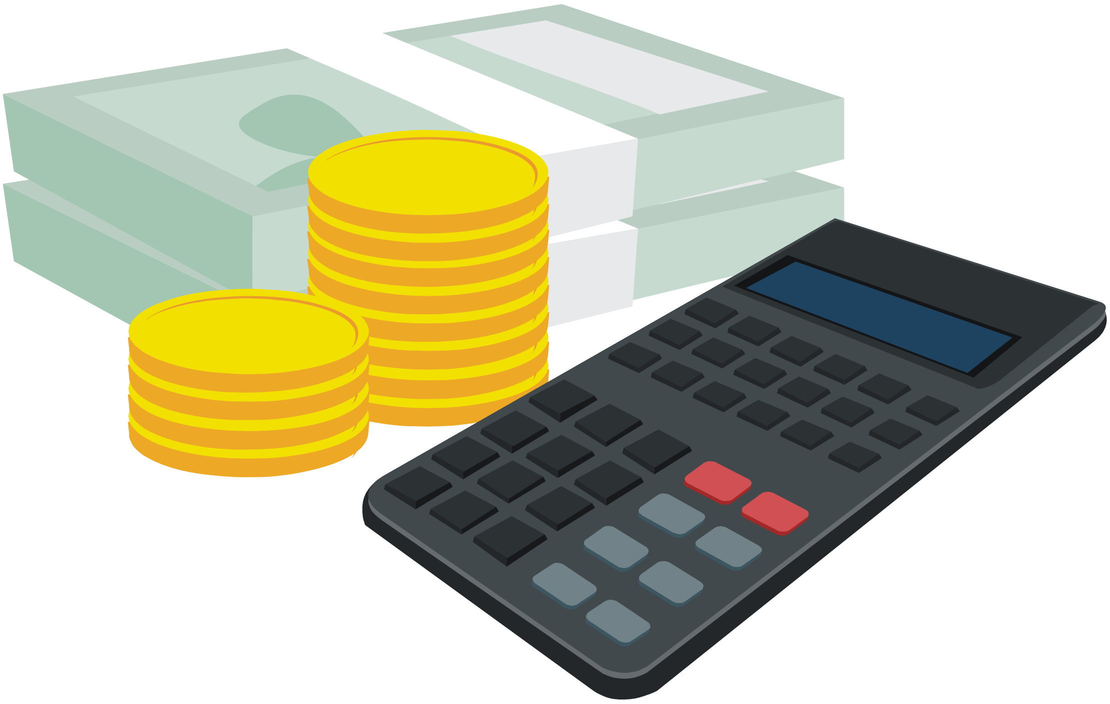
London Borough of Enfield

Statement of Accounts
2010 -11



James Rolfe
Director of Finance, Resources & Customer Services

www.enfield.gov.uk

London Borough of Enfield – Statement of Accounts 2010/11

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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 2011

Signed

J Rolfe

Date: 28 September 2011

James Rolfe
Director of Finance, Resources
& Customer Services

Signed

D. Lemonides

Date: 28 September 2011

Dino Lemonides
Chairman of the Audit Committee

EXPLANATORY FOREWORD

1. INTRODUCTION

The accounts set out details of the Council's income and expenditure for the 2010/11 financial year and its financial position at 31st March 2011.

The accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 based on International Financial Reporting Standards (IFRS) 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 Best Value Accounting 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 2011. 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. INTERNATIONAL FINANCIAL REPORTING STANDARDS

This is the first year the Council is required to prepare its financial statements under IFRS as incorporated in the CIPFA Code of Practice.

As a result, the structure and content of the financial statements are now different from the way they were presented for 2009/10. The Code replaces the Income and Expenditure Account, Statement of Movement on the General Fund Balance and the Statement of Total Recognised Gains and Losses with the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement. In addition, the Balance Sheet and Cash Flow Statement are presented in different formats.

It has been necessary to review and update the Council's Accounting Policies to accommodate the requirements of the CIPFA Code and the changes in statutory regulations that have been made to neutralise the national impact of the Code on General Fund and HRA Balances.

In addition, the 2009/10 financial statements and disclosure notes have been re-stated in accordance with these changes in accounting policies and regulations. A review of their impact is contained in Section 10.

3. 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 Authority 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 £134.2m at 31st March 2010 to £142.2m at 31st March 2011 and a reduction in unusable reserves (revenue and capital) from £937.8m to £578.8m.

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 service expenditure analysis follows the requirements of the CIPFA Best Value Accounting 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 £160.2m (£353.4m 2009/10) for the year on the basis of generally accepted accounting practices. The reconciliation of this position to the position on the HRA and General Fund is disclosed in the Movement in Reserves Statement. There has been no movement in the General Fund Balance during the year; the HRA balance has increased by £0.545m.

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 £351m largely reflecting the decease in valuation of the social housing value of council dwellings and the transfer of a number of schools to Academy status – further details are covered in the notes to the Core Financial Statement and Section 5 below.

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 a reduction in cash and cash equivalents from £57.7m at 31st March 2010 to £2.6m overdrawn at 31st March 2011. This reflects the investment in services made though the Council's capital programme for which the cash resource has been provided by reducing the short term investment portfolio.

e) Notes to the Core Financial Statements

These provide specific disclosures on 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 £158.9m (£26.4m 2009/10) based on generally accepted accounting practices. As noted above this largely reflects the decrease in valuation of the social housing value of the housing stocks – see Section 5.

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 GLA and to the Council's General Fund.

The surplus on the collection fund has reduced from £0.7m at 31st March 2010 to £0.2m at 31st March 2011. The movement arises largely as a result of a prudent increase in the provision for impairment of debt and is not significant.

Section 3 – Pension Fund Accounts

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

4. 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 2010/11 budget at the Council meeting on the 24 February 2010. The net budget requirement was set at £242.576m.

The Band D Council Tax for 2010/11 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 2010/11. Enfield's Band D Council Tax was £23 below the Outer London average.

Table 1 below analyses General Fund service expenditure compared to the final approved budget for 2010/11. The table is based on an extract from the Council's management accounts (excluding capital charges which do not affect the bottom line) and does not therefore match the prescribed structure of the Comprehensive Income & Expenditure Statement:

TABLE 1

	Final Approved Estimate £000s	Outturn £000s	Variance £000s
Chief Executive	1,247	624	(623)
Environment	36,211	36,117	(94)
Finance, Resources & Customer Services	26,869	25,582	(1,287)
Health, Housing & Adult Social Care	104,713	103,758	(955)
Regeneration, Leisure & Culture	13,909	13,727	(182)
Schools & Children's Services	56,050	54,574	(1,476)
Total: Service Departments	**238,999**	**234,382**	**(4,617)**
Treasury Management	14,769	14,373	(396)
Contribution to capital financing - minimum revenue provision and direct revenue contributions	8,013	9,678	1,665
Contribution to Impairment of debt	500	382	(118)
Contribution to/ from Earmarked Reserves	(5,569)	1336	6,905
IT Fund	(173)	(173)	0
Contingent Items	1,844	0	(1,844)
Unallocated Area Based Grant	78	0	(78)
Transfer from Insurance Fund Holding Account	0	(310)	(310)
Local Area Agreement Performance Reward Grant	0	(189)	(189)
Contingency	1,000	0	(1,000)
Total: Corporate Items	**20,462**	**25,097**	**4,635**
Net Operating Expenditure	**259,461**	**259,479**	**18**
Levies	9,629	9,611	(18)
Area Based Grant	(26,514)	(26,514)	0
Net Budget Requirement 2010/11	**242,576**	**242,576**	**0**

The Accounts for 2010/11 demonstrate a commitment to maintaining the Council's financial position in the context of:

- The continuing difficult economic circumstances creating a loss of income in such areas as land charges, car parking, building control/planning fees and industrial rents. These pressures were exacerbated by the second consecutive severe winter giving rise to spending pressures on highways gritting and road maintenance and repair budgets.
- The new Government's cut to Enfield's grant of £6.885m in June 2010.

In response to the in year grant cut, the Council quickly identified savings measures to try to minimise the impact on services and ensure that there were no compulsory staff redundancies. However, the curtailing of £3.6m Performance Reward Grant resulted in a big reduction in the number of initiatives the Enfield Strategic Partnership was aiming to support. The Council was proactive in reviewing in year spend in order to contain the pressures caused by these reductions to avoid an adverse budget position in 2010/11.

The Council's corporate approach to dealing with budget pressures was through Action Plans to contain costs and/or to find compensating savings.

Furthermore, the Council's financial position was closely monitored throughout the year with regular updates provided to Members. In particular, the accounts reflect the following:-

- A review of all 2010/11 capital schemes financed by borrowing not supported through the Revenue Support Grant. Schemes were considered in the context of affordability in the current economic climate and as to whether they remained a key priority of the new Administration following the council elections in May 2010. Reductions of £12.2m of capital schemes were identified as low priority thereby saving approximately £1m in annual interest and repayment charges through a reduced need to borrow.

- £1.8m additional direct revenue contributions (over and above planned contributions) to the funding of capital expenditure. The effect has been to reduce the Council's Capital Financing Requirement at 31st March 2011 and therefore the amount of unsupported borrowing for capital expenditure for the year. This will give rise to ongoing revenue savings of approximately £0.15m per annum

Overall the pressures were more than offset by reduced expenditure in other areas and departments achieved a £4.6m underspend compared to budget. In addition, a number of contingent budgets and the £1m general provision were not called upon in 2010/11 resulting in a further £2.8m saving. Additional Performance Reward Grant and miscellaneous receipts added £0.5m of income not budgeted for. These savings mean that the Council has been able to set aside additional funding within earmarked reserves to provide further resources for future expenditure/risks in connection with:

- The creation of a sustainable service development programme with the voluntary sector (£1.9m).
- Interest Rate Movements – to equalise the effect of future interest rate movements in light of the continued volatility in market rates (£0.75m)
- Potential service restructuring costs as part of the Council's proposals to achieve long term efficiencies and address future savings targets (£1m);
- Changing the outlet for the bulking and processing of the mixed garden and food waste from the North London Waste Authority (NLWA) to Enfield's contractor. This will make significant savings in future years but, due to the NLWA Levy funding mechanism, will not be fully realised until 2013/14. A reserve of £1.197m has been set aside to bridge the 2 year time lag before the NLWA levy fully reflects the reduced tonnages.

The Council's General Fund balance has been maintained at £12.5m (excluding the amount attributable to schools' delegated budgets) which is assessed by the Director of Finance, Resources and Customer Services as being sufficient to meet future financial risks to the Authority. In addition, available earmarked reserves amount to £69.4m which provide additional scope to deal with unforeseen events and costs.

2010/11 has been a year of significant change following national and local elections. The economy moved back into growth although the threat of a 'double dip' remains. Crucial to Enfield, the new Government embarked on its programme of deficit reduction based on some increase in taxation but much more significantly, large reductions in public expenditure.

In May 2010, the new coalition Government came to power at the same time as a new administration was elected in Enfield. In June 2010 the Government announced their first round of cuts to public funding. These measures included an immediate reduction in 2010/11 of £6.8m to Enfield. The Chancellor of the Exchequer delivered the report on the 2010 Spending Review to Parliament in October 2010. The report published Government spending plans for the four years covering, 2011/12 to 2014/15.

Overall revenue cash funding to local government will reduce by 19% by 2014/15 (excluding schools, fire and police). After allowing for inflation, this equates to a 26% reduction in real terms with local government facing some of the biggest cuts in the public sector. Finally, the local government finance settlement for 2011/12 and 2012/13 was announced in December which resulted in Enfield's core grants being cut by £17m (10%) in 2011/12 and a further £8m (5%) in 2012/13.

Government capital funding has also been cut including the closing of the Building Schools for the Future programme.

Despite the cuts in public sector funding, the new Council's aim is to make Enfield a better place to live and work by delivering fairness for all, growth and sustainability and strong communities.

To achieve this there are a number of key priorities, the delivery of which will contribute to improving the quality of life for all residents in the borough. The Council's 2011/12 revenue budget and Medium Term Financial Plan (covering 2011-2016) reflects the new policy commitments including a Council Tax freeze in 2011/12. The Council's MTFP over the next four years is based on the following five key principles:

- That savings in future years will be identified through a series of modernisation initiatives primarily based on the Council's corporate improvement programme (LEANER) covering service reviews, new ways of working, customer first, improved procurement and personalisation of adult social care services.
- That the demographic pressures the borough faces are regularly reviewed and updated throughout the lifetime of the plan.
- That all risks related to both the delivery of the proposals in the plan and any future uncertainties are reviewed on a regular basis.
- That the last three years of the plan assume a 3% Council Tax increase
- Minimum balances of £12.5m are maintained

When inflation, demographic changes and other commitments are taken into account (totalling £18m), Enfield has found savings of £35m in 2011/12 so as to avoid increasing the council tax. Furthermore, the MTFP sets out balanced budgets for later years which requires further savings totalling nearly £30m over three years. The MTFP summary is shown in table 2 below.

TABLE 2

Medium Term Financial Plan	Budget 2011/12	Budget 2012/13	Budget 2013/14	Budget 2014/15
	£m	£m	£m	£m
Previous Year's Council Tax	**120.70**	**121.32**	**125.50**	**129.72**
Government Funding Reductions	19.72	7.90	0.10	5.90
Council Tax Freeze Grant	(3.00)	-	-	-
Inflation, Pressures and Growth	18.40	10.10	9.60	9.20
Efficiencies & Other Savings	(34.50)	(13.20)	(9.70)	(6.50)
Contingency for Olympics and Universal Benefit Changes	-	-	4.20	(4.20)
Homes Bonus Grant	-	(0.60)	-	-
Council Tax Requirement	**121.32**	**125.52**	**129.72**	**134.12**
Estimated Taxbase (property numbers)	**110,214**	**110,655**	**111,098**	**111,542**
Council Tax (Band D)	**1,100**	**1,133**	**1,167**	**1,202**

The key factors that affect the Council's future financial position can, for the most part, be estimated with some degree of confidence for the first year of the plan (2011/12) but become increasingly uncertain for later years. These factors include:

- Inflation and pay increases
- Interest rates
- Demographic demand, particularly relating to social services
- Government funding after 2012/13 which has not yet been announced

The present economic situation and reductions in public spending creates financial uncertainty over the medium term. However, the Council's balances and reserves are sufficient to meet forecast risks and provide resources to help achieve the Council's priorities.

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.

5. 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 effect of changes in the methodology for determining the Pension Liability (see section 9);

- The outcome of the review of beacon values used in the exercise to determine the value of council housing stock – the effect has been a reduction in value of the housing stock by £73.7m. This reversed much of the increase in value reported in the 2009/10 statements when reliance was placed on the use of published regional house price indices. The Council has now adopted the use of local valuers and their knowledge of the local housing market in assessing the valuation of the housing stock as a more relevant estimation technique. This reduction has been offset against the Revaluation Reserve.

- The publication by the DCLG of a revised factor to adjust the market value of the council housing stock to a social housing value. The factor has been reduced from 37% to 25%. This change has further reduced the value of the housing stock by £209m of which £93.6m has been offset against the Revaluation Reserve.

- The transfer to academy status of one primary and three secondary schools during the year. 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 – approx. £56.132m.

Significant Provisions include:-

- £7.847m in relation to Accumulated Staff Absences
- £6.555m in relation to claims from the Insurance Fund

Further information is given in Note 21

Significant Contingent Liabilities include:-

- A potential liability, estimated at £1.4m, in connection with a former insurer of the Council
- Potential liabilities, estimated at £2.8m, with Construction Companies regarding their Final Accounts
- Performance related pay potentially due to middle managers, estimated at £1.1m

Further information is given in Note 42

6. 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 £0.545m in 2010/11 (£1.257m surplus in 2009/10). 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 £8.739m at 31 March 2011.

The number of operational council owned homes fell from 11,579 at 31st March 2010 to 11,572 at 31st March 2010 because of right-to-buy sales. A total of 181 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.

7. THE PRUDENTIAL CODE

The Local Government Act 2003 introduced the current framework for local authority capital finance. Under this framework, it is for each local authority to determine and keep under review how much it can afford to borrow.

The legislation requires each authority to have regard to the CIPFA Prudential Code for Capital Finance in reaching decisions on capital expenditure. This means that authorities are responsible for determining whether decisions on capital investment are affordable, prudent and sustainable.

The Council has kept its use of borrowing to fund new capital expenditure within its existing plans agreed in the budget setting process. For 2010/11, there were Government supported borrowing allocations of £44.053m of which £34m is in respect of Decent Homes and the Council incurred an additional £12.089m of unsupported borrowing.

The financing of capital expenditure has been carried out on a full accruals basis in line with best practice.

8. CAPITAL EXPENDITURE & INCOME

The principal elements of the capital programme in 2010/11 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. Other projects included:

- New investment in the local Leisure Centres;
- The completion of three new Children's Centres;
- The refurbishment of Community Hall;
- The completion of Fore Street and Enfield Town libraries;
- A major programme of reconstruction and safety works to roads and footways.

Future Developments

The five-year Regeneration Programme, established under Place Shaping, has progressed over the past year and continues to move forward. Growth Area Funding has been secured on the Ladderswood redevelopment scheme, New Southgate Masterplan adoption and further capital expenditure is planned for Ponders End and Meridian Water

The refurbishment of the QEII stadium is on target for completion in 2011/12. This will provide new athletics facilities, improved changing facilities for the playing fields and a community football stadium to meet the requirements of Enfield Town FC. Phase 1 of the project involved works on the athletics track, long jump area and other areas and was completed in June 2010 while completion of Phase 2 (structural works) and Phase 3 (internal works) are scheduled for completion in 2011/12.

The Council generated capital receipts of £3.026m largely from the disposal of surplus property within the HRA including receipts of £1.190m from the sale of Council Housing Stock (net of disposal costs) under Right to Buy provisions of which £0.410m is usable.

The Council did not enter into any new long term borrowing arrangements in 2010/11. In view of the economic circumstances prevailing during the year, it was advantageous to use incoming maturing investments to fund new capital investment rather than entering into new borrowing. The effect of this was to mitigate the Council's risk exposure to the financial markets.

Total principal long term borrowing outstanding at 31st March 2010 was £215.3m remained unchanged for the year.

Table 3 below shows the capital expenditure incurred in 2010/11 including £6.991m of PFI related capital expenditure, compared to the approved programme reported for December 2010. The re-profiling of original capital budgeted expenditure throughout the year (£45.4m) will impact on the 2011/12 and future years' budgets.

TABLE 3

Capital expenditure:	**Projected £000s**	**Outturn £000s**
Improvements to council dwellings	52,890	53,570
Improvements to Community Halls	933	947
Community Housing	1,570	1,051
Improvement and other housing grants	2,164	2,164
Waste Services	295	240
Residential Social Care	2,902	2,771
Schools refurbishment & improvements	22,546	26,046
Transport and environmental schemes	13,528	14,015
Children's and Youth Services	5,671	3,609
IT infrastructure & programmes	379	630
Leisure Services	5,707	5,163
Major building improvement and adaptations	2,827	2,071
Regeneration	1,395	326
Community Safety	1,488	1,106
Parks and Open Spaces	2,130	2,018
Street lighting PFI	6,991	6,991
Total capital expenditure in 2010/11	**123,416**	**122,718**

Sources of finance:	**Projected £000s**	**Outturn £000s**
Borrowing supported by Government subsidy	44,053	44,053
Unsupported borrowing	12,089	12,089
Capital Receipts	6,000	6,897
Major Repairs Reserve	8,203	8,203
Government grants/reimbursements and other contributions	31,840	33,408
Revenue	14,240	11,077
Increase in PFI Lease Liabilities	6,991	6,991
Total capital resources applied	**123,416**	**122,718**

At 31st March 2011, the Council had capital resources available to fund future expenditure of £24.2m (capital grants), £7.5m unapplied capital receipts and £7.5m (revenue reserves earmarked for capital funding).

The Council is also reviewing 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 view of the Central Government fiscal plans, it is not expected that there will be a continuation of recent levels of Government capital grant funding – similarly, the Government has not announced any future supported borrowing allocations within the RSG process. As a consequence, the review and close monitoring of the capital programme is a key Council priority.

9. 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 41 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 fallen from £362.6m as at 31 March 2010 to £317.9m as at 31 March 2011. The main reasons for this change are as follows:-

- The decision by Central Government to link Public Service Pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). Over the long term, the rate of CPI is expected to be lower than the rate of RPI (about 0.6% per annum) This change will have the effect of reducing the value of pensions payable to former Local Government Employees and has served to reduce the net Pension Liability by circa £103m, of which £102m has been reported as an Exceptional Item (see below).

- £7.3m representing the net financing costs. These are costs associated with uplifting the value of employees retirement benefits earned in previous years to current values, whilst taking into account the expected return on Scheme Assets available to fund the Pension Liabilities.

- Changes to the demographic assumptions (essentially that scheme members will live longer in post retirement) which has the effect of increasing future liabilities. This, and other minor changes in assumptions have served to increase the net pension liability by circa £24m.

- The figures used for the 2010/11 Accounts were based on the results of the 2010 fund valuation, whereas the figures used for the 2009/10 Accounts were based on the most recent valuation available at that time (the 2007 Valuation). Triennial valuations are based on the latest membership data and as such, any changes tend to feed through to the accounting figures in the subsequent year. In addition, the Fund's investment return was slightly below that which was expected. These factors lead to a combined increase in the net pension liability of around £26m.

The adjustments made to the Accounts to comply with IAS19 have had the following effect on the 2010/11 Comprehensive Income and Expenditure Account:

- Reported expenditure within the Net Cost of Services has been reduced by £102m. Expenditure for individual services has been increased by £0.9m due to the replacement of actual employer pension contributions with the current service cost. Adjustments for past service gains of £103m is shown as an exceptional item due to its size.

- The figure for Financing & Investment Income and Expenditure has been increased by £7.3m due to the difference between pension interest costs and the expected return on pension assets.

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.

10. CHANGES IN ACCOUNTING POLICIES

The principal changes in the Council's Accounting Policies arising from the CIPFA IFRS Code and an explanation of those changes are set out in table 4 below.

TABLE 4

Accounting Policy	Nature of Change in Accounting Policy
Asset Valuations	The clear separation of land and building valuations for operational property assets and the removal of all accumulated historic depreciation charges on land.
Cash and Cash Equivalents	In addition to the Council's bank accounts, cash and cash equivalents include deposits on call with banks and short term highly liquid investments having a maturity date of less than three months from the date of acquisition. The definition also excludes cash relating to refundable deposits.
Employee Benefits Payable During Employment	The financial statements include an accrual 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. The statements also include a provision for performance related pay estimated to be paid in the next financial year where this can be reasonably estimated.
Revenue Specific Grants and Contributions	Revenue grants and contributions income is recognised as receivable in the Comprehensive Income and Expenditure Statement once conditions have been met and carried forward as reserves if not applied in the funding of expenditure at the Balance Sheet date.
Capital Grants and Contributions	Capital grants and contributions income is recognised as receivable in the Comprehensive Income and Expenditure Statement once conditions have been met and carried forward as Unapplied Capital Grants if not applied in the funding of expenditure at the Balance Sheet date. Capital grants applied are no longer amortised to revenue to offset the depreciation charges in respect of the related assets.
Non Current & Surplus Assets Held For Sale - New Asset Classifications replacing Surplus Assets Awaiting Disposal	Assets held for sale refers to assets which are expected to be disposed of in the following financial year and are being actively marketed at the Balance Sheet date. Surplus assets are those assets which are not in operational use but the Council has yet to proceed with the disposal or is considering developing them for alternative use.

Investment Properties replacing Commercial Properties	Investment properties are assets held for the earning of rental income or capital appreciation rather than supporting the delivery of services. The changes in value of investment properties are not recognised in the Revaluation Reserve but are recognised under Financing and Investment Income in the Comprehensive Income and Expenditure Statement.
Components - (Non Current Assets)	This refers to the separate recognition of a part or parts of a non current asset that have different expected useful lives from the parent asset as a whole for the purposes of calculating depreciation. Component accounting takes effect from 1st April 2010 and therefore is not reflected in the re-stated accounts for 2009/10. Components are recognised and reviewed at the time the non current asset is inspected.
Leasing In and Leasing Out Non Current Assets	The IFRS Code requires leasing arrangements to be tested against more stringent criteria for determining whether the arrangement is either a finance or operating lease – each having different accounting treatments. As a consequence, the financial statements include a number of arrangements as finance leases formerly accounted for as operating leases.

It should be noted that where the adoption of the Code would otherwise have an impact nationally on General Fund and HRA balances, the Government has issued regulations to enable the impact to be reversed out of the Comprehensive Income and Expenditure Statement in the Movement in Reserves Statement and to disclose these items in the Unusable Reserves part of the Balance Sheet.

In addition, the Council has reviewed its policy on the preparation of Group Financial Statements. Where the Council has concluded that it has a significant interest in other bodies, it will only prepare group financial statements where it is economic to do so in contributing a greater understanding of the Council's financial activities and obligations to the reader of the Accounts. This judgement has due regard to the impact of consolidation on the Council's financial statements. For 2010/11, the Council has concluded there is no such benefit in preparing group financial statements. Further information about the Council's interests in other bodies is included in Note 34 to the Core Financial Statements.

IMPACT OF ADOPTING THE CIPFA IFRS CODE.

Table 5 below compares the original published Council Balance Sheets at 31 March 2009 and 31 March 2010 with Balance Sheets that have been re-stated under the Council's revised Accounting Policies.

The table demonstrates:

- The introduction and removal of certain Balance Sheet items;
- The increase in Cash and Cash Equivalents;
- The re-classification of revenue and capital grant balances;
- The writing off of Capital Grants Deferred to the Capital Adjustment Account;
- The reduction in Assets Held for Sale as a result of the stricter criteria for disclosing assets under this classification.
- The increase in provisions due to the carry forward of untaken leave entitlements;

- The increases in long term debtors and liabilities reflecting the change in accounting treatment for certain lease arrangements.

- The reduction in the Revaluation Reserve due to the charging of valuation changes on Investment Properties to the Comprehensive Income and Expenditure Statement.

The overall impact is an increase in the Net Worth of the Council at 31 March 2009 and 31 March 2010 of £145m and £117m as detailed in table 5 below

Table 5

	Balance Sheet at 31 March 2009 before IFRS £'000	Effect of IFRS Code of Practice £'000	Balance Sheet at 31 March 2009 after IFRS £'000	Balance Sheet at 31 March 2010 before IFRS £'000	Effect of IFRS Code of Practice £'000	Balance Sheet at 31 March 2010 after IFRS £'000
Property, Plant & Equipment	1,695,033	(9,922)	1,685,111	1,556,614	16,977	1,573,591
Investment Property	62,606	14,387	76,993	106,071	(12,788)	93,283
Intangible Assets	4,699	0	4,699	4,188	0	4,188
Long Term Investments	5,264	0	5,264	0	0	0
Long Term Debtors	2,500	2,211	4,711	2,470	2,174	4,644
Non Current Assets	**1,770,102**	**6,676**	**1,776,778**	**1,669,343**	**6,363**	**1,675,706**
Short Term Investments	121,260	(13,600)	107,660	76,910	(69,150)	7,760
Assets Held for Sale	3,987	(3,211)	776	15,004	(14,982)	22
Inventories	207	0	207	218	0	218
Short Term Debtors	63,516	260,516	324,032	67,858	299,504	367,362
Cash & Cash Equivalents	0	13,600	13,600	0	69,150	69,150
Current Assets	**188,970**	**257,305**	**446,275**	**159,990**	**284,522**	**444,512**
Cash & Cash Equivalents	(22,340)	(1,327)	(23,667)	(9,355)	(2,110)	(11,465)
Short Term Borrowing	0	0	0	(5,000)	0	(5,000)
Short Term Creditors	(86,872)	(243,730)	(330,602)	(99,319)	(277,284)	(376,603)
Provisions	0	(10,942)	(10,942)	0	(10,684)	(10,684)
Current Liabilities	**(109,212)**	**(255,999)**	**(365,211)**	**(113,674)**	**(290,078)**	**(403,752)**
Provisions	(8,311)	2,501	(5,810)	(8,030)	2,292	(5,738)
Long Term Borrowing	(223,499)	0	(223,499)	(218,573)	0	(218,573)
Pension Liability	(168,841)	0	(168,841)	(362,611)	0	(362,611)
Other Balances	(344)	344	0	(70)	70	0
Deferred Credits	(829)	829	0	(808)	808	0
Capital Grants Deferred	(136,293)	136,293	0	(117,579)	117,579	0
Other Long Term Liabilities	(49,283)	(1,218)	(50,501)	(52,924)	(2,380)	(55,304)
Capital Grants Receipts in Advance	0	(1,343)	(1,343)	0	(2,205)	(2,205)
Long Term Liabilities	**(587,400)**	**137,406**	**(449,994)**	**(760,595)**	**116,164**	**(644,431)**
NET ASSETS	**1,262,460**	**145,388**	**1,407,848**	**955,064**	**116,971**	**1,072,035**
Revaluation Reserve	25,220	(1,362)	23,858	261,149	(34,381)	226,768
Capital Adjustment Account	1,286,969	137,403	1,424,372	942,411	138,409	1,080,820
Financial Instruments Adjustment Account	(3,311)	0	(3,311)	(2,899)	0	(2,899)
Deferred Capital Receipts Reserve	0	3,075	3,075	0	3,019	3,019
Pensions Reserve	(168,841)	0	(168,841)	(362,611)	0	(362,611)
Collection Fund Adjustment Account	510	0	510	556	0	556
Accumulated Absences Account	0	(7,847)	(7,847)	0	(7,847)	(7,847)
Unusable Reserves	**1,140,547**	**131,269**	**1,271,816**	**838,606**	**99,200**	**937,806**
Capital Grants Unapplied	0	7,733	7,733	0	13,367	13,367
Major Repairs Reserve	0	0	0	6,348	0	6,348
Usable Capital Receipts Reserve	24,038	0	24,038	13,687	0	13,687
Housing Revenue Account	9,455	(4)	9,451	8,198	(4)	8,194
General Fund & Schools Balance	23,669	(3,417)	20,252	25,056	(3,734)	21,322
Earmarked Reserves	64,751	9,807	74,558	63,169	8,142	71,311
Usable Reserves	**121,913**	**14,119**	**136,032**	**116,458**	**17,771**	**134,229**
TOTAL NET WORTH	**1,262,460**	**145,388**	**1,407,848**	**955,064**	**116,971**	**1,072,035**

The changes in the General Fund and Schools Fund Balances are analysed table 6 below:

TABLE 6

	2010 £000s	2009 £000s
Balances at 31 March before re-statement	**(25,056)**	**(23,669)**
Re-classification of Schools Capital Balances to Capital Grants Unapplied	3,669	3,329
Provision for Performance Related Pay not reversed out by Regulation	393	393
Schools Provisions for lease re-financing costs	148	197
Re-classification of Suspense Account Balances	(512)	(502)
Accrual for leased in property costs 2009/10	36	0
Balances at 1 April after re-statement	**(21,322)**	**(20,252)**

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 01.04.2009	(20,252)	(9,451)	(64,402)	(10,156)	(24,038)	0	(7,733)	(136,032)	(23,858)	(1,424,372)	(3,075)	(510)	3,311	168,841	7,847	(1,271,817)	(1,407,850)
Deficit on the provision of services	326,026	27,400						353,426								0	353,426
other comprehensive income and expenditure	(51)							(51)	(205,560)					188,003		(17,557)	(17,608)
Total Comprehensive Income and Expenditure	325,975	27,400	0	0	0	0	0	353,375	(205,560)	0	0	0	0	188,003	0	(17,557)	335,818
adjustments between accounting basis and funding basis under regulations	(322,904)	(27,036)			10,351	(6,348)	(5,634)	(351,570)	2,650	343,554	55	(46)	(412)	5,767		351,570	0
Other transfers & adjustments																	0
net increase or decrease before transfers to earmarked reserves	3,071	364	0	0	10,351	(6,348)	(5,634)	1,805	(202,910)	343,554	55	(46)	(412)	193,770	0	334,012	335,818
transfers to or from earmarked reserves	(4,141)	893	4,141	(893)				0								0	0
(increase) / decrease in year	(1,070)	1,257	4,141	(893)	10,351	(6,348)	(5,634)	1,805	(202,910)	343,554	55	(46)	(412)	193,770	0	334,012	335,818
Balance c/fwd 31.03.2010	(21,322)	(8,194)	(60,261)	(11,049)	(13,687)	(6,348)	(13,367)	(134,227)	(226,768)	(1,080,818)	(3,020)	(556)	2,899	362,611	7,847	(937,805)	(1,072,034)
Balance b/fwd 01.04.2010	(21,322)	(8,194)	(60,261)	(11,049)	(13,687)	(6,348)	(13,367)	(134,227)	(226,768)	(1,080,818)	(3,020)	(556)	2,899	362,611	7,847	(937,805)	(1,072,034)
(Surplus) / Deficit on the provision of services	1,355	158,890						160,245								0	160,245
other comprehensive income and expenditure	(13)							(13)	140,675					50,110		190,785	190,772
Total Comprehensive Income and Expenditure	1,342	158,890	0	0	0	0	0	160,232	140,675	0	0	0	0	50,110	0	190,785	351,017
adjustments between accounting basis and funding basis under regulations	(4,286)	(157,636)			6,140	(1,579)	(10,842)	(168,203)	1,929	260,898	51	427	(355)	(94,749)		168,202	(0)
net increase or decrease before transfers to earmarked reserves	(2,944)	1,254	0	0	6,140	(1,579)	(10,842)	(7,971)	1,929	260,898	51	427	(355)	(94,749)	0	168,202	160,233
transfers to or from earmarked reserves	(66)	(1,799)	66	1,799				0								0	0
(increase) / decrease in year	(3,009)	(545)	66	1,799	6,140	(1,579)	(10,842)	(7,970)	142,604	260,898	51	427	(355)	(44,639)	0	358,986	351,017
Balance c/fwd 31.03.2011	(24,331)	(8,739)	(60,195)	(9,250)	(7,547)	(7,927)	(24,209)	(142,199)	(84,164)	(819,920)	(2,969)	(129)	2,544	317,972	7,847	(578,817)	(721,016)

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.

On its services the council spent:-	Note	2010/11 Gross expenditure £000	2010/11 Gross income £000	2010/11 Net expenditure £000	2009/10 Net expenditure* £000
Central services to the public		54,906	(43,530)	11,376	9,637
Court Services		235	0	235	224
Cultural, environmental, regulatory & planning services		84,878	(22,563)	62,315	74,959
Children's and education services		457,855	(341,793)	116,062	374,846
Highways and transport services		43,621	(22,014)	21,607	21,719
Housing services		642,330	(575,314)	67,016	41,016
Adult social services		121,380	(31,701)	89,679	88,523
Corporate and democratic core costs		11,431	(1,287)	10,144	8,001
Non distributed costs		4,748	(17)	4,731	4,981
Exceptional Items	5	115,258	(102,409)	12,849	0
COST OF SERVICES		1,536,642	(1,140,628)	396,014	623,906
Other Operating Expenditure					
(Gain) / Loss on disposal of non current assets				54,996	(875)
Payments to Housing Capital Receipts Pool				780	1,225
Precepts and Levies				9,612	9,228
Sub total				65,388	9,578
Financing and Investment Income & Expenditure					
Interest payable and similar charges				17,084	17,369
Pensions Interest Cost				46,154	40,464
Interest and investment income				(5,076)	(6,566)
Return on Pension Assets				(38,808)	(25,376)
(Surplus) / Deficit from Trading Operations	27			(739)	27
Impairment on Investments				8	(299)
Income, expenditure and valuation changes of Investment Properties	10			(7,790)	(19,417)
Sub total				10,832	6,203
Taxation and non-specific grant income					
Income from Council Tax				(120,228)	(120,247)
NNDR Distribution				(106,461)	(96,127)
Performance Reward Grant				(189)	(1,800)
PFI Revenue Support				(6,800)	(6,800)
LABGI Grant				0	(405)
General Government Grants				(41,974)	(40,077)
Capital Grants & Contributions				(36,336)	(20,805)
Sub total				(311,989)	(286,261)
Deficit on the provision of services				160,245	353,426
(Surplus) / Deficit on revaluation of non-current assets				140,675	(205,560)
Actuarial (gains) / losses on pension fund assets & liabilities	41			50,110	188,003
Other comprehensive (gains) / losses				(13)	(51)
Total comprehensive income and expenditure				351,017	335,818

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'.

Balance Sheet

	Note	31 March 2011 £000	31 March 2010* £000	1 April 2009* £000
Property, Plant & Equipment	9	1,216,857	1,573,592	1,685,111
Investment Property	10	95,873	93,283	76,993
Intangible Assets	11	2,991	4,188	4,699
Long Term Investments	13		5,264	5,264
Long Term Debtors	17	4,804	4,644	4,711
Long Term Assets		1,320,525	1,680,973	1,776,778
Short Term Investments	13	24,386	2,496	107,660
Assets Held for Sale	18	1,731	22	776
Inventories	16	229	218	207
Short Term Debtors	17	417,160	367,356	324,026
Cash & Cash Equivalents	15	7,566	69,150	13,600
Current Assets		451,072	439,244	446,269
Cash & Cash Equivalents	15	(10,199)	(11,466)	(23,666)
Short Term Borrowing	13	(2,800)	(5,013)	0
Short Term Creditors	20	(428,742)	(379,171)	(332,562)
Provisions	21	(9,411)	(10,684)	(10,942)
Other Short Term Liabilities				
Current Liabilities		(451,153)	(406,333)	(367,171)
Long Term Creditors	20	(54,810)	(52,736)	(48,535)
Provisions	21	(7,091)	(5,738)	(5,810)
Long Term Borrowing	13	(218,560)	(218,560)	(223,499)
Pension Liability	41	(317,972)	(362,611)	(168,841)
Other Long Term Liabilities				
Capital Grants Receipts in Advance		(995)	(2,206)	(1,343)
Long Term Liabilities		(599,428)	(641,851)	(448,028)
NET ASSETS		721,017	1,072,034	1,407,848
Revaluation Reserve		(84,164)	(226,768)	(23,858)
Capital Adjustment Account		(819,920)	(1,080,818)	(1,424,372)
Financial Instruments Adjustment Account		2,544	2,899	3,311
Deferred Capital Receipts Reserve		(2,969)	(3,020)	(3,075)
Pensions Reserve		317,972	362,611	168,841
Collection Fund Adjustment Account		(129)	(556)	(510)
Accumulated Absences Account		7,847	7,847	7,847
Unuseable Reserves		(578,818)	(937,805)	(1,271,816)
Capital Grants Unapplied		(24,209)	(13,367)	(7,733)
Major Repairs Reserve		(7,927)	(6,348)	
Useable Capital Receipts Reserve		(7,547)	(13,687)	(24,038)
Housing Revenue Account		(8,739)	(8,194)	(9,451)
General Fund & Schools Balance		(24,331)	(21,322)	(20,252)
Earmarked Reserves	8	(69,445)	(71,311)	(74,558)
Useable Reserves	22	(142,198)	(134,229)	(136,032)
TOTAL NET WORTH		(721,017)	(1,072,034)	(1,407,848)

*restated

The unaudited accounts were authorised for issued on 29 June 2011 by James Rolfe, Director of Finance, Resources and Customer Services. The audited accounts were authorised for issue on 28 September 2011 by the Council's Audit Committee. As at 31 March 2011, General Fund Balances were £12.508m and School Delegated Balances £11.823m

J Rolfe 28 SEPT 2011

D. Lemonides

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.

	2010/11 £000s	2009/10 £000s
Net (Surplus)/Deficit on the provision of services	**160,245**	**342,459**
Adjust net (surplus)/deficit on the provision of services for non cash movements	(178,558)	(365,912)
Adjust for items in the net (surplus)/deficit on the provision of services that are investing or financing activities	1,524	2,831
Net cash flow from operating activities (see Note 23)	**(16,789)**	**(20,622)**
Investing activities (see Note 24)	68,119	(52,370)
Financing activities (see Note 25)	8,985	5,243
Net (increase)/decrease in cash and cash equivalents	**60,315**	**(67,749)**
Cash and cash equivalents at the beginning of the reporting period	**(57,682)**	**10,067**
Cash and cash equivalents at the end of the reporting period	**2,633**	**(57,682)**

Cash Flow Statement - Adjustments to net (surplus)deficit on the provision of services	**2010/11 £000s**	**2009/10 £000s**
Capital Charges Debited to the CIES	(264,864)	(385,207)
Increase in provision for impairment of debts	(2,236)	(995)
Movement in creditors	(39,936)	(45,289)
Movement in debtors	46,071	42,051
Increase in stock	11	11
Increase in provisions	(80)	330
Grants Received to fund capital expenditure	44,249	30,970
Pension liability	94,749	(5,767)
Carrying amount of non-current assets sold	(56,522)	(2,016)
Total adjustments to net (surplus)/deficit on the provision of services	**(178,558)**	**(365,912)**

1. STATEMENT OF ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at 31st March 2011. 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 2010/11 are consistent with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the CIPFA Best Value Accounting Code of Practice 2010/11, 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 transition to 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 reviewed the extent of the accrual at 31st March 2009 and 31st March 2010 and has concluded there is no material difference in the amount of the required accrual. On this basis, 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 Authority 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 Authority 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 Authority are members of the Teachers' Pensions Scheme, administered by Teachers Pensions (TP). It provides teachers with defined benefits upon their retirement. The Authority 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 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.

Grants 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, Area Based Grant) 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.

1.9 COST OF SUPPORT SERVICES

The cost of central overheads and support services is fully allocated to departments in proportion to the benefits received and in accordance with the CIPFA Best Value Accounting 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.

1.10 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 42 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.

1.11 COUNCIL TAX

The amount of council tax income recognised in the Comprehensive Income and Expenditure Statement is the Authority'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 authority - Greater London Council (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.

1.12 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.

1.13 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.

1.14 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. Community Assets also includes civic regalia and silverware and museum and gallery collections are valued on an insurance basis;

- 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 Authority'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:

- Assets having a gross carrying value of less than £50,000;

- 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 that £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. 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.

1.15 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.

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

*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 Authority 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.

1.16 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.

1.17 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.

1.18 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 2010/11, the Council has set aside:

- 4% of the Council's adjusted General Fund Capital Financing Requirement at 1st April 2010 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 2010 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).

1.19 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.

1.20 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.

1.21 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 £50,000 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.

1.22 STOCKS AND INVENTORIES

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

1.23 PROVISIONS, RESERVES AND BALANCES

Provisions

Provisions are recognised when the Council has a present 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.

1.24 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 43 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 43 for information purposes.

1.25 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.

1.26 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 Authority 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.

1.27 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 deducted from or added to the amortised cost of the new or modified loan, and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund 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.

1.28 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).

1.29 VAT

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

1.30 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 Authority 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 34 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 34 to the Core Financial Statements.

Other Organisations

In addition, the Council has a financial relationship with a number of other bodies and this is explained in Note 34 to the Core Financial Statements; these relationships do not give rise to a significant degree of influence or control.

1.31 INTERNAL TRADING SERVICES

Where council services are required to recover their costs through direct charges to other internal council services or external bodies rather than through the apportionment or allocation of their costs, the resulting surplus/deficit for the year is re-apportioned back to services where the charges relate to revenue activities and the surplus/deficit is above £500k. Surplus/deficits arising from capital related activities are not re-apportioned. Further information is provided in Note 27.

1.32 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 2011/12 financial statements, the CIPFA Code has adopted FRS 30 – Heritage Assets.

Heritage Assets are those assets that have historical, artistic, scientific, technological or environmental qualities and are held and maintained principally for their contribution to knowledge and culture rather than for the operational delivery of services. They are held in pursuit of the Council's overall objective in relation to the maintenance of heritage – they include historical buildings not used for operational purposes, equipment of historical importance, civic regalia, orders and decorations (medals), museum and gallery collections and works of art.

The Code requires Heritage Assets to be disclosed separately in the Balance Sheet, valued on an appropriate basis, depreciated where the assets have finite lives and impaired where there is evidence of physical deterioration or reduction in market value.

The Council is currently undertaking a review of its property, plant and equipment in order to identify assets which meet these criteria. The carrying value of assets that are included in the 2010/11 financial statements and which are expected to be disclosed or are being considered for disclosure in the 2011/12 financial statements as Heritage Assets are set out below. The table also indicates the current asset classification.

	31 March 2011 £000s	**31 March 2010 £000s**
Forty Hall Estate Land and Buildings (Operational Land and Buildings)	8,121	4,851
Forty Hall Estate Re-development (Assets Under Construction)	1,231	600
Broomfield House (Community Assets)	349	Nil
Civic Regalia and Silverware (Community Assets)	232	Nil
Museum and Gallery Collections (Community Assets)	848	Nil
Total	**10,781**	**5,451**

The Forty Hall Estate is currently undergoing a major redevelopment which will require the re-valuation and re-classification of all or part of the assets in the 2011/12 financial statements. Civic Regalia and Silverware and Museum and Gallery Collections are valued on an insurance basis.

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 payments;

- 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, 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;

- 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 leasing 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 balanced budget from 2011/12 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 2011 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. A reduction in the useful lives will give rise to a corresponding increase 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 £700k. The Council has a separate earmarked insurance fund reserve (£2.6m) 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 £66.3m. 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. £48.3m; a provision for impairment of debt of £18.6m 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.

Pensions Liability

The Statements disclose a reduction in the value of pensions payable to former employees of £103m. This reflects the decision by Central Government to link Public Service Pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI).

Over the long term, the rate of CPI is expected to be lower than the rate of RPI (about 0.6% per annum). The impact of the reduction has been assessed and reported by the Council's Actuary.

Valuation of Social Housing Properties

The DCLG published a revised Valuation Guide for Council Housing Stock in January 2011. The guide set out revised factors for adjusting the total vacant possession value of council housing stock based on representative beacon values to give a social housing valuation for the purposes of disclosure in the financial statements. The guide advises a reduction in the percentage to apply to the gross stock value from 37% in previous years to 25% for 2010/11 – the result is a significant reduction in the carrying value of council housing stock of £209m – £93.6m has been written off against the Revaluation Reserve with £115.4 representing a downward valuation charged in the Comprehensive Income and Expenditure Statement.

In addition to the above, the Council has undertaken a re-valuation of the beacon values used in the determination of the housing stock value as at 1st April 2010. In doing so, the Council has used a local independent valuer specialising in residential properties to carry out an evaluation exercise for properties not subject to inspection. This has demonstrated that the indexation of the stock value applied in 2009/10 using published regional indices was not confirmed. As a consequence, there is a further down valuation reflected in the financial statements of £73.7m – this has been fully met from the Revaluation Reserve. This represents a change in the estimation technique used in this area in order to make use of local knowledge in the valuation process.

Transfers to Academy Status

During the year, a number of schools became academies. 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.

Schools Transferring to Academy Status	**Carrying Value De-recognised £000s**
Cuckoo Hall	6,529
Gladys Aylward	15,676
Turin Grove	20,591
Kingsmead	13,336
Total	**56,132**

6. EVENTS AFTER THE BALANCE SHEET DATE

The following matters have arisen since 31 March 2011. The financial statements have not been adjusted for these events.

Heritable Bank

The Council has been notified by the administrators of Heritable Bank of an increase in the expected recoverable amount of the Council's investment - for which the financial statements reflect an accumulated provision at 31 March 2011 for impairment of £961k as disclosed in Note 13

Based on the latest information received, a reduction in the impairment of the investment of £247k to £714k can now be expected. This would increase the carrying amount of the investment from £1,735k to £1,982k as at 31 March 2011.

Transfer to Academy Status

On 1 August 2011, Enfield Grammar School became an Academy. The carrying value of the assets relating to this school at 31 March 2011 was £9.095m. These assets will be de-recognised in the Council's 2011/12 Financial Statements.

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.

2009/10* £000	Adjustments Between Accounting Basis and Funding Basis under Regulations	2010/11 £000
353,426	Deficit on Provision of Services	160,245
	Amounts included in the Comprehensive Income & Expenditure Statement but required by statute to be excluded when determining the Movement in General Fund Balance	
(361,278)	Depreciation and impairment of non current assets	(95,371)
(43,556)	Excess depreciation & impairment charged to the HRA services over the Major Repairs Allowance element of Housing Subsidy	(161,798)
18,135	Movements in the market value of Investment Properties	2,085
30,970	Capital grants and contributions credited to the CIES	44,249
(11,065)	Revenue expenditure funded from capital under statute	(12,804)
875	net gain or loss on sale of non-current assets	(54,996)
411	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	355
(5,767)	amount by which pension costs calculated in accordance with the Code (IAS 19) are different from the contributions due under the pension scheme regulations	94,749
46	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	(428)
(371,229)	**Sub Total**	**(183,957)**
	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	
8,632	statutory provision for repayment of debt	8,867
2,259	Repayment of lease obligations	2,909
11,658	capital expenditure charged to the General Fund & HRA	11,077
(1,225)	transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	(780)
(35)	Contribution from the Capital Receipts Reserve	(37)
(9,475)	MRA for year	(9,782)
3,127	MRA applied in funding expenditure	8,203
(1,687)	Capital receipts in year	(758)
12,038	Capital receipts applied	6,898
(5,633)	Capital grants and contributions unapplied net movement in CIES	(10,842)
19,659	**Sub Total**	**15,754**
(351,570)	**Total**	**(168,203)**

*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.

Reserve and description of balance	Balance at 31 March 2011 £000's	Transfers Out 2010/11 £000's	Transfer In 2010/11 £000's	Balance at 31 March 2010 £000s	Transfers Out 2009/10 £000's	Transfers In 2009/10 £000's	Balance at 1 April 2009 £000's
HRA							
HRA Heating Reserve	0	(477)	0	477	0	477	0
HRA Repairs Fund	5,701	(13,943)	12,621	7,023	(13,289)	13,731	6,581
HRA - Capital Reserve	3,548	0	0	3,548	0	0	3,548
HRA - Project Carry Forwards	0	0	0	0	(27)	0	27
Total HRA	**9,249**	**(14,420)**	**12,621**	**11,048**	**(13,316)**	**14,208**	**10,156**
General Fund							
Repair & Maintenance	1,259	(3,078)	2,931	1,406	(4,174)	3,396	2,184
General Fund - Project Carry Forwards	12,399	(3,994)	12,398	3,995	(3,453)	3,995	3,453
Private Sector Leasing Repair Fund	1,349	(211)	174	1,386	0	0	1,386
Internal Leasing Fund	967	(42)	1,615	(606)	(3,550)	1,299	1,645
Redundancy, Early Retirement & Restructuring Reserve	1,734	(748)	715	1,767	(716)	810	1,673
Insurance Fund	2,596	(46)	305	2,337	(52)	53	2,336
General Fund - Capital Reserve	4,105	(4,029)	1,439	6,695	(4,183)	5,075	5,803
Invest to Save Fund	647	0	67	580	(346)	67	859
SAP Upgrade Reserve	1,402	(185)	434	1,153	(250)	293	1,110
Replacement of Pericles System	1,022	(6)	0	1,028	(183)	1,211	0
Voluntary Sector Sustainable Service Development Fund	1,900	0	1,900	0	0	0	0
ICT Investment Fund	6,694	(1,817)	1,942	6,569	(2,841)	3,458	5,952
Council Development Reserve	632	(3,882)	0	4,514	(2,769)	2,538	4,745
Homelessness Initiatives	3,692	(1,392)	1,574	3,510	(2,788)	1,254	5,044
Street Lighting PFI Investment Reserve	2,788	(529)	0	3,317	0	27	3,290
Place Shaping Reserve	1,305	(818)	0	2,123	(1,250)	121	3,252
Building Schools for the Future	0	(1,419)	0	1,419	(1,002)	0	2,421
Interest Rate Equalisation Reserve	4,254	(500)	2,610	2,144	(1,500)	1,644	2,000
Working Neighbourhoods Fund	1,492	(2,561)	1,487	2,566	(407)	2,180	793
Waste Recycling Contract	1,646	(678)	1,646	678	(442)	0	1,120
Performance Reward Grant	530	(2,540)	270	2,800	(2,478)	5,278	0
Other Specific Reserves	3,024	(2,189)	2,472	2,741	(5,507)	2,719	5,529
Sub Total	**55,437**	**(30,664)**	**33,979**	**52,122**	**(37,891)**	**35,418**	**54,595**
Revenue Grant Reserves	4,149	(6,471)	3,117	7,503	(3,142)	1,586	9,059
S106 Receipts	610	(27)	0	637	(111)	0	748
Total General Fund Reserves	**60,196**	**(37,162)**	**37,096**	**60,262**	**(41,144)**	**37,004**	**64,402**
Total Earmarked Reserves	**69,445**	**(51,582)**	**49,717**	**71,310**	**(54,460)**	**51,212**	**74,558**

9. PROPERTY, PLANT AND EQUIPMENT MOVEMENT IN BALANCES 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**	**646,455**	**42,298**	**213,265**	**18,682**	**6,187**	**12,756**	**1,783,622**	**53,935**
Additions	48,708	22,022	3,906	21,160	1,245	188	10,184	107,413	6,991
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(160,910)	20,067	100	0	0	20	0	(140,723)	(467)
Revaluation increases/(decreases) recognised in the I & E	(285,177)	(74,832)	(555)	(262)	(1,034)	(1,230)	0	(363,090)	(3,874)
Derecognition - Disposals	(360)	(59,921)	(341)	0	0	0	0	(60,622)	
Derecognition - Other	0	(225)	(128)	0	0	0	0	(353)	
Assets reclassifed (to)/from Held for Sale	(833)	(13)	(15)	0	0	(375)	0	(1,236)	
Other movements in cost or valuation	(208)	19,908	638	94	(12,723)	208	(8,231)	(314)	
As at 31.03.2011	**445,199**	**573,461**	**45,903**	**234,257**	**6,170**	**4,998**	**14,709**	**1,324,697**	**56,586**

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)**	**(16,709)**	**(25,306)**	**(39,869)**	**0**	**0**	**0**	**(210,032)**	**(4,424)**
Depreciation charge for 2010/11	(9,782)	(12,292)	(7,623)	(5,088)	0	0	0	(34,785)	(1,662)
Depreciation written out to the Revaluation Reserve	0	444	0	0	0	0	0	444	
Depreciation written out to the I & E	89,703	5,059	555	0	0	0	0	95,317	
Impairment losses/(reversals) recognised in the Revaluation Reserve	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	
Derecognition - disposals	0	2,492	144	0	0	0	0	2,636	
Derecognition - Other	0	9	128	0	0	0	0	137	
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0	
As at 31.03.2011	**(9,782)**	**(20,997)**	**(32,102)**	**(44,957)**	**0**	**0**	**0**	**(107,838)**	**(6,086)**
Net Book Value									
at 31 March 2011	**435,417**	**552,464**	**13,801**	**189,299**	**6,170**	**4,998**	**14,709**	**1,216,859**	**50,499**
at 31 March 2010	**715,831**	**629,746**	**16,992**	**173,396**	**18,682**	**6,187**	**12,756**	**1,573,590**	**49,511**

Comparative Movements in 2009/10:

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 01.04.2009	**660,144**	**1,032,183**	**37,009**	**191,339**	**13,683**	**1,428**	**9,570**	**1,945,356**	**75,350**
Additions	23,383	27,277	7,482	21,926	2,708	0	10,455	93,231	5,601
Revaluation increases/(decreases) recognised in the Revaluation Reserve	167,495	(27,052)	152	0	9,680	25	0	150,300	(3,485)
Revaluation increases/(decreases) recognised in the I & E	0	0	0	0	0	(2)	0	(2)	
De-recognition - Disposals	(709)	(54)	(3,086)	0	0	0	0	(3,849)	
Assets reclassifed to/(from) AUC, Assets Held for Sale and Intangible Assets	(4,736)	6,019	834	0	594	4,736	(7,269)	178	
Other movements in cost or valuation	(1,598)	(446,022)	(93)		(7,983)	0	0	(455,696)	
As at 31.03.2010	**843,979**	**592,351**	**42,298**	**213,265**	**18,682**	**6,187**	**12,756**	**1,729,518**	**77,466**

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 01.04.2009	**(91,591)**	**(112,914)**	**(20,764)**	**(34,976)**	**0**	**0**	**0**	**(260,245)**	**(7,021)**
Depreciation charge for 2010/11	(9,475)	(15,286)	(6,333)	(4,638)	0	0	0	(35,732)	(1,843)
Depreciation written out to the Revaluation Reserve	(787)	0	380	0	0	0	0	(407)	0
Impairment losses/(reversals) recognised in the I & E	(27,893)	(334,585)	(1,168)	(255)	(7,983)	0		(371,884)	4,020
Derecognition - disposals	0	54	2,527	0	0	0	0	2,581	0
Assets reclassifed to/(from) AUC, Assets Held for Sale and Intangible Assets	0	0	(41)	0	0	0	0	(41)	0
Other movements in depreciation and impairment	1,598	446,022	93	0	7,983	0	0	455,696	0
As at 31.03.2010	**(128,148)**	**(16,709)**	**(25,306)**	**(39,869)**	**0**	**0**	**0**	**(210,032)**	**(4,844)**
Net Book Value									
at 31 March 2009	**715,831**	**629,746**	**16,992**	**173,396**	**18,682**	**6,187**	**12,756**	**1,573,590**	**72,622**
at 31 March 2010	**596,031**	**919,269**	**16,245**	**156,363**	**13,683**	**1,428**	**9,570**	**1,685,111**	**68,329**

Capital Commitments

As at 31st March 2011, the Council was contractually committed to several major capital projects, which amounted to approximately £26.7m. The majority of these schemes will be practically complete in 2011-2012. These can be analysed as follows:-

SCHEMES	Note	2011/12 £'000	2012/13 and later £'000
Education Projects			
Forty Hall Refurbishment	1	2,738	50
Cuckoo Hall Primary School Expansion	2	2,693	690
Eversley Primary School Expansion	3	1,368	55
Firs Farm Primary School Expansion	4	1,678	96
St John and St. James Primary School	5	1,804	43
St Michael's Primary School	6	5,386	1,100
Suffolks Primary School Expansion	7	1,285	44
Housing Projects			
Jackson & Swinson - Decent Homes	8	1,810	211
South Street - Decent Homes	9	1,718	
Turkey Street - Decent Homes	10	1,138	
Lift Programme Phase I	11	2,246	
Firedoor Replacement	12	533	
Total		**24,397**	**2,289**

Commitments shown above relate to the following work:-

1. Major refurbishment of this listed building
2. School extension to four forms of entry
3. Expansion of school including three extra classrooms
4. School extension to three forms of entry
5. School extension to two forms of entry
6. School extension to two forms of entry
7. School extension to two forms of entry
8. Modernising windows, kitchens and bathrooms
9. Modernising windows, kitchens and bathrooms
10. Modernising windows, kitchens and bathrooms
11. Lift refurbishment
12. Borough wide Fire Safety Programme

10. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2010/11 £000s	2009/10 £000s
Rental Income from Investment property	8,403	7,229
Direct Operating expenses arising from Investment Property	(2,697)	(1,950)
Net gain/(loss)	**5,706**	**5,279**

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

	2010/11 £000s	2009/10 £000s
Balance at 1st April	**93,284**	**76,991**
Additions in Year:	504	2,327
Nets gains/losses from fair value adjustments	2,085	13,966
Balance at 31 March	**95,873**	**93,284**

11. Intangible Assets

The intangible assets of the Authority include software, licences and a number of key systems. There are three principle intangible assets, each with useful lives assigned to them of 4 years, namely:

- The HR Payroll System
- MSS/ESS SAP Software Licences
- SRM Software Upgrades

The carrying amounts of the intangible assets are amortised on a straight-line basis and this amounted to a £1,396k charge to revenue in 2010-11.

Movement on Intangible Assets balances during the year	2010/11 £000s	2009/10 £000s
Balances at 1st April		
Gross carrying amounts	9,227	9,392
Accumulated amortisation	(5,039)	(4,693)
Net carrying amount at 1st April	**4,188**	**4,699**
Additions:		
Acquisitions	208	584
Other Transactions:		
Revaluations increases/(decreases)	47	572
Transfer From Vehicles, Plant and Equipment	0	(137)
Impairments to I & E	(57)	0
Amortisation for the period	(1,396)	(1,530)
Net carrying amount at 31 March	**2,991**	**4,188**
Comprising:		
Gross carrying amounts	9,388	9,227
Accumulated amortisation	(6,398)	(5,039)
	2,991	**4,188**

No items of capitalised software are individually material to the financial statements. The Council re-values its software assets annually based on their remaining economic useful life. The accumulated revaluation reserve balance at 31st March 2011 pertaining to intangible assets is £530k which included a £47k increase in the year which is reflected in the table of balance sheet movements above.

12. 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 2010/11 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 2010 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 revised Valuation Guide for Council Housing Stock. The guide set out revised 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 a reduction in the percentage to apply to the gross stock value from 37% which has been in use since 2005 to 25% for 2010/11 – the result is a significant reduction in the valuation of the Council's housing stock of £209m.

The Council uses indexation where appropriate to reflect changes in asset values during the course of the year. For council dwellings, the Council has used market trend information provided by a local independent valuer rather than as in previous years using published regional indices. 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. In total 12 assets met the Council's criteria for componentisation.

The Council's housing stock has not been componentised as the Council adopts the Major Repairs Allowance as the proxy for component accounting and depreciation for the dwelling stock.

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).

13. 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 2011 £000s	**31 March 2010 £000s**	**31 March 2011 £000s**	**31 March 2010 £000s**
Borrowing	(215,347)	(215,347)	(2,800)	(5,000)
Accrued Interest	(3,213)	(3,213)		(13)
Trade Creditors			(57,195)	(54,418)
PFI Contract Liabilities	(54,168)	(50,356)	(3,177)	(2,568)
Finance Lease Liabilities	(642)	(2,380)	(292)	(381)
Total Financial Liabilities	**(273,370)**	**(271,296)**	**(63,464)**	**(62,380)**
Termed Deposits	0	5,000	22,500	0
Impaired deposit	0	0	1,735	2,414
Accrued Interest	0	264	150	82
Long Term Loans	763	769	31	39
Finance Lease Debtors	2,135	2,174	39	36
Trade Debtors	1,906	1,701	52,793	53,548
Total Financial Assets	**4,804**	**9,908**	**77,248**	**56,119**

The accrued interest shown in the above table of £82k referring to short term investments at 31st March 2010 refers to investments now categorised under Cash and Cash Equivalents.

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 2010/11.

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:

2010/11 Gains and 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 recharge income

2009/10 Gains and Losses	**Financial Liabilities**	**Financial Assets**		
	Liabilities measured at amortised cost £000s	**Loans and receivables £000s**	**Available -for-sale assets £000s**	**2009/10 Total £000s**
Interest expense	16,996	0	0	16,996
Impairment losses	0	(299)	0	(299)
Interest payable and similar charges	**16,996**	**(299)**	**0**	**16,697**
Interest income	0	(2,697)	0	(2,697)
Interest and investment income	**0**	**(2,697)**	**0**	**(2,697)**

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 2010 and 31 March 2011 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 Building Societies.

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 2011 £000s	Fair value 31 March 2011 £000s		Carrying amount 31 March 2010 £000s	Fair value 31 March 2010 £000s
(2,800)	(2,800)	Short Term Borrowing	(5,013)	(5,013)
(218,573)	(266,439)	Long Term Borrowing	(218,560)	(245,512)
(58,279)	(58,279)	Deferred Liabilities (e.g. PFI Contracts and Finance Leases)	(55,685)	(55,685)
(57,195)	(57,195)	Trade Payables (Creditors)	(54,418)	(54,418)
(336,847)	**(384,713)**	**Total Financial Liabilities**	**(333,676)**	**(360,628)**
		Financial Assets:		
0	0	Long Term Investments	5,264	5,264
24,386	24,386	Short Term Investments	2,496	2,496
794	794	Long Term Loans	808	808
2,174	2,174	Deferred Income (Finance Leases)	2,210	2,210
54,699	54,699	Trade Receivables (Debtors)	55,249	55,249
82,053	**82,053**	**Total Financial Assets**	**66,027**	**66,027**

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.

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 Authority are determined by the administrators/receivers.

Based on the information available, the Authority considered it appropriate to make impairment adjustments for the deposit in its Statements of Accounts for 2008/09 and 2009/10. The 2009/10 Statement took into account the creditors' report issued by the administrators in January 2010 which projected an 85p in the £ return to creditors by the end of 2012.

During 2010/11, the Authority actually received £0.787m from the administrators (15%). In the light of these receipts, the Authority has revised its assumptions on the timing of future recoveries. The effect of these developments has been to increase the Authority's estimate of the impairment from £0.953m at 31st March 2010 to £0.961m at 31st March 2011.

	Previous Assumptions	Current Assumptions
2010/11 (Actual)	55%	50%
April 2011		5%
June 2011	5%	
July 2011		5%
September 2011	5%	
October 2011		5%
December 2011	5%	
January 2012		5%
March 2012	5%	
April 2012		5%
June 2012	5%	
July 2012		5%
September 2012	5%	
October 2012		5%

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. It is anticipated that a settlement of 85p in the £ will still be achieved.

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	1,735	961	2,304

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	Credited 2010/11 £000s	Received 2010/11 £000s
61	0	275	0	188	188	115	115

14. 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 2010-11, approved by Full Council on 24 February 2010.

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 2010/11 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 2011, 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 2011**	**Balance Invested as at 31 March 2011 £000s**			**Total £000s**
			> 1 month and < 3 months £000s	**> 3 months and < 6 months £000s**	**> 6 months and < 12 months £000s**	
Banks - UK	Yes	Yes	12,500	5,000	12,500	**30,000**
Total			**12,500**	**10,000**	**12,500**	**30,000**

The above analysis shows that all deposits outstanding as at 31.03.2011 met the Council's credit rating criteria on the 31.03.2011.

The above analysis excludes the estimated carrying value after impairment of the Council's Icelandic Bank investment of £1.7m.

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 2011 £000s	**Impairment of debt 31 March 2011 £000s**	**Gross Debtors 31 March 2010 £000s**	**Impairment of debt 31 March 2010 £000s**
Sundry Debtors	39,017	(8,361)	38,830	(5,840)
Housing Tenants	6,422	(2,233)	6,682	(2,137)
PSL/B&B	7,354	(6,641)	8,037	(6,762)
Total	**52,793**	**(17,235)**	**53,549**	**(14,739)**

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 2011 was as follows:

	Years	31 Mar 2011 £000s	% of total debt portfolio
Short Term Borrowing	**Less than 1 year**	**2,800**	**1.28**
Long Term Borrowing	Over 1 but not over 2	-	
	Over 2 but not over 5	-	
	Over 5 but not over 10	30,000	13.75
	Over 10 but not over 15	1,000	0.46
	Over 15 but not over 20	-	
	Over 20 but not over 25	20,069	9.20
	Over 25 but not over 30	-	
	Over 30 but not over 35	10,000	4.58
	Over 35 but not over 40	52,758	24.18
	Over 40 but not over 45	85,520	39.20
	Over 45	16,000	7.33
Total Long Term Borrowing		**215,347**	**98.72**
Total Borrowing		**218,147**	**100%**

Loans and other long term liabilities outstanding (nominal value):	31 Mar 2011 £000s	31 Mar 2010 £000s
Public Works Loans Board	(185,347)	(190,347)
Market Debt	(30,000)	(30,000)
Temporary Borrowing	-	(2,800)
Deferred Liabilities – PFI and finance leases	(58,279)	(55,685)
Total	**(273,626)**	**(278,832)**

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	0
Increase in interest payable on variable rate investments	0
Share of overall impact debited to HRA	342

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

15. CASH AND CASH EQUIVALENTS

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

Cash and Cash Equivalents	**31 March 2011 £000s**	**31 March 2010 £000s**	**1 April 2009 £000s**
Cash and Bank Current Accounts	(10,199)	(11,466)	(23,667)
Call Accounts (same day access accounts)	0	19,500	0
Money Market Funds	0	24,650	13,600
Short Term Deposits	7,566	25,000	0
Total Cash and Cash Equivalents	**(2,633)**	**57,684**	**(10,067)**

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.

	31 March 2011 £000s	31 March 2010 £000s	1 April 2009 £000s
Beverages	0	5	3
Catering	91	87	92
Fuel	54	55	47
Golf Equipment	13	15	15
Museum / Shop Merchandise	3	2	4
Libraries Equipment	8	2	5
Parks Equipment	12	22	23
Printing Materials	5	1	1
Refuse Sacks / Bins	2	7	2
Security Equipment	33	12	3
Training Equipment	8	10	12
	229	**218**	**207**

17. DEBTORS, PAYMENTS IN ADVANCE and LONG TERM DEBTORS

	31 March 2011 £000s	31 March 2010 £000s	1 April 2009 £000s
Amount due from Central Government re NNDR	5,523	1,760	0
Council Tax	25,739	22,714	21,649
Council tax/Community charge/NNDR costs	2,871	2,471	2,171
Trade Debtors account ledger/debtor accruals	18,035	21,357	19,345
Enfield Homes	2,295	5,236	5,394
Grants & Contributions	13,909	5,906	7,383
HMRC	348,850	303,294	263,647
Housing Benefit Overpayments	1,769	1,485	2,805
Housing Rents	19,909	20,001	19,632
Other Debtors	5,003	6,982	5,113
Impairment of Debt	(31,170)	(28,934)	(27,945)
Payments in Advance	4,428	5,084	4,832
Total Debtors	**417,160**	**367,356**	**324,026**

LONG TERM DEBTORS

	31 March 2011 £000s	31 March 2010 £000s	1 April 2009 £000s
Housing Mortgages (amounts due after one year)	13	19	47
Loan to Enfield Enterprise	750	750	750
Staff Car Loans	0	0	24
Secured Debt – Social Services	1,675	1,468	1,452
Secured Debt – Other Debt	231	233	227
Amounts receivable under Finance Leases	2,135	2,174	2,211
Total	**4,804**	**4,644**	**4,711**

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 Estate expected to commence in 2011/12. Further details are provided in the note below.

	2010/11 £000s	2009/10 £000s
Balance at 01 April	22	776
Assets newly classified as held for sale:		
- Property, Plant & Equipment	1,236	0
Expenditure in year	2,104	0
Impairment Losses	(1,609)	(8)
Assets sold	(22)	(746)
Balance at 31 March	**1,731**	**22**

Expenditure incurred in the year refers to the buying back of dwellings from leaseholders and the buying out of external interests in assets that are required for the estate re-development project.

19. REDEVELOPMENT OF LADDERSWOOD ESTATE

The Council is implementing a programme to redevelop and regenerate the Ladderswood community located in the south west part of the borough in conjunction with a development partner.

The objectives of the programme are to re-provide residential housing on the site including both private and affordable housing, to provide new community facilities and to redevelop the commercial space currently comprising the New Southgate Industrial Estate. There is a mix of HRA and General Fund assets within the development project. The Council expects to sign off the development agreement in the first part of 2011/12.

The Council is currently seeking to secure the full vacant possession of the site by decanting existing council tenants and negotiating with residential and commercial leaseholders and other third parties to release their interests in the site. As at 31st March 2011, 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 agreement. The assets will be formally de-recognised in the financial statements as they are transferred to the developer during the implementation phase of the project. The Council will retain an interest in the site relating to the income generation of the commercial properties provided through the development.

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 2011 £000s	31 March 2010 £000s	1 April 2009 £000s
Trade	50,851	43,731	42,127
HMRC	351,280	305,611	268,866
NNDR	44	44	975
Council Tax Refunds	2,585	2,378	2,536
Grants & Contributions	4,679	3,817	476
Enfield Homes	480	2,494	98
Finance Leases (incl. PFI Contracts)	3,469	2,949	2,246
Other	1,185	4,395	4,673
Receipts in Advance	14,169	13,752	10,565
Total Creditors and Receipts in Advance	**428,742**	**379,171**	**332,562**

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 2011 £000s	31 March 2010 £000s	1 April 2009 £000s
Amounts due to be paid under PFI Contracts	54,168	50,356	47,317
Amounts due to be paid under other Finance Leases	642	2,380	1,218
Total	**54,810**	**52,736**	**48,535**

21. PROVISIONS

Classification and Description	31 March 2011 £000s	31 March 2010 £000s	1 April 2009 £000s
Short Term			
Building Dilapidations	81	96	332
Payment of discretionary grants	59	44	0
Future redundancy payments	236	59	105
Backdated ICT maintenance	0	50	50
Liability for claims from internal insurance fund	353	1,397	1,398
Liability for external insurance premiums	0	5	6
Capital Grants payable to Housing Associations	0	575	6
Social Worker Recruitment & Retention Payments	0	0	376
School Equipment Leases	44	44	73
Equal Pay Claims	0	0	232
Clawback of Grant Funding	0	0	121
PFI Facilities Management Fee	82	170	0
Performance Related Pay	397	397	397
Accumulated Staff Absences	7,847	7,847	7,847
Disputed Invoices	11	0	0
Legal Costs	55	0	0
Backdated Bonus Payments	30	0	0
Funding of LPFA Deficit	216	0	0
Sub Total	**9,411**	**10,684**	**10,942**
Long Term			
School Leasing Payments	103	104	124
Liability for Building Dilapidations	434	380	426
Liability for claims from internal insurance fund	6,555	5,254	5,260
Sub Total	**7,091**	**5,738**	**5,810**
Total	**16,502**	**16,422**	**16,752**

Provisions are liabilities which have arisen as at the Balance Sheet date wherein the Council has an obligation for future transfer of economic benefit. Such liabilities 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).

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 £6.555m – 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 2011 £000s	31 March 2010 £000s
Revaluation Reserve	(84,164)	(226,768)
Capital Adjustment Account	(819,920)	(1,080,818)
Collection Fund Adjustment Account	(129)	(556)
Financial Instruments Adjustment Account	2,544	2,900
Deferred Capital Receipts Reserve	(2,969)	(3,020)
Accumulated Absences Account	7,847	7,847
Pensions Reserve	317,972	362,611
	(578,818)	**(937,805)**

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.

	2010/11 £000s	2009/10 £000s
Balance at 1 April	**(226,768)**	**(23,858)**
Downward / (Upward) revaluation of assets	140,675	(209,694)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	4,134
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	**140,675**	**(205,560)**
Difference between fair value depreciation and historical cost depreciation	1,566	2,650
Accumulated gains on assets disposed of in the year	363	0
Amount written off to the Capital Adjustment Account	1,929	2,650
Balance at 31 March	**(84,164)**	**(226,768)**

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.

	2010/11 £000s	2009/10 £000s
Balance at 1 April	(1,080,820)	(1,424,372)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation of Property, Plant & Equipment	25,003	26,257
Amortisation of Intangible Assets	1,396	1,530
Revaluation and Impairment Losses on Property, Plant & Equipment	229,103	371,884
Revaluation and Impairment Losses on Assets Held for Sale	1,609	8
Revaluation and Impairment Losses on Intangible Assets	57	0
Transfer of Major Repairs Allowance to Major Repairs Reserve	9,782	9,475
Revenue Expenditure Funded from Capital Under Statute	12,804	11,064
Amounts of Non-Current Assets written off on disposal as part of the Gain/Loss on Disposal in the Comprehensive Income and Expenditure Statements	58,009	2,016
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	(1,487)	0
Sub Total	**336,276**	**422,234**
Adjusting Amounts written out of the Revaluation Reserve		
Valuation of assets disposed of in the Comprehensive Income and Expenditure Statement	(363)	0
Other adjusting amounts written out of the Revaluation Reserve	(1,566)	(1,659)
Net written out amount of the cost of non-current assets consumed in the year	**334,347**	**420,575**
Capital financing applied in the year		
Capital receipts applied	(6,897)	(12,038)
Revenue contributions to fund capital expenditure	(11,077)	(11,658)
Major Repairs Reserve applied	(8,203)	(3,127)
Capital grants and contributions applied	(33,408)	(25,343)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(11,776)	(10,891)
	(71,361)	**(63,057)**
Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,085)	(13,966)
Balance at 31 March	**(819,920)**	**(1,080,819)**

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	2009/10 £000s
Balance at 1 April	**(556)**	**(510)**
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	427	(46)
Balance at 31 March	**(129)**	**(556)**

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 2011 will be charged to the General Fund and HRA over the next 17 years.

	2010/11 £000s	2009/10 £000s
Balance at 1 April	**2,900**	**3,311**
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	(356)	(411)
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	(356)	(411)
Balance at 31 March	**2,544**	**2,900**

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.

	2010/11 £000s	2009/10 £000s
Balance at 1 April	**(3,020)**	**(3,075)**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	51	55
Balance at 31 March	**(2,969)**	**(3,020)**

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.

	2010/11 £000s	2009/10 £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.

	2010/11 £000s	2009/10 £000s
Balance at 1 April	362,611	168,841
Actuarial gains and losses on pensions assets and liabilities	50,110	191,490
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	(69,182)	28,175
Employer's pension contributions payable in the year and direct payments to pensioners payable in the year	(25,567)	(25,895)
Balance at 31 March	**317,972**	**362,611**

23. OPERATING ACTIVITIES

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

Cash Flow Statement - Operating Activities	**2010/11 £000s**	**2009/10 £000s**
Council Tax Payers	(83,418)	(85,596)
Receipts from the NNDR Pool	(106,461)	(96,127)
Housing Benefit Grant	(287,710)	(263,056)
General and Specific Grants excluding grants and contributions toward the purchase of property, plant and equipment, investment property and intangible assets	(343,838)	(357,012)
Rents	(31,429)	(30,668)
Sales of Goods and Services	(72,800)	(79,188)
Other Receipts	(33,739)	(25,606)
Sub Total	**(959,395)**	**(937,253)**
Payments to Employees	367,297	385,145
Housing Benefits Paid	196,707	158,688
Payments to Suppliers and other operating costs	361,299	354,121
Payments to the Housing Capital Receipts Pool	1,647	515
Sub Total	**926,950**	**898,469**
Interest Paid	17,022	21,324
Interest Received	(1,197)	(3,035)
Dividends Received	(167)	(125)
Sub Total	**15,658**	**18,164**
Net Cash Flow from Operating Activities	**(16,787)**	**(20,620)**

24. INVESTING ACTIVITIES

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

Cash Flow Statement - Investing Activities	**2010/11 £000s**	**2009/10 £000s**
Purchase of property, plant and equipment, investment property and intangible assets	96,793	87,506
Proceeds from Short and Long Term Investments		(104,900)
Purchase of Short term investments	16,626	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,537)	(2,912)
Capital grants and contributions received	(43,763)	(32,064)
Total Investing Activities	**68,119**	**(52,370)**

25. FINANCING ACTIVITIES

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

Cash Flow Statement - Financing Activities	**2010/11 £000s**	**2009/10 £000s**
Repayment of Short Term Borrowing	5,000	0
Cash receipts from Short Term Borrowing	(2,800)	0
Cash payments for the reduction of outstanding liabilities relating to finance leases and on balance sheet PFI contracts	2,679	2,259
Other payments for financing activities	4,106	2,984
Total Financing Activities	**8,985**	**5,243**

26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by Cabinet on the basis of budget reports analysed across departments.

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 in excess of the balance on the Revaluation Reserve and amortisations 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 pensions contributions) rather than current service cost of benefits accrued in the year

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

Directorate Income & Expenditure 2010-11	Health, Housing & Adult Social Care £000s	Finance, Resources & Customer Services £000s	Regeneration, Leisure & Culture £000s	Schools & Children's Services £000s	Environment £000s	Chief Executive £000s	Total £000s
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	135,743	346,821	12,242	184,968	52,931	3,351	736,056
Support service recharges	8,749	20,973	4,301	33,498	9,548	1,385	78,453
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**

The comparative income and expenditure for 2009-10 as was as follows:

Directorate Income & Expenditure 2009-10 Comparative Figures	Health, Housing & Adult Social Care £000s	Finance, Resources & Customer Services £000s	Regeneration, Leisure & Culture £000s	Schools & Children's Services £000s	Environment £000s	Chief Executive £000s	Total £000s
Fees, charges & other service income	(65,698)	(94,328)	(4,399)	(10,786)	(39,596)	(10,150)	(224,958)
Government Grants	(13,251)	(262,543)	(76)	(344,028)	(2,688)	(16)	(622,602)
Total Income	**(78,949)**	**(356,871)**	**(4,475)**	**(354,814)**	**(42,284)**	**(10,166)**	**(847,559)**
Employee Expenses	35,630	33,810	8,185	268,604	29,144	5,561	380,935
Other Service Expenses	125,762	318,197	22,602	399,911	47,039	3,290	916,802
Support service recharges	10,369	29,700	5,877	37,903	21,717	2,469	108,034
Total Expenditure	**171,760**	**381,707**	**36,664**	**706,419**	**97,900**	**11,321**	**1,405,771**
Net Expenditure	**92,811**	**24,836**	**32,189**	**351,605**	**55,615**	**1,154**	**558,211**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of departmental income and expenditure as reported in the Directorate Analysis relates to a subjective analysis of the deficit on Provision of Services included in the Income and Expenditure Statement.

2010/11 Reconciliation to the Subjective Analysis	Directorate 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
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)**	**(54,374)**	**13,934**	**(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**	**(28,192)**	**134,008**	**1,288,781**	**128,633**	**1,417,414**
Deficit on the provision of services	**330,638**	**(82,566)**	**147,942**	**396,014**	**(235,769)**	**160,245**

The comparative Subjective Analysis (based on the Published 2009/10 Statement of Accounts) was as follows;

2009/10 Reconciliation to the Subjective Analysis	Directorate Analysis	ADD: Amounts not reported to management for decision making	Deduct: Amounts not included in I&E NCOS	Net Cost of Services (from I&E Account)	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(224,958)	(57,201)	5,422	(276,737)	(2,151)	(278,888)
Interest and investment income	0			0	(31,676)	(31,676)
Income from council tax	0			0	(120,247)	(120,247)
Government grants and contributions	(622,602)		6,800	(615,802)	(145,209)	(761,011)
Total Income	**(847,559)**	**(57,201)**	**12,222**	**(892,538)**	**(299,283)**	**(1,191,821)**
Employee expenses	380,935	35,616	(22,408)	394,143		394,143
Other service expenses	916,802	23,788		940,590		940,590
Support Service recharges	108,034			108,034		108,034
Depreciation, amortisation and impairment	0	42,063	(3,487)	38,576	(299)	38,277
Interest Payments	0			0	57,444	57,444
Precepts & Levies	0			0	9,228	9,228
Payments to Housing Capital Receipts Pool	0			0	1,225	1,225
Gain or Loss on Disposal of Fixed Assets	0			0	(35)	(35)
Total operating expenses	**1,405,771**	**101,467**	**(25,895)**	**1,481,343**	**67,563**	**1,548,906**
Deficit on the provision of services	**558,211**	**44,266**	**(13,673)**	**588,804**	**(231,720)**	**357,084**

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

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to the amounts reported in the Net Cost of Services

	2010/11 £000s	2009/10* £000s
Net Expenditure Reported in Directorate Analysis	330,638	558,211
Add: Items included in the Net Cost of Services but not reported to management in the Directorate Analysis	87,535	44,266
Deduct: Items not included in the Net Cost of Services but reported to management in the Directorate Analysis	(22,159)	(13,673)
Cost of Services in Comprehensive Income and Expenditure Statement	**396,014**	**588,804**

***** based on the 2009/10 Published Statement of Accounts

27. TRADING OPERATIONS

The Council has established a number of Trading Units where service managers are required to operate in a commercial environment and balance their expenditure by generating income from other parts of the Council or other organisations. Details of these services are as follows:

Internal Trading		2010/11 £000s	2009/10 £000s
Catering	Turnover	5,053	4,380
	Expenditure	5,086	4,713
	Deficit	**33**	**333**
Building Cleaning	Turnover	0	301
	Expenditure	0	364
	Deficit	**0**	**63**
Property Services	Turnover	3,264	3,556
	Expenditure	2,656	3,340
	Surplus	**(608)**	**(216)**

The Trading Operation Surplus of £739k in the Comprehensive Income and Expenditure Account includes £165k of income received from Enfield Norse Ltd which took over the provision of Building Cleaning Services to the Council in May 2009. Whilst not an internal trading unit, Enfield Norse is a Joint Venture between the Authority and Norfolk County Council and the Code of Practice requires any profit share income received is treated as part of the reported surplus arising from Trading Operations.

The Council's policy is to include surplus/deficits (arising from revenue related internal trading) of £500k and under as part of the reported overall trading surplus/deficit, and to reapportion surplus/deficits above this amount back to services.

28. POOLED BUDGETS

The Council has also established joint arrangements with the NHS Enfield for the administration of an Integrated Community Equipment Services (ICES) and a Learning Disabilities Fund.

Integrated Communities Equipment Service	**2010/11 £000s**	**2009/10 £000s**
Funding provided to the pooled budget		
Enfield Council	1,189	1,131
National Health Service Enfield	419	419
Preventative Tech Grant	7	15
	1,615	**1,565**
Expenditure met from the pooled budget		
Enfield Council	1,612	1,549
National Health Service Enfield	0	0
	1,612	**1,549**
Net Surplus/ (Deficit)	**3**	**16**

This service provides equipment services for people with permanent and substantial difficulties helping them to live in their own home.

Learning Disabilities Fund	**2010/11 £000s**	**2009/10 £000s**
Funding provided to the pooled budget		
Enfield Council	3,971	3,949
National Health Service Enfield	1,459	1,434
Client Contributions	1,795	1,953
	7,225	**7,336**
Expenditure met from the pooled budget		
Enfield Council	4,932	5,269
National Health Service Enfield	2,295	2,064
	7,227	**7,333**
Net Surplus/ (Deficit)	**-2**	**3**

The 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.

29. 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.

	2010/11 £000s	**2009/10 £000s**
Basic allowances	669	666
Special responsibility allowances	275	276
	944	**942**

30. OFFICERS' REMUNERATION

SENIOR EMPLOYEES' EARNINGS

The remuneration paid to the Authority's senior employees was as follows:

			Salary, Fees and Allowances	Performance Related Pay (Note 1)	Expenses Allowances	Pension Contribution	Total
Rob Leak (Chief Executive)	2010/11	Note 2	189,528.00	4,737.75	427.64	36,910.50	231,603.89
	2009/10		189,528.00	18,951.00	1,393.94	38,568.60	248,441.54
Director of Health, Housing & Adult Social Care	2010/11	Note 2	131,406.00	228.25	-	25,010.56	156,644.81
	2009/10		125,931.00	5,475.00	-	24,310.08	155,716.08
Director of Finance, Resources & Customer Services	2010/11		130,563.00	2,567.25	-	25,294.80	158,425.05
	2009/10		125,085.00	5,478.00	454.09	24,154.20	155,171.29
Director of Schools & Children's Services (w.e.f. 08/06/09)	2010/11		123,192.00	2,567.25	57.40	23,894.28	149,710.93
	2009/10	Note 3	120,962.95	-	108.30	22,378.16	143,449.41
Director of Environment	2010/11		121,827.00	2,565.00	-	23,634.51	148,026.51
	2009/10		116,352.00	5,475.00	-	22,538.04	144,365.04
Director of Regeneration, Leisure & Culture (w.e.f. 08/06/09)	2010/11		116,352.00	2,565.00	-	22,594.23	141,511.23
	2009/10	Note 4	113,156.21	-	-	20,933.89	134,090.10
Director of Place Shaping & Enterprise left 31/10/10)	2010/11		67,186.94	911.00	-	13,068.76	81,166.70
	2009/10		116,352.00	-	-	21,525.12	137,877.12

Note 1: Performance Related Pay was paid with effect from 1st July in 2010/11 rather than 1st April in 2009/10.

Note 2: The Chief Executive and the Director of Health, Housing and Adult Social Care declined to accept the performance related pay to which they were entitled from 1st July 2010.

Note 3: The Director of Schools and Children's Services annualised salary for 2009/10 was £123,192

Note 4: The Director of Regeneration, Leisure and Culture's annualised salary for 2009/10 was £116,352

Note 5: 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 6: 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.

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

	2010/11				**2009/10**			
	Non Schools		**Schools**		**Non Schools**		**Schools**	
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	62	-	99	3	67	3	122	1
55,000 - 59,999	35	1	64	2	39	3	68	4
60,000 - 64,999	28	1	46	-	24	3	36	3
65,000 - 69,999	17	-	15	1	14	-	34	1
70,000 - 74,999	7	1	22	-	7	2	16	-
75,000 - 79,999	4	-	10	-	2	1	10	-
80,000 - 84,999	4	-	5	2	7	2	6	-
85,000 - 89,999	5	1	3	-	3	-	3	-
90,000 - 94,999	2	1	4	-	3	3	3	-
95,000 - 99,999	6	-	3	-	4	1	3	-
100,000 - 104,999	1	-	3	-	2	-	2	-
105,000 - 109,999	-	-	1	-	-	-	4	1
110,000 - 114,999	-	1	2	-	-	2	-	-
115,000 - 119,999	-	-	-	-	-	-	-	-
120,000 - 124,999	-	-	1	-	-	-	1	-
125,000 - 129,999	-	-	-	-	-	-	-	-
130,000 - 134,999	-	-	-	-	-	1	-	-
135,000 - 139,999	-	-	-	-	-	-	-	-
140,000 - 144,999	-	-	-	-	-	-	-	-
145,000 - 149,999	-	-	-	-	-	-	-	-
150,000 - 154,999	-	-	-	-	-	1	-	-
	171	**6**	**278**	**8**	**172**	**22**	**308**	**10**
	Total for year 2010/11				**Total for year 2009/10**			
	463				**512**			

31. EXTERNAL AUDIT COSTS

In 2010/11 the London Borough of Enfield incurred the following fees relating to external audit and inspection

	2010/11 £000s	**2009/10 £000s**
Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor	371	419
Fees payable to the Audit Commission in respect of statutory inspection	0	20
Fees payable to the External Auditors for the certification of grant claims and returns for the year	79	158
	450	**597**

32. 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, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

	Central Expenditure £000s	ISB £000s	Total £000s
Final DSG for 2010/11			212,217
Brought forward from 2009/10			2,232
Carry forward to 2011/12 agreed in advance			548
Agreed budgeted distribution in 2010/11	25,564	188,337	213,901
Actual central expenditure	23,393	0	0
Actual ISB deployed to schools	0	188,337	0
Carry forward to 2011/12	**2,171**	**0**	**2,719**

Cumulative balances held by schools as at 31 March 2011 were £11.823m. This amount forms part of the `Balances General Fund & Schools' figure disclosed on the Balance Sheet.

33 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11.

	2010/11 £000s	2009/10 £000s
Credited to Taxation and Non Specific Grant Income		
Performance Reward Grant	189	1,800
Private Finance Initiative Revenue Support Grant	6,800	6,800
Local Authority Business Growth Incentive Grant	0	405
Area Based Grant	26,514	17,889
Revenue Support Grant	15,459	22,187
Capital Grants & Contributions	44,249	20,805
	93,212	**69,886**
Credited to Services		
Housing Benefit Subsidy	288,642	258,185
Dedicated Schools Grant	212,217	213,345
Standards Fund	27,755	24,236
Learning & Skills Council Funding	23,729	22,218
Schools Standards Grant	9,769	9,933
Childcare Grant	10,606	8,683
Grants from Enfield Primary Care Trust	9,769	8,195
Housing Benefit Administration	3,526	3,927
Community Focussed extended Schools Funding	3,152	2,704
Pupil Focussed Extended Schools Funding	2,336	1,701
Other Schools Government Grants	2,305	1,892
Social Care Reform Grant	1,570	811
Aiming High for Disabled Children	1,174	1,024
London Teachers Additional Pay	1,170	832
Supporting People	0	11,265
Other Grants Under £1m	12,716	10,505
	610,432	**579,456**

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:

	2010/11 £000s	2009/10 £000s
Capital Grants Receipts in Advance		
Other Grants Under £1m	465	1,220
	465	**1,220**

34. 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.

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 33.

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 28.

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.

In financial year 20010/11 several members declared they had acted as trustee for local voluntary Bodies and had interests with other organisations. Whilst there was some economic activity between the Council and a few of these organisations, the amounts involved were not judged to be materially significant (other than those relating to Enfield Homes and Enfield Norse – see below) and in most 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.

Entities Controlled or Significantly Influenced by the Authority

Enfield Homes Ltd is a wholly owned subsidiary of the Authority. During financial year 2010-11, the Authority paid Enfield Homes Ltd £17.9m for the provision of Housing Management Services and repair and maintenance of the Council's Housing Stock (£18.1m in 2009/10). 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 2010/11 came to £6.7m (£3.3m in 2009/10). Enfield Homes Ltd is managed by a Board of 19 Members, which includes 6 Members of the Authority (Councillors Tahsin Ibrahim, Nneka Keazor, Dino Lemonides, Alan Barker, Denise Headley and Marcus East).

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 2010-11 the Authority received dividend income from Enfield Norse of £0.167m (£0.125m for 2009-10). James Rolfe (Director of Finance, Resources & Customer Services) and Councillor Ertan Hurer are company Directors of Enfield Norse Ltd.

35. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2010/2011 £000s	2009/2010 £000s
Opening Capital Financing Requirement	**308,561**	**269,309**
Capital Investment		
Property, Plant and Equipment	107,413	93,230
Investment Properties	248	2,328
Intangible Assets	208	584
Assets Held for Sale	2,105	0
Revenue Expenditure Funded From Capital Under Statute*	12,745	11,064
	122,718	**107,206**
Sources of Finance		
Capital Receipts	(6,897)	(12,038)
Government Grants and Contributions	(33,408)	(25,343)
Direct Revenue Contributions	(19,280)	(14,785)
Minimum Revenue Provision	(11,776)	(10,891)
Increase in PFI Contract Liabilities	(4,423)	(3,641)
Decrease in Finance Lease Liabilities	341	(1,256)
	(75,443)	**(67,954)**
Closing Capital Financing Requirement	**355,836**	**308,561**
Increase in underlying need to borrow (supported by Government financial assistance)	37,177	19,516
Increase in underlying need to borrow (unsupported by Government financial assistance)	10,098	19,736
Increase in Capital Financing Requirement	**47,275**	**39,252**

*Breakdown of 2010/11 Revenue Expenditure Funded from Capital under Statute

REFCUS Expenditure	2010/11 £000s	2009/10 £000s
VA Schools	7,513	5,176
Disabled Facilities	1,976	1,827
Compulsory Purchase	940	387
Grants to Vacate	910	638
Grants to Reg Social Landlords	633	1,823
Home repair Grant assistance	327	403
Loft Extentions for Carers	149	53
Childrens Centres	144	150
Youth Capital	-	144
Home Access for targeted groups	-	142
Fire Precaution works	-	167
Building Safer Communities	74	51
Other	80	103
Total	**12,746**	**11,064**

36. 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 2011 £000s	31 March 2010 £000s
Other Land & Buildings	0	1,352
Vehicles, Plant, Furniture and Equipment	445	816
Investment Properties	1,689	1,689
	2,134	**3,857**

During 2010/11, the property lease which the Council had acquired for the provision of library services in Southgate was re-assigned and has therefore been de-recognised in the financial statements.

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.

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

Finance lease liabilities (net present value of minimum lease payments)	31 March 2011 £000s	31 March 2010 £000s
• Current	292	381
• Non-current	642	2,380
Finance costs payable in future years	2,260	2,936
Minimum lease payments	**3,194**	**5,697**

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

	Minimum Lease payments		Finance Lease liabilities	
	2010/2011 £000s	2009/2010 £000s	2010/2011 £000s	2009/2010 £000s
Not later than one year	388	581	292	381
Later than one year and not later than five years	516	1,323	326	906
Later than five years	2,290	3,811	316	1,474
	3,194	**5,715**	**934**	**2,761**

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 2010/2011 £175k contingent rents were payable by the Authority (2009/2010 - £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 5 years for vehicles.

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

	2010/2011 £000s	2009/2010 £000s
Not later than one year	1,517	1,505
Later than one year and not later than five years	1,212	1,789
Later than five years	314	1,034
	3,043	**4,328**

The Council has sub-let some of the buildings and vehicles held under these operating leases. At 31 March 2011 the payments expected to be received under sub-leases was £239k (£303k at 31 March 2010).

The expenditure charged to Net Cost of Services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2010/2011 £000s	2009/2010 £000s
Lease payments	1,648	1,519
Less sublease payments receivable	(189)	(174)
	1,459	**1,345**

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 debtor remains outstanding. The gross investment is made up of the following amounts:

Finance lease debtors (net present value of minimum lease payments)	**2010/2011 £000s**	**2009/2010 £000s**
• Current	39	37
• Non current	2,135	2,174
Unearned finance income	7,064	7,178
Unguaranteed residual value of property	567	567
Gross investment in the leases	**9,805**	**9,956**

	Gross investment in the leases		**Minimum lease payments**	
	2010/2011 £000s	**2009/2010 £000s**	**2010/2011 £000s**	**2009/2010 £000s**
Not later than one year	151	151	151	151
Later than one year and not later than five years	606	606	606	606
Later than five years	9,048	9,199	8,851	8,481
	9,805	**9,956**	**9,608**	**9,238**

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 2010/2011 £149k contingent rents were receivable by the Council (2009/2010 - £149k).

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 £8.126m in 2010/11 (£7.784m 2009/10) under these leases.

There are approx. 50 operating leases which each generate an annual rental stream greater than £20k. The total annual income generated from these leases was £3.329m in 2010/11 (£3.399m 2009/10). The future income profile in connection with these significant leases is set out in the table below.

	2010/11 £000s	**2009/10 £000s**
Amount due not later than one year	3,237	3,266
Amount due later than one year and not later than five years	11,269	10,290
Later than five years	101,048	99,081
Total	**115,554**	**112,637**

37. 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 2011 are shown below together with the outstanding liability to the contractor for capital expenditure incurred also as at 31 March 2011.

Street Lighting Services

Period	Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	Total £000s
Within one year	1,565	2,022	1,146	4,733
Two - five years	6,624	4,362	3,943	14,929
six - 10 years	9,314	5,716	3,673	18,703
11 - 15 years	10,790	5,489	2,283	18,562
16 - 20 years	12,485	5,794	892	19,171
21 - 25 years	223	0	0	223
Total	**41,001**	**23,383**	**11,937**	**76,321**

The value of the Street Lighting scheme assets at 31 March 2011 was £20.9m (£15.2m at 31 March 2010). Further capital expenditure of £5.097m is committed to be incurred in 2011/12.

Outstanding Liability for Reimbursement of Capital Expenditure	2010/11 £000s	2009/10 £000s
Balance Outstanding 1st April	**(12,871)**	**(8,313)**
Payments during the year	1,576	1,043
Capital expenditure incurred in the year	(6,991)	(5,601)
Balance Outstanding 31st March	**(18,286)**	**(12,871)**

Education – Provision of Highlands Secondary School

Period	Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	Total £000s
Within one year	659	456	1,391	2,506
Two - five years	2,872	2,303	5,049	10,224
six - 10 years	4,093	4,367	4,681	13,141
11 - 15 years	4,236	6,365	1,917	12,518
Total	**11,860**	**13,491**	**13,038**	**38,389**

The value of assets held at 31 March 2011 was £22.4m (£23.1m at 31 March 2010).

Outstanding Liability for Reimbursement of Capital Expenditure	2010/11 £000s	2009/10 £000s
Balance Outstanding 1st April	**(13,820)**	**(14,102)**
Payments during the year	329	282
Capital expenditure incurred in the year	0	0
Balance Outstanding 31st March	**(13,491)**	**(13,820)**

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	1,556	700	2,533	4,789
Two - five years	6,777	3,173	9,397	19,347
six - 10 years	9,926	5,434	9,776	25,136
11 - 15 years	11,735	8,239	6,541	26,515
16 – 20 years	9,104	8,024	1,933	19,061
Total	**39,098**	**25,570**	**30,180**	**94,848**

The value of assets held at 31 March 2011 was £29.4m (£34.3m at 31 March 2010).

Outstanding Liability for Reimbursement of Capital Expenditure	2010/11 £000s	2009/10 £000s
Balance Outstanding 1st April	**(26,233)**	**(26,868)**
Payments during the year	663	635
Capital expenditure incurred in the year	0	0
Balance Outstanding 31st March	**(25,570)**	**(26,233)**

38. IMPAIRMENT LOSSES

During 2010-11, the Authority has recognised an impairment loss of 276,631k in relation to its assets as broken down in the table below

	£000s
Council Dwellings	(198,574)
Operational Land and Buildings	(68,264)
Infrastructure	(262)
Community Assets	(1,034)
Surplus Assets	(1,230)
Investment Properties	(5,374)
Assets Held for Sale	(1,892)
	(276,631)

The Council dwellings impairment includes £156.9m charge in the Comprehensive Income and Expenditure Statement as a result of the DCLG revised Valuation Guide for Council Housing Stock in addition to expenditure incurred which to date has not added to the market value of the properties.

A change in the valuation methodology as required by RICS for assessing the value of land for specialised Council properties has resulted in the re-classification of approx 100 acres of land to amenity value representing a significant reduction in land balance sheet carrying values shown within the impairment figures.

39. TERMINATION BENEFITS

As part of the reorganisation of the Council's Directorates, the Authority terminated the contracts of a number of employees in 2010/11, giving rise to redundancy payments of £0.782m (£1,251m in 2009/10). The Authority no longer grants enhanced pension benefits to staff leaving employment on grounds of Early Retirement. The capital cost of these benefits (£0.150m) is paid to the Pension Fund at the time the employee leaves the Council and represents a direct charge on the HRA or General Fund.

40. 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 2010/11 employer contributions of £15.2m were paid to the Teachers Pension Scheme, representing 72% of the Scheme's liabilities as at 31 March 2011. Contributions of £15.8m were made in 2009/10 which represented 66% of the Scheme Liabilities as at 31 March 2010.

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 41.

41. 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. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

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:

Comprehensive Income & Expenditure Statement	**Local Government Pension Scheme**		**Discretionary Benefits Arrangements**	
	2010/11 £000s	**2009/10 £000s**	**2010/11 £000s**	**2009/10 £000s**
Cost of Services				
current service cost	26,549	12,620	0	0
past service cost (gains) / losses	(97,599)	317	(5,478)	150
settlements and curtailments	0	0	0	0
Financing and Investment Income & Expenditure				
interest cost	43,534	37,647	2,620	2,817
expected return on scheme assets	(38,808)	(25,376)	0	0
Total Post Employment Benefit charged to the Surplus / Deficit on the Provision of Services	**(66,324)**	**25,208**	**(2,858)**	**2,967**
actuarial (gains) / losses	50,066	176,721	44	11,282
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**(16,258)**	**201,929**	**(2,814)**	**14,249**
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	(88,738)	5,970	(6,011)	(203)
Actual amount charged against the General Fund Balance for pensions in the year				
Employers' contributions payable to the scheme	(22,414)	(19,238)		
Retirement benefits payable to pensioners			(3,153)	(3,170)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £50.1m.

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**	
	2010/11 £000s	**2009/10 £000s**	**2010/11 £000s**	**2009/10 £000s**
Opening balance at 1 April	**858,830**	**550511**	**53,400**	**42,321**
Current service cost	26,549	12,620	0	0
Interest cost	43,534	37,647	2,620	2,817
Contributions by scheme participants	7,949	7,821	0	0
Actuarial gains and losses	19,084	280,655	44	11,282
Benefits paid	(18,901)	(30,741)	(3,153)	(3,170)
Passed service costs	(97,599)	317	(5,478)	150
Entity combinations	0	0	0	0
Curtailments	0	0	0	0
Settlements	0	0	0	0
Closing balance at 31 March	**839,446**	**858,830**	**47,433**	**53,400**

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2010/11 £000s	**2009/10 £000s**
Opening balance at 1 April	**549,619**	**423,991**
Expected rate of return	38,808	25,376
Actuarial gains and losses	(30,982)	97,277
Employer contributions	22,414	25,895
Contributions by scheme participants	7,949	7,821
Benefits paid	(18,901)	(30,741)
Entity combinations	0	0
Settlements	0	0
Closing balance at 31 March	**568,907**	**549,619**

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 £7.8m (£122.6m in 2009/10).

Scheme History

	2010/11 £000s	2009/10 £000s	2008/09 £000s	2007/08 £000s	2006/07 £000s
Present Value of Scheme Liabilities	(886,879)	(912,230)	(592,830)	(616,050)	(648,949)
Fair Value of Scheme Assets	568,907	549,619	423,989	520,372	515,313
Surplus / (deficit) in the scheme	**(317,972)**	**(362,611)**	**(168,841)**	**(95,678)**	**(133,636)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £886m 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 £318m. 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 2012 is £25.623m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £3.252m.

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 Principle Assumptions

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2010/11	**2009/10**	**2010/11**	**2009/10**
Long term expected rate of return on assets in the scheme				
Equity investments	8.4%	8.0%	-	-
Property	7.9%	8.5%	-	-
Bonds	9.5%	10.0%	-	-
Cash	1.5%	0.7%	-	-
Other Assets	8.4%	8.0%	-	-
Mortality assumptions:				
Longevity at 65 for current pensioners:				
(Number of post retirement years)				
Men	23.8	23.2	23.8	23.2
Women	26.6	25.2	26.6	25.2
Longevity at 65 for future pensioners:				
(Number of post retirement years)				
Men	25.6	25.6	25.6	25.6
Women	28.6	27.4	28.6	27.4
Rate of inflation	2.8%	3.9%	2.7%	3.8%
Rate of increase in salaries	5.2%	5.4%	-	-
Rate of increase in pensions	2.8%	3.9%	2.7%	3.8%
Rate for discounting scheme liabilities	5.4%	5.5%	5.5%	5.5%
Take up of option to convert annual pension into retirement lump sum	30.0%	40.0%		

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 2011**	**31 March 2010**
Equity investments	40.3%	42.1%
Property	9.0%	10.8%
Bonds	26.2%	27.5%
Cash	4.2%	1.2%
Other Assets	20.3%	18.4%

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 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011

	2010/11	2009/10	2008/09	2007/08	2006/07
Differences between the expected and actual return on assets	-5.4%	17.7%	-28.6%	6.3%	0.9%
Experience gains and losses	0.6%	0.6%	0.4%	1.5%	0.4%

42. 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 2011, the Authority has Contingent Liabilities as follows:-

The actuarial review of the Insurance Fund carried out in 2008 reported a potential liability estimated at £1.4m in connection with a former insurer of the Council. The liability may crystallise should the insurers be unable to meet the cost of claims outstanding from their period of cover and become formally insolvent.

Several Building Companies that have undertaken construction work for the Authority are disputing the amount payable on their Final Account. The amounts in dispute total £2.8m.

Due to the implementation of the Council's re-structured Directorates, many staff had been served with Provisional Redundancy Notices as at 31 March, giving rise to possible redundancy payments estimated at £0.560m.

Middle managers working for the Authority were moved to performance related pay from 1 April 2010. As such, some managers within this group of staff would be entitled to receive a bonus in respect of their performance for the financial year 2010-11. Due to the timing of the appraisal and decision making process, the amount of bonuses awarded was not determined at the time the Accounts were Authorised for Issue. In the absence any historic data it is difficult to quantify the amount with any degree of accuracy, however a broad estimates indicates a liability of circa £1.1m.

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 2011, the Authority has Contingent Assets as follows:-

Compensation receivable from a firm of Architects in relation to additional costs incurred by the Authority in a construction contract. The amount receivable is estimated at £0.250m.

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 £1m.

Claims submitted to HMRC in respect of overpaid VAT on Income received. The gross amount sought is circa £2m (£2.8m including claim for statutory interest on overpayment).

43. TRUSTS AND OTHER MONEY

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

	31 March 2011 £000s	31 March 2010 £000s
Funds		
Belling Education Trust *	83	79
King George V Playing Field *	580	577
New Southgate Playground *	325	324
Other funds	91	58
	1,079	**1,038**
Receiverships and Other Clients Funds		
Receiverships	2,068	1,000
Appointeeships	610	587
Residents Property Accounts and Funds	9	12
Chairman's Funds	79	80
Other Funds	71	87
	2,837	**1,766**
Total Trusts & Other Money	**3,916**	**2,804**
Represented by		
Investments at cost	25	25
Cash Balance	3,891	2,779
	1,079	**1,038**
Market value of investments (Belling Education Trust)	**111**	**108**

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

The Belling Trust founded by the will of C.R. Belling supports the advancement of education, particularly in the field of engineering and electronics.

King George V Playing Field Trust and the New Southgate Playground Trust support the establishment of playing fields and recreational facilities.

These trusts are held within the Council's overall Treasury Management Arrangements and the Trust Balances are credited with interest at the seven day rate.

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	2010/2011 £000s	2009/2010 £000s
INCOME			
Dwelling rents (gross)		(48,068)	(48,570)
Non-dwelling rents (gross)		(621)	(657)
Charges for services and facilities		(5,013)	(4,889)
Contributions towards expenditure		(672)	(716)
Total Income		**(54,374)**	**(54,832)**
EXPENDITURE			
Repairs and maintenance	**4**	13,943	13,288
Supervision and management		21,847	22,014
Rents, rates, taxes and other charges		193	817
Negative HRA subsidy payable	**8**	7,999	8,393
Depreciation and impairment of non-current assets	**6**	56,213	41,999
Debt management costs		38	29
Movement in the provision for impairment of debts	**10**	317	287
Sums directed by the Secretary of State that are expenditure in accordance with the Code	**11**	910	638
Exceptional Item – effect of change in social housing adjustment factor net of contribution from the Revaluation Reserve	**6**	115,367	0
Total Expenditure		**216,827**	**87,465**
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		162,453	32,633
HRA services' share of Corporate & Democratic Core		306	336
NET COST OF HRA SERVICES		**162,759**	**32,969**
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		(990)	(1,478)
Interest payable and similar charges		3,532	2,764
Interest and Investment income		(112)	(91)
Income and expenditure and changes in fair value of Investment Properties	**7**	(3,519)	(7,229)
Pensions interest cost and expected return on pension assets	**9**	25	68
Capital grants and contributions receivable		(2,805)	(594)
(SURPLUS)/ DEFICIT FOR THE YEAR ON HRA SERVICES		**158,890**	**26,409**

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 20011 £000s	31 March 2010 £000s
Balance on the HRA at the end of the previous year	**(8,194)**	**(9,451)**
(Surplus)/deficit for the year on the HRA Income & Expenditure Statement	158,890	26,409
Adjustments between accounting basis and funding basis under statute:		
Difference between treatment of interest payable and premiums	110	170
Revenue expenditure funded from capital under statute	(910)	(638)
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(160,602)	(27,645)
Gain or (loss) on sale of HRA non-current assets	990	1,478
HRA share of contributions to or from the Pensions Reserve	(29)	(24)
Capital expenditure funded by the HRA	0	18
Transfers to Capital Grants Unapplied Account	2,805	594
NET (INCREASE)/DECREASE BEFORE TRANSFERS TO OR FROM RESERVES	**1,254**	**362**
Transfers to or (from) earmarked reserves	(1,799)	895
(Increase)/decrease in year on the HRA	**(545)**	**1,257**
BALANCE ON THE HRA AT THE END OF THE CURRENT YEAR	**(8,739)**	**(8,194)**

1. HOUSING STOCK

The Council was responsible for managing a Housing Revenue Account stock of 11,571 properties at 31st March 2011 compared with a total of 11,578 properties at 31st March 2010. An analysis of the types of homes is shown below. The Council is also a freeholder of 4,535 leased homes that were previously sold to tenants under the right-to-buy legislation.

	31 March 2011 Number of properties	31 March 2010 Number of properties
Low-rise flats (up to 2 storeys)	1,580	1,580
Medium-rise flats (3 to 5 storeys)	3,825	3,827
High-rise flats (6 storeys and over)	2,777	2,778
Houses and bungalows	3,320	3,324
Multi-occupied and shared ownership	69	69
Total housing stock	**11,571**	**11,578**

The Council also holds a number of vacant dwellings that are awaiting disposal or redevelopment at 31st March 2011 as follows:

	Number of properties
Surplus Properties:	
Sheltered Housing	89
Highmead Estate - subject to further consideration regarding disposal or re-development	41
Assets Held For Sale:	
Ladderswood Estate Dwellings to be transferred to Development Partner	51
Total	**181**

2. STOCK VALUATION

The open market value of the council's dwellings was £1,768m at 31st March 2011. The difference between this value and the existing use value £445m at 31st March 2011 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. This adjustment has reduced down to 25% for 2010/11 from 37% as used in previous years. The effect of this change is a decrease in valuation charged to the HRA Income and Expenditure Statement of £118.5m net of a contribution from the Revaluation Reserve. This is disclosed as an exceptional item in the HRA Income and Expenditure Statement.

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.

	2010/2011 £000s	2009/2010 £000s
Balance at 1 April	(6,348)	0
MRA for the year	(9,782)	(9,475)
Amount applied in the funding of expenditure on council dwellings during 2010/11	8,203	3,127
Balance at 31 March	**(7,927)**	**(6,348)**

4. HOUSING REPAIRS ACCOUNT

	2010/2011 £000s	2009/2010 £000s
Balance brought forward	(7,023)	(6,581)
Expenditure for the year	13,943	13,289
Contribution to the Repairs Fund	(12,621)	(13,731)
Balance carried forward	**(5,701)**	**(7,023)**

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 2010	Acquisitions and Transfers From Assets Under Construction	Disposal/ Transfer	Depr'n	Reval'n	Impairment/ Downward Valuation	31 March 2011
Operational Assets	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Council Dwellings	715,831	48,708	(1,401)	(9,782)	5,797	(323,737)	435,416
Other Land & Buildings	18,298	1,353	0	(414)	95	(1,423)	17,909
Vehicles, Plant &Equipment	132	0	0	(57)	0	0	75
Surplus Assets	4,736	188	208	0	0	(1,231)	3,901
Total Property, Plant and Equipment	**738,997**	**50,249**	**(1,193)**	**(10,253)**	**5,892**	**(326,391)**	**457,301**
Investment Properties	24,434	256	0	0	2,036	(840)	25,886
Intangible Assets	170	0	0	(34)	0	0	136
Assets Held For Sale	0	2,104	833	0	0	(1,609)	1,328
TOTAL	**763,601**	**52,609**	**(360)**	**(10,287)**	**7,928**	**(328,840)**	**484,651**

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 £54.517m consisting of:

Expenditure on	**£000s**
Works To Stock – Decent Homes	34,587
Works To Stock – General Works	14,013
Buy backs	2,438
Grants to Vacate (GTV)	910
Community Halls	947
Work In Progress - Project Costs	1,622
Total	**54,517**
Funded by	
Supported Borrowing	38,797
Unsupported Borrowing	2,915
Capital Grants and Contributions	3,704
Capital Receipts	897
Major Repairs Reserve	8,203
	54,517

Capital Receipts of £1.361m were received in the year of which £1.190m (net of disposal costs) related to the disposal of Council Dwellings and £0.171m to other land and buildings. Under the Pooling Regulations £0.780m of these receipts were paid over to the Government

6. CAPITAL CHARGES

	2010/2011 £000s	**2009/2010 £000s**
Depreciation		
Council Dwellings – MRA	9,782	9,475
Other Land and Buildings	414	624
Vehicles, Plant and Equipment	57	34
Impairment and Downward Valuation		
Council Dwellings	323,737	27,893
Other Land and Buildings	1,423	3,939
Surplus Properties	1,231	0
Assets Held For Sale	1,609	0
Amortisation of Intangible Assets	34	34
Contribution From Revaluation Reserve	(166,707)	0
Total Capital Charges	**171,580**	**41,999**

7. INVESTMENT PROPERTIES

	2010/2011 £000s	**2009/2010 £000s**
Rental Income from Investment Properties	2,336	2,369
Direct Operating Expenses arising from Investment Property	(13)	20
Net Gains/ (Losses) from fair value adjustments	1,196	4,880
Net (Gain) / Loss	**(3,519)**	**(7,269)**

8. HOUSING SUBSIDY

SUMMARY	2010/2011 £000s	2009/2010 £000s
Management & maintenance allowance	23,954	23,303
Capital Charges	5,306	4,920
Guideline Rent	(47,075)	(46,772)
Major Repairs Allowance	9,782	9,475
Other reckonable expenditure	0	546
Negative Housing Subsidy	**(8,032)**	**(8,528)**
Previous year adjustments	33	135
Negative Housing Subsidy - payment to Secretary of State	**(7,999)**	**(8,393)**

The Housing Subsidy figure of £7,999k disclosed in the HRA statement includes adjustments to prior year's subsidy claims of £33k.

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 2011 were £3.388m compared to £3.620m at the 31st March 2010. The provision for impairment of debts was £1.504m (2009/10 £1.407m) and £0.220m (2009/10 £0.382m) was written off during the year.

In 2010/11 a contribution to the Impairment of debt of £317k was included in this balance (£287k 2009/10).

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 £910k (£638k in 2009/10).

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.

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		2010/2011		2009/2010	
	NOTE	£000s	£000s	£000s	£000s
INCOME					
Council taxpayers	1	(156,922)		(156,080)	
Business ratepayers	2	(91,364)		(92,350)	
Business Rate Supplements	3	(3,071)			
			(251,357)		**(248,430)**
EXPENDITURE					
Precepts and demands:					
London Borough of Enfield		120,656		120,201	
Greater London Authority (GLA)		33,972		33,845	
			154,628		**154,046**
Business rates:					
Payment to national pool		91,008		91,989	
Cost of collection allowance		356		361	
			91,364		**92,350**
Business Rate Supplements					
Payment to GLA		3,049		-	
Cost of collection allowance		22		-	
			3,071		**-**
Impairment of Debt:					
Council Tax – Contribution to provision for impairment of debt		2,842		1,975	
			2,842		**1,975**
(SURPLUS)/DEFICIT For year			**548**		**(59)**
(SURPLUS)/DEFICIT As at 1 April			**(713)**		**(654)**
(SURPLUS)/DEFICIT As at 31 March	4		**(165)**		**(713)**

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	3,968	2,592
B	8,926	6,803
C	27,999	24,390
D	31,825	31,189
E	18,850	22,579
F	8,263	11,697
G	5,454	8,908
H	763	1,495
	106,048	**109,653**

This basic amount of Council Tax for a Band D property, £1,410.16, (unchanged from 2009/10), 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:

	2010/2011 £000s	2009/2010 £000s
Billed to Council Tax Payers	121,244	122,470
Council Tax Benefits	35,678	33,610
	156,922	**156,080**

Analysis of Council Tax Impairment of debt

	2010/2011 £000s	2009/2010 £000s
Council Tax Provision for Impairment of debt B/fwd	9,904	9,392
Amount written off	(560)	(1,463)
Contribution to Provision for Impairment of debt	2,842	1,975
Council Tax Impairment of debt C/fwd	**12,186**	**9,904**

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 2010/11 the Government specified an amount of 40.7p for small businesses who qualify for rate relief and 41.4p 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 £91,364m for 2010/11 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 £259.4m (2009/10 £215.3m).

3. BUSINESS RATE SUPPLEMENTS

New 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 2010/11 after reliefs and provisions was £3.071m.

4. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES/DEFICITS

The revenue account surplus of £165k relates to Council Tax at 31 March 2011, 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.

Introduction

The London Borough of Enfield Pension Fund (the Fund) was established to provide benefits for employees which include retirement pensions, widows pensions, death grants and other lump sum payments.

The Fund is financed by contributions from employees, employers and from profits 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.

Membership

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 since Sept 2011
- Cuckoo Hall Academy since Sept 2011
- Nightingale Academy since Sept 2011
- Kingsmead Academy since Oct 2011

Admitted Bodies:

- Equion Facilities Management
- Fitzpatrick
- Churchill
- Enfield Voluntary Groups
- NORSE
- Metropolitan Support Trust
- Fusion Lifestyle (previously Enfield Leisure)
- Birkin Services
- Kier Group Services

Admitted Bodies with no active members

- Sodexo Ltd
- Hughes Gaidner

As at the 31st March 2011 the Fund Membership was 14,599 compared 14,190 to at 31st March 2010. This is analysed below:

	31st March 2011	31st March 2010
Current Members	6,154	6,139
Retired Members	3,941	3,813
Deferred Members	3,778	2,985
Frozen/Undecided	726	1,253
	14,599	**14,190**

The accounts shown on these pages represent a stewardship report on the fund, together with a statement of the assets position at the year end.

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) Regulations 2007 and LGPS Management & Investment regulations 2009.

The accounts summarise the transactions and net assets of the Pension Fund and comply in all material respects with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, which is compliant with the International Financial Reporting Standards (IFRS).

As permitted by IFRS long term actuarial liabilities are excluded from the Pension Fund Accounts.

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 31.03. 2011.

- **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.

- **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 31 March 2011. For the purposes of the accounts these have been based on rates provided by the fund's custodian State Street.

Investment management fees
Fees are calculated by reference to the market value of the portfolio assets either on a monthly or quarterly basis. The exceptions to this are Private equity fees which are based on amounts committed to each fund.

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 1 April 2010 £000s	Contributions & Transfers £000s	Sums Paid Out £000s	Investment Return £000s	Closing Balance at 31 March 2011 £000s
With Profits Cash Accumulation	826	102	(113)	37	**852**
Deposit Fund Statement	200	53	(21)	1	**233**
Discretionary Fund	143	45	(5)	19	**202**
	1,169	**200**	**(139)**	**57**	**1,287**

FUND ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011	Note	2010/11 £000s	2009/10 £000s
Contributions & benefits			
- Contributions receivable	1	34,350	34,108
- Transfers in	2	4,823	3,787
		39,173	**37,895**
- Benefits payable	3	(24,346)	(23,284)
- Payments to & on account of leavers	4	(4,942)	(8,978)
- Administrative expenses	5	(778)	(646)
		(30,066)	**(32,908)**
Net additions from dealings with members		**9,107**	**4,987**
Returns on investments			
- Investment income	6	9,272	9,290
- Taxation	7	(59)	(60)
- Investment portfolio expenses	8	(1,092)	(1,128)
- Changes in market value	9	20,704	117,109
Net returns on investments		**28,825**	**125,211**
Net change in assets available for benefits during the year		37,932	130,198
Opening net assets brought forward at 1 April		571,944	441,746
Net assets carried forward as at 31 March 2011		**609,876**	**571,944**

NET ASSETS STATEMENT AS AT 31st MARCH 2011	Note	2011 £000s	2010 £000s	2009 £000s
Investment assets		610,106	570,930	429,260
	9	**610,106**	**570,930**	**429,260**
Current assets	10	460	1,098	**12,554**
Current liabilities	11	(690)	(84)	**(68)**
Net assets available to fund benefits as at 31 March 2011		**609,876**	**571,944**	**441,746**

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 & Corporate Resources

Date: 28/9/11

Signed — Cllr Simon, Pension Board Chair

Date: 28/9/11

NOTES TO THE PENSION FUND ACCOUNTS

1. Contributions receivable

Employees' contributions
Employee rates vary between 5.5% and 7.5% depending on pensionable pay.

	2010/11 £000s	2009/10 £000s
London Borough of Enfield	7,792	7,722
Scheduled Bodies	1,034	906
Admitted Bodies	103	125
	8,929	**8,753**

Employers' contributions:
The employers' contributions are made at a rate determined by the Fund's Actuary as necessary to maintain the Fund in a state of solvency, having regard to existing and future liabilities. The primary contribution rate used during 2010/11 was 18.5%. A pass through rate of 25% was used for two admitted bodies and for Enfield the rate was 19.0%.

Employers' contribution analysed over employers

	2010/11 £000s	2009/10 £000s
London Borough of Enfield	22,011	21,627
London Borough of Enfield – Special	-	800
Scheduled Bodies	3,049	2,509
Admitted Bodies	361	419
	25,421	**25,355**

Employers' contributions – analysed over types of contributions:

	2010/11 £000s	2009/10 £000s
Employers' normal contributions	20,745	20,017
Employers' deficit contributions	4,315	4,987
Employers' other contributions	361	351
	25,421	**25,355**

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.

Summary	2010/11 £000s	2009/10 £000s
Employees' contributions	**8,929**	**8,753**
Employers' contributions	**25,421**	**25,355**
	34,350	**34,108**

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. These have been bought into the accounts on the basis of all valid claims approved during the year**.**

	2010/11 £000s	2009/10 £000s
Retirement and widows' pensions	(19,550)	(18,861)
Retirement and death grants	(4,796)	(4,423)
	(24,346)	**(23,284)**

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. No amounts were paid during the year for group transfers to other funds.

In April 2009 the employees of Enfield College were transferred to Haringey pension fund. At the year end date the bulk transfer had not taken place. The value associated with the unsettled transfer is yet to be agreed.

	2010/11 £000s	2009/10 £000s
Transfers to other schemes	(4,923)	(8,968)
Contributions & refunds	(19)	(10)
	(4,942)	**(8,978)**

5. Administration expenditure

	2010/11 £000s	2009/10 £000s
Staff costs – benefits admin.	(638)	(592)
Other costs & charges	(140)	(54)
	(778)	**(646)**

6. Investment income

Investment income	2010/11 £000s	2009/10 £000s
Fixed interest & indexed linked securities	5,382	5,657
Equities & unit trusts	2,430	1,982
Property unit trusts	1,244	1,127
Infrastructure distributions	-	427
Interest on cash	208	97
Class Action	8	-
Total investment income	**9,272**	**9,290**

7. Taxation

UK tax

The fund is an exempt approved fund liable under the Taxes Management Act 1970 neither to UK income tax on interest, and property income nor capital gains tax on the sale of investments. As a local authority is the administrator for the fund, VAT input tax is recoverable on all fund activities.

Overseas tax

Income from the 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 with-holding tax on overseas investment income is not recoverable and is shown as a tax charge.

8. Investment portfolio expenses

	2010/11 £000s	2009/10 £000s
Investment managers'/advisers fees	(780)	(837)
Custody charges	(48)	(94)
Enfield staff costs – investment	(130)	(103)
Other costs	(134)	(94)
	(1,092)	**(1,128)**

9. Investment assets

Asset Class	Market value 1st April 2009 £000s	Purchases at cost & derivative payments £000s	Sales proceeds & derivative receipts £000s	Change in market value on investments £000s	Market value 31st March 2010 £000s
Fixed income	**127,965**	59,253	(55,179)	20,695	**152,734**
Derivative contracts	**436**	36,602	(34,701)	(3,176)	**(839)**
Equities	**94,294**	51,929	(89,377)	26,214	**83,060**
Equity - unit trusts	**63,010**	114,626	(87,028)	49,790	**140,398**
Property unit trusts	**33,877**	17,000	(428)	1,486	**51,935**
Private equity	**17,159**	3,087	(318)	2,190	**22,118**
Infrastructure fund	**5,323**	524	-	783	**6,630**
Currency funds	**20,452**	-	-	(652)	**19,800**
Hedge funds	**56,510**	9,885	-	18,636	**85,031**
	419,026	**292,906**	**(267,031)**	**115,966**	**560,867**
Cash and deposits	**7,452**			574	**8,014**
Other investment balances	**2,782**			569	**2,049**
Investments assets	**429,260**			**117,109**	**570,930**

Asset Class	**Market value 1 April 2009**	**Market value 1 April 2010**	**Purchases at cost & derivative payments**	**Sales proceeds & derivative receipts**	**Change in market value on investments**	**Market value 31March 2011**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Fixed income	**127,965**	**152,734**	72,542	(73,844)	4,694	**156,126**
Derivative contracts	**436**	**(839)**	72,731	(73,268)	1,332	**(44)**
Equities	**94,294**	**83,060**	67,485	(63,632)	6,376	**93,289**
Equity - unit trusts	**63,010**	**140,398**	317,217	(339,301)	9,114	**127,428**
Property unit trusts	**33,877**	**51,935**	-	(367)	2,351	**53,919**
Private equity	**17,159**	**22,118**	3,619	(2,090)	2,713	**26,360**
Infrastructure fund	**5,323**	**6,630**	1,527	(351)	(1,022)	**6,784**
Currency funds	**20,452**	**19,800**	-	(16,500)	(962)	**2,338**
Hedge funds	**56,510**	**85,031**	30,000	-	(488)	**114,543**
	419,026	**560,867**	**565,121**	**(569,353)**	**24,108**	**580,743**
Cash and deposits	**7,452**	**8,014**				**28,894**
Other investment balances	**2,782**	**2,049**			(3,404)	**469**
Investments assets	**429,260**	**570,930**			**20,704**	**610,106**

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

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £228k (2009/10: £163k). 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.

Fixed interest securities

	2011 £000s	2010 £000s	2009 £000s
Government securities – UK	22,487	14,087	14,709
Government securities – overseas	3,682	6,317	742
Corporate bonds	47,841	48,281	42,808
	74,010	**68,685**	**58,259**

Index linked securities

	2011 £000s	2010 £000s	2009 £000s
Government securities – UK	80,816	74,307	68,583
Government securities – overseas	-	5,432	-
Corporate bonds	1,300	4,309	1,123
	82,116	**84,048**	**69,706**

Total fixed income

	2011 £000s	2010 £000s	2009 £000s
Fixed interest securities	74,010	68,685	58,259
Index linked securities	82,116	84,049	69,706
	156,126	**152,734**	**127,965**

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:

	2011 £000s	2010 £000s	2009 £000s
Assets			
Futures	54	34	125
Forward foreign exchange currency contracts	27,868	179	531
Options	1	17	45
	27,923	**230**	**701**
Liabilities			
Futures	(61)	(284)	(18)
Forward foreign exchange currency contracts	(27,906)	(785)	(247)
	(27,967)	**(1,069)**	**(265)**
Net assets			
Futures	(7)	(250)	107
Forward foreign exchange currency contracts	(38)	(606)	284
Options	1	17	45
	(44)	**(839)**	**436**

Futures

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

No. of Contracts		Notional amount	Expiration date	Values at 31 March 2011		
				Asset	Liability	Net asset
		£000s		£000s	£000s	£000s
Futures Long						
21	Euro		8/6/2011	-	(30)	(30)
20	Euro		31/5/2011	-	-	-
4	Yen		9/6/2011	25	-	25
5	Dollar		21/6/2011	4	-	4
Total Futures Long				**29**	**(30)**	**(1)**
Futures Short						
153	Sterling		28/6/2011	25	-	25
12	Dollar		21/6/2011	-	(31)	(31)
Total Futures Short				**25**	**(31)**	**(6)**
Total Futures				**54**	**(61)**	**(7)**

Foreign exchange contracts

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

No of contracts	Currency	Values at 31 March 2011		
		Asset	Liability	Net asset
		£000s	£000s	£000s
18	Euros	7,723	(7,421)	302
20	Sterling	16,198	(16,549)	(351)
4	Yen	999	(1,010)	(11)
12	Dollar	2,948	(2,926)	22
		27,868	**(27,906)**	**(38)**

Options

Options held at the year end are detailed further below:

No of contracts	Option type	Total cost	Date contracts lapse	Values at 31 March 2011		
				Asset	Liability	Net asset
		£000s		£000s	£000s	£000s
60	PUTS	1	20/5/2011	1	-	1
				1	**-**	**1**

Equities

	2011 £000s	2010 £000s	2009 £000s
UK equities	24,299	21,356	18,766
Overseas equities:			
Europe	15,007	13,825	21,951
North America	43,161	36,138	41,632
Japan	6,988	6,152	7,478
Pacific (excluding Japan)	3,834	5,589	4,467
	93,289	**83,060**	**94,294**

Equity unit trusts

	2011 £000s	2010 £000s	2009 £000s
UK	4,069	50,132	62,933
World	123,359	90,266	-
Venture capital	-	-	77
	127,428	**140,398**	**63,010**

Property unit trusts

	2011 £000s	2010 £000s	2009 £000s
Commercial/industrial	51,134	48,577	30,759
Venture property	2,785	3,358	3,118
	53,919	**51,935**	**33,877**

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 nine annual subscriptions into a private equity fund of funds manager. The Fund’s total commitment to these funds is $90 million (£56 million).

Infrastructure fund

The Pension Fund has made a €22 million (£19.5 million) investment in the Arcus European Infrastructure. The outstanding commitment at 31 March 2011 is €5.520 million (£4.9 million).

Hedge funds

	2011 £000s	2010 £000s	2009 £000s
UK equity long short fund	34,778	36,705	27,769
World market neutral fund	12,405	13,310	13,121
Events Driven funds	36,815	35,016	15,620
Global macro funds	30,545	-	-
	114,543	**85,031**	**56,510**

Exchange rate conversions on overseas holdings

The dollar exchange rate has been set at 0.624 to the £1 and the euro rate at 0.885 to the £1.

Cash

	2011 £000s	2010 £000s	2009 £000s
Deposits held by fund managers	28,894	8,014	7,452
	28,894	**8,014**	**7,452**

Other investment balances

	2011 £000s	2010 £000s	2009 £000s
Debtors			
Margin monies	-	9	21
Dividends & Interest receivable	2,657	2,581	2,709
Tax recoverable	570	290	324
Amounts receivable on pending sales	387	136	67
	3,614	**3,016**	**3,121**
Creditors			
Margin monies	(61)	-	-
Amounts due on pending purchases	(2,756)	(393)	(21)
Investment management fees	(258)	(293)	(318)
Other investments expenses	(70)	(281)	-
	(3,145)	**(967)**	**(339)**
Total investment balances	**469**	**2,049**	**2,782**

The Council discharges its investment management responsibilities by appointing professional fund managers. The portfolio by manager as at 31 March 2011 is shown below:

Manager	**Mandate**	**Date Appointed**	**Market Value as at 31 March 2011**	
			£000s	**%**
RREEF	Property	April 1991	38,084	6.24
Western Asset Management	Bonds	April 2003	103,019	16.89
Adam St Partners	Private equity	April 2003	26,360	4.32
Blackrock	Global equities (passive) £44.1m/ UK Government ILB £62.3m	October 2005	106,386	17.44
International Partnerships	UK equity share PFI share	April 2007	16,446	2.70
Arcus	Infrastructure Fund	June 2007	6,784	1.11
Numeric	Global Market Neutral – Hedge Fund	July 2007	12,405	2.03
Lansdowne	UK equities – Hedge Fund	October 2007	34,778	5.70
Trilogy	Global equities	November 2007	78,458	12.86
Record	Active currency	November 2007	872	0.14
BNP- Overlay	Active currency	November 2007	1,466	0.24
Avenue	Event driven	November 2008	25,353	4.16
York Capital	Event driven	January 2010	11,462	1.88
Legal & General Property	UK property	January 2010	18,182	2.98
MFS	Global equities	August 2010	42,318	6.94
Lazard	Global equities	August 2010	41,256	6.76
Blue Crest	Global macro	January 2011	15,268	2.50
Brevan Howard	Global macro	January 2011	15,278	2.50
Enfield	Cash equivalents		15,931	2.61
Total investment assets			**610,106**	**100%**

Nature and extent of risks arising from financial instruments

The Pension Fund maintains positions in a variety of financial instruments including bank deposits, equity instruments, fixed interest securities and derivatives. This exposes it to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange risk. These regulations require the Pension Fund to formulate a policy for the investments of its fund money.

Overall procedures for managing risk

The Fund's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks.

The Pension Fund annually reviews its Statement of Investment Principles and corresponding Investment Strategy which sets out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed.

Investment performance by external Investment Managers is reported to the Investment Sub-committee quarterly. Performance of the Pension Fund investments managed by external investment managers is compared to benchmark returns.

The principal powers to invest are contained in the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009 and require an Administering Authority to invest any pension fund money that is not immediately to make payments from the Pension Fund.

The key risk to the Fund is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Board has identified a number of risks which have the potential to cause a deterioration in the Fund's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Pension Board and its advisers considered this mismatching risk when setting the investment strategy
  The risk of a shortfall of liquid assets relative to the Fund's immediate liabilities ("cash flow risk"). The Board and its advisers will manage the Fund's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Board ("manager risk"). This risk is considered by the Board and its advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Pension Board and its advisers considered this risk when setting the Fund's investment strategy.
- The failure of investment markets to achieve the rate of investment return assumed by the Board ("market risk"). This risk is considered by the Board and its advisors when setting the Fund's investment strategy and on an ongoing basis.

- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Pension Board has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Board considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (at least triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

The Fund's policy is to monitor, where possible, these risks quarterly. The Investment Sub-Committee receives quarterly reports showing:

- Estimated funding level versus the Fund specific funding objective.
- Performance versus the Fund investment objective as measured by an independent performance measurer.
- Performance of individual fund managers versus their respective targets
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Board.

Credit risk: This is the risk that other parties may fail to pay amounts due to the pension fund. For example a stock may collapse or a dividend due may not be paid out. The Fund only allows its investment managers a low level of risk when undertaking investments to reduce the likelihood of a default occurring on an investment. The Fund also employs a custodian to ensure that transactions are settled in an orderly fashion.

The Fund has a private equity portfolio and a distressed debt hedge Fund where there is a higher risk. The Fund has a target 5% allocation to each manager thereby capping exposure to this asset class.

Liquidity risk: This is the risk that the pension Fund might not have the monies available to meet payments due. Over the past years contributions have tended to be greater than benefits, ensuring that enough cash is available to meet payments.

The Fund currently utilises two bank accounts. One is held by the Custodian and holds cash relating to investment activities held within the custodian's control. The other is the Pension Fund bank accounts and holds cash relating to member activities and payments and receipts from investment activities outside of the custodian control. Payments are also paid out of the London Borough of Enfield's bank account; these are reimbursed on a timely basis.

If the Fund found itself in a position where it did not have the monies to meet its commitments the investment regulations allow the fund to borrow for up to 90 days. If there was a longer term shortfall, then investments could be sold to provide additional cash.

Re-financing risk: This is the risk that investments need to be sold at a time when prices are less than that which they were purchased for resulting in a loss being made. To minimise exposure to this risk the investment managers trade their holdings balancing positions off against other.

Market risk: This is the risk that financial loss could arise as a result of changes in such measures as interest rates and stock market movements. To minimise the impact the fund maintains a diversified portfolio of investments.

Interest rate risk: To mitigate against this risk the Fund holds a fixed interest portfolio.

Price risk: This is the risk that stock prices fall, resulting in a potential loss to the Fund. To mitigate against this the Fund has a diverse portfolio with different asset classes, countries, strategies and market sectors. The portfolio is also managed by different managers with different styles. Therefore, any fall in prices should only affect part of the Fund and not the fund as a whole. The fund can also utilise futures as part of efficient portfolio management.

Foreign exchange risk: This is the risk that foreign exchange rates move in such a way as to reduce the sterling equivalent of overseas holdings. To mitigate against this risk the Fund has holdings in different countries. As at 31st March 2011 £82 million (13.55%) of the fund's investments are directly held in non-sterling holdings. The fund uses forward foreign currency transactions to mitigate the risk.

Counterparty risk: The Fund's bond manager transact foreign exchange (FX) trades. The principal mitigation of the counterparty risk on an FX trade is the rigour of the counterparty selection and monitoring process. These trades are only executed with approved counterparties by the fund manager, who have satisfied requirements in terms of market capabilities and credit standings.

10. Current assets

	2011 £000s	2010 £000s	2009 £000s
Contributions due from employers	293	247	292
Contributions due from members	102	88	96
Interest on cash balance	-	59	-
Cash balance	65	704	12,166
	460	**1,098**	**12,554**

11. Current liabilities

	2011 £000s	2010 £000s	2009 £000s
Death benefits	(190)	(84)	(68)
Audit fees	(39)	-	-
L.B. of Enfield	(461)	-	-
	(690)	**(84)**	**(68)**

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

Debtors	2011 £000s	2010 £000s	2009 £000s
External managers			
Other entities & individuals	**3,614**	**3,016**	**3,121**
Administering Authority			
Other entities & individuals	395	335	388
Local Authority	-	59	-
	395	**394**	**388**
Total Debtors	**4,009**	**3,410**	**3,509**

Creditors	2011 £000s	2010 £000s	2009 £000s
External managers			
Other entities & individuals	**(3,145)**	**(967)**	**(339)**
Administering Authority			
Other entities & individuals	(229)	(84)	(68)
Local authority	(461)	-	-
	(690)	**(84)**	**(68)**
Total Creditors	**(3,835)**	**(1,051)**	**(407)**

12. 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.

13. 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% p.a.	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

	Value as at 31 March 2010 £m	Value as at 31 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:

	31 March 2010 (% p.a)	31 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 representation 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 retrement 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:

	31 March 2010	**31 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.

14 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.

15 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.

Annual Governance Statement 2010/11

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 10,000 staff and work with our partners in the private, public and third sector to deliver our objectives. We are responsible for ensuring that our business is 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, and 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 28th September 2011 is due to receive the Council's Annual Governance Statement. This Statement explains how Enfield Council exercises good governance and meets the requirements of regulation 4 of the Accounts and Audit Regulations 2006 in relation to the publication of an annual governance statement.

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, 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 Enfield 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 Enfield Council for the year ending 31 March 2011 and up to the date of approval of the Statement of Accounts.

3. Corporate Governance

3.1 The Council recognises that effective governance is achieved through the following core principles:

(a) Focussing on the corporate objectives and vision of the Council and the outcomes delivered to local people.

(b) Members and officers working together to achieve a common purpose with clearly defined functions and roles.

(c) Promoting the values of the Council and demonstrating good governance through upholding high standards of conduct and behaviour.

(d) Taking informed and transparent decisions which are subject to effective scrutiny and management of risk and opportunities.

(e) Engaging with local people and other stakeholders to ensure robust public accountability.

3.2 The Council's vision is **to make Enfield a better place to live and work**. 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.

(i). Fairness for all

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

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

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.

During August 2011 various locations within the Borough were affected by the London wide rioting and looting. To enable the Council to achieve its strategic aim the "Respect Enfield" campaign has been set up. This has involved promptly engaging with local community groups and businesses to promote engagement, understand the needs of different groups and to bring them together to help prevent a reoccurrence of the disturbances that affected the Borough.

This campaign builds on all of the other work streams that the Council has in place to develop strong communities.

3.3 The Council's vision, aims and priorities are set out in the Council Strategy, 'A Fairer Future for All'. The Strategic Aims and Priorities are cascaded throughout the organisation from the Council's Business Plan that lists the high level actions contributing to the achievement of the vision, through department and service delivery plans and are translated into frontline delivery to Enfield's community. 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.

3.4 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

3.5 The Leaner programme effectively looks at internal business arrangements and infrastructure in order to design services that are fit for purpose. This in turn will enable the success of Enfield's outward and outcome focussed regeneration programme to deliver our corporate strategy and vision by bringing to the borough a sustainable social, economic and physical revitalisation that will meet the community's needs now and for future generations.

4. **Annual Audit Letter**

4.1 The Annual Audit Letter for 2009/10 from the External Auditor stated that the Council received an unqualified opinion on its 2009/10 financial statements and an unqualified conclusion on its arrangements for securing value for money during the same year.

5. Decision Making

5.1 Enfield 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 Property Procedure Rules, 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.

5.2 The Constitution also 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.

5.3 The Council adopted the new Members' Code of Conduct in June 2007 and councillors receive annual refresher training and updates on proposed changes. 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.

5.4 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 decision, are published twice weekly and made available to members, officers and the community.

5.5 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, introduced via the Local Government and Public Involvement in Health Act 2007. Scrutiny also adopts a community leadership role when required. Examples include health (Chase Farm Hospital and the provision of a Parkinson's nurse) and young people's opportunities (responding to recent knife crime in areas of the Borough). 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 ask questions etc at panel meetings.

5.6 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.

6. Councillor and Officer Development

6.1 Following the May 2010 local elections, we undertook an extensive induction programme for new members. As a matter of course, we provide regular training and development opportunities for both members and officers. There is an annual member development programme for councillors with the opportunity for 1 to 1 personal development sessions with a trained officer.

6.2 Officer training is focussed through the annual personal appraisal process. 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.

7. The Governance Framework

7.1 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 2010/11 was considered at the Audit Committee on 6 July 2011. It provides independent assurance to the Council on risk management and internal control and the effectiveness of the arrangements the Council has in place. Prior to some meetings, the Committee receive briefings on relevant and topical issues. This has included business continuity and emergency planning during 2010 / 11.

7.2 The Audit Committee plays an active role in risk management, reviewing the Corporate Register and Departmental Registers during the year. In 2010/11, for example, it monitored the Council's preparations for the Olympic Games in 2012 and governance arrangements on working with the Voluntary & Community Sector (VCS). The Committee has recently agreed to appoint two independent members and is currently recruiting to these positions.

7.3 The arrangements for the provision of internal audit and control are delivered by the Director of Finance Resources & Customer Services through the Corporate Governance Division. This is managed by the Assistant Director, Corporate Governance and Monitoring Officer. Within that Division, the internal control function is managed independently by the Head of Internal Audit & Risk Management who has direct reporting lines to the Section 151 officer on relevant issues, in accordance with the CIPFA Code of Practice for Internal Audit in Local Government.

7.4 A "root and branch" review of the Internal Audit and Risk Management service early in 2011 concluded that the optimal model would be for part of the service to be externalised under a framework contract. This will include the Head of Internal Audit role. The London Borough of Barnet will also be drawing down from this contract.

7.5 The Director of Finance Resources & 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.

7.6 The Council's risk management strategy is aimed at improving the corporate risk register process, 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).

7.7 The Director of Finance Resources & Customer Services chairs the Corporate Risk Management Group on behalf of the Chief Executive. Each Department has a risk champion with responsibility for ensuring that Departmental Management Teams remain aware of risks and opportunities both in their service areas and corporately.

7.8 Identified risks help inform the internal audit plan and internal audit adopt a risk based approach to their reviews and recommendations.

7.9 The Council's approach to risk management has been reviewed, with the support of Zurich Municipal. Corporate Risks have been updated to reflect the current rapid political and economic change. In particular, there has been an increased emphasis on key regeneration projects and on partnership working. The format of the Corporate Risk Register has been revised so as to show original, current, and target scores for likelihood and impact to enable direction of travel and the effectiveness of mitigating actions to be monitored.

7.10 Risk and opportunity management is integrated into the corporate and departmental service planning process and reviewed half yearly.

7.11 The Council's Internal Audit Plan is the subject of consultation with our external auditors and Departmental Management Teams and agreed by the Audit Committee. It is prioritised to ensure that audit resources are focused on providing assurance over the management of the Council's key risks.

7.12 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. However, a number of reviews have identified weaknesses that might impact on the achievement of operational and/or financial objectives in those areas. Management need to ensure that they 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.

7.13 The Head of Internal Audit & Risk Management's opinion is based on the following:

- The work undertaken by Internal Audit, which was completed in line with the Revised 2010/11 Internal Audit Plan for the year, The Plan had to be revised mid year to reflect the resources available and to ensure that these resources were focused on the Council's key risks. This revised plan was agreed by the Audit Committee on 25th November 2010.

- The internal audit programme covers both the Council's key processes and systems and also those operating in the Borough's schools. During 2010/11 an audit of 25 schools was undertaken. Although the Financial Management Standard in Schools requirement was removed in year, the Council has still obtained assurance over the operation of schools via the ongoing financial audit work programme.

- There were several weak assurance opinions issued during 2010/11. These resulted from a number of Category 1[1] 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.

- Through the Anti-Fraud and Corruption Strategy and Whistleblowing Policy, sufficient evidence was obtained that arrangements are in place to identify irregularities and take action to improve controls to minimise the weaknesses and to promote an anti-fraud culture across the Council.

- Through the Risk Management Strategy, and the work of the corporate group, sufficient evidence was obtained that the wider corporate risks are identified, managed, insured and, where possible, continually minimised.

7.14 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 are also 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.

[1] A Category 1 finding is a significant control weakness or failing that needs to be addressed as a priority.

7.15 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.

7.16 The Council has a Whistleblowing Policy which is managed by the Head of Internal Audit & Risk Management on behalf of the Monitoring Officer. This policy is available on the Intranet. The register of cases is kept by the Monitoring Officer. The policy, together with the Anti Fraud and Corruption Strategy, is included as part of the annual staff governance briefings.

7.17 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's 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 it has received in the last year is also published on the Council's web site.

7.18 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.

8. Standards Committee

8.1 The Council has a Standards Committee set up in accordance with statutory requirements. Councillor membership is cross party and the chairman and vice chairman are independent members. The Committee has been trained in the local investigation and determination arrangements and its membership increased to cope with the new workload. The Committee recruited two new independent members during 2010/11. Details of the current independent members are on the Council's website.

8.2 The Chairman and the Vice-Chairman meet the Monitoring Officer on a regular basis to discuss relevant issues and developments.

8.3 The Committee considered one allegation of member misconduct during 2010/11. The Committee concluded that there was no case to answer.

8.4 The Committee has an annual work programme and present an annual report to full Council. This was presented to Council in July 2011

8.5 Training is provided to the Committee as required.

9. Governance and Control Development Areas

9.1 The Council has identified a number of governance and control development areas. These are set out below, along with the actions that are being taking to improve the governance and control environment in these areas.

Progress made in addressing the 2009/10 development areas

9.2 Below is an update on the progress made in addressing the areas for development identified in the 2009/10 Annual Governance Statement.

Governance and control development area	Progress made in 2010/11
Managing the current financial situation The Council has a rolling Medium Term Approach to managing its finance and the objectives and priorities set out in the Council's Improvement Plan have been used as the main drivers for determining the allocation of resources over the medium term. The financial plan has been developed to ensure that the key targets are met and the maintenance of adequate contingencies and balances, and the aim to keep Enfield's Council Tax increases as low as possible. The Medium Term Finance Plan is based on an analysis of the key influences on the Council's financial position and an assessment of the main financial risks facing the Council. The Council has a strong record of delivering services within budget and over the past four years the Council has reduced its net expenditure by £39m by improving efficiency and making cost savings.	The Council budget process is based on a rolling 5 year medium term plan. The process identifies internal and external pressures including government funding. The Corporate Finance team leads the departments in the development of cost savings and improving efficiencies to offset these. Risks are also identified that have a key influence on the financial position. Using this information the Corporate Finance team ensures that the budget is balanced for the Cabinet meeting in February and then full Council in early March when the Council Tax is set. A balanced four year budget with 0% Council Tax in 2011/ 2012 was set on 2nd March 2011. Since then achievement of savings has been ensured through monthly monitoring returns and reports to the monthly performance group.
Business Continuity Work is currently in place to ensure the Council has embedded BCM into critical services. The development, review and testing of all the Council's priority one and two services will be completed by July 2012. This will include the overlay of risks specific to the Olympics.	The progress during 2010/11 has been hampered by changes in personnel which are now resolved. A number of actions have been taken to ensure that the BCM processes are embedded throughout the Council, and a robust corporate view is established, which takes into account the opportunities offered by the Olympic Games and additionally the risks to reputation caused by extra demands on services. To facilitate this a report was submitted to CMB who have approved the following as a way forward in ensuring that the Council has a robust BCM system in place whereby all priority one and two

<table>
<tr><th>Governance and control development area</th><th>Progress made in 2010/11</th></tr>
<tr><td></td><td>critical services have documented BC plans which will be reviewed and tested in time for the 2012 Olympics.

• DMTs to confirm and review their department's priority one and two areas by end of August 2011.
• Agree that CMB and DMTs will regularly consider BCM
• BC Plans be written for all priority one and two areas
• The reintroduction of the BCM board to consider ongoing issues.</td></tr>
<tr><td>International Financial Reporting Standards (IFRS)

The Council's External Auditors have highlighted the need for it to continue to build on its excellent preparations to date for the introduction of accounting under International Financial Reporting Standards (IFRS), with a particularly focus on accounting for the use of fixed assets.</td><td>The Council's Accounting Policies have been revised in order to comply with the CIPFA Local Authority Accounting Code of Practice based on IFRS. The draft financial statements for 2010/11 incorporating a re-stated Balance Sheet at 1st April 2009 and fully re-stated accounts for 2010/11 were certified by the Director of Finance and Corporate Resources on 29th June 2011 in accordance with statutory requirements and considered by the Audit Committee on 7th July 2011. Corporate Finance is in the process of reviewing the 2010/11 closure of accounts exercise and preparing a programme of improvements to be implemented for 2011/12 in order to fully embed IFRS accounting requirements within the Council's procedures.

Further IFRS Development

The CIPFA Accounting Code of Practice will continue to be developed in the medium term. The following are the key changes being incorporated in the Code:

• For 2011/12, the separate classification of Heritage Assets;

For 2012/13, the introduction of Depreciated Replacement Cost for the valuation of Highways Infrastructure Assets.</td></tr>
</table>

Governance and control development area	Progress made in 2010/11
Regeneration The Council is establishing area based partnerships to oversee Regeneration activity across the Borough. The south east of the borough, where there are high levels of deprivation, is most developed. The Enfield Leeside Partnership is strategic in nature and is developing a delivery plan for that area. Feeding into the Enfield Leeside Partnership are two delivery boards - the existing Edmonton Partnership Initiative will have responsibility for implementing a programme of interventions in Edmonton Green and environs and the Meridian Water Delivery Board will oversee the development of proposals for a new Eco Community. The Enfield Leeside Partnership is likely to seek early dialogue with ward members and commission a strategy to community engagement. It is expected that similar partnerships will be established in the coming year for the North East of the borough (including Ponders End) and the South West (including New Southgate). In addition, the Regeneration Leisure & Culture department has made significant strides in developing an approach to performance and programme management. A Capital Board meets monthly to review all capital expenditure. A Performance Board meets quarterly to review progress on all strategic projects for which a Red/Amber/Green status is assessed and a highlight report completed. The Performance Board receives an update report on the Capital Programme from the Capital Board. The department's work is channelled by a Regeneration Delivery Plan and a published departmental plan.	The Edmonton Leeside Partnership (formerly Enfield Leeside Partnership) was established in early 2010 and provides a strategic overview to the Meridian Water Delivery Board and Edmonton Partnership. The North East Partnership held its first full meeting in December 2010 and has since established priorities for regeneration work in that area. The South West Partnership first met early 2011 and is now considering priorities. It is envisaged that the North West partnership will remain a shadow board at present. Capital and Programme Monitoring Boards have been in operation throughout 2010 but are being reviewed alongside the Departmental Plan as formal responsibilities have transferred into the new Regeneration, Culture and Leisure Department.

Governance and control development area	Progress made in 2010/11
Safeguarding Children and Vulnerable Young People The issue of safeguarding was tracked by the Audit Committee during 2009/10. There has just been an Ofsted evaluation of Children's' Services and an inspection of Safeguarding and Looked After Children's' Services. Both received good assessments. The Council is never complacent about this issue and always seeks ways to enhance its controls and procedures.	The Ofsted inspection of safeguarding and looked after children services was undertaken in May 2010. Inspection findings were positive and Enfield was judged overall as 'Good'. This includes: leadership & management, risk management, prioritisation, decision-making and effective and responsive services. Where recommendations for improvement were made our response to these was published in the inspection Action Plan. All actions have now been completed. An unannounced inspection of contact, referral and assessment services was undertaken by Ofsted in March 2011. Overall the findings identified good practice and a number of strengths in our services. Four areas for development were identified. An action plan has been drawn up to ensure appropriate changes are made. Additional funding has been identified to ensure a consistent approach to social work within the Children in Need Service in 2011/12 The results of the inspections and progress against the action plans were considered by Cabinet on 13th July 2011. An independent Chair has been appointed to the Enfield Safeguarding Children Board.
Building Schools for the Future (BSF) Enfield was approved as a 'Wave 6a' BSF Authority in June 2008. This was a national 10-15 year programme to lift educational attainment through the complete transformation of secondary schools. Five schools in the Borough were selected for inclusion in the first tranche of the BSF programme. Enfield's Outline Business Case was approved by Partnerships for Schools in May 2010.	On 6 July 2010, the Secretary of State for Education stopped all BSF projects that had not reached Financial Close. As a result Enfield's BSF programme ended in line with Government policy. There remain three Enfield Academies in this process. However, the other two schools, Edmonton County and Broomfield are no longer in the programme. Funding for Oasis Academy Hadley was released at the end of 2010, enabling the project for a new all through academy to resume. The Academy is planned to open late in 2012. Funding for Nightingale and Aylward academies has recently been approved. Procurement of these will be by the Academies Enterprise Trust, the sponsor, in conjunction with Partnerships for Schools

Governance and control development area	Progress made in 2010/11
Information Security The Council takes very seriously the trust placed in it by the public and our partners. The need to protect information from loss or unauthorised access is therefore a key consideration in all our activities. When this is seen in the context of the potential threats to data security – from malicious software to the risks associated with working away from traditional office locations, it is essential that the Council has a full range of measures in place to protect its information. The following provides a summary of what is already in place: • The Council has a Data Security Officer whose primary role is to ensure the safety and confidentiality of all Council data • We have implemented a training programme to deliver annual on-line information security training which all members of staff must undertake and which is monitored to ensure full take up – this has been in place for over a year • We are compliant with the Government's GCSx (Government Connect Secure Extranet) code of connection which ensures that all our network protection and processes (and those of our contractors) meet the security standards required by central government • We have provided hard disc encrypted laptops to all home/mobile workers and Members to ensure that, in the event of loss or theft, no data can be accessed by any unauthorised person • We have locked down non-business justified USB ports on PCs and laptops to reduce the chance of data theft or loss through USB keys • We have a PDA network that allows the remote wiping of data from any Council issued PDA which is reported lost or stolen • We have strengthened and updated our staff code of conduct to ensure staff understand their responsibilities with regard to data security and that negligence in this area could lead to disciplinary action • We have a full range of security polices and procedures which include the recording of all security related incidents with actions and outcomes • We have an Information Governance Board whose role is to oversee all aspects of information security and quality	The Council continues to maintain a strong IT control environment and takes information security very Seriously. The arrangements set out in the 2009/10 Annual Governance Statement continue to operate. In addition the Council has undergone significant developments in relation to its IT management: 1. An extensive re-tendering exercise for IT services – the contract was retained by SERCO. 2. A LEANER review, incorporating all IT services functions – this has resulted in a restructure of all IT services designed to provide a single ICT strategy for the Council. The Council is also Payment Card Industry Data Security Standards compliant. (PCI-DSS).

Governance and control development area	Progress made in 2010/11
Information Security Cont…. We expect GCSx to issue increasingly strict requirements, for example, we expect that the use of personally owned laptops and PCs for Council business will become restricted in the future. We will continue to work with GCSx-accredited consultants to ensure we maintain our levels of security compliance in a cost effective way that minimises disruption to services	

2010/11 Governance and control development areas

9.3 The 2010/11 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	Action(s) to be taken	Ownership/ Timeframe
IT and Financial Processes		
Reviews by both Internal and External Audit undertaken during 2010/11 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.	Good progress has been made in addressing the recommendations raised by Internal and External Audit. This includes the completion of an initial review systems access and the removal of high levels of systems access where it is no longer required. The recommendations are being followed up by Internal Audit during September and October 2011 to ensure that they have been implemented and that the identified risks have been addressed,	Head of Internal Audit and Risk Management Follow up of the Internal and External Audit recommendations by 31st October 2011.
Some of the areas identified for improvement included: • The need for a regular review of system user profiles and access levels • That appropriate 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 controls are in place to mitigate these.	A SAP Project has been started. This includes various work streams, for example, enhancing system security, improving budget monitoring information and improving wider management information. A formal project board has been set up and the various work streams will be progressed during 2011/12. A professional services firm, PwC, has been commissioned to undertake a proactive exercise to interrogate the Council's financial data to identify any potential fraud risks. This is being used to both ensure that any incidents of significant fraud are identified and also to identify that any potential fraud risks in the financial systems are appropriately mitigated by the controls in place. Any recommendations for improvement will be taken forward as part of the SAP Project above. The structure of the Finance function was changed during 2010/11, with system administration roles moving to Corporate IT and key roles in the vendor management and accounts	Interim Assistant Director Customer Services, Information and Transformation SAP Project work streams to be completed in accordance with the agreed project plans. Director of Finance Resources and Customer Services Take forward any recommendations arising from the PwC work, including any further structural changes required, in accordance with the agreed timescales.

Governance and control development area	Action(s) to be taken	Ownership/ Timeframe
• That appropriate segregation of duties between processing (operational) roles and system administration roles is in place. The above are key areas of focus for 2011/12 and are required to enable to Council to respond 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.	payable process being split between the Corporate Procurement and Exchequer functions. This has resulted in an improved segregation of duties between individuals who are able to process transactions and those who have high levels of system access and are able to amend vendor details or system user access levels. The various work streams above and the work of Internal Audit will also have a focus on segregation of duties and the wider control environment in place in these areas making recommendations to further strengthen the control arrangements in place across key system and financial processes.	

9.4 There has been several internal audit reviews completed during 2010/11 that have identified areas that require improvement to address potential areas of risk. Management have responded positively to these audit findings and agreed action plans for each of these reviews.

9.5 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.

Leader of the Council

Chief Executive

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

Opinion on the Council statement of accounts

We have audited the Council statement of accounts of London Borough of Enfield for the year ended 31 March 2011 under the Audit Commission Act 1998. The Council statement of accounts comprise the Council Movement in Reserves Statement, the Council Comprehensive Income and Expenditure Statement, the Council Balance Sheet, the Council Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Balance and Collection Fund 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 2010/11 (based on International Financial Reporting Standards).

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 Council and the Council's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the 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 Council 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. Our responsibility is to audit and express an opinion on the statement of accounts 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 statement of accounts

An audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the statement of accounts. We read all of the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited statement of accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on statement of accounts

In our opinion the statement of accounts:

- give a true and fair view of the state of London Borough of Enfield's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (based on International Financial Reporting Standards).

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the statement of accounts is prepared is consistent with the statement of accounts.

Matters on which we report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received; or
- the accounting statements are not in agreement with the accounting records and returns; or
- the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007; or
- we have not received all the information and explanations we require for our audit.

Opinion on the pension fund accounts

We have audited the pension fund accounts for the year ended 31 March 2011 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. These accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 the law, we do not accept or assume responsibility to anyone other than the Council and the Council’s Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the 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's Responsibilities, the Director of Finance, Resources and Customer Services is responsible for the preparation of the pension fund's accounts in accordance with proper practices as set out in the CIPFAILASAAC Code of Practice on Local Authority Accounting in the United Kingdom. Our responsibility is to audit the accounts 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 pension fund accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts 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 fund; and the overall presentation of the accounts. We read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund accounts

In our opinion the pension fund accounts:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund 's assets and liabilities as at 31 March 2011 , other than accounting for liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFAILASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the accounts is prepared is consistent with the accounts.

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

Council's responsibilities

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

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the 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 Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

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 2010, as to whether the Council 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 Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, 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 2011.

Delay in certification of completion of the audit

We are required to give an opinion on the accounts of the pension fund included in the Pension Fund Annual Report of London Borough of Enfield. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December 201 1. As the Council has not yet prepared the Annual Report we have not yet been able to read the other information to be published with those financial statements and we have not issued our report on those financial statements. Until we have done so, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Dossett

Paul Dossett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Grant Thornton House
Melton Street
London NW1 2EP

29 September 2011

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 prorating 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 is a non-ringfenced general grant paid directly to the Authority by Central Government. It has replaced a number of former separate service specific grant funding streams.

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 2011.
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.
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.