabilities	11	(207)	(690)	(84)
Net assets available to fund benefits as at 31st March 2012		**646,877**	**609,876**	**571,944**

The Accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pension Board. They do not take account of obligations to pay pensions and benefits which fall due after the year end of the Fund year.

Signed …………………………………….. **James Rolfe**
Director of Finance, Resources & Customer Services

Date: …27th September 2012.

Signed: …………………………………….. **Cllr Tahsin Ibrahim**
Pension Board Chair

Date: 27th September 2012

1. Contributions receivable

Summary	2011/12 £000s	2010/11 £000s
Employees' contributions	8,636	**8,929**
Employers' contributions	27,309	**25,421**
	35,945	**34,350**

Contributions are further analysed as follows:

Employees' contributions- Analysed by employees, status:

	2011/12 £000s	2010/11 £000s
London Borough of Enfield	7,472	7,792
Scheduled Bodies	1,076	1,034
Admitted Bodies	88	103
	8,636	**8,929**

Employers' contributions **-** Analysed by employers status:

	2011/12 £000s	2010/11 £000s
London Borough of Enfield	23,763	22,011
Scheduled Bodies	3,224	3,049
Admitted Bodies	322	361
	27,309	**25,421**

Employers' contributions – analysed by types of contributions:

	2011/12 £000s	2010/11 £000s
Employers' normal contributions	19,462	20,745
Employers' deficit contributions	6,831	4,315
Employers' other contributions	1,016	361
	27,309	**25,421**

Employers' other contributions represent the costs of early retirement, and are recognised fully in the year that the cost is incurred.

Deficit contributions represent amounts in relation to past service accruals as determined by the scheme actuary.

2. Transfers from other funds

The transfers represent the payments received by the pension Fund in relation to individual members' transfers of benefits into the Fund. No amounts were received during the year for group transfers from other funds.

3. Benefits payable

Benefits payable consist of pension payments and lump sums payable upon retirement and death.

	2011/12 £000s	2010/11 £000s
Retirement and widows' pensions	(20,942)	(19,550)
Retirement and death grants	(5,810)	(4,796)
	(26,752)	**(24,346)**

4. Payments to and on account of leavers

Transfers represent the payments made by the Pension Fund in relation to members' transfers of benefits out of the Fund. Enfield College was transferred on 28th March to the London Borough of Haringey pension fund. This is shown as a bulk transfer

.

	2011/12 £000s	2010/11 £000s
Transfers to other schemes	(3,509)	(4,923)
Bulk transfer	(2,970)	-
Contribution refunds	(21)	(19)
	(6,500)	**(4,942)**

5. Administration expenditure

	2011/12 £000s	2010/11 £000s
Staff costs – benefits admin.	(532)	(638)
Actuary fees	(135)	(73)
Subscriptions, legal fees & other fees	(51)	(67)
	(718)	**(778)**

6. Investment income

Investment income	2011/12 £000s	2010/11 £000s
Fixed interest & indexed linked securities	5,048	5,382
Equities & unit trusts	1,883	2,430
Property unit trusts	1,112	1,244
Interest on cash & other	117	208
Class Action	-	8
Total investment income	**8,160**	**9,272**

7. Taxation

UK tax

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As a local authority is the administrator for the fund, VAT input tax is recoverable on all fund activities.

Overseas tax

Income from USA and Australian investments is exempt from their respective taxes and is received gross. Reciprocal arrangements exist between the UK and many European countries for the recovery of varying proportions of locally deducted tax. The timing of the recovery of this 'withholding tax' can vary between countries. Certain withholding tax on overseas investment income is not recoverable and is shown as a tax charge.

8. Investment portfolio expenses

	2011/12 £000s	2010/11 £000s
Investment managers'/advisers fees	(959)	(780)
Custody charges	(25)	(48)
Enfield staff costs – investment	(100)	(130)
Other costs	(58)	(134)
	(1,142)	**(1,092)**

9. Investment assets

Asset Class	Market value 1st April 2010 £000s	Purchases at cost & derivative payments £000s	Sales proceeds & derivative receipts £000s	Change in market value on investments £000s	Market value 31st March 2011 £000s
Fixed income securities	**152,734**	72,542	(73,844)	4,694	**156,126**
Derivative contracts	**(839)**	72,731	(73,268)	1,332	**(44)**
Equities	**83,060**	67,485	(63,632)	6,376	**93,289**
Equity - unit trusts	**140,398**	317,217	(339,301)	9,114	**127,428**
Property unit trusts	**51,935**	-	(367)	2,351	**53,919**
Private equity	**22,118**	3,619	(2,090)	2,713	**26,360**
Infrastructure fund	**6,630**	1,527	(351)	(1,022)	**6,784**
Currency funds	**19,800**	-	(16,500)	(962)	**2,338**
Hedge funds	**85,031**	30,000	-	(488)	**114,543**
	560,867	**565,121**	**(569,353)**	**24,108**	**580,743**
	8,014				**28,894**
Other investment balances	**2,049**			(3,404)	**469**
Investments assets	**570,930**			**20,704**	**610,106**

Asset Class	Market value 1st April 2011 £000s	Purchases at cost & derivative payments £000s	Sales proceeds & derivative receipts £000s	Change in market value on investments £000s	Market value 31st March 2012 £000s
Fixed income securities	**156,126**	50,215	(72,714)	17,375	**151,002**
Derivative contracts	**(44)**	223,105	(223,932)	937	**66**
Equities	**93,289**	45,212	(43,613)	3,770	**98,658**
Equity - unit trusts	**127,428**	30,000	-	8,807	**166,235**
Property unit trusts	**53,919**	-	(440)	566	**54,045**
Private equity	**26,360**	4,790	(3,157)	1,995	**29,988**
Infrastructure fund	**6,784**	4,363	(614)	(2,350)	**8,183**
Currency funds	**2,338**	-	-	4	**2,342**
Hedge funds	**114,543**	-	(488)	(607)	**113,448**
	580,743	**357,685**	**(344,958)**	**30,497**	**623,967**
Cash and deposits	**28,894**				**20,316**
Other investment balances	**469**			(4,829)	**1,665**
Investments assets	**610,106**			**25,668**	**645,948**

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

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £136k (2010/11: £228k). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund.

Total fixed income securities

	2012 £000s	2011 £000s	2010 £000s
Fixed interest securities	53,371	74,010	68,685
Index linked securities	97,631	82,116	84,049
	151,002	**156,126**	**152,734**

Fixed interest securities

	2012 £000s	2011 £000s	2010 £000s
Government securities – UK	1,615	22,487	14,087
Government securities – overseas	196	3,682	6,317
Corporate bonds	51,560	47,841	48,281
	53,371	**74,010**	**68,685**

Index linked securities

	2012 £000s	2011 £000s	2010 £000s
Government securities – UK	97,631	80,816	74,307
Government securities – overseas	-	-	5,432
Corporate bonds	-	1,300	4,309
	97,631	**82,116**	**84,048**

Derivative contracts

The Pension Board permits the use of derivates in the Western Asset Management global bond portfolio.

A summary of derivatives held is set out below:

	2012 £000s	2011 £000s	2010 £000s
Assets			
Futures	45	54	34
Forward foreign exchange currency contracts	24,510	27,868	179
Options	-	1	17
	24,555	**27,923**	**230**
Liabilities			
Futures	(32)	(61)	(284)
Forward foreign exchange currency contracts	(24,457)	(27,906)	(785)
	(24,489)	**(27,967)**	**(1,069)**
Net assets			
Futures	13	(7)	(250)
Forward foreign exchange currency contracts	53	(38)	(606)
Options	-	1	17
	66	**(44)**	**(839)**

Futures

Futures contracts held at the year end are detailed further below:

No. of Contracts		Notional cost	Expiration date	Values at 31st March 2012		
				Asset	Liability	Net asset/ (liability)
		£000s		£000s	£000s	£000s
Futures Long						
11	German Euro Bond	1,524	7 June 2012	-	(1)	(1)
2	Japanese Gov Bonds	284,880	11 June 2012	-	(7)	(7)
21	US Treasury Note	2,759	20 June 2012	-	(24)	(24)
Total Futures Long				**-**	**(32)**	**(32)**
Futures Short						
98	UK Gilts	11,267	27 June 2012	45	-	45
Total Futures Short				**45**	**-**	**45**
Total Futures				**45**	**(32)**	**13**

Foreign exchange contracts

Foreign Exchange contracts held at the year end are detailed further below:

No of contracts	Currency	Values at 31st March 2012		
		Asset	Liability	Net asset
		£000s	£000s	£000s
14	Euro	7,110	(7,073)	37
16	Sterling	12,200	(12,147)	53
16	Dollar	5,200	(5,237)	(37)
46		**24,510**	**(24,457)**	**53**

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives maybe used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the fund and the various investment managers.

a) Futures

The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

b) Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the fund has a passive currency programme in place managed by the global custodian.

Equities

	2012 £000s	2011 £000s	2010 £000s
UK equities	26,921	24,299	21,356
Europe	15,801	15,007	13,825
North America	44,919	43,161	36,138
Japan	6,180	6,988	6,152
Pacific (excluding Japan)	3,830	3,834	5,589
Emerging markets	1,007	-	-
	98,658	**93,289**	**83,060**

Equity unit trusts

	2012 £000s	2011 £000s	2010 £000s
UK	7,005	4,069	50,132
World	150,906	123,359	90,266
Emerging markets	8,324	-	-
	166,235	**127,428**	**140,398**

Property unit trusts

	2012 £000s	2011 £000s	2010 £000s
Commercial/industrial	52,123	51,134	48,577
Venture property	1,922	2,785	3,358
	54,045	**53,919**	**51,935**

Private equity

Investments in private equity funds are valued based upon the underlying investments within each fund. It is less easy to trade private equity than it is for quoted investments. Therefore when the assets are realised the amount received may not necessarily be the amount that they are valued at and any difference could be significant.

The Pension Fund has made 10 annual subscriptions into a private equity fund of funds manager. The Fund's total commitment to these funds is $90 million (£56.3 million) of which $38.8million (£24.3 million) remains uncommitted.

Infrastructure fund

The Pension Fund has made a €22 million (£19.5 million) investment in the Arcus European Infrastructure Fund. The outstanding commitment at 31st March 2012 is €0.966 million (£0.805 million).

Hedge funds

	2012 £000s	2011 £000s	2010 £000s
UK equity long short fund	32,672	34,778	36,705
World market neutral fund	12,685	12,405	13,310
Events Driven funds	35,460	36,815	35,016
Global macro funds	32,631	30,545	-
	113,448	**114,543**	**85,031**

Exchange rate conversions on overseas holdings

The dollar exchange rate has been set at 0.62588 to the £1 and the euro rate at 0.83348 to the £1.

Cash

	2012 £000s	2011 £000s	2010 £000s
Deposits held by fund managers	20,316	28,894	8,014
	20,316	**28,894**	**8,014**

Other investment balances

	2012 £000s	2011 £000s	2010 £000s
Debtors			
Other	45	-	9
Dividends & Interest receivable	2,422	2,657	2,581
Tax recoverable	55	570	290
Amounts receivable on pending sales	283	387	136
	2,805	**3,614**	**3,016**
Creditors			
Margin monies	-	(61)	-
Amounts due on pending purchases	(843)	(2,756)	(393)
Investment management fees	(218)	(258)	(293)
Other investments expenses	(79)	(70)	(281)
	(1,140)	**(3,145)**	**(967)**
Total investment balances	**1,665**	**469**	**2,049**

The Council discharges its investment management responsibilities by appointing professional fund managers. The portfolio by manager as at 31st March 2012 is shown below:

Date Appointed	Manager	Mandate	Market Value as at 31 March 2011 £000s	Market Value as at 31 March 2012 £000s	%
April 1991	RREEF	Property	38,084	38,753	6.0
April 2003	Western Asset Management	Bonds	103,019	88,542	13.7
April 2003	Adam St Partners	Private equity	26,360	29,988	4.6
Oct 2005	Blackrock	Global equities (passive) / UK & Government ILB	106,386	151,497	23.5
April 2007	International Public Partnerships	UK equity share PFI share	16,446	18,201	2.8
June 2007	Arcus	Infrastructure Fund	6,784	8,183	1.3
July 2007	Numeric	Global Market Neutral – Hedge Fund	12,405	12,685	2.0
Oct 2007	Lansdowne	Equities Long/short	34,778	32,672	5.1
Nov2007	Trilogy	Global equities	78,458	81,858	12.7
Nov 2007	Record	Active currency	872	902	0.1
Nov 2007	BNP- Overlay	Active currency	1,466	1,441	0.2
Nov 2008	Avenue	Event driven	25,353	23,833	3.7
Jan 2010	York Capital	Event driven	11,462	11,627	1.8
Jan 2010	Legal & General	UK property	18,182	19,192	3.0
Aug 2010	MFS	Global equities	42,318	44,929	7.0
Aug 2010	Lazard	Global equities	41,256	41,229	6.3
Jan 2011	Blue Crest	Global macro	15,268	16,246	2.5
Jan 2011	Brevan Howard	Global macro	15,278	16,385	2.5
	Goldman Sachs & HSBC	Cash & cash equivalents	15,931	7,785	1.2
Total investment assets			**610,106**	**645,948**	**100.0**

10. Current assets

	2012 £000s	2011 £000s	2010 £000s
Contributions due from employers	206	293	247
Contributions due from members	73	102	88
Interest on cash balance	-	-	59
	279	**395**	**394**
Cash held by London Borough of Enfield	70	-	704
Cash balance	787	65	
	1,136	**460**	**1,098**

11. Current liabilities

	2012 £000s	2011 £000s	2010 £000s
Death benefits	(133)	(190)	(84)
Audit fees	(39)	(39)	-
Other	(35)	(461)	-
	(207)	**(690)**	**(84)**

The creditors and debtors can be summarised to comply with International Financial Reporting Standards as follows:

Debtors	**2012 £000s**	**2011 £000s**	**2010 £000s**
External managers			
Other entities & individuals	**2,805**	**3,614**	**3,016**
Administering Authority			
Other entities & individuals	279	395	335
Local Authority	70	-	59
	349	**395**	**394**
Total Debtors	**3,154**	**4,009**	**3,410**

Creditors	**2012 £000s**	**2011 £000s**	**2010 £000s**
External managers			
Other entities & individuals	**(1,140)**	**(3,145)**	**(967)**
Administering Authority			
Other entities & individuals	(207)	(229)	(84)
Local authority	-	(461)	-
	(207)	**(690)**	**(84)**
Total Creditors	**(1,347)**	**(3,835)**	**(1,051)**

12. Financial Instruments

a. Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category. No financial assets were reclassified during the account period.

	2011/12			2010/11		
Investment type	**Designated as Fair Value £000s**	**Loans & Receivables £000s**	**Financial Liabilities at amortised costs £000s**	**Designated as Fair Value £000s**	**Loans & Receivables £000s**	**Financial Liabilities at amortised costs £000s**
Financial assets						
Fixed income	151,002			156,126		
Derivative contracts	24,555			27,923		
Equities	98,658			93,289		
Equity - unit trusts	166,235			127,428		
Property unit trusts	54,045			53,919		
Private equity	29,988			26,360		
Infrastructure fund	8,183			6,784		
Currency funds	2,342			2,338		
Hedge funds	113,448			114,543		
	648,456	**-**	**-**	**608,710**	**-**	**-**
Cash		20,316			28,894	
Other investment balances	2,805			3,614		
Debtors		1,136			460	
	651,261	**21,452**	**-**	**612,324**	**29,354**	**-**
Financial Liabilities						
Derivative contracts	(24,489)			(27,967)		
Other investment balances	(1,140)			(3,145)		
Creditors			(207)			(690)
	(25,629)	**-**	**(207)**	**(31,112)**	**-**	**(690)**
	625,632	**21,452**	**(207)**	**581,212**	**29,354**	**(690)**

b. Net gains and losses on financial instruments

The following table summarises the net gains and losses on financial instruments. As the majority of the financial assets and liabilities are recognised at fair value, these relate to gains or losses on disposal and changes in market value of investments.

	31st March 2012 £000s	31st March 2011 £000s
Fair value	30,497	24,108
Loans and receivables	(4,829)	(3,404)
Financial liabilities measured at amortised cost	-	-
	25,668	**20,704**

c. Fair value of financial assets and liabilities
The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values. The fair value may differ from the carrying value where an investment is in an asset that is not traded such as a local authority company. As at year end there was no difference between carrying value and fair value.

Financial Assets	**Carrying value & fair value 31st March 2012 £000s**	**Carrying value & fair value 31st March 2011 £000s**
Fair value	651,261	612,324
Loans and receivables	21,452	29,354
Total financial assets	**672,713**	**641,678**
Financial liabilities		
Fair Value	(25,629)	(31,112)
Financial Liabilities measured at amortised cost	(207)	(690)
Total financial liabilities	**(25,836)**	**(31,802)**
	646,877	**609,876**

d. Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

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.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument 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 and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Enfield Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

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.

Values at 31st March 2012	Quoted market price Level 1 £000s	Using observable inputs Level 2 £000s	With significant unobservable inputs Level 3 £000s	Total £000s
Financial assets				
Fair value	443,255	169,835	38,171	**651,261**
Loans & receivables	21,452	-	-	**21,452**
Total financial assets	**464,707**	**169,835**	**38,171**	**672,713**
Financial liabilities				
Fair value	(25,629)	-	-	**(25,629)**
Financial Liabilities measured at amortised cost	(207)	-	-	**(207)**
Total financial liabilities	**(25,836)**	**-**	**-**	**(25,836)**
Net financial assets	**438,871**	**169,835**	**38,171**	**646,877**

Values at 31 March 2011	Quoted market price Level 1 £000s	Using observable inputs Level 2 £000s	With significant unobservable inputs Level 3 £000s	Total £000s
Financial assets				
Fair value	408,371	170,800	33,144	**612,315**
Loans & receivables	29,363	-	-	**29,363**
Total financial assets	**437,734**	**170,800**	**33,144**	**641,678**
Financial liabilities				
Fair value	(31,112)	-	-	**(31,112)**
Financial liabilities measured at amortised cost	(690)	-	-	**(690)**
Total financial liabilities	**(31,802)**	**-**	**-**	**(31,802)**
Net financial assets	**405,932**	**170,800**	**33,144**	**609,876**

13. Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long term risk is that the Fund's assets will be insufficient to meet its liabilities, in other words the promised benefits payable to members. The Fund maintains positions in a variety of financial instruments, as dictated by the Statement of Investment Principles (SIP) with the aim of minimising the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio.

Consequently the Fund is exposed to credit and liquidity risk, as well as market risk including foreign exchange and interest rate risk. A policy of diversification for its asset classes and investment managers helps the Fund to lower risk arising from financial instruments. Benchmarks for asset allocation and targets against which investment managers are expected to perform are further measures put in place to manage risk.

The management of risk is a key objective of the Fund and is part of the ongoing decision making process for the Pension Fund Sub-Committee. Risk management policies, such as the Risk Register for the Pension Fund, identify and analyse the risks faced by the Council's pensions operations. Measures to control and manage risks are also included within the risk register. Polices and the Risk Register are reviewed by Pension Board and also on a more frequent basis as required.

a. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk, foreign exchange risk and other price risk. The Fund holds a variety of investments which expose it to market risk and details of the Fund's investment portfolio are set out in Note 9.

The Fund manages exposure to market risk in the following main areas:

- Regularly reviewing the pension fund investment strategy.

- Regular monitoring of asset allocation and investment performance.
- A policy of security and manager diversification.

On a daily basis Investment Managers will manage market risk in line with policies and procedures put in place in the Investment Manager Agreement and ensure the agreed limit on maximum exposure to any one issuer or any class of asset is not breached.

Other price risk

Other price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk).

Price risk is managed by constructing a diversified portfolio of investments traded on various markets. The Pension Fund Sub-Committee regularly reviews its asset allocation policy and seeks to diversify the assets that it holds. Diversification helps to ensure that the Fund has a balance of investments which offer different levels of risk and return. Pooled Funds are used where these represent the most efficient means of investing in an asset class. The breakdown between managers and asset class can be seen in Note 9.

Other price risk – sensitivity analysis
Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on funds' asset allocations.

Asset Type	**Potential market Movements (+/-)**
Equities	14.8%
UK bonds	4.9%
Overseas bonds	5.9%
Index linked	6.8%
Pooled property	5.4%
Alternatives	8.3%
Cash and cash equivalents	0.0%

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix as follows:

Asset Type Investment portfolio assets:	Balance at 31 March 2012 £000s	Change	Value on increase £000s	Value on decrease £000s
Equities	264,893	14.8%	+39,204	-39,204
UK bonds	53,176	4.9%	+2,606	-2,606
Overseas bonds	196	5.9%	+11	-11
Index linked	97,630	6.8%	+6,639	-6,639
Pooled property	54,045	5.4%	+2,918	-2,918
Alternatives	153,961	8.3%	+12,779	-12,779
Cash and cash equivalents	20,316	0.0%	-	-
Other investment balances	1,665	0.0%	-	-
Derivatives (Net)	66	0.0%	-	-
Total assets available to pay benefits	**645,948**		**+64,157**	**-64,157**

Asset Type Investment portfolio assets:	Balance at 31 March 2011 £000s	Change	Value on increase £000s	Value on decrease £000s
Equities	220,717	14.8%	+32,666	-32,666
UK bonds	70,328	4.9%	+3,446	-3,446
Overseas bonds	3,682	5.9%	+217	-217
Index linked	82,116	6.8%	+5,584	-5,584
Pooled property	53,919	5.4%	+2,912	-2,912
Alternatives	150,025	8.3%	+12,452	-12,452
Cash and cash equivalents	28,894	0.0%	-	-
Other investment balances	469	0.0%	-	-
Derivatives (Net)	(44)	0.0%	-	-
Total assets available to pay benefits	**610,106**		**+57,277**	**-57,277**

The calculations assume that these changes occur immediately. In practice any changes will occur over time and the actual funding level will therefore also be affected by a number of factors including further benefit accruals, contributions and differences between expected and actual investment returns. The calculations assume that all other factors and assumptions, in particular exchange rates, remain unchanged.

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant bench mark. Investment Managers will also manage interest rate risk in line with policies and procedures put in place in the Investment Manager Agreement. Pension Fund cash held by the Administering Authority is invested in accordance with the Treasury Management Strategy.

The Fund's direct exposure to interest rate movement as at 31st March 2012 and 31st March 2011 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31st March 2012 £000s	31st March 2011 £000s
Cash deposits	20,316	28,894
Cash balances	787	65
Fixed interest securities	151,002	156,126
Total	**172,105**	**185,085**

Interest rate risk - sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 110 basis points (bps) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effects in the year on the net assets available to pay benefits of a +/- 100 bps change in interest rates:-

Asset Type	**Carrying amount as at 31st March 2012 £000s**	**Change in year in the net assets available to pay benefits +100 bps £000s**	**-100 bps £000s**
Cash deposits	20,316	+203	-203
Cash balances	787	+8	-8
Fixed interest securities	151,002	+1,510	-1,510
Total	**172,105**	**+1,721**	**-1,721**

Asset Type	**Carrying amount as at 31st March 2011 £000s**	**Change in year in the net assets available to pay benefits +100 bps £000s**	**-100 bps £000s**
Cash deposits	28,894	+289	-289
Cash balances	65	+1	-1
Fixed interest securities	156,126	+1,561	-1,561
Total	**185,085**	**+1,851**	**-1,851**

Currency risk

The Pension Fund may invest in financial instruments and transact in denominated currencies other than its functional currency (£UK). As a result the Fund is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse impact on the portion of the Fund's assets or liabilities denominated in currencies other than sterling.

Investment Managers will manage foreign exchange risk by the means of passive hedging and enter into forward currency contracts to protect assets which have exposure to currencies other than sterling (further details are in Note 9.

The following table summarises the Fund's fair value exposure to assets denominated in currencies other than pound sterling as at 31st March 2012 and as at the previous period end:

Currency Exposure	Asset Value as at 31st March 2012 £000s	Asset Value as at 31st March 2011 £000s
Australian Dollar	682	295
Canadian Dollar	1,662	1,489
Danish Krone	453	-
Euro	17,900	18,126
Hong Kong Dollar	2,385	2,038
Japanese Yen	6,286	7,064
Mexico Dollar	487	-
New Taiwan Dollar	106	106
Norwegian Krone	882	2,362
Singapore Dollar	-	905
South African Rand	521	-
South Korean Won	763	599
Swedish Krona	1,865	-
Swiss Franc	2,899	3,911
US Dollar	121,152	120,449
Total change in assets	**158,043**	**157,344**

This analysis assumes that all other variables, in particular interest rates, remain constant and that these changes occur immediately. In practice any changes will occur over time.

b. Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The market value of investments generally reflects an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The Pension Fund reviews its exposure to credit and counterparty risk through its external Investment Managers by the review of the Managers' annual internal control reports to ensure that Managers exercise reasonable care and due diligence in their activities for the Pension Fund, such as in the selection and use of brokers, clearing houses, counterparties and other appointees with whom transactions on behalf of the Fund take place.

A counterparty rating is one measure of credit risk. The carrying amounts of investment assets best represent the maximum credit risk exposure at the Net Asset Statement date.

A majority of the assets of the Fund are held by the Custodian, StateStreet Global Services. Bankruptcy or insolvency of the Custodian may cause the Fund's rights with respect to securities held by the Custodian to be delayed or limited. Cash not forming part of the investment assets is held in the Fund's current accounts with the HSBC and Goldman Sachs money market fund.

The Pension Board and senior officers monitor this risk by monitoring the credit rating and financial positions of the Custodian and banks the Fund uses.

Any excess cash from the Fund's bank accounts is invested in accordance with the Pension Fund's Treasury Management Strategy, prepared in accordance with the CIPFA Prudential Code and CIPFA Treasury Management Code of Practice. The Treasury Management Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk for the Fund's exposure.

Summary	**Fitch rating**	**2012 £000s**	**2011 £000s**
Cash (current Assets)			
HSBC	AA-	787	65
Cash deposits (Investment assets)			
Goldman Sachs	AAAm	8,031	15,786
Blackrock money market fund	AAAm	201	189
Cash held by fund managers and custodian	AA-	12,084	12,920
Total		**21,103**	**28,960**

Liquidity risk

Liquidity risk corresponds to the Pension Fund's ability to meet its financial obligations when they come due with sufficient and readily available cash resources.

The Fund's investments are substantially made up of listed securities which are considered readily realisable as they are listed on major security exchanges. The Fund has no holdings in private equity or property which can be considered 'illiquid'.

The Fund maintains investments in cash and cash equivalents outside of the investment assets held by the Custodian that are highly liquid and can be used for payables and expenses such as pension payments, transfers out, etc. The Fund's cash position is monitored on a daily basis by both the pension administrator and the Financial Services team.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The Pension Board with the Fund's Actuary regularly review the Funding Strategy which considers the results of the triennial valuations to ensure the long-term solvency of the Fund as a whole, and that sufficient funds are available to meet all benefits as they fall due for payment. This ensures that sufficient cash reserves are available to meet forecasted cash outflows.

14. Related party transactions

There have been no transactions with related parties during the year. During the year no member or Council Officer with direct responsibility for pension fund issues had undertaken any declarable material transactions with the Pension Fund.

The Council does has made no discretion for Councillors to receive pension benefits from the Fund. No allowances are paid to Members directly in respect of the Pensions Board. The Chair of the Pension Board is paid a special responsibility allowance.

At the year end the Council held a cash balance of £70k belonging to the Fund.

15. Actuarial position

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Fund is able to meet its liabilities to past and present contributors and to assess the future level of contributions required. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2010 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Rates of contributions paid by the participating Employers during 2010/11 were based on the actuarial valuation carried out as at 31 March 2007 by Hymans Robertson LLP.

The valuation as at 31 March 2010 showed that the funding ratio of the Fund had decreased since the previous valuation with the market value of the Fund's assets at that date (of £569.9M) covering 82% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration.

The valuation also showed that the required level of contributions to be paid to the Fund by participating Employers (in aggregate) with effect from 1 April 2011 was as set out below:

- 15.1% of pensionable pay to meet the liabilities arising in respect of service after the valuation date.

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 20 years from 1 April 2011, amounting to £7.8M in 2011/12, and increasing by 5.3% p.a. thereafter, before any phasing in of contribution increases.

This would imply an average employer contribution rate of about 20.4% of pensionable pay in total, if the membership remains broadly stable and pay increases are in line with the rate assumed at the valuation of 5.3% p.a.

The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority and any stepping of contribution increases that are agreed.

The rates of contributions payable by each participating Employer over the period 1 April 2011 to 31 March 2014 are set out in a certificate dated 30 March 2011 which is appended to Aon Hewitt's report of the same date on the actuarial valuation (the 'actuarial valuation report').

The contribution rates were calculated taking account of the Fund's funding strategy as described in the Funding Strategy Statement, and for the majority of Employers using the projected unit actuarial method.

The main actuarial assumptions were as follows:

Discount rate	
Scheduled Bodies	6.9%
Admission Bodies	
In service:	6.25%

Left service:	4.75%
Rate of general pay increases .	5.3%
Rate of increases to pensions in payment	3.3%
Valuation of assets	Market value

Further details of the assumptions adopted for the valuation are set out in the actuarial valuation report.

Contribution rates for all employers will be reviewed at the next actuarial valuation of the Fund as at 31 March 2013.

Actuarial position in accordance with International Financial Reporting Standards

In addition to disclosing the actuarial position of the Fund based on the results of the valuation carried out in accordance with the Local Government Pension Scheme (Administration) Regulations 2008, International Financial Reporting Standards require that disclosure is made of the Fund's past service liabilities in a manner consistent with International Accounting Standard 19 (IAS19), and the requirements of International Accounting Standard 26 (IAS26).

It should be noted that some of the assumptions used when calculating liabilities under IAS19 are different compared to those when producing an on-going funding valuation under the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial present value of promised retirement benefits

	31st March 2010 £m	31st March 2007 £m
Fair value of net assets	571.9	537.6
Actuarial present value of promised retirement benefits	(966.3)	(691.7)
Surplus / (deficit) in the Fund as measured for IAS26 purposes	(394.4)	(154.1)

Assumptions
The latest full triennial valuation of the Fund's liabilities in accordance with the requirements of IAS26 took place as at 31 March 2010. The principal assumptions used by the Fund's independent qualified actuaries were:

	31st March 2010 (% p.a.)	31st March 2007 (% p.a.)
Discount rate	5.5	5.3
RPI inflation	3.9	3.2
CPI inflation	3.0	n/a
Rate of increase to pensions in payment*	3.9	3.2
Rate of increase to deferred pensions*	3.9	3.2
Rate of general increases in salaries**	5.4	4.7

**In excess of Guaranteed Minimum Pension increases in payment where appropriate*

***In addition, we have allowed for the same sage related promotional salaries scales as used at the actuarial valuation of the Fund as at 31 March 2010 and 31 March 2007, as appropriate*.

Changes in benefits during the accounting period
In the UK Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government will use the Consumer Price Index (CPI) for the price indexation of benefits and tax credits. The CPI provides a more appropriate measure of benefit and pension recipients' inflation experiences than RPI, because it excludes the majority of housing costs faced by homeowners (low income households are subsidised separately through Housing Benefit, and the majority of pensioners own their homes outright) and differences in calculation mean it may be considered a better represetnation of the way consumers change their consumption patterns in response to price changes. This will also ensure consistency with the measure of inflation used by the Bank Of England. This change will also apply to public service pension through the statutory link to the indexation of the Second State Pension. The Governement is also reviewing how the CPI can be used for the indexation of taxes and duties while protecting revenues.

The switch to CPI as the basis for future revaluation and pension increases has a significant impact on the actuarial present value of the promised retirement benfits. This is because all pensions, once they come into payment, and the deferred pension of former employees, will now be increased in line with an index that is expected, over the long term, to be lower than the RPI index it replaces. This, in turn, will reduce the value of the benefits and hence the value placed on those benefits. The Fund's actuaries have esimated that had the switch to CPI been implemented as at 31 March 2010, the actuarial present value of the promised retirement benefits would have reduced by £111.4m, ie the actuarial present value of promised retirement benefits would have been £854.9m.

Mortality
As at 31 March 2010, future mortality improvements are expected to be in line with CMI 2009 long term improvement of 1.25% p.a. (31 March 2007: in line with medium cohort).

Current life expectancy from age 65 is summarised below:

	31st March 2010	**31st March 2007**
Males		
Current age 65	23.7	18.4 (manuals) 21.6 (others)
Current age 45	25.5	19.4 (manuals) 22.8 (others)
Females		
Current age 65	26.5	22.2 (manuals) 24.0 (others)
Current age 45	28.5	23.2 (manuals) 25.0 (others)

Commutation
As at 31 March 2010, on retirement each member is assumed to exchange 30% of the maximum permitted amount of their past service pension rights, and 75% of the maximum permitted amount of their future service pension rights for an additional lump sum. As at 31 March 2007, an allowance is included for 40% of future retirees to elect to take additional tax-free cash up to HMRC limits.

16. International Financial Reporting Standards in issue but not yet effective

There are no accounting standards that have been issued but are not yet effective that impact on the Enfield Council Pension Fund.

17. Non-adjusting events after the end of the accounting period

The recent falls in the value of securities quoted on world stock exchanges have resulted in changes to the value of investments held by the Fund. The accounts are required to reflect the conditions applying at the end of the financial year, and as a result, no adjustment has been made for any changes in fair value of investments between 31 March 2011 and the date that the accounting statements are authorised for issue. A reliable estimate of the fair value of investments at the date the accounts were authorised for issue was not available, and thus no further disclosure has been provided.

It should be noted however, that the Pensions Board continually monitors investment performance to ensure that the Fund is sufficiently funded to meet its obligations to pensioners as they fall due.

LONDON BOROUGH OF ENFIELD
ANNUAL GOVERNANCE STATEMENT 2011/12

1. Introduction

1.1 The London Borough of Enfield ("the Council") commissions and delivers a range of services to the people of the Borough. We employ approximately 4,000 staff[1] and work with our partners in the private, public and third sector to deliver our objectives. We are responsible for ensuring that our operations are conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for, and used with maximum efficiency, economy and effectiveness. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way we exercise our functions, again having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk and opportunities.

1.3 The Council has in place a governance framework which is consistent with the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'. The Audit Committee on 10 July 2012 is due to receive the Council's Annual Governance Statement.

2. The purpose of the governance framework

2.1 The governance framework comprises the systems and processes, culture and values for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 This governance framework has been in place at the Council for the year ending 31 March 2012 and up to the date of approval of the statement of accounts.

[1] Excludes approximately 6,000 local authority staff employed in schools.

3. The governance framework

3.1 This section describes the key elements of the Council's systems and processes that comprise the Council's governance arrangements which incorporate good governance principles.

Focussing on the corporate objectives and vision of the Council and the outcomes delivered to local people.

3.2 The Council's vision is to make Enfield a better place to live and work, delivering fairness for all, growth and sustainability and strong communities. Underpinning this commitment there are three strategic aims and a number of priorities, the delivery of which will contribute to improving the quality of life for all residents in the Borough.

3.3 The Council's decision making process ensures that all member and officer decisions link to one of the Council's key objectives, which are set out below.

(i) Fairness for all

3.4 Fairness for all means meeting the needs of all residents in the Borough, protecting vulnerable residents and providing fair and equal access to services and opportunities. Tackling the inequalities in the Borough is at the heart of what the Council wants to achieve for Enfield. This includes:

- Serving the whole Borough fairly and tackle inequality
- Providing high quality, affordable and accessible services for all
- Enabling young people to achieve their potential.

(ii) Growth and sustainability

3.5 Like many areas of the country, Enfield has suffered during the recent recession. Unemployment has risen, and many of the problems already present within the Borough have been exacerbated. Demonstrating that Enfield is open for business will ensure that the Borough makes a strong and sustainable recovery from the recession. Aims include:

- A clean, green and sustainable environment
- Bring growth, jobs and opportunity to the Borough.

(iii) Strong communities

3.6 Building strong, cohesive and resilient communities will be vital as Enfield continues to grow and change as a Borough. The Council wants Enfield to be a place where people feel proud to live, where people from all different backgrounds are welcomed and supported, where vulnerable people are protected, and where people take responsibility for their own lives and their communities. This includes:

- Encourage active citizenship
- Listen to the needs of local people and be open and accountable
- Provide strong leadership to champion the needs of Enfield
- Work in partnership with others to ensure Enfield is a safe and healthy place to live.

3.7 The Council's Leaner Programme was developed to ensure that major transformation programmes and projects across the Council are properly managed and coordinated. The values of the LEANER programme are:

- **L**ess bureaucracy
- **E**liminate waste and duplication
- **A**utomate what we can
- **N**ew ways of working
- **E**xcellent staff and resources
- **R**educe overheads

3.8 The Leaner programme effectively looks at internal business arrangements and infrastructure in order to design services that are fit for purpose. During 2011/12 the LEANER Programme achieved savings of approximately £2 million and in addition supported a number of other savings initiatives and transformation programmes across the Council.

3.9 In August 2011, Enfield was one of the areas in London and other parts of the country that experienced incidences of rioting and looting. The Council used its community leadership role to develop the 'Respect for Enfield' campaign. This provided a focus for engaging with and providing prompt assistance to local businesses and engagement with local leaders and community groups. A cross-party Council Commission was established to examine the causes of the disturbances, discover why people took part and to make recommendations for actions to help prevent similar events happening again. Both activities made a particular contribution to this aim.

Members and officers working together to achieve a common purpose with clearly defined functions and roles.

3.10 The Council's vision, aims priorities and values are set out in the Council Strategy, 'A Fairer Future for All'. The Business Plan outlines the major actions that the Council, in many cases working with strategic partners and other stakeholders, is taking to achieve its vision, aims and priorities. Departmental Plans provide more detailed actions and service work programmes set out how these are translated into frontline delivery to Enfield's communities. An efficient corporate performance management system provides robust, timely data, which enables the Council to effectively manage performance and supports the delivery of excellent value for money services.

3.11 The Council's constitution includes a Members' code of conduct, Officer's code of conduct and Member/Officer protocol which clearly set out the roles and responsibilities of these positions and the Council's governance arrangements that should be adhered to.

Promoting the values of the Council and demonstrating good governance through upholding high standards of conduct and behaviour.

3.12 The Constitution includes the financial and contract regulations, the Members Code of Conduct, members' allowances and expenses, a member/officer protocol, guidance on use of IT for members, guidance to officers and members representing the Council on outside bodies and Partnership Procedure Rules.

3.13 In response to the Localism Act 2011, the Council agreed a new member Code of Conduct in July 2012. See paragraphs 4.1.9 for further details. The members' statutory register of interests and related party transactions are updated at least annually. Councillors are also reminded annually of their obligations regarding the receipt of gifts and hospitality. There is also an officer code of conduct within the Constitution.

Taking informed and transparent decisions which are subject to effective scrutiny and management of risk and opportunities.

3.14 The Council has a Cabinet/Leader model of decision making with a strong and influential scrutiny function. This is contained within the Constitution which is regularly reviewed by a cross-party group of leading members. This is available on our website and intranet. Summary copies are also available. Recent reviews have included financial regulations, and rules of debate at Council meetings. The roles and responsibilities of the full Council, Cabinet and Council officers are set out within the Scheme of Delegation in Part 3 of the Constitution. Detailed guidance notes in relation to all aspects of the decision making process (e.g. Forward Plan, report writing, call-in) are available on the Council's Intranet. Annual briefings are given to staff.

3.15 The Forward Plan, published monthly, sets out the key decisions to be taken by the Council on a four month rolling programme. This is a public document, available 14 days before its publication date. Key decisions in Enfield relate to expenditure/income of £250,000 or above and/or issues that are likely to have a significant impact in one or more wards. The Council also operates a call-in process which allows members to call to account decisions taken by the Cabinet collectively and individually (or in the case of officers, a key decision). Decisions taken by members, plus officer key decisions, are published twice weekly and made available to members, officers and the community.

3.16 Scrutiny provides a constructive challenge to the Executive through its reviews and recommendations. Cabinet members are called to account through the call-in process and through questions at Council meetings. The Council has a very effective procedure for dealing with councillor calls for action. Scrutiny also adopts a community leadership role when required. The community and the general public are encouraged to participate in the scrutiny process, for example through co-options and public meetings. They are also permitted to raise issues at panel meetings.

3.17 Scrutiny also plays an important part in the annual budget process through the Budget Commission, which is a dedicated meeting of the Overview and Scrutiny Committee. The Leader and Deputy Leader attend the Commission to present the Cabinet's proposals and answer questions from councillors and the public. Consultation on the budget is also carried out through an information booklet and via Area Forums.

3.18 Through the monthly Monitoring Officer Meetings, chaired by the Chief Executive, the Council has a well established and effective process for reviewing and monitoring governance and internal control compliance issues. Such matters can also be reported to the Audit Committee on a regular basis, which may also request officers to attend to challenge them on improvements made in that area.

3.19 All reports to Council, Cabinet and to individual executive members for delegated action are required to be reviewed for all legal, financial, risk management, and other relevant implications. They also must demonstrate synergy with the Council's corporate objectives and related performance management process.

3.20 The Director of Finance, Resources and Customer Services, as Section 151 officer, sits on the Corporate Management Board. He reports directly to the Chief Executive and accords with the CIPFA statement for this role as follows:

- He is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest;
- He is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Council's financial strategy; and
- He leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

3.21 The Director of Finance, Resources & Customer Services chairs the Corporate Risk Management Working Group. This Group, supported by the Council's Risk Manager, has responsibility for coordinating risk management activity and messages across the Council.

3.22 Risk and opportunity management is integrated into departmental planning. Risks and opportunities together with relevant actions are reviewed each quarter. The Risk Manager offers support to Departmental Management Teams. In addition to minimisation of risk, there has been an increased emphasis on maximisation of opportunity arising from change.

3.23 Identified risks help inform the internal audit plan and internal audit adopt a risk based approach to their reviews and recommendations.

Developing the capacity and capabilities of members and officers to be effective

3.24 The Council provides regular training and development opportunities for both members and officers. There is an annual member development programme for councillors with the opportunity for one to one personal development sessions with a trained officer.

3.25 Officer training is focussed through the annual personal appraisal process and the corporate training plan. A comprehensive appraisal process that ensures training and development is available to all staff is embedded within the Council. A tailored system, MI Portal, is used to help manage staff development and training needs and align staff objectives to those of the service they work in and those of the Council.

Engaging with local people and other stakeholders to ensure robust public accountability

3.26 The Council has a formal complaints process that was thoroughly reviewed in 2009. Details are on the Council's web site plus an online form and an annual report which includes organisational learning and what has changed as a result is produced. Monthly reports of complaints and Departmental learning and improvements are reported to the Council's Management Board. The Ombudsman annual letter commenting on complaints received in the last year is also published on the Council's web site.

3.27 Enfield Council takes a strategic approach to consultation and public engagement as outlined in the Enfield Strategic Partnership's Engagement Framework and which is cognisant of national, regional and local considerations, including statutory and good practice guidance.

3.28 The Enfield Strategic Partnership's Engagement Framework provides guidance and support to those agencies and individuals undertaking consultation and engagement activities and is supported by the Communities Team in the Chief Executives Unit at Enfield Council.

3.29 Effective, joined-up and well coordinated consultation and engagement enables the participation of a broad range of stakeholders including residents, customers, voluntary and community sector organisations, businesses, staff, Members and other stakeholders

Internal Audit

3.30 The arrangements for the provision of internal audit are delivered by the Director of Finance, Resources and Customer Services through the Corporate Governance Division. This is managed by the Assistant Director, Corporate Governance. Within that Division, the internal audit function is managed independently by the Head of Internal Audit and Risk Management who has direct reporting lines to the Section 151 officer on relevant issues, as well as the Chief Executive and Chair of the Audit Committee, in accordance with the CIPFA Code of Practice for Internal Audit in Local Government.

3.31 As the organisation continues to experience reduced resources, increased demands on services and new and innovative forms of delivery there is a need to ensure that the Council's control environment remains robust, proportionate and is as efficient and effective as possible, which will include moving to a greater use of automated rather than manual based controls.

3.32 During 2011/12 a continuous auditing and monitoring program was rolled out across the accounts payable function. This type of audit is designed to map the design of the controls in place and to test on a quarterly basis whether these controls are operating effectively to ensure that the key risks are mitigated.

Counter Fraud

3.33 The Council has a well established Counter Fraud function. This function coordinates both proactive and reactive counter fraud activities across the Council, supported by other teams who deal with specialist areas of fraud, for example, misuse of blue badges and trading standards.

3.34 The Council's Whistle Blowing Policy is managed by the Head of Internal Audit and Risk Management on behalf of the Monitoring Officer. The Policy was updated in 2011/12 and presented to the Audit Committee in April 2012 and is available on the Intranet. The register of cases is maintained by the Counter Fraud Manager and is reported to the Standards Committee and the Audit Committee where appropriate.

3.35 The policy, together with the Anti Fraud and Corruption Strategy, is included as part of the annual staff governance briefings.

The Localism Act - Changes to Governance

3.36 The Council has responded positively to the Localism Act and has established a corporate officer group to ensure timely compliance with the many sections within it. This group is currently working to an action plan, led by the Monitoring and Deputy Monitoring Officers.

3.37 An example of this is the changes to the standards regime. There is no longer a requirement to have a Standards Committee and authorities can agree their own local Code of Conduct. The process for investigating complaints against councillors has also been abolished with Councils having freedom to agree their own arrangements.

3.38 The Council has agreed to replace its Standards Committee with a Councillor Conduct Committee to deal with policy, complaints against councillors and issues concerning the members' Code of Conduct. A new Code and a streamlined process for dealing with member complaints was considered at the Council meeting on 4 July 2012.

4. The review of effectiveness

4.1 The 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 work of senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit and Risk Management's annual report, and also by comments made by the external auditors.

LEANER Programme

4.2 During 2011/12 the LEANER Programme achieved savings of approximately £2 million and in addition supported a number of other savings initiatives and transformation programmes across the Council.

Chief Executive

4.3 The monthly Monitoring Officer Meetings, chaired by the Chief Executive, has operated effectively during 2011/12 picking up on key governance and risk issues. This forum provides assurance that these risks are being identified and driven forward to invoke changes and improvements within the organisation.

Risk and Opportunity Management

4.4 The current risk management structures and processes have recently been the subject of an external review and relevant recommendations have been made to help further develop and redefine the Council's roles and responsibilities in relation to risk management. These new roles and responsibilities will be incorporated into the Council's new Risk Management Strategy, which will be finalised during 2012/13.

4.5 The current risk registers have recently been the subject of an external review. The format of the Corporate Risk Register shows original, current, and target scores for likelihood and impact to enable direction of travel and the effectiveness of mitigating actions to be monitored. Corporate Risks have been updated to reflect the current rapid political and economic change – when risk is increasing but resource is reducing. The aim is to improve the process for corporate risk and corporate opportunities registers, clarifying accountability within the organisation at both officer and member level, improving monitoring, integrating risk management into the Council, and linking the monitoring to the corporate performance management system (Covalent).

4.6 The Council's risk management strategy is currently being revised, and will include recommendations to enhance risk management within the Council.

4.7 Through 2011/12 the Council's Risk and Opportunity Management Framework has continued to operate effectively identifying and findings ways to mitigate the organisations key risks.

The Audit Committee

4.8 The Council has an independent Audit Committee set up in accordance with CIPFA guidance. The Committee has an agreed work programme and produces an annual report. The report for 2011/12 was considered at the Audit Committee on 10 July 2012. It provides independent assurance to the Council on risk management and over the design and effectiveness of the internal control arrangements that the Council has in place.

4.9 The Audit Committee plays an active role in risk management, reviewing the Corporate Register and Departmental Registers during the year. In 2011/12, for example, it monitored the Council's preparations for the Olympic Games in 2012 and governance arrangements on working with the Voluntary and Community Sector (VCS). The Committee will be looking to recruit up to two independent members during 2012/13 to help further strengthen its effectiveness and to align with good practice.

4.10 The Audit Committee review their work programme and this is reported to Council on an annual basis.

Engaging with local people and other stakeholders to ensure robust public accountability

4.11 During 2011/12 the council employed a range of methods for consulting with key stakeholders including:

- **Enfield Residents' Panel** - over 2,500 residents consulted at least three a year on a range of service specific issues.
- **Annual Residents' Survey** - over 1,100 residents surveyed in their homes to ascertain attitudes towards the local area as a place to live, satisfaction with Council services and priorities for improvement.
- **The Council's Website and ICT** - Online surveys conducted by services from across the council, ICT allows information, consultation and involvement opportunities in real time.
- **Residents' Priority Fund** - encourages local people to engage and work with their Ward councillors in improving their local area.
- **Voluntary and community groups** - the Council consults and engages with the VCS across a whole range of issues. Such engagement is governed by the Enfield Compact – which is a written agreement for working in partnership using a solution orientated approach.
- **Area Forums** - this mechanism allows local residents to raise local issues directly with their ward councillors and to have a forum for expressing opinions.
- **Scrutiny Panels** - as part of the governance framework for the local authority, scrutiny panels enable opposition and non-portfolio Members to scrutinise Cabinet decisions.
- **Budget consultation** - the Council undertakes comprehensive budget consultation and engagement with a broad range stakeholders using a variety of engagement tools.
- **Enfield Compact** - provides the framework for effective partnership working across the statutory, voluntary and community sectors.
- **Focus groups** - the Council organises a annual programme of focus groups aims at engaging with harder to reach /seldom heard communities in order to understand their needs better.
- **Service user groups** - A range of Council services maintain their own user groups for regular engagement with clients or service beneficiaries.

Internal Audit

4.11 Following a review of the Internal Audit and Risk Management service early in 2011, the internal audit function moved to a co-sourced arrangement with PwC on 1 September 2011. This has helped to increase the Council's ability to access specialist resources to provide assurance over new and emerging risks and provide the Service with increased flexibility as the Council continues to move through a period of change and transformation.

4.12 Based on the work undertaken by the Internal Audit and Risk Management Service during the year, the opinion of the Head of Internal Audit and Risk Management is that the systems of internal control continue to be adequate for preventing significant risks of a strategic nature materialising. The move to a risk based internal audit plan and approach has identified a number of weaknesses that might impact on the achievement of operational and/or financial objectives in those areas. This is indicative of a better targeting of audit resources rather than a worsening in the Council's internal control environment. As weaknesses are identified Management should continue to need to act promptly to implement the recommendations that have been raised to help address these weaknesses and reduce the Council's exposure to the associated risks.

4.13 The Head of Internal Audit and Risk Management's opinion is based on the following:

- The work undertaken by Internal Audit, which was completed in line with the Revised 2011/12 Internal Audit Plan for the year. A number of changes were made to the 2011/12 Internal Audit Plan due to the following:
- To reflect the key risks and challenges faced by the Council in 2011/12;
- To reflect changes in priorities of audits and the Internal Audit team's capacity to complete all audits on the plan; and
- To reflect any upcoming changes to projects and systems.
- The internal audit programme covers both the Council's key processes and systems and also those operating in the Borough's schools. During 2011/12 audits of 24 schools were completed to obtain assurance over the operation of the governance arrangements and controls in place at these schools.
- There were a number of limited or no assurance opinions issued during 2011/12. These resulted from a number of high or critical risk recommendations arising from these reviews. Management are responding positively to these recommendations and Internal Audit are following up the implementation of these recommendations to ensure prompt implementation.
- A Service Assurance process was implemented during 2011/12. This involves meetings with directors to better understand the risks they are currently managing and to help management to understand areas of heightened risk arising from the work on internal audit. Each director was required to undertake a self assessment which was compared to the outputs of internal audit work, emerging issues, existing departmental risk registers and compared across departments. These statements have been used to help support the 2011/12 Annual Governance Statement.
- During 2011/12 a continuous auditing and monitoring program was rolled out across the accounts payable function. This type of audit is designed to map

the design of the controls in place and to test on a quarterly basis whether these controls are operating effectively to ensure that the key risks are mitigated. This process helped to identify a number of control design improvements, potentially reducing controls and improving efficiency.

4.14 There have been several internal audit reviews completed during 2011/12 that have identified areas that require improvement to address potential areas of risk, with the main areas for development being identified in the areas of asset management, business continuity, project management and IT Security. Management has responded positively to the audit findings from these reviews and agreed action plans to implement the recommendations that have been agreed with Internal Audit.

4.15 We have received and progressed recommendations received from Grant Thornton arising from their external audit programme. Where appropriate we have also prepared action plans to respond to recommendations for improvement received from other external parties, such as inspectors or agencies, to help strengthen the overall governance and control environment in place at the Council.

4.16 The external auditors undertake a review of the effectiveness of internal audit on a three year basis. We have not been made aware of any issues on the quality of the work undertaken by the Council's Internal Audit function.

External Audit Annual Audit Letter

4.17 The Council's external auditors are Grant Thornton LLP. Council officers meet with Grant Thornton on a monthly basis to discuss relevant issues, the Council's medium term financial plan and the progress of the respective audit plans. Grant Thornton attend every Audit Committee and participate fully through written reports plus discussions and in giving advice to members where appropriate.

4.18 The Annual Audit Letter for 2010/11 from the External Auditor stated that the Council received an unqualified opinion on its 2010/11 financial statements and an unqualified conclusion on its arrangements for securing value for money during the same year.

4.19 We are not aware of any major issues that have been identified by the external auditors at the time of drafting this statement.

Counter Fraud

4.20 During the year the Council has investigated one significant fraud that occurred prior to 2011/12. This related to a former employee who stole approximately £500,000 from the Council between April 2006 and December 2010. The individual has now pleaded guilty at criminal court and was given a four year custodial sentence. The Council's Counter Fraud and Legal teams worked closely with the City of London Police to investigate this fraud as well as to take all possible steps to recover the stolen money. The Council has insurance cover for this type of employee fraud and has submitted a claim to its insurers for recovery of the stolen money.

4.21 The Council takes a zero tolerance approach to fraud and corruption and has instigated a robust response to this fraud. This has included a number of work streams being instigated to learn the lessons from this fraud and to ensure that the Council's control environment is reviewed and updated, where required, to ensure any fraud risks are appropriately mitigated and so that it is aligned to best practice seen elsewhere.

4.22 The Council commissioned PwC to undertake a proactive, detailed interrogation exercise of the SAP financial ledger. This involved searching through data between April 2006 and March 2011 to identify any potential fraud red flags based on a number of fraud indicators that may indicate a risk of fraud relating to potential suppliers or transactions. This work has concluded that no other significant fraud was present during the period covered by the review.

4.23 Through the application and delivery of the Council's Anti-Fraud and Corruption Strategy and Whistle Blowing Policy, the Council has adequate arrangements in place to identify and investigate potential fraud and irregularities

4.24 During the year the Counter Fraud team released a fraud awareness computer training package. This package has been completed by over 800 members of staff and has been very successful in promoting an anti-fraud culture across the Council.

5. Governance and Control Development Areas

5.1 There are no significant governance and control weaknesses that may have a direct impact on the organisation's ability to achieve its strategic objectives.

5.2 The key areas of work that are in progress to strengthen the Council's control environment have been set out in Section 4 above.

5.3 Further details on the work being undertaken to strengthen the Council's IT and financial control environments are set out in the table below.

5.4 The 2011/12 evaluation of the assurances surrounding the governance framework has disclosed the following governance and control areas that require further development.

Governance and control development area	Progress made in 2011/12
IT and Financial Processes	
Reviews by both Internal and External Audit undertaken during 2010/11 and in 2011/12 identified areas for improvement in the Council's IT control environment, including the financial ledger system, SAP, and some of the financial processes, namely accounts payable and changes to vendor master data. Some of the areas identified for improvement included: • The need for a regular review of system user profiles and access levels • The need to further develop the segregation of duties is in place for key financial processes. • That the latest version of the anti virus software is installed on all machines across the Council's network. In addition other risk areas have been identified during the course of the work of the Internal Audit and Counter Fraud teams. These have included: • The need to interrogate transactions and processes within SAP Financial Ledger to ensure that fraud risks have been identified and that	The final report for the SAP system and Grant Thornton recommendations follow up audit has been issued. The report has shown that good progress has been made in addressing the recommendations raised and that the level of risk has been reduced across most of the original findings. The recommendations that are still in progress will all be addressed following the conclusion of the SAP Security Profiles work detailed below. A more detailed project, the SAP Development Programme is in progress, which has a number of different work streams. As part of this project the Council is building new security profiles for users, mapping system access to job roles and removing any potential conflicts within the system. This project will be completed by September 2012. A new budget planning and monitoring tool has been developed and has now been rolled out. This further strengthens the ability of budget holders to directly manage their budgets. A separate project has been set up to look at the financial controls in place

Governance and control development area	**Progress made in 2011/12**
controls are in place to mitigate these. • That the segregation of duties between processing (operational) roles and system administration roles are further strengthened. The above were key areas of focus that need to be addressed to enable the Council to respond to changes in the external environment, reductions in the level of internal resources available and the increased risk of fraud that is present in an economic downturn.	within the Council. This has resulted in new month end closedown processes being put in place and revised roles being developed that now provide more clarity on who is responsible for financial control related activities. Segregation of duties in key financial processes is being enhanced as part of the SAP security work stream. In addition Internal Audit has refocused their work to provide assurance over segregation of duties as part of their work. Any issues arising will be raised with officers and members through the relevant internal audit reports.

Cllr Doug Taylor

Leader of the Council

Rob Leak

Chief Executive

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

Opinion on the financial statements

We have audited the financial statements of London Borough of Enfield for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, Balance Sheet, and Cash Flow, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework applied to their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of London Borough of Enfield in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance, Resources and Customer Services and auditor

As explained more fully in the Statement of the Director of Finance, Resources and Customer Services Responsibilities, the Director of Finance, Resources and Customer Services is responsible for the preparation of the Statement of Accounts, which includes 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 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 Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance, Resources and Customer Services and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our 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 Enfield as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects

Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. 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 2011/12.

This report is made solely to the members of London Borough of Enfield in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance, Resources and Customer Services and auditor

As explained more fully in the Statement of the Director of Finance, Resources and Customer Services Responsibilities, the Director of Finance, Resources and Customer Services is responsible for the preparation of the Statement of Accounts, which includes the pension fund's 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 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 Director of Finance, Resources and Customer Services and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In our opinion, the information given in the explanatory foreword and the content of the London Borough of Enfield Pension Fund Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Respective responsibilities of the Authority and the auditor

The Authority 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 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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 criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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 Authority 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 criteria published by the Audit Commission in October 2011, we are satisfied that, in all significant respects, London Borough of Enfield put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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 issue our assurance statement in respect of the authority'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.

Paul Dossett

Paul Dossett
Senior Statutory Auditor, for and on behalf of Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

28th September 2012

GLOSSARY OF TERMS

ACCRUALS Amounts charged to the accounts for goods and services received during the year for which payments or transfers of economic benefit are expected to be made in the next or a subsequent reporting period. Amounts credited to the accounts for goods and services provided during the year for which payments or transfers of economic benefit are expected to be received in the next or subsequent reporting period.

ACTUARY One who calculates projections for pensions and insurance purposes.

AMORTISE To liquidate (a debt, such as a mortgage) by instalment payments, or payment into a sinking fund; or to write off an intangible asset by pro-rating the cost or income over the life of the related asset.

APPROPRIATION The assignment of revenue to a specific purpose.

BALANCE SHEET A statement of all the assets, liabilities and other balances of the Authority.

CAPITAL EXPENDITURE Payments for the acquisition, replacement or enhancement of assets that are considered to be of benefit to the Authority over a period of more than one year, e.g. buildings and land, vehicles and equipment.
Payments of grants and financial assistance to third parties towards the cost of capital expenditure.
Expenditure that is classified as capital following a ministerial direction, e.g. capitalised redundancy costs.

CAPITAL FINANCING REQUIREMENT The measure of the Council's underlying need to borrow to fund capital expenditure.

AREA BASED GRANT Area Based Grant was a non-ringfenced general grant paid directly to the Authority by Central Government. ABG ceased to exist from 1st April 2011.

CAPITAL ADJUSTMENT ACCOUNT This reserve includes amounts set aside from revenue, capital receipts and capital grants to fund capital expenditure and makes contributions in the Movement in Reserves Statement to offset net depreciation charges included in the Comprehensive Income and Expenditure Statement. It also includes the transfer of the balance on the Fixed Asset Restatement Account as at 1st April 2007 following the creation of the Revaluation Reserve.

CAPITAL GRANTS Grant received from Government departments, other statutory bodies and external parties to finance capital expenditure.

CAPITAL RECEIPTS Income received from the sale of land, buildings and other capital assets.

COLLECTION FUND A separate account that discloses the income and expenditure relating to Council Tax and National Non Domestic Rates.

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT	A statement showing the net cost for the year of all the services for which the Authority is responsible and how that cost has been financed from general government grants and income from local taxpayers.
CONTINGENT LIABILITY	A possible liability to future expenditure at the balance sheet date, depending on the outcome of future uncertain events.
COUNCIL TAX	A local tax on domestic property values.
CREDITORS	Amounts owed by the Council for goods received or services provided but not yet paid for as at 31 March 2011.
DEBTORS	Amounts owed to the Council but not received at 31 March 2012.
DEPRECIATION	The consumption of an asset due to normal wear and tear and deterioration in the day to day provision of services.
EARMARKED RESERVES	Reserves set aside from revenue funding to meet future expenditure on specific purposes.
FUNDED SCHEME	A superannuation scheme that is supported by a fund of money, which is maintained at a level sufficient to meet all future liabilities under the scheme.
GENERAL FUND	A statutory account that summarises the cost of providing Council services excluding the provision of council housing.
GROSS EXPENDITURE	The total cost of providing services before taking into account income, e.g. from government grants or fees and charges.
HOUSING REVENUE ACCOUNT (HRA)	A statutory account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.
IMPAIRMENT	Additional charges above normal depreciation representing the reduction in asset values arising from a fall in market values or deterioration/obsolescence.
INTEREST	The amount received or paid for the use of a sum of money when it is invested or borrowed
MINIMUM REVENUE PROVISION	The statutory minimum amount that the Council must charge to revenue to provide for the reduction in the Capital Financing Requirement.
NATIONAL NON-DOMESTIC RATES (NNDR)	A flat rate in the pound set by Central Government and levied on businesses in the borough. This money is collected by Enfield and then passed to Central Government, which reallocates the income to all councils in proportion to their population.
NET EXPENDITURE	Total expenditure less any income due to the Council.
NON CURRENT ASSETS	Tangible and intangible assets that yield benefits to the

	Authority and the services it provides for a period of more than one year.
PRECEPT	A charge on the Collection Fund by the Greater London Authority.
PRIOR YEAR ADJUSTMENT	An adjustment applicable to prior years arising from changes in accounting policies or from the correction of material errors.
PROVISION	An amount set aside for liabilities and losses, which are likely to be incurred, but where the exact amount and the date on which they will arise is uncertain.
PUBLIC WORKS LOANS BOARD	Central Government agency, which is used to fund local government borrowing.
REVENUE EXPENDITURE	Spending on day-to-day items including salaries and wages, premises costs, and supplies and services.
REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE	Expenditure of a capital nature not in connection with a Council-owned asset e.g. private sector renewal grants, Disabled Facilities Grants and funding for Voluntary Aided Schools.
REVENUE SUPPORT GRANT	The main grant paid by Central Government to the Authority towards the cost of all its services.
RESERVES	The difference between cumulative income and cumulative expenditure. Reserves are resources available to the Council
SUPPORT SERVICES	These are services provided centrally in support of the corporate management of the Council and the delivery of front line services. They include financial, legal, HR, IT, property and general administrative support services.
UNFUNDED SCHEME	A superannuation scheme that is not supported by a fund of money.