

EXPLANATORY FOREWORD

By Clive Medlam, Borough Treasurer

This foreword is an introduction to the council's accounts and their main points of interest. Regulations say I have to lay out the statement of accounts rather formally, but in these opening pages I may introduce the authority's finances in plainer terms.

1. Statements

These give a background as to who is responsible for the production of these accounts, what controls are in place and the general financial policies of the authority. They are:

- The Statement of Responsibilities;
- The Statement of Accounting Policies.
- The Statement on the System of Internal Control;

2. The accounts

The accounts for the year are on pages 12 to 50.

They are:

- The consolidated revenue account showing how much was spent providing services. It brings together income and expenditure for all the authority's day to day activities.
- The consolidated balance sheet. This is a snapshot picture as at 31st March 2005 of the borough's assets and liabilities;
- The statement of total movements in reserves showing the net fluctuations in the amounts the authority holds against future needs;
- The cashflow statement. This shows movement of money in and out;
- The housing revenue account (HRA) covering the authority's spending on housing. The Government requires this to be shown separately;
- The collection fund shows money from business rates and council tax that the council has to collect for itself, the Government and the Greater London Authority;
- Consolidated group accounts. These show the consolidated position for the council and its subsidiary company.
- Pension fund accounts. These set out the investment of the money belonging to council's employees and pensioners.

More explanations are attached to each of the above accounts.

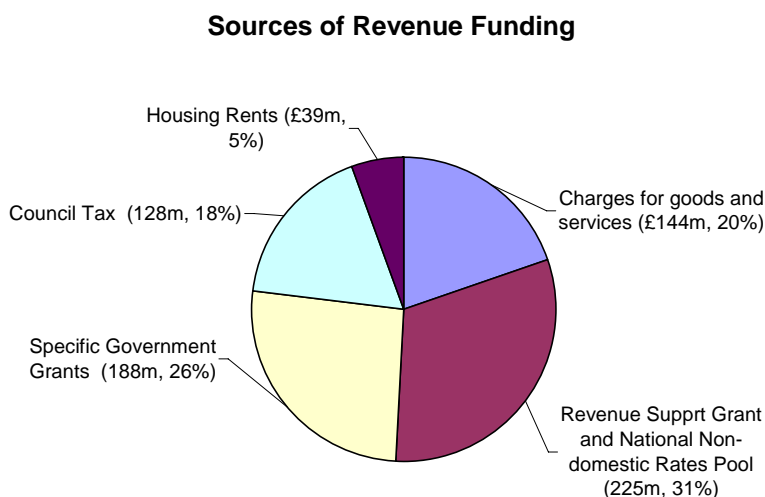
3. Changes

The council follows recommended accounting policies. Full explanations of any changes required for 2004/05 are in the statement of accounting policies and the various notes to the accounts. The major change in 2004/05 is the incorporation into the accounts of group accounting statements which show the consolidated position of the council and its subsidiary company, Barnet Homes. Barnet Homes are a separate limited company who manage the council's housing stock. For statutory purposes they produce their own statement of accounts but are regarded as a wholly

owned subsidiary of the council and, therefore, also have their accounts consolidated those of the authority to reflect the position for the 'council's group'. More detail is on pages 41 to 44.

4. Revenue

The detail of the council's spending is set out in the Consolidated Revenue Account which shows the majority of spending was on education (£261m), social services (£146m) and housing functions including benefits (£262m). Excluding internal recharges the council spent some £726m on revenue expenditure (i.e. the day to day running costs of services). The chart below shows how this was paid for:



A key aspect is that nearly 60% of expenditure is funded by government either through general or specific grants. Local funding of the Housing Revenue Account by housing rents and Council Tax funding of General Fund Services accounts for just under 25% of income in total.

Looking at the financial position of the council in 2004/05, the table below shows the comparison between the original budget and the actual expenditure of the General Fund in 2004/05:-

2004/05	Original Council Spending Plan	Actual Net Spend	Difference (Actual-Original)
	£'000	£'000	£'000
Individual School's Budget	151,813	154,371	2,558
Other Council Services & Levies	206,673	201,169	(5,504)
Contribution to Balances	3,000	3,000	0
Contribution from Reserves	(6,591)	(4,930)	1,661
Amount to be met by Government Grant and Council Tax	354,895	353,610	(1,285)
Revenue Support Grant	(135,070)	(135,070)	0
Non-domestic Rates	(89,499)	(89,499)	0
Collection Fund Transfer	947	947	0
Council Tax	(131,273)	(131,273)	0
Contribution to Balances	0	(1,285)	(1,285)

The council in total spent £1.285m less than it originally intended. Of this, schools overspent by £2.558m. This has been met by funds carried forward by the schools in prior years. Other council services under spent by a net figure of £5.504m.

The Consolidated Revenue Account is set out on pages 12 to 18.

5. Balances

When the 2004/05 budget was approved by the council in March 2004, the estimated 1 April 2005 General Fund balance was £4.2m (excluding schools). The council also had estimated specific earmarked reserves of £0.7m as at 1 April 2004. The final position shows a General Fund balance of £5.005m and specific reserves of £1.036m. Whilst this is a significant improvement of the position at the end of 2003/04, the level of balances remains a key consideration when setting the annual budget and the 2005/06 budget was set at a level to continue to restore working balances to a reasonable level over the coming years.

6. Capital

Expenditure incurred on the construction, acquisition or improvement of an asset that has a beneficial life of more than one year is capital expenditure. Revenue expenditure includes day-to-day expenditure such as salaries and wages, heat, light, etc.

The total amount spent on Barnet's capital assets in 2004/05 was £61.275m and compares to a final revised budget of £65.5m. The total expenditure includes amounts funded by schools from revenue contributions and TfL revenue grant allocations. The difference between budget and outturn is mainly due to slippage on various non-housing projects. Of the total expenditure incurred, £20.7m was spent on improvements to council dwellings and assistance to Housing Associations. Approximately £13.4m was spent on education infrastructure to improve and repair existing school facilities and £1.5m on library and community facilities. Capital of £12.9m was invested in road maintenance, lighting and environmental projects. In addition, £9.5m was spent on modernising the council's technology and staffing structures including a new computer system and further relocation of staff to the offices at North London Business Park.

7. Capital Financing

The Prudential Code, a new system governing local authority capital expenditure was introduced on 1st April 2004. Local authorities are now free to borrow to finance capital schemes without prior agreement from Central Government. Before undertaking such borrowing, the council is required to ensure that all external borrowing is within prudent and sustainable levels, that capital expenditure plans are affordable and that treasury management decisions are taken in accordance with professional good practice.

The council has borrowing facilities with the Public Works Loan Board and the council's bankers. In 2004/05 the council funded its capital expenditure by use of borrowing (33%), capital receipts (24%), grants (22%) and Housing Major Repairs Allowance (MRA) and other revenue sources (21%). The largest source of capital finance in 2004/05 was borrowing, 53.5% of which is supported by Central Government. The authority has raised income by selling assets. The sale of assets together with various other sources of income such as planning gains and partnerships with the private sector will always play an important role in supporting the council's future capital expenditure plans.

8. The Euro

The position regarding the possible replacement of sterling by the euro continues to be monitored and the council is ready to take prompt action should the need arise. As yet, no assessment, and thus no provision, has been made in the accounts for any cost implications associated with the possible change.

9. Further information

Requests for further information about these accounts may be made to:

The Borough Treasurer,
Building 4,
North London Business Park,
Oakleigh Road South,
London N11 1NP

**Clive Medlam, BSc.,CPFA,
Borough Treasurer**

STATEMENT OF ACCOUNTING POLICIES

1. General

This Statement of Accounts has been prepared according to the Accounts and Audit Regulations 2003 under section 27 of the Audit Commission Act 1998. The general principles adopted in compiling the accounts are those recommended by the Code of Practice on Local Authority Accounting in Great Britain and the Statement of Recommended Practice (SORP) that are issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). These meet all requirements of proper accounting practice for local authorities.

2. Best Value Accounting Code of Practice (BVACOP)

The service expenditure analysis within the Consolidated Revenue Account follows the CIPFA Best Value Accounting Code of Practice.

3. Group Accounts

The Council is required to prepare group accounts statements for those companies in which it has a controlling interest. For 2004/05, these statements have been prepared using the transitional arrangements offered under the SORP.

4. Accruals of Income and Expenditure

The accounts of the council are prepared on an accruals basis in accordance with the Code of Accounting Practice. This means that sums due to and from the council during the year are included in the accounts whether or not the cash has actually been paid or received in the year. This approach includes customer and client receipts, employee costs, interest and supplies and services.

5. Contingent Assets and Liabilities

Contingent assets and liabilities are not recognised in the accounting statements but are disclosed as a note to the balance sheet if applicable.

6. Fixed Assets

a) Recognition

All expenditure where the authority will benefit for more than one year, buying or improving fixed assets is capitalised in the accounts and accrued. By definition this excludes routine repairs and maintenance which are charged directly to service revenue accounts.

b) Measurement

Valuation of land and buildings accords with the statements of asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors (RICS), as recommended by CIPFA (see note 7 to the Consolidated Balance Sheet).

The current asset values are based on certificates issued by the Council's Valuation Officer.

All assets are valued on a rolling programme over five years, with the exception of housing stock which is re-valued annually.

c) Depreciation

Fixed assets are depreciated, using the straight-line method with no residual value, over their useful life. The useful life of each of the authority's buildings is determined by the Chief Valuer while vehicles, plant and equipment vary between 5 and 10 years as appropriate. Exceptions to these are land and investment properties, in accordance with current regulations these are not depreciated.

d) Impairment

Our Chief Valuer reviews our assets annually for impairment. Impairment is provided for assets where there is a material reduction in value at the year end. It is accounted for in the year in which it arises. There was no material impairment in 2004/05.

7. Charges to revenue in respect of capital

Service revenue accounts, including the Housing Revenue Account (HRA) are charged with a capital charge for all capital assets used in the provision of services. These comprise an annual depreciation amount and capital financing charge determined by applying a notional interest rate specified by the CIPFA/LASAAC Joint Committee each year for all local authorities. For 2004/05 these rates were 3.5% for assets carried at current value and 4.8% for assets carried at historic cost. Services are also charged with impairment loss in respect of economic consumption should this arise.

Capital charges to the HRA are calculated in a manner determined by the Secretary of State.

Capital charges have a neutral impact on the amounts to be raised from local taxation (Council Tax), as they are reversed in the Asset Management Revenue Account (AMRA) and replaced by external interest payable and the statutory minimum revenue provision for debt repayment (see note 3 to the Consolidated Revenue Account).

8. Intangible Assets

Intangible assets are created when the council incurs capital expenditure without a tangible fixed asset being created, such as the payment of capital grants and spending on computer software. Intangible assets are written off to revenue either in the year they arise, where there is no long term benefit or over a specified period as in the case of North London Business Park which will be written off to revenue over the life of the lease (see note 3 to the Consolidated Balance Sheet).

9. Capital Receipts

A capital receipt is income received on the disposal of a fixed asset. It is held in the capital receipts unapplied account until either used to fund capital spend or repay debt. Legislation requires a percentage of housing capital receipts to be transferred to a central pool for redistribution by the government (see note 7 to the Housing Revenue Account).

10. Government Grants and Contributions

Where a Government capital grant or other contribution pays for a fixed asset either wholly or in part, it is credited to the government grant deferred account once applied. Amounts are amortised to the asset management revenue account over the useful life of the asset, matching depreciation. The authority accrues government capital grants and other contributions. Where there is reasonable assurance the grants will be received, the accounting statements include them.

11. Leasing

The Council has no finance leases. Operating lease rentals are charged to revenue over the life of the agreement (see note 12 to the Consolidated Revenue Account).

12. Redemption of debt

Statute requires revenue accounts to be charged with a minimum provision of 4% for general fund. The charges are credited to the Capital Financing Account.

13. Reserves and provisions

The authority holds two types of balances, reserves and provisions. Money prudently held as a general sum against future needs is classed as a reserve and transfers to it do not count as service expenditure. Money held in reserve is transferred back to revenue to meet needs as they arise. The net effect of revenue sums set aside appears as an adjustment in the Consolidated Revenue Account. The movements are shown in note 6 to the Statement of Total Movement in Reserves. Where a loss or liability already incurred is recognised but size and timing of payment are uncertain, a provision is raised which is recognised as service revenue expenditure. The provision for bad debts and other provisions are shown in notes 9 and 10 to the Consolidated Balance Sheet.

There are certain other accounts required by the SORP which are shown in the balance sheet. The Fixed Asset Restatement Account represents the balance of the surpluses and deficits arising from the periodic revaluation of fixed assets. The Capital Financing Account represents amounts set aside from revenue or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions. They are not the same as the reserves defined above, but are technical accounting adjustments. The status and

name of these accounts has caused general confusion. Details of these accounts are shown in the Statement of Total Movement in Reserves.

a) **Insurance Provision**

Apart from bad debts, the most significant provision is for insurance, as set out in note 10 to the Consolidated Balance Sheet, which stands at £5.4m at the end of 2004/05. Internal insurance premiums charged to services are credited to insurance and in most years this sum, together with commission earned, more than covers the claims paid out. The accumulated funds therefore would meet any individual year's shortfall. The history of claims payments indicates that each year the internal fund covers between £1m and £1.9m in claims payments. Based on the payment history, the council feels that the provision is adequate to cover any year's immediate claims requirement.

However, it is recognised that the provision needs to be enhanced to demonstrate full coverage of potential liability. The Council has recently completed a comprehensive review of the Insurance Service and the provisions required and this has been reflected in a recent actuarial valuation of the outstanding liability being £7.2m. The forward plan (long-term budget) includes a commitment to contribute additional sums to the Insurance provision to reach the required level by 2006/07.

The proposals to increase the level of provision are:

	Actual/Budgeted Additional Contribution £m	Insurance Provision £m
31st March 2004		1.8
31st March 2005	3.6	5.4
31st March 2006	1.0	6.4
31st March 2007	1.5	7.9

14. Estimations

The only significant estimations in the accounts is in respect of certain community care services where revenue accruals have been made based on invoices assumed to relate to the year of account but not received until after the end of the financial year and car park debtors which is based on the number of tickets issued that remain unpaid.

15. Investments

Investments are shown on the balance sheet at cost.

16. Pension Costs

Under Financial Reporting Standard 17 (FRS 17) the Council is required to account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. This was adopted for the first time in 2003/04. For 2004/05, in line with the requirements of the SORP, the council has moved from the Government Actuaries Department (GAD) rate to the AA Corporate Bond rate to calculate its future liabilities.

a) **Pension Reserve**

The Pension Reserve is the financial accounting mechanism to ensure that FRS17 has no impact on council tax.

The cost of providing pensions for employees is funded in accordance with the statutory requirements governing each scheme.

Where the payments made for the year do not match the change in the authority's recognised asset or liability for the same period, the recognised cost of pensions will not match the amount required to be raised in taxation. This difference is removed by an appropriation to or from the pension's reserve, which equals the net change in the pension's liability recognised in the Consolidated Revenue Account.

b) Classification of Schemes

The council participates in two different pension schemes, one for teachers, an unfunded scheme administered by the Department for Education and Skills (DfES) and the Local Government Pension Scheme for our other staff. The schemes provide members with a defined benefit pension related to pay and service. The teachers' scheme is, as said, unfunded, but the other is a funded scheme.

For the purposes of FRS17 pension schemes are classified into two categories, Defined Benefit or Defined Contribution. The Barnet scheme is classified as Defined Benefit. The teachers' schemes of the DfES, although a Defined Benefit scheme, is treated as Defined Contribution scheme because it does not allow the allocation of its liabilities and assets consistently and reliably to participant authorities

c) Defined Benefit Schemes

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

d) Defined Contribution Schemes

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

e) Accounting for Retiring Benefits (FRS17) within the Housing Revenue Account (HRA)

For 2003/04, the HRA has been treated in the same way as all other service departments for FRS17 purposes. The consequent change in HRA service costs has also been matched by an appropriation to the pension liability which means that its net outturn is not affected by these adjustments. For 2004/05, due to the change in service delivery following the creation of Barnet Homes, there is no FRS 17 charge to the HRA (see notes 11 and 12 to the HRA).

f) Cash

As at 31st March 2005 the London Borough of Barnet pension fund had £32m cash in hand which was managed with the council's cash as part of the council's temporary investment strategy.

g) Pensions

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

17. Stocks and work in progress

Stocks and stores are in the accounts at the lower of latest price paid or net realisable value, according to a period stock list.

Work in progress on uncompleted jobs is valued at cost, including overhead allocations.

18. Support service allocations

Support service costs are charged to users based on time allocation and assessed usage.

19. Exceptional Items, Extraordinary Items and Prior Period Adjustments

Where applicable and relevant exceptional items and extraordinary items are disclosed in the Consolidated Revenue Account with full supporting notes.

The majority of prior period adjustments arise from corrections and adjustments and are accounted for in the year they are identified. Material adjustments applicable to prior years arising from changes in accounting policy or correction of fundamental errors are accounted for by restating comparative figures for the preceding year in the statement of account and notes and

adjusting the opening balance of reserves for the cumulative effect. More details and fuller explanations are given in the individual relevant financial statements.

20. Post Balance Sheet Events

Where a post balance sheet event occurs which:

- Provides additional evidence relating to conditions existing at the balance sheet date, or
- Indicates that application of the going concern concept to a material part of the authority is not appropriate;

Changes will be made in the amounts to be included in the Statement of Accounts.

The occurrence of a material post balance sheet event which impacts on the council but did not exist at the balance sheet date are disclosed.

Details of any material post balance sheet events are disclosed in the notes to the balance sheet.

**Clive Medlam BSc., CPFA,
Borough Treasurer**

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's responsibilities

The authority is required:

- To arrange for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the management of those affairs. In this authority, that officer is the Borough Treasurer;
- To secure economic, efficient and effective use of its resources and to safeguard its assets;
- To ensure the accounts are prepared in compliance with all current legislation and regulation and to approve the statement of accounts.

The Borough Treasurer's responsibilities

The Borough Treasurer is responsible for the preparation of the authority's statement of accounts in compliance with all current legislation and regulation. The statement of accounts has, under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (legally recognised as a code of proper accounting practice), to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year to 31st March 2005.

In preparing this statement of accounts, the Borough Treasurer has:

- Selected appropriate accounting policies and applied them consistently;
- Made reasonable and prudent judgements and estimates;
- Complied with the Code of Practice.

The Borough Treasurer has also:

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

The Statement of the Borough Treasurer

The required financial statements appear on pages 12 to 50 and have been prepared in accordance with the accounting policies set out on pages 5 to 9.

**Clive Medlam BSc., CPFA,
Borough Treasurer**

Statement of the Chairman of the General Functions Committee.

I confirm these accounts were approved by the General Functions Committee on behalf of the London Borough of Barnet at the meeting held on 28 July 2005.

**Cllr Joan Scannell
Chairman of General Functions Committee**

Independent Auditors' Report to London Borough of Barnet

We have audited the statement of accounts on pages 12 to 44 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 5 to 9 and the Pension Fund accounts, on page 45, which have been prepared in accordance with the accounting policies applicable to pension funds set out on pages 46 to 47.

This report is made solely to London Borough of Barnet in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Chief Financial Officer and Auditors

As described on page 10 the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance. We report to you our opinion as to whether the statement of accounts present fairly:

- the financial position of the Council and its income and expenditure for the year,
- the financial transactions of its Pension Fund during the year and the amount and disposition of the Fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

We review whether the statement on internal control on page 55 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the statement of accounts. We are not required to consider whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also includes an assessment of the significant estimates and judgments made by the council in the preparation of the statement of accounts, and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the statement of accounts.

Opinion

In our opinion the statement of accounts present fairly the financial position of London Borough of Barnet as at 31 March 2005 and its income and expenditure for the year then ended.

Opinion on the pension fund accounts

In our opinion the statement of accounts present fairly the financial transactions of London Borough of Barnet Pension Fund during the year ended 31 March 2005, and the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Certificate

We have carried out 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. The audit cannot be formally concluded and an audit certificate issued until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that these matters do not have a material effect on the financial statements.

Signature: Date:

RSM Robson Rhodes LLP, Bryanston Court, Selden Hill, Hemel Hempstead HERTS. HP2 4TN

CONSOLIDATED REVENUE ACCOUNT

This shows expenditure on and income from the council's day-to-day activities. It gives the cost of the main services provided by the council.

	Note	2004/05			2003/04
		Expenditure £'000	Income £'000	Net Expenditure £'000	Net Expenditure (* restated) £'000
On its services the Council spent:-					
Central services to the public		10,261	(7,934)	2,327	9,128
Cultural, environmental & planning services		73,679	(22,342)	51,337	44,660
Education services		261,808	(78,016)	183,792	175,006
Highways, roads & transport services		33,956	(15,298)	18,658	17,602
Housing services		229,079	(190,046)	39,033	50,361
Social services		145,757	(43,964)	101,793	95,336
Corporate & democratic core		5,653	(1,211)	4,442	6,293
Non distributed costs		46,927	(30,082)	16,845	7,354
NET COST OF SERVICES		807,120	(388,893)	418,227	405,740
Levies	2			1,896	3,682
Trading undertakings				897	(148)
Asset management revenue account	3			(49,948)	(53,931)
Contribution of housing capital receipts to Government Pool				3,218	0
Premium on Debt Redemption				0	7,841
Interest receivable				(1,488)	(2,057)
Pension interest cost & expected return on Pension Assets	10			8,200	8,870
NET OPERATING EXPENDITURE				381,002	369,997
HRA contribution to/(from) balances				(1,222)	295
Contribution from earmarked reserves				(109)	(2,687)
Transfer from Usable Capital Receipts equal to the contribuion to Pooled Capital Receipts				(3,218)	0
Redistribution of LRB balances				(6)	(148)
Contribution (from) / to capital financing account for					
- net contribution to revenue / repayment premium				0	(3,782)
- Deferred Grant				1,820	2,086
- adjustment for MRP	4			(8,948)	(11,369)
- Early retirements				(2,490)	(1,386)
HRA Major Repairs Reserve				(4,109)	(3,772)
Minimum revenue provision HRA				0	315
Contribution from the pension reserve	10			(9,110)	(10,560)
AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXES				353,610	338,989
Revenue support grant				(135,070)	(123,489)
Contribution from non-domestic rate pool				(89,499)	(92,301)
Demand on collection fund				(131,273)	(122,498)
Transfer of collection fund deficit				947	0
(SURPLUS)/DEFICIT FOR THE YEAR				(1,285)	701

The AMRA for 2003/04 has been re-stated to include deferred charges which were previously shown as a separate item.

GENERAL FUND BALANCES

	2004/05	2003/04
	£'000	£'000
Balance at beginning of year	11,750	12,451
Planned contribution to balances	3,000	0
Surplus / (Deficit) for the year	1,285	(701)
	16,035	11,750
of which:-		
General Fund	5,005	931
School Balances	11,030	10,819
	16,035	11,750

CONSOLIDATED REVENUE ACCOUNT NOTES

1. Building Control

Local authorities are required to prepare a Building Control Statement under the Building (Local Authority Charges) Regulations 1998. The results of trading were:-

	2004/05 £'000	2003/04 £'000
Employee Expenses	742	725
Transport	31	32
Supplies & Services	412	271
Central & Support Services	95	250
Total Expenditure	1,280	1,278
Building Regulation Charges	(1,316)	(1,222)
Total Income	(1,316)	(1,222)
Deficit / (Surplus) on activities for year	(36)	56

These figures form part of the Consolidated Revenue Accounts.

2. Analysis of Levies

The authority helps defray the costs of other organisations. It does this either as a statutory duty or voluntarily, where it benefits the council. Some contributions are made to London wide organisations.

	2004/05 £'000	2003/04 £'000
Miscellaneous levies:-		
Magistrates' service	712	625
Coroners' service	222	204
Environment Agency (land drainage)	232	2,059
Lee Valley Regional Park Authority	375	361
London Pensions Fund Authority	355	433
	1,896	3,682
Levies and contributions included in service net expenditure:-		
London boroughs' grant scheme	1,151	1,210
Concessionary fares scheme	8,669	7,995
North London Waste Authority	8,984	8,463
	18,804	17,668
	20,700	21,350

3. Asset management revenue account

This account brings together depreciation (see note 5 below) and interest charged to the authority with asset rentals/capital charges to service accounts. The account and its transactions are needed for services to show their true operating costs, including their use of assets. As the overall surplus is netted off to the general fund there is no effect upon council tax.

	2004/05 £'000	2003/04 £'000
Income		
General Fund	(21,902)	(26,884)
Amortisation of intangible fixed assets	(7,935)	(11,181)
Housing revenue account	(28,666)	(28,381)
Housing revenue account depreciation	(12,447)	(12,614)
	<u>(70,950)</u>	<u>(79,060)</u>
Deferred government grants	(1,820)	(2,085)
	<u>(72,770)</u>	<u>(81,145)</u>
Expenditure		
External interest	448	2,604
Housing revenue account depreciation provision	12,447	12,614
Provision for depreciation	9,927	11,996
Surplus transferred to the consolidated revenue account	<u>(49,948)</u>	<u>(53,931)</u>

There was no impairment identified by the Chief Valuer in 2004/05.

4. Minimum revenue provision

The Government requires the authority to set money aside each year for the repayment of loans originally taken out to finance capital expenditure. This is called the minimum revenue provision (MRP). Under capital accounting arrangements, the council's services are charged depreciation to reflect the benefit received in the year from the use of capital assets. The depreciation charge is treated as the council's revenue provision and any variation from the statutory minimum is transferred between the capital financing account and the consolidated revenue account. Barnet council's practice is to not exceed the minimum required.

The figures were:-

	2004/05 £'000	2003/04 £'000
General Fund Minimum revenue provision	1,448	627
Less – depreciation charges	<u>(10,396)</u>	<u>(11,996)</u>
Balance transferred from capital financing account	<u>(8,948)</u>	<u>(11,369)</u>

5. Asset Rentals

Service revenue accounts are charged asset rentals for fixed assets used in service delivery. Capital financing costs are shown separately and are not reflected in the cost of services.

6. Local Government Act 1972 – Section 137

Almost all the provisions of this section of the Local Government Act 1972 have been superseded through the granting of general enabling powers to local authorities in the Local Government Act 2000. (Chapter 22 part1). Barnet has reviewed its activities in the light of this and concluded that no expenditure was incurred under any residual Section 137 powers for the past year.

7. Agency Work

The borough contains sections of several major highways, including the M1 motorway and the North Circular Road, which are the responsibility of the Department of Transport, Local Government and the Regions. The council undertook no work on the Highways Agency's behalf during the year (£25,000 in 2003/04).

8. Expenditure on publicity

Section 5 of the Local Government Act 1986 requires a separate account of expenditure on publicity. These figures include expenditure on Action Points.

	2004/05	2003/04*
	£'000	£'000
Information service – staff	318	325
Information service – other costs	338	487
Staff recruitment and advertising	690	603
	<u>1,346</u>	<u>1,415</u>

*2003/04 figures have been re-stated to exclude costs re 'First Contact' reception service.

9. Local Government Goods and Services Act 1970

This Act empowers the council to provide goods and services to others. Income from providing printing and training services to others in 2004/05 produced £214,000 (£85,000 in 2003/04).

10. Pension costs

The authority currently has its own local government pension scheme. Barnet no longer has any employees contributing to the London Pensions Fund Authority and therefore references to that scheme appearing in previous year's accounts no longer apply.

The costs of contributing to pensions earned by employees in the year of account are recognised in the net cost of services. The net cost of pension interest and expected return on assets also count against net operating expenditure. These are notional costs calculated by the council's actuary in line with accounting regulations to show the authority's true liability for the year. To ensure net figure left in the account is the actual amount paid to the pension fund, an adjustment to the pension reserve is made to reverse out the difference:

	Barnet's Pension Scheme	
	2004/5	2003/4
	£000	£000
Net Cost of Services		
Current Service Cost	13,960	11,310
Curtailment & Settlements	3,480	4,660
Past Service cost	420	190
Net Operating Expenditue		
Interest Cost	27,110	24,860
Expected Return on Assets in the Scheme	(18,910)	(15,990)
Amounts to be met from Government Grants and Local Taxation		
Movement on Pensions Reserve	(9,110)	(10,560)
Amount charged for pensions in the year	<u>16,950</u>	<u>14,470</u>

The change in the rate used to calculate the future liabilities (see note 16 of the Statement of Accounting Policies) could be interpreted to require a recalculation of the future liabilities at the start of the financial year. In calculating the liabilities for the Council, our actuaries have treated the effect of this rate change as an in year adjustment contained within the interest costs and expected return on assets. If the future liabilities at the start of the year were recalculated then these in year movements would be affected in the statement above. However, there would be no impact on the closing position as this has been calculated using the AA Corporate Bond rate in line with requirements and therefore the Council has taken the

view that the opening position does not need to be restated as it will have no impact on the accounts for the year.

Note 16 to the Consolidated Balance Sheet contains the assumptions made in estimating the figures included in this note. Note 5 to the Statement of Total Movements in Reserves details the costs that have arisen through the year.

11. Senior staff remuneration

The number of staff who received taxable remuneration in excess of £50,000 for the year was:

	2004/05	2003/04
£50,000 to £59,999	89	63
£60,000 to £69,999	23	12
£70,000 to £79,999	8	10
£80,000 to £89,999	10	7
£90,000 to £99,999	4	0
£100,000 to £109,999	1	2
£110,000 to £119,999	4	4
£120,000 to £129,999	1	0
£130,000 to £139,999	0	0
£140,000 to £149,999	0	1
£150,000 to £159,999	1	0
Total	141	99

12. Leasing

The council does not own all of the vehicles, computers and other equipment it uses and the authority acquires these items using operating leases. The majority of these agreements are with Serco Fleet Services Limited for the provision of vehicles.

Rental payments under all the agreements outstanding amounted to £2.9m (£2.8m in 2003/04). The total value of those agreements still existing at 31st March 2005 was £21.2m. The authority is committed to making payments of £8.6m in 2005/06 in respect of operating leases. The total outstanding lease commitments over the next three years are:-

Years	Lease Payments £'000
2005/06	8,623
2006/07	5,929
2007/08	3,745

13. Members Allowances

The total amount of members' allowances payable in 2004/05 was £909,235 (£894,961 in 2003/04).

14. Related Party Transactions

This disclosure has been produced using specific declarations obtained from Members and Chief Officers and other information held in council registers. The disclosure is based upon the council's interpretation and understanding of financial reporting standard number 8 (FRS8) and its applicability to the public sector using current advice and guidance.

Some charitable bodies with which members are involved have made small investments with the council. These are not significant to the council but may be so for individuals. As at 31 March 2005, the total sum of these loans is £126,291 including £79,491 in respect of the Mayor's Benevolent Fund and £5,000 in respect of a school fund.

A number of members have also been appointed by the council to serve as trustees or representatives to various local organisations that receive grant funding from the council. These commitments are recorded in the register of Members' interests.

References within the Consolidated Revenue Account and Cash Flow statements detail transactions between the Government (grants), Pension Fund (contributions) and the council,

15. Pooled Budgets

Section 31 of the Health Act 1999 and the Local Authorities Partnership Arrangement Regulations 2000 provide for partnership arrangements between National Health Service (NHS) bodies, local authorities and other agencies to improve health services by pooling resources and integrating services to client groups. The council and Barnet Primary Care Trust (BPCT) Health and Social Care Partnership operate various partnership boards, however budgets are not pooled but are managed by jointly appointed officers, each partner remaining responsible for their respective costs. The only exception is the pooled budget for community equipment.

The actual expenditure on the pooled budget for community equipment was –

	2004/05			2003/04		
	Total £'000	LBB £'000	Barnet PCT ⁽¹⁾ £'000	Total £'000	LBB £'000	Barnet PCT ⁽¹⁾ £'000
Purchasing of equipment	880	618	262	1,165	909	256
Contract Management	458	302	156	314	197	117
Stock adjustment ⁽²⁾	99	99	0	(318)	(318)	0
	1,437	1,019	418	1,161	788	373
Contributions	(1,277)	(859)	(418)	(944)	(571)	(373)
	160	160	0	217	217	0

⁽¹⁾ in the Council's revenue accounts

⁽²⁾ stock adjustment reflects re-valued stock. The Council's accounts only shows its share of the stock and is included in the figures shown note 8 of the consolidated balance sheet.

16. Audit Fees

The costs to the authority for external audit and inspection fees are:-

	2004/05 £'000	2003/04 £'000
Fees payable to RSM Robson Rhodes LLP, who are auditors of the council appointed by the Audit Commission, with regard to external audit services carried out	370	356
Fees payable to the Audit Commission, in respect of statutory inspection	91	106
Fees payable to RSM Robson Rhodes LLP, who are auditors of the council appointed by the Audit Commission, for the certification of grant claims and returns	211	190

17. Public Finance Initiative (PFI)

Following the submission of the Outline Business Case, the Council has obtained government approval to procure jointly with Enfield a PFI street lighting contract worth (for Barnet) £139m, over 25 years, targeted to start in March 2006. This will involve 6,000 items of street furniture and increasing the number of public lighting columns to around 30,000.

CONSOLIDATED BALANCE SHEET

This statement summarises the council's assets and liabilities as at 31st March 2005.

	Notes	31st March 2005		31st March 2004	
		£'000	£'000	£'000	£'000
Fixed assets					
Operational assets					
Council dwellings		791,192		787,001	
Other land and buildings		379,590		411,226	
Community Assets		274		2,094	
Vehicles, plant, furniture and equipment		8,517		5,066	
Infrastructure assets		46,094	1,225,667	37,629	1,243,016
Non-operational assets					
Investment Properties		17,317		3,674	
Surplus Assets Awaiting Disposal		2,462		0	
Assets Under Construction		2,731	22,510	0	3,674
	1		1,248,177		1,246,690
Intangible Assets	3		16,016		10,752
Long term debtors	4		11,086		11,590
Long term investments			11		11
Total long term assets			1,275,290		1,269,043
Current assets					
Stocks and works in progress	8	1,222		1,438	
Temporary investments		39,395		36,100	
Debtors	9	52,934		48,420	
Payments in advance		1,951		2,168	
Imprest accounts and school balances		10,273		10,133	
		<u>105,775</u>		<u>98,259</u>	
Current liabilities					
Creditors	9	(81,655)		(78,752)	
Borrowing repayable within 12 months		(130)		(27,209)	
Bank overdraft		(13,086)		(10,409)	
Provisions	10	(6,882)		(2,864)	
		<u>(101,753)</u>		<u>(119,234)</u>	
Net current assets/(liabilities)			4,022		(20,975)
Long-term liabilities					
Long term borrowing	11		(28,500)		0
Deferred capital receipts	17		(1,800)		(2,306)
Liability related to defined benefit pension scheme	16		(268,610)		(192,210)
Total assets less liabilities			980,402		1,053,552
Financed by					
Fixed asset restatement account	**		778,952		801,949
Capital financing account	**		370,543		370,547
Government grants - deferred	17		48,616		36,398
Usable capital receipts			28,782		17,501
Pension reserve	16		(268,610)		(192,210)
Major Repairs Reserve			235		1,317
Specific reserves	**		1,036		1,145
Balances – general fund	12		16,035		11,750
Balances – collection fund	14		(984)		(1,864)
Balances – housing revenue account			5,797		7,019
Total equity			980,402		1,053,552

** Further details of reserves are shown in the statement of total movement in reserves

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Movement of fixed assets 2004/05

	Council Dwellings	Other Land & Buildings	Vehicle & Plant etc	Infra-structure	Non-operational	Totals
	£'000	£'000	£'000	£'000	£'000	£'000
Gross value at 31st March 2004	787,001	478,631	12,790	51,625	3,674	1,333,721
Accumulated Depreciation b/f	0	(65,311)	(7,724)	(13,996)	0	(87,031)
Net brought forward	787,001	413,320	5,066	37,629	3,674	1,246,690
Revaluations & adjustments to Restatement Account	(588)	(74,250)	6	0	0	(74,832)
Reclassifications	0	(16,105)	0	0	16,105	0
2004/05 expenditure	19,072	10,517	4,819	10,198	2,731	47,337
Disposals	(14,293)	(4,787)	(4,790)	0	0	(23,870)
Depreciation write back & prior year adjustments #	11,978	58,458	4,790	0	0	75,226
Depreciation for year	(11,978)	(7,289)	(1,374)	(1,733)	0	(22,374)
Net book value at 31st March 2005	791,192	379,864	8,517	46,094	22,510	1,248,177
Accumulated Depreciation c/f	0	(14,142)	(4,308)	(15,729)	0	(34,179)

The Council has experienced a number of issues with regards to the valuations of Other Land & Buildings and Non-operational Assets. Consequently there are a number of systems weaknesses in the valuations process in relations to these categories which will need to be addressed during the 2005/06 financial year.

The impact of these weakness on the accounts is as follows:

- The revaluation adjustments figure of £74.250m is essentially a balancing figure which represents a number of net adjustments to the accounts;
- The overall Net Book Values of Other Land & Buildings and Non-operational Assets will be subject to further valuation reviews during 2005/06; and
- No significant adjustments in the level of depreciation in respect of these systems weaknesses have been identified.

To comply with the requirements of the SORP, for 2004/05 all Council owned land and buildings has been reviewed to ensure it is classified into the correct category of Other Land & Buildings, Community Assets, Investment Properties and Surplus Assets Awaiting Disposal. The net effect of this detailed review has been a reclassification of a number of properties from operational to non-operational assets.

During 2004/05, fifty-five items held by the Council as vehicles, plant and equipment with an historic cost of £4.8m were identified for either disposal or write off. All of these items had been fully depreciated and therefore this has not impacted on the net book value in the accounts of the authority.

The depreciation adjustments relates to entries that are needed to the depreciation account to make the net book value at 31st March 2005 agree to the valuation certificate and also to prior year depreciation on assets either written out of the accounts or disposed of in 2004/05.

2. Financing of capital expenditure

Below is the financing of the year's capital expenditure on fixed assets and deferred charges:

	£'000	£'000
Capital receipts	14,926	
MRA	9,483	
Contributions including Section 106 receipts	14,206	
Revenue contributions	2,561	
Borrowing	<u>20,099</u>	61,275
Less:- 2003/04 Expenditure financed in 2004/05		(1,024)
Plus:- 2004/05 Expenditure financed in 2005/06		<u>285</u>
		<u><u>60,536</u></u>

The money was spent on:

Barnet's fixed assets	47,337
Intangible assets (note 3)	<u>13,198</u>
	<u><u>60,535</u></u>

3. Intangible assets

Intangible assets (formerly deferred charges) cover expenditure that does not produce tangible fixed assets but generates benefit to the Council for greater than one year or is capitalised according to Government regulations.

	Balance at 1 April 2004	Expenditure in year	Written off to revenue in year	Balance at 31 March 2005
	£'000	£'000	£'000	£'000
Software	940	4,360	(99)	5,201
Patents	0	0	0	0
Licenses	0	0	0	0
Other	9,812	8,838	(7,835)	10,815
	<u>10,752</u>	<u>13,198</u>	<u>(7,934)</u>	<u>16,016</u>

Included within Other Intangible Assets are:

- The advanced rental payment for the North London Business Park site which is being written down over the life of the rental agreement
- The capitalised cost of the redundancy payments and pension enhancements for both teaching and non-teaching staff granted early retirements on the basis of identified efficiency savings in line with government guidelines which is being amortised over five years
- The capitalised debt redemption premium for the Housing Revenue Account which is being amortised over ten years

4. Long term debtors

This comprises loans to other organisations and to individuals. Principal debtors include Middlesex University (£6.26m), Magistrates and Probation services (£1.50m) and housing mortgages (£1.70m).

5. Assets Held

Below is a guide to the number of assets owned by the authority: -

Assets	31 st March 2005	31 st March 2004
Schools – nursery and primary *	57	61
Schools – secondary and special *	12	17
Schools – referral units	1	1
Youth service facilities	8	8
Other educational establishments	2	1
Libraries	16	17
Museums	2	2
Children's homes and hostels	2	2
Homes for elderly persons	0	1
Homes for people with learning disabilities	3	2
Adolescent Resource Centre	1	0
Children and family centres	5	6
Day centres for elderly persons	0	2
Day centres for the physically disabled	1	1
Day centres for the mentally ill	2	2
Council dwellings	11,160	11,379
Garages	2,651	2,758
Borough roads and footpaths (length in km)	696	696
Car parks	24	24
Memorials, etc	23	23
Public Conveniences	0	5
Parks and open spaces	174	174
Sports grounds	28	23
Golf courses	3	3
All weather playing areas	2	1
Athletics tracks	1	1
Swimming pools	3	4
Allotments (area in hectares)	94.90	94.90
Public offices	9	10
Other Buildings	4	3

* Excludes 41 voluntary aided schools, as the council does not own these.

6. Capital commitments

At 31st March 2005, the council was contractually committed to expenditure amounting to some £17.196m. The schemes are summarised across services as follows:-

	£'000
Educational services	5,207
Housing	12,035
Highways	31
Sports, leisure & culture	1,545
Social Affairs	10
Other Public Buildings	0
	<u>18,828</u>

7. Fixed asset valuation

The Council's chief valuer, D. L. Stephens MRICS values the authority's freehold property portfolio following the statements of asset valuation practice and the guidance notes of the Royal Institution of Chartered Surveyors. The values are updated as part of a rolling five-year programme.

Operational properties are at either open market value, for existing use, or the depreciated replacement cost where no market for the asset exists. Houses in the balance sheet are at a discounted value to take account of the properties being social housing. Non-operational assets and investment properties are priced on an open market basis. Valuations do not include equipment and infrastructure (e.g. roads) that are included at historic cost.

8. Stocks and works in progress

	2004/05 £'000	2003/04 £'000
Works in progress		
- rechargeable works	64	92
- public health acts	51	16
Stores		
- housing stores	260	295
- transport stores	46	111
- road signs and equipment	80	92
- social services aids for the disabled	515	614
- on-site engineering and catering stocks	115	117
- other	91	101
	<u>1,222</u>	<u>1,438</u>

Under a pooled budget agreement with Barnet PCT, ownership of the stock relating to community equipment stores passed to the council on 1 July 2003, but will be split and apportioned between the PCT and the council pro rata to their respective contributions in the event that this agreement be terminated.

9. Debtors and Creditors

The analysis of debtors and creditors at the year end is as follows:-

	2004/05 £'000	2003/04 £'000
Debtors		
Other local authorities	1,786	1,274
Government departments	19,633	17,917
Ratepayers and taxpayers	21,293	16,273
Tenants (including temporary accommodation)	7,152	6,050
Other public bodies	4,836	5,903
Utilities	301	174
Sundry debtors	22,810	21,473
	<u>77,811</u>	<u>69,064</u>
Less: Provision for bad debts	<u>(24,877)</u>	<u>(20,644)</u>
	<u>52,934</u>	<u>48,420</u>
Creditors		
Other local authorities	6,427	4,117
Government departments	8,568	11,138
Precepting authorities	0	0
Ratepayers and taxpayers	5,963	7,213
Other public bodies	1,432	1,944
Utilities	65	113
Sundry creditors	53,191	49,625
Receipts in advance	6,009	4,602
	<u>81,655</u>	<u>78,752</u>

10. Provisions

Provisions are amounts set aside to meet future liabilities where the amount or timing is uncertain.

	Balance 01/04/2004 £'000	Contributions £'000	Expenditure/ Reductions £'000	Balance 31/03/2005 £'000
Planning Costs	(101)	(26)	101	(26)
Grants to Voluntary Sector	(85)	(39)	64	(60)
Insurance	(1,811)	(3,583)	0	(5,394)
NDR tax credit	(785)	0	785	0
Other provisions	(82)	(1,338)	18	(1,402)
	<u>(2,864)</u>	<u>(4,986)</u>	<u>968</u>	<u>(6,882)</u>

- i. The planning provision is for compensation claims for current cases.
- ii. The grants provision is for delayed draw down of approved grants to the voluntary sector.
- iii. The insurance provision is for liabilities that have occurred but the timing of the payment is dependent upon the claim settlement process. This is to meet in the year insurance claim payments which fall within the excess and aggregate limits of external insurance cover. The provision should receive input to meet 100% of its ultimate liabilities and Barnet will phase this in over future years. Further information on this provision and its future requirements are set out in the Statement of Accounting Policies.
- iv. Included in other provisions are the potential legal, investigative and insurance costs relating to a case referred to the Ombudsman and the inquiry into the sale of the Underhill football ground.

11. Long term borrowing

	2004/05 £'000	2003/04 £'000
Lenders		
Public Works Loan Board	19,000	0
Other	9,500	0
	<u>28,500</u>	<u>0</u>
Maturing within more than 1 and up to 2 years	0	0
Maturing within more than 2 and up to 5 years	8,500	0
Maturing within more than 5 and up to 10 years	4,000	0
Maturing over 10 years	16,000	0
	<u>28,500</u>	<u>0</u>

12. Revenue balances

		2004/05 £'000	2003/04 £'000
General fund			
	- general surplus (i)	5,005	931
	- earmarked school balances (ii)	11,030	10,819
		<u>16,035</u>	<u>11,750</u>

- i. The general surplus is the authority's buffer against unpredictable events that are too large to be met from reductions in current budgeted expenditure.
- ii. In the general fund are locally managed schools' balances. Schools may carry balances, surplus or deficit, forward to subsequent years.

13. Trust funds

The authority is trustee of two charitable trusts. Only one is significant, the Avenue House bequest. This is managed and administered by the Avenue House Estate Management Charity (AHM). AHM are a charity in their own right totally independent of Barnet as such no balances or transactions of the trust appear in Barnet's accounts.

The council does hold small sums for two children in the authority's guardianship and for the New College of Speech and Drama charity.

14. Collection fund balances

The council has to record transactions for council tax, business rates and residual community charge in the collection fund account. The balance will be paid to or recovered from the council and its preceptor in future years.

	2004/05 £'000	2003/04 £'000
Barnet	(783)	(1,491)
Greater London Authority	(201)	(373)
	<u>(984)</u>	<u>(1,864)</u>

15. Analysis of net assets employed

	2004/05 £'000	2003/04 £'000
General Fund	171,343	380,346
Housing Revenue Account	809,059	673,206
	<u>980,402</u>	<u>1,053,552</u>

16. Pension Fund

Note 11 to the Consolidated Revenue Account contains details of the authority's participation in pension schemes. The Pension Fund accounts also provide further information.

The underlying assets and liabilities for retirement benefits attributable to the authority were: -

	2004/05 £000 LBB	2003/04 £000 LBB
Estimated liabilities in scheme	(573,970)	(477,910)
Estimated assets in scheme	305,360	285,700
Net asset/(liability)	<u>(268,610)</u>	<u>(192,210)</u>

The liabilities show the underlying commitments that the authority has, in the long-run, to pay retirement benefits. The total liability of £268.610m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme. From 2004/05 the discount rate for defined benefit pension scheme liabilities has been changed from a rate given by the Government Actuaries Department to the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities. This is often referred to as AA Corporate Bond Rate. This is the major reason for the sharp increase scheme liabilities in the year.

An actuarial review was carried out in order to calculate the figures required under FRS 17. In calculating the Authority's assets and liabilities, the fund's actuaries had to make a number of

assumptions about events and circumstances in the future, meaning that the result of actuarial calculations are subject to uncertainties and assumptions within a range of possible values. The following actuarial assumptions were made: -

	2004/05	2003/04
	%	%
Rate of inflation	2.90	2.90
Salary increases	4.40	4.65
Pension increases	2.90	2.90
Rate for discounting scheme liabilities	5.40	6.50

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

	Long-term return	2004/05	2003/04
	%	%	%
Equities	7.70	67.50	68.10
Property	5.70	9.90	14.60
Bonds	4.80	17.10	9.80
Cash	4.80	5.50	7.50

17. Deferred Credits

Deferred capital receipts reflect mortgage loans given to council tenants to purchase council dwellings. The amounts are written down by the annual repayments which are then transferred to usable capital receipts.

Government grants deferred includes capital grants and any other external capital contributions (including Section 106 planning gain monies, gifts, bequests etc) that are credited to the balance sheet and amortised to revenue over the life of the relevant asset to offset charges for depreciation.

18. Post Balance Sheet Events

There are no post balance sheet events.

19. Contingent Liabilities

The combined total of claims against the council that have been received by the council's insurance team could, in extremis, expose the authority to liability greater than is shown in the balance sheet. The likelihood of the liability fully materialising in any one year is remote. Further details of the council's future plans to cover this potential liability, in line with accounting regulations, are shown in note 12 to the statement of accounting policies.

STATEMENT OF TOTAL MOVEMENT IN RESERVES

This statement brings together all the recognised gains and losses of the authority during 2004/05 and shows those which have not otherwise been identified in the Consolidated Revenue Account. The statement separates revenue and capital.

	Notes	2004/05 £'000	2003/04 £'000
Surplus / (deficit) for year			
- General Fund		4,285	(701)
- Housing Revenue Account		(1,222)	295
- Collection Fund		880	(1,901)
Add back movements on earmarked revenue reserves	6	(109)	(2,687)
Deduct appropriations from pension reserve		(9,110)	(10,633)
Actuarial gains and losses relating to pensions		(67,290)	10,660
Total increase / (decrease) in revenue resources	1	(72,566)	(4,967)
Increase / (decrease) in useable capital receipts		9,683	2,683
Increase / (decrease) in unapplied capital grants & contributions		1,598	2,104
Total increase / (decrease) in realised capital resources	2	11,281	4,787
Gains / (losses) on revaluation of fixed assets		873	(107,183)
Impairment losses on fixed assets due to general changes in prices		0	0
Total increase / (decrease) in unrealised value of fixed assets	3a	873	(107,183)
Value of assets sold, disposed of or decommissioned	3b	(23,870)	(19,486)
Capital receipts set aside	4a	0	31,835
Revenue resources set aside	4b	(4)	(28,867)
Movement relating to Government Grants Deferred	4c	12,218	14,772
Movement on Major Repairs Reserve		(1,082)	(791)
Total increase / (decrease) in amounts set aside to finance capital investment		11,132	16,949
Total recognised gains and losses		(73,150)	(109,900)

The notes below give further detail on the movements summarised above.

NOTES TO STATEMENT OF TOTAL MOVEMENT IN RESERVES

1. Movements in revenue resources

This shows the movements on all the council's revenue accounts. See also note 5 below.

	General Fund	HRA	Revenue Reserves	Collection Fund	Pension Reserve (restated)
	£'000	£'000	£'000	£'000	£'000
Surplus / (Deficit) for 2004/05	4,285	(1,222)	0	880	0
Appropriations to / (from) revenue	0	0	(109)	0	(9,110)
Actuarial gain and losses relating to pensions	0	0	0	0	(67,290)
1) Movement on Revenue Resources	4,285	(1,222)	(109)	880	(76,400)
Balance brought forward at 1 April 2004	11,750	7,019	1,145	(1,864)	(192,210)
Balance carried forward at 31 March 2005	16,035	5,797	1,036	(984)	(268,610)

The balance brought forward on the Pension Reserve has been restated as the Council no longer has any liabilities relating to the London Pension Fund Authority.

2. Movements in realised capital resources

This identifies capital receipts and grants received in the year.

Useable capital receipts represent the proportion of income from the sale of fixed assets that can, under government legislation, be used to fund capital expenditure.

Unapplied capital grants and contributions arise from receipts of government grants and contributions by individuals to fund capital projects.

	Useable capital receipts	Unapplied capital grants & Contributions	Total
	£'000	£'000	£'000
Amounts receivable in 2004/05	24,609	5,620	30,229
Amounts applied to finance new capital investment in 2004/05	(14,926)	(4,022)	(18,948)
2) Total increase / (decrease) in realised capital resources in 2004/05	9,683	1,598	11,281
Balance brought forward at 1 April 2004	11,473	6,028	17,501
Balance carried forward at 31 March 2005	21,156	7,626	28,782

3. Fixed Asset Restatement Account - movement in unrealised value of fixed assets (3a) and value of assets disposed or decommissioned (3b)

The account represents the difference between the cost of fixed assets and their latest valuation. The account is constantly updated for disposals, new valuations and that expenditure which, although capitalised under current legislation, does not affect fixed asset values but increases their useful lives.

	Fixed Asset Restatement Account £'000
<u>Movement in unrealised value of fixed assets :-</u>	
Gains / (losses) on revaluation of fixed assets in 2004/05	(74,832)
Write back of depreciation	75,226
Adjustments	479
Impairment losses on fixed assets due to general changes in prices in 2004/05	0
3a) Total Increase /(decrease) in unrealised capital resources 2004/05	873
3b) Amounts written off fixed asset balance sheet for disposals or decommissioning in 2004/05	(23,870)
Total movement on account in 2004/05	(22,997)
Balance brought forward at 1 April 2004	801,949
Balance carried forward at 31 March 2005	<u>778,952</u>

Further information on the valuation of fixed assets is shown in note 1 of the Consolidated Balance Sheet on page 20.

4. Movements in amounts set aside to finance capital investment (Notes 4a, 4b and 4c)

The Capital Financing Account shows resources both capital and revenue that have been used to finance capital expenditure. Also included are appropriations to the revenue account where the minimum revenue provision (MRP) for debt repayment is exceeded by the asset charges to the service revenue accounts.

The Government Grants Deferred Account represents grants and contributions received to fund capital expenditure. These are released to revenue to offset depreciation in respect of the fixed assets to which they relate. The account also includes planning agreement monies (S106).

	Capital Financing Account £'000	Government Grants Deferred £'000	Total £'000
Capital Receipts set aside in 2004/05 :-			
- reserved receipts	0	0	0
- useable receipts applied	0	0	0
4a) Total capital receipts set aside in 2004/05	0	0	0
Revenue resources set aside in 2004/05 :-			
- Capital expenditure financed from revenue	2,561	0	2,561
- Financing of General Fund premium	0	0	0
Net contribution from revenue	2,561	0	2,561
- Intangible Assets	(7,934)	0	(7,934)
- MRP adjustment	8,948	0	8,948
Other Adjustments	(615)	0	(615)
Major Repairs Reserve Applied	(4,150)	0	(4,150)
HRA MRA / depreciation	(8,297)	0	(8,297)
HRA MRA - capital expenditure charged to reserve	9,483	0	9,483
4b) Total revenue resources set aside in 2004/05	(4)	0	(4)
Grants applied to capital investment in 2004/05	0	14,038	14,038
Adjustments	0	0	0
Amounts credited to Asset Management Account in 2004/05	0	(1,820)	(1,820)
4c) Movements on government grants deferred account	0	12,218	12,218
Total increase / (decrease) in amounts set aside to finance capital investment	(4)	12,218	12,214
Balance brought forward at 1 April 2004	370,547	36,398	406,945
Balance carried Forward at 31 March 2005	370,543	48,616	419,159

5. Pension Fund Reserves

The actuarial gains identified as movements on the pensions reserve in 2004/05 may be analysed into the following categories, measured as an absolute amounts and as a percentage of the assets or liabilities as at 31 March 2005.

	2004/05		2003/04	
	£000	%	£000	%
Differences between the expected and actual return on assets	6,070	2.0	(37,613)	13.1
Differences between actuarial assumptions about liabilities and actual experience	9,520	1.7	26,953	(5.6)
Changes in the demographic and financial assumptions used to estimate liabilities	<u>(82,880)</u>		<u>0</u>	
	<u><u>(67,290)</u></u>	11.7	<u><u>(10,660)</u></u>	2.2

6. Specific Reserves

The movements in revenue reserves in the year were:

	Balance 1/4/04	To Reserves	From Reserves	Balance 31/3/05
	£'000	£'000	£'000	£'000
Reserves for capital projects	(243)	(222)	312	(153)
Donations	(268)	(58)	121	(205)
Lottery fund	(142)	0	12	(130)
Parking account	(19)	(4,843)	4,850	(12)
Project reserves	(28)	0	28	0
Section 106	(178)	(95)	88	(185)
Other	(267)	(236)	152	(351)
	<u><u>(1,145)</u></u>	<u><u>(5,454)</u></u>	<u><u>5,563</u></u>	<u><u>(1,036)</u></u>

Apart from the housing revenue account, which is solely for housing, the Local Government Act 1988 only allows the authority one revenue account, its general fund. For good financial management however, it is desirable to earmark specific reserves within the fund:

- i. The general fund (GF) reserve for capital projects is available for any expenditure of a capital nature. Under regulations only revenue contributions and repayments of advances may be made to this reserve.
- ii. Donations comprise money given to the council for specific schemes for the benefit of the community.
- iii. Remaining undistributed balances of the lottery that the council used to run. The Cabinet Resources Committee of the council controls distribution.
- iv. By law the authority must maintain a ring fenced parking account. This holds income from street parking charges. The money must initially be spent to improve parking facilities but money in excess of those requirements may be used for certain highways projects.
- v. The general reserve for future projects has now been fully utilised.
- vi. Section 106 is the revenue element of money received from planning gains. The capital element is held within capital receipts.
- vii. Other reserves include amounts held to meet uncommitted potential future costs.

CASHFLOW STATEMENT

This consolidated statement summarises the movement between the authority and third parties, both for capital and revenue purposes.

	2004/05		2003/04	
	£'000	£'000	£'000	£'000
REVENUE ACTIVITIES				
Cash Outflows				
Cash paid to and for employees	264,373		259,760	
Other operating costs	345,929		249,915	
Housing benefits	110,037		80,533	
Non-domestic rate pool	63,604		72,664	
Collection fund precept payments	<u>32,578</u>	816,521	<u>30,315</u>	693,187
Cash Inflows				
Council tax etc. receipts	(160,872)		(130,873)	
NNDR receipt from national pool	(89,499)		(92,301)	
Non-domestic rate receipts	(70,981)		(68,490)	
Revenue support grant	(135,069)		(123,489)	
Rents	(39,330)		(14,333)	
DSS Rebate grants	(114,478)		(92,838)	
Other Government grants	(73,998)		(92,076)	
Cash received for goods and services (see note 1)	<u>(143,863)</u>	<u>(828,090)</u>	<u>(85,963)</u>	<u>(700,363)</u>
		(11,569)		(7,176)
SERVICING OF FINANCE				
Cash Outflows				
Interest paid	238		2,948	
Premium (see note 6)	0		11,325	
Cash Inflows				
Interest received	<u>(416)</u>	<u>(178)</u>	<u>(2,435)</u>	11,838
CAPITAL ACTIVITIES				
Cash Outflows				
Purchase of fixed assets	52,436		33,764	
Deferred charges and long term debtors	8,839		17,440	
	<u>61,275</u>		<u>51,204</u>	
Cash Inflows				
Sale of fixed assets	(24,610)		(34,001)	
Capital grants received	(8,841)		(8,859)	
Other cash income	<u>(15,415)</u>		<u>(15,349)</u>	
	<u>(48,866)</u>	12,409	<u>(58,209)</u>	<u>(7,005)</u>
Net cash inflow before financing		662		(2,343)
MANAGEMENT OF LIQUID RESOURCES				
Net (increase)/decrease in short term deposits (see note 2)		3,295		(3,600)
FINANCING				
Cash Outflows				
Repayment of long term borrowing	0		30,000	
Repayment of short term loans	<u>27,079</u>	<u>27,079</u>	<u>0</u>	30,000
Cash Inflows				
New short term loans	0		(18,069)	
New long term loans	(28,500)			
Long term investment	<u>0</u>	<u>(28,500)</u>	<u>0</u>	<u>(18,069)</u>
(INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS (SEE NOTE 3)		<u>2,536</u>		<u>5,988</u>

NOTES TO THE CASHFLOW STATEMENT

1. Revenue Reconciliation

	2004/05		2003/04	
	£'000	£'000	£'000	£'000
(Surplus) / deficit for the year:				
- General fund	(1,285)		701	
- Contribution to balances	(3,000)		0	
- Housing revenue account	1,222		(295)	
	(3,063)		406	
- Collection fund	(880)	(3,943)	1,901	2,307
Minimum revenue provision and capital expenditure funded by revenue activities	(3,854)		(5,625)	
Contributions to / (from) reserves and provisions	(3,883)		1,535	
Capital creditors	(741)	(8,478)	350	(3,740)
Interest paid	(238)		(2,948)	
Interest received	416	178	2,435	(513)
(Increase) / decrease in creditors	(2,903)		(16,922)	
Increase / (decrease) in payments in advance	(217)		(171)	
Increase in stock and works in progress	(216)		449	
Increase / (decrease) in debtors	4,010	674	11,414	(5,230)
	<u>(11,569)</u>		<u>(7,176)</u>	

2. Movements in liquid resources

	Balance		Balance	
	Sheet	2004/05	Sheet	2003/04
	31/3/05	Movement	31/3/04	Movement
	£'000	£'000	£'000	£'000
Temporary investments	39,395	3,295	36,100	(3,600)

There has been no change in the council's policy on temporary investments that are managed in-house.

3. Movements in cash and cash equivalents

	Balance		Balance	
	Sheet	2004/05	Sheet	2003/04
	31/03/05	Movement	31/03/04	Movement
	£'000	£'000	£'000	£'000
Imprest accounts	10,273	140	10,133	(596)
Cash overdrawn	(13,086)	(2,676)	(10,410)	(5,392)
Total	<u>(2,813)</u>	<u>(2,536)</u>	<u>(277)</u>	<u>(5,988)</u>

4. Reconciliation of net cashflow to movement in net debt

	2004/05	2003/04
Movement in net debt	£'000	£'000
Movement of cash in year	(2,536)	(5,988)
Cash outflow from long term borrowing	(28,500)	30,000
Short term borrowing cashflow	27,079	(18,069)
Movement in net debt in year	(3,957)	5,943
Opening net debt	(27,486)	(33,428)
	<u>(31,443)</u>	<u>(27,485)</u>
	Balance Sheet	Balance Sheet
	2004/05	2003/04
Analysis of net debt	£'000	£'000
Temporary borrowing	(130)	(27,209)
Long term borrowing	(28,500)	0
Imprests	10,273	10,133
Cash	(13,086)	(10,409)
	<u>(31,443)</u>	<u>(27,485)</u>

5. Other Government Grants

	2004/05	2003/04
	£'000	£'000
Mandatory student awards	89	837
Education	43,376	50,309
Community care and other social services	23,473	14,443
Asylum Seekers	2,997	6,161
Council tax benefits administration	2,442	2,474
Housing subsidy (excluding MRA)	0	16,771
Other	1,621	1,081
	<u>73,998</u>	<u>92,076</u>

6. Premium

The council repaid £30m of high interest rate, long term debt in 2003/04. This involved the paying of a debt redemption premium of £11.3m.

HOUSING REVENUE ACCOUNT

This account records the transactions relating to the council's housing stock. The Local Government and Housing Act 1989 requires its separation. This gives a clear picture of the cost of providing homes for council tenants. Housing Revenue Account income and expenditure does not affect the amount of council tax levied.

	Note	2004/05		2003/04	
		£'000	£'000	£'000	£'000
Income					
Rents (gross) – dwellings		(37,970)		(37,016)	
- garages		(653)		(649)	
- other		(660)	(39,283)	(665)	(38,330)
Charges for services and facilities			(5,653)		(5,263)
Reduction in Provision for Bad Debt			(144)		0
HRA subsidy receivable	5		0		(16,587)
Total Income			<u>(45,080)</u>		<u>(60,180)</u>
Expenditure					
Repairs and maintenance			8,279		7,869
Supervision and management			20,535		17,329
Rents, rates, taxes etc.			154		102
Rent rebates			564		23,289
Cost of Capital Charge	8		29,391		29,290
Depreciation	10		12,447		12,614
Debt Management Expenses			48		41
Provision for bad debts			0		173
HRA Subsidy payable	5		7,489		0
Total Expenditure			<u>78,907</u>		<u>90,707</u>
Net Cost of Services			33,827		30,527
Asset Management Revenue account					
Balance	9		(28,861)		(27,881)
Interest on mortgages		(108)		(213)	
Interest on balances		(204)	(312)	(385)	(598)
Net Operating (Income)/Expenditure			4,654		2,048
HRA Contribution to MRP			0		315
Capital expenditure financed from Revenue	6		718		1,091
Transfer to/(from) Major Repairs Reserve			(4,150)		(3,772)
Movement on the pension reserve			0		204
Contribution to/(from) reserves			0		(181)
(Surplus)/deficit for the year			<u>1,222</u>		<u>(295)</u>
Revenue Balances					
Balances at the beginning of the year			(7,019)		(6,724)
Prior Year Adjustment			0		0
(Surplus)/deficit for the year			1,222		(295)
Balance at the year end			<u>(5,797)</u>		<u>(7,019)</u>
Major Repairs Reserve					
Balance at beginning of year			(1,317)		(2,108)
(Surplus)/deficit for the year	4		1,082		791
Balance at the year end			<u>(235)</u>		<u>(1,317)</u>

HOUSING REVENUE ACCOUNT NOTES

1. Dwelling Stock

The authority's dwelling stock comprised, at 31st March

	2005	2004
Houses/Bungalows	3,785	3,864
Flats/Maisonettes	7,288	7,434
Hostels/Bed sits	87	81
	11,160	11,379

2. Arrears

Arrears owed to the HRA at the year end:

	2004/05		2003/04	
	£'000	£'000	£'000	£'000
Leaseholder service charges	1,911		2,310	
less bad debt provision	(668)	1,243	(832)	1,478
Housing rents	2,821		2,415	
less bad debt provision	(1,226)	1,595	(1,040)	1,375
Commercial rents	53		151	
less bad debt provision	(6)	47	(24)	127
Net arrears position at 31 st March		2,885		2,980

3. Balance Sheet Value of HRA Assets

	Dwellings	Land and Buildings	Totals
	£'000	£'000	£'000
Balance Sheet Value at 1st April 2004	787,001	21,237	808,238
Balance Sheet Value at 31st March 2005	791,192	21,225	812,417

The vacant possession value of dwellings within the HRA at 31st March 2005 is £1,688m. The difference between this value and the balance sheet value represents the economic cost of providing council housing.

4. Major Repairs Reserve

The major repairs allowance was introduced in 2001/02. It represents the estimated long-term average amount of capital spending required to maintain the housing stock in its current condition.

Direction 7(5) of the HRA (Accounting Practices) Directions 2000 requires authorities to disclose in the HRA accounts a note setting out an analysis of movements in the Major Repairs Reserve.

	2004/05	2003/04
	£'000	£'000
Opening Balance as at 1 st April	(1,317)	(2,108)
Capital expenditure charged to reserve (dwellings)	9,483	9,765
Depreciation		
- dwellings (MRA)	(11,978)	(12,171)
- non-dwellings	(469)	(443)
Transfer to Housing Revenue Account		
- dwellings (MRA)	3,681	3,329
- non-dwellings	469	443
Interest on Balances	(104)	(132)
Closing Balance as at 31 st March	(235)	(1,317)

5. HRA Subsidy

The HRA subsidy relating to the authority was as follows:

	2004/05	2003/04
	£'000	£'000
Management and maintenance	17,792	17,704
Major repairs allowance	8,297	8,842
ALMO Allowance	169	0
Admissable Allowance	150	0
ASB Allowance	1	0
Charges for capital	2,513	3,564
Other items of reckonable expenditure	57	57
Tenant participation compact	0	0
Resource accounting	0	0
Interest on receipts	(210)	(256)
Rent rebate	0	22,096
Rent	(36,531)	(35,393)
Total for year	(7,762)	16,614
Prior year adjustments	273	(27)
Total Receivable/(Payable)	(7,489)	16,587

6. HRA Capital Expenditure

The analysis of HRA capital expenditure and financing was as follows:-

	2004/05	2003/04
	£'000	£'000
<u>Expenditure</u>		
Land	0	0
Houses	19,483	10,856
Other property	314	5
Total	19,797	10,861

	2004/05	2003/04
	£'000	£'000
<u>Financing</u>		
Credit approvals	6,678	0
Useable capital receipts	2,918	5
Revenue contributions	718	1,091
Major repairs reserve	9,483	9,765
Total	19,797	10,861

7. Capital Receipts from Disposals

Capital receipts from disposals within the authority's HRA were as follows:-

	2004/05	2003/04
	£'000	£'000
Land	296	42
Houses	18,249	23,784
Paid over to pool	(3,218)	0
Total	15,327	23,826

8. Cost of Capital Charges

The cost of capital charge represents a notional interest charged to the HRA for the use of its operational assets. This is calculated as 3.5% of the value of HRA operational assets for the use of those assets.

9. Capital Asset Charges Accounting Adjustment

The capital asset charges accounting adjustment represents the difference between the cost of capital charge and the HRA interest costs as calculated in accordance with the Item 8 Debit (General) Determination.

10. Depreciation Charge

The total charge for depreciation within the HRA is:-

	2004/05	2003/04
	£'000	£'000
Land	0	0
Houses	11,978	12,171
Other property	469	443
Total depreciation charged	12,447	12,614

The housing stock was revalued during 2004/05 which identified depreciation of £11,978,000.

11. ALMO – Barnet Homes

With effect from 1 April 2004, the management of all the housing stock of the council was transferred to Barnet Homes, an Arms Length Management Organisation (ALMO) wholly owned by the authority.

12. Pensions

For FRS17 purposes in 2003/04, the HRA has been treated in the same manner as all other service departments of the authority. Changes to the HRA service costs have been matched by an appropriation to the pension reserve in line with FRS 17 requirements. This means there is no effect on the net outturn of the account.

Due to the changes outlined in paragraph 11, no such entries have been required in 2004/05.

THE COLLECTION FUND

The collection fund is a statutory fund, separate from all other council funds. It accounts for council tax and non-domestic rates to Barnet and the Greater London Authority, the two bodies for whom the income has been raised.

INCOME AND DISBURSEMENT ACCOUNT 2004/05

	Note	2004/05		2003/04	
		£'000	£'000	£'000	£'000
Income					
Council Tax	1		143,203		133,349
Council Tax Benefits			21,241		18,260
Collectable business rates	2		<u>73,556</u>		<u>66,801</u>
			<u>238,000</u>		<u>218,410</u>
Disbursement					
Precepts:					
- London Borough of Barnet		131,273		122,498	
- Greater London Authority		<u>32,578</u>	163,851	<u>30,201</u>	152,699
Estimated surplus on collection fund:	3				
- London Borough of Barnet		(947)		0	
- Greater London Authority		<u>(233)</u>	(1,180)	<u>0</u>	0
National Non-Domestic Rates					
- Payment to national pool		73,121		66,370	
- Cost of collection allowance		435	<u>73,556</u>	431	<u>66,801</u>
Total disbursed			<u>236,227</u>		<u>219,500</u>
Provision for non-payment on council tax	4		893		811
Fund surplus / (deficit) for year			<u>880</u>		<u>(1,901)</u>
			<u>238,000</u>		<u>218,410</u>
Fund balance brought forward			(1,864)		37
Fund surplus / (deficit) for year			<u>880</u>		<u>(1,901)</u>
Fund balance carried forward			<u>(984)</u>		<u>(1,864)</u>

NOTES TO THE COLLECTION FUND

1. Council Tax

Council tax is charged according to the Government's valuation of residential properties as at 1st April 1991, classified into eight bands for this purpose. Individual charges are calculated by estimating the total amount of income required by the collection fund's two preceptors and dividing this by the council tax base. The tax base is the total number of chargeable properties in all valuation bands converted to an equivalent number of band D dwellings, with an allowance made for discounts and exemptions. The amount of council tax required from a property in any tax band is the band D charge (£1,213.76 for 2004/05) multiplied by the ratio specified for that band. The figures at the time of tax base calculation for the bands A to H were:

Band	Ratio	No. of Band D Equivalents
A	0.67	864
B	0.78	5,314
C	0.89	18,602
D	1.00	24,304
E	1.22	31,300
F	1.44	24,322
G	1.67	23,342
H	2.00	6,648
MOD contribution		299
Tax Base		<u>134,995</u>

2. National non-domestic rates

Barnet collects national non-domestic rates (NNDR) from local businesses and organisations and pays them into the Government's central NNDR pool. The Government's national uniform rate, 45.6p in 2004/05 (44.4p in 2003/04) multiplied by the property's rateable value determine the amount charged. The aggregate business valuation for the borough at 31st March 2005 was £190.0m (£190.5m at 31/3/2004).

The amount paid to the central NNDR pool is redistributed to local authorities, including Barnet, in line with their population. Barnet's share equalled a standard amount per head of population for Outer London (£279.35) multiplied by 320,384 (Barnet's population) which gave £89.499m. This was paid directly into the general fund.

3. Collection fund surplus and deficit

The preceptors share council tax surpluses and deficits. In 2003/4 no surplus or deficit was estimated whilst for 2004/5 an anticipated deficit of £1.180m was charged to preceptors.

4. Council Tax Written Off

Where persons have absconded owing Council tax and, over several years, the money has proved irrecoverable, the arrears are prudently written out of the accounts to give a true picture of income it is reasonable to expect to receive. The arrears are still pursued.

GROUP ACCOUNTS – REVENUE ACCOUNT

This shows the consolidated income and expenditure for the council and its subsidiary company on its day-to-day activities.

	2004/05 Net Expenditure/(Net Income) £'000	2003/04 Net Expenditure £'000
On its services the Council spent:-		
Central services to the public	2,327	9,128
Cultural, environmental & planning services	51,337	44,660
Education services	183,792	175,006
Highways, roads & transport services	18,658	17,602
Housing services	39,183	50,361
Social services	101,793	95,336
Corporate & democratic core	4,442	6,293
Non distributed costs	16,845	5,925
NET COST OF SERVICES	418,377	404,311
Levies	1,896	3,682
Trading undertakings	897	(148)
Asset management revenue account	(49,948)	(53,931)
Contribution of housing capital receipts to Government Pool	3,218	0
Premium on Debt Redemption	0	7,841
Interest receivable	(1,682)	(2,057)
Pension interest cost & expected return on Pension Assets	8,200	8,986
NET OPERATING EXPENDITURE	380,958	368,684
HRA contribution to/(from) balances	(1,222)	295
Contribution from earmarked reserves	(109)	(2,687)
Transfer from Usable Capital Receipts equal to the contribuion to Pooled Capital Receipts	(3,218)	0
Redistribution of LRB balances	(6)	(148)
Contribution (from) / to capital financing reserves for		
- net contribution to revenue / repayment premium	0	(3,782)
- Deferred Grant	1,820	2,086
- adjustment for MRP	(8,948)	(11,369)
- early retirements	(2,490)	0
HRA Major Repairs Reserve	(4,109)	(3,772)
Minimum revenue provision HRA	0	315
Contribution from the pension reserve	(9,110)	(10,633)
AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXES	353,566	338,989
Revenue support grant	(135,070)	(123,489)
Contribution from non-domestic rate pool	(89,499)	(92,301)
Demand on collection fund	(131,273)	(122,498)
Transfer of collection fund deficit	947	0
SURPLUS FOR THE YEAR	(1,329)	701

GROUP ACCOUNTS – BALANCES

	2004/05	2003/04
	£'000	£'000
Balance at beginning of year	11,750	12,451
Planned contribution to balances	3,000	0
Surplus / (Deficit) for the year	1,329	(701)
	<u>16,079</u>	<u>11,750</u>
of which:-		
General Fund	<u>5,049</u>	<u>931</u>
School Balances	<u>11,030</u>	<u>10,819</u>
	<u>16,079</u>	<u>11,750</u>

GROUP ACCOUNTS – BALANCE SHEET

This statement summarises the groups assets and liabilities as at 31st March 2005.

	31st March 2005		31st March 2004	
	£'000	£'000	£'000	£'000
Fixed assets				
Operational assets				
Council dwellings	791,192		787,001	
Other land and buildings	379,864		413,320	
Vehicles, plant, furniture and equipment	8,763		5,066	
Infrastructure assets	46,094	1,225,913	37,629	1,243,016
Investment property		22,510		3,674
		1,248,423		1,246,690
Intangible Assets		16,016		10,752
Long term debtors		10,586		11,590
Long term investments		11		11
Total long term assets		1,275,036		1,269,043
Current assets				
Stocks and works in progress	1,222		1,438	
Temporary investments	39,395		36,100	
Debtors	50,286		48,420	
Payments in advance	1,951		2,168	
Imprest accounts and school balances	10,273		10,133	
	103,127		98,259	
Current liabilities				
Creditors	(80,776)		(78,752)	
Borrowing repayable within 12 months	(130)		(27,209)	
Bank overdraft	(11,019)		(10,409)	
Provisions	(6,882)		(2,864)	
	(98,807)		(119,234)	
Net current assets/(liabilities)		4,320		(20,975)
Long-term liabilities				
Long term borrowing		(28,500)		0
Deferred capital receipts		(1,800)		(2,306)
Liability related to defined benefit pension scheme		(268,610)		(192,958)
Total assets less liabilities		980,446		1,052,804
Financed by				
Fixed asset restatement reserve		778,952		801,949
Capital financing reserve		370,543		370,547
Government grants - deferred		48,616		36,398
Usable capital receipts		28,782		17,501
Pension reserve		(268,610)		(192,958)
Major Repairs Reserve		235		1,317
Specific reserves		1,036		1,145
Balances – general fund		16,079		11,750
Balances – collection fund		(984)		(1,864)
Balances – housing revenue account		5,797		7,019
Total equity		980,446		1,052,804

NOTES TO THE GROUP ACCOUNTS

1. Introduction

The Authority has only one subsidiary company which it has full control and influence over. The primary aim in establishing this company is to remove it from public sector borrowing controls and to allow greater commercial freedom.

The Accounting Code of Practice requires that where an authority has material interests in one or more subsidiary and associated company, it should prepare a group revenue account and balance sheet. The aim of consolidation is to give an overall picture of the Authority's financial activities and resources employed in carrying out those activities. Following the establishment of Barnet Homes Ltd in April 2004, the Authority now has an interest in it as a subsidiary of the Council which is considered material, and thus group accounts have been prepared.

2. Basis of consolidation

The group revenue account and balance sheet have been prepared by consolidating the accounts of the subsidiary on a line-by-line basis. It should be noted that the accounts of the group company has been prepared under similar accounting policies to the Authority. However, some accounting policies of Barnet Homes Ltd may differ in some respects from the Authority's due to legislative requirements. Any material differences are noted in the notes to the Consolidated Accounts.

3. Arms Length Management Organisation for Housing – Barnet Homes Ltd (Companies House Registration: 4948659)

i) Nature of the business:

Barnet Homes Ltd was created by Barnet Council to manage and improve its council homes and estates. It is a non-profit making company.

Barnet Homes Ltd took over responsibility for managing approximately 11,000 council homes in Barnet from the 1st April 2004. It also took responsibility for almost 400 staff from the Council's Housing Services Department.

Barnet Homes Ltd is managed by a board of 15 members made up of five council nominees, four tenants, one lease holder and five independent with professional skills and experience to help run the services. Board members are volunteers and only receive out of pocket expenses.

ii) Relationship with the Authority:

Under the SORP it is a wholly owned subsidiary of Barnet Council and is therefore required to consolidate the financial statements into the group financial statements on a 100% basis. As the Council holds all the share capital it is required to contribute £2 if the company is wound up.

iii) Financial Performance:

In 2004/5 the Company made an operating surplus of £30,111.

On the 31st March 2005 it had net fixed assets after depreciation of £232,242.

iv) Transactions and services with the company:

The Authority paid the Company £14.523m for the provision of Housing and Environmental support.

The Authority provides the following services for the Company:–

The premises at Barnet House is subject to lease from the Authority and is charged as part of the management charge to Barnet Homes Ltd.

The Authority also provides various support services to Barnet Homes Ltd for which charges are made under service level agreements.

v) Accounts:

The financial accounts of Barnet Homes Ltd can be obtained from the Head of Financial Services of Barnet Homes Ltd, 9th Floor, Barnet House, 1255 High Street, Whetstone, London N20 0EJ.

PENSION FUND

Administered under the Local Government Superannuation and Pension Fund Acts

FUND ACCOUNT

	Notes	2004/05		2003/04	
		£'000	£'000	£'000	£'000
Contributions and Similar Payments					
Contributions receivable					
– from employees	5	8,029		7,760	
– from employers	5	22,122		18,744	
Transfers in		<u>7,999</u>	38,150	<u>4,642</u>	31,146
Benefits and Similar Payments					
Pensions payable	5	(18,452)		(17,125)	
Lump sum benefits payable	5	(5,013)		(4,134)	
Death benefits		(425)		(202)	
Refund of contributions		(245)		(276)	
Transfers out		(3,947)		(4,968)	
Administration & other scheme expenses	9	(1,082)	(29,164)	(768)	(27,473)
Net Additions from dealings with Members of the Fund			8,986		3,673
Returns on Investments					
Investment Income		11,795		12,571	
Change in market value of:-					
- realised investments	7	852		(3,909)	
- unrealised investments		27,250		59,726	
Investment management expenses		(1,097)		(697)	
Tax payable / receivable		<u>73</u>		<u>26</u>	
Net returns on investments			38,873		67,717
Net fund (decrease) / increase during the year			47,859		71,390
Opening net assets of the scheme			<u>359,600</u>		<u>288,210</u>
Closing net assets of the scheme			<u>407,459</u>		<u>359,600</u>

NET ASSETS STATEMENT AS AT 31st MARCH 2004

	Notes	2005		2004	
		£'000	£'000	£'000	£'000
Government securities – fixed interest	6, 7	37,970		22,763	
- index linked	6, 7	<u>18,717</u>	56,687	<u>17,656</u>	40,419
Non Government - fixed interest	6, 7	4,565		5,859	
- index linked	6, 7	<u>571</u>	5,136	<u>721</u>	6,580
Property unit trusts	6, 7	39,307		34,609	
UK equities	6, 7	161,758		147,936	
Overseas equities / funds	6, 7	104,916		93,219	
Overseas bonds	6, 7	5,680	311,661	4,872	280,636
			<u>373,484</u>		<u>327,635</u>
Current net assets					
- sundry debtors	4	6,257		6,858	
- sundry creditors	4	<u>(4,153)</u>	2,104	<u>(1,816)</u>	5,042
Cash in hand	6		31,871		26,923
Total net assets			<u>407,459</u>		<u>359,600</u>

NOTES TO THE PENSION FUND ACCOUNTS

1. Fund operation and membership

The Pension Fund is a defined benefit scheme for employees administered by the London Borough of Barnet (the Council) under the provisions of the Local Government Superannuation and Pension Fund Acts. It provides retirement and death grants besides retirement and widow's pensions. Contributions from the council, three scheduled bodies, (Middlesex University and two colleges), three admitted bodies (the Friends of Moat Mount Campsite, the North London Colleges European Network and the Fremantle Trust), employees and returns on investments balance the fund. Employees' basic contributions are 6% of pay except for manual workers employed prior to 1st April 1998 for whom it is 5%.

At 31st March 2005 there were 6,874 employees contributing to the fund with 4,149 in receipt of benefit and 5,283 entitled to deferred benefits. A Government scheme supplies teacher's pensions; they are not provided for under these arrangements.

The funding policy is to ensure that the assets held by the scheme in the future are adequate to meet accrued liabilities allowing for future increases in pay and pensions.

2. Accounting policies

These accounts are drawn up on the basis of the accruals concept and comply with the recommendations of CIPFA and the Statement of Recommended Practice (SORP), as applicable to local authorities.

Contributions

The Council adheres to the provisions of the Local Government Pension Scheme. Contributions receivable are included in the accounts on an accruals basis. Under the provisions of this Scheme, the rate of contributions requested from employees is set at 6% (5% for manual workers who entered the scheme before 1st April 1998), and the employer's contribution rate is adjusted to bring the Fund to 100% funded level. Further details of employer contributions policy is set out in Note 5 to these accounts.

Benefits

Benefits are provided in accordance with the provisions of the Local Government Pension Scheme, which states that retiring employees are entitled to a pension equal to 1/80 of their final salary for each full year of their employment, calculated on a daily basis and restricted to a maximum of 40/80ths of the employee's final salary. They are accounted for in the period in which they fall due. Full details of the other benefits payable can be seen on the Borough's Intranet page at www.barnetpensions.org.

Investment Expenses

Investment management expenses are accounted for on an accruals basis.

Administration Expenses

These are a percentage of the London Borough of Barnet's expenses plus the direct costs of the Pension's section within the Human Resources department.

Interest

Interest is calculated on the cash held on behalf of the Pension Fund at a rate equivalent to 7 day LIBOR and added to the account of cash due to the Pension Fund on a monthly basis. Interest income from investments is accounted for on an accruals basis, if not received by year end.

Dividends

Dividends are accounted for on an accruals basis, but are included in the accounts only when dividends are declared on or before 31 March and the amount to be paid is reasonably known.

Purchase and Sale of Investments

The purchase and sale of investments is delegated to the fund managers and all settlements are accrued on the day of trading. Investments in the managed funds are valued at the average mid

price quoted by the fund managers, while investments in Property Unit Trusts are valued at mid market price. See note 6 for fuller details. The two fund managers, Schroders and Henderson, are required to produce a return on investments within benchmarks set by the London Borough of Barnet, and must limit the amounts invested in each class of asset to ranges set by the Borough. These restrictions and the fund managers' analysis of the assets and issuing bodies, dictates the timing of sales and purchases of investments. Approximately 10.3% of the Fund is held in property unit trusts and cash arising from these unit trusts, is administered by the staff of the London Borough of Barnet acting on advice received from the Borough's independent investment advisor.

Transfers into and out of the Fund

Transfers into the Fund are accounted for when received and undertaken at the request of staff joining the Borough or one of its admitted or scheduled bodies with pension rights accrued elsewhere. Transfers out are accounted for on the payment basis and performed upon request from staff leaving the employment of the Borough or one of its admitted or scheduled bodies who wish to transfer their accrued pension contributions to their new employer. Transfers are undertaken in accordance with the provisions of the Local Government Pension Scheme.

Foreign Currency Translation

Foreign currency receipts and payments are translated into sterling at the rate ruling on the date of the transaction. Investments held in foreign currencies as at year-end have been translated at the rates prevailing on 31 March 2005.

3. Statement of Investment Principles

The Council approved the Statement of Investment Principles for the fund in May 2000. The Statement can be viewed on the pension's website www.barnetpensions.org. Copies are also available from the Borough Treasurers Department.

4. Net current assets

Net current assets at 31st March 2005 totalled £2.104m and comprised:

	Debtors	Creditors	Net
	£'000	£'000	£'000
Settlements on purchases/sales	1,906	(3,517)	(1,611)
Contributions	2,189		2,189
Investment income	1,872	(8)	1,864
Fund manager's fees	12	(155)	(143)
Tax	277		277
Lump sum death and retirement benefits	1	(473)	(472)
Pension Fund Strain			0
Total	6,257	(4,153)	2,104

The Fund's financial statements do not take account of liabilities to pay pensions and other liabilities arising after the year end.

5. Actuarial position

The Local Government Superannuation Regulations 1986 set out legal requirements for actuarial valuations. Their main purpose is to assess the amount the Council must pay towards the fund's liabilities. Hymans Robertson, the independent actuary to the fund, reviews the accounts every 3 years. The latest interim valuation as at 31st March 2005 as per the requirements of FRS17, used the roll – forward approach together with the following assumptions (the figures in brackets relate to the formal valuation as at 31st March 2004, and are given for comparison):

Assumed price inflation	2.90% (2.9%)
Rate of return on investments	
Equities	5.07% (5.24%) per annum
Bonds	0.80% (0.74%) per annum
Property	0.64% (0.55%) per annum
Cash	0.38% (0.30%) per annum
Overall	6.80% (6.92%) per annum
Future pay increases	4.40% (4.70%) per annum
Future pension increases	2.90% (2.90%) per annum
Discount rate	5.40% (6.50%) per annum

The market valuation of assets for past service appraisal was £405.4m (£350.3m). This valuation indicates that assets held at 31st March 2005 were sufficient to cover 71% of the accrued liabilities assessed on an ongoing basis. The financial statements do not take account of liabilities to pay pensions and other benefits after the year-end.

The fund should receive input sufficient to meet 100% of its overall liabilities (Local Government Superannuation (Amendment) Regulations 1993). The Government has allowed local authorities to decide themselves how long to phase in this requirement. Barnet has chosen a period of twenty years, which commenced 1st April 2004. The actual employer's contribution for 2004/05 was £22,122,061. Without the phasing, employers' contribution would have needed to be £30,797,379 equalling 21.3% of pensionable pay. The cash received both from employers and employees is also shown.

	Employees' Contributions 2004/05 £'000	Employers' Contributions 2004/05 £'000	Equal to % of pensionable pay	Benefits Payable 2004/05 £'000
Administering authority	5,303	12,979	15.3	20,948
Scheduled bodies:				
Middlesex University	1,346	3,025	13.6	2,183
Colleges	504	1,092	12.0	210
Barnet Homes	463	1,680	15.3	0
Admitted bodies:				
NLCEN	3	5	11.6	0
Fremantle Trust	238	499	15.8	95
Friends of Moat Mount Campsite	2	4	13.3	0
Open Learning Partnership	19	32	14.4	0
Housing 21	98	202	13.0	29
Greenwich Leisure	39	86	13.2	0
Others	14	28		
Additional Contributions for Early Retirement	0	2,490		
Totals	8,029	22,122		23,465

6. Management of the Fund

The Superannuation Fund Management Advisory Panel comprises three elected Members (one from each political party) appointed by the Council. This panel counsels the Borough Treasurer about investment of the fund. The W.M. Company also provides an independent performance measurement service.

Apart from internally managed holdings in property unit trusts, the fund is split equally between two balanced-fund managers, Henderson Global Investors and Schroders Investment Management. The fund managers report transaction details at quarterly meetings with the Advisory Panel. An independent fund advisor monitors the two fund managers for the Council.

Cash in hand and the market value of funds as at 31st March 2005 held by the managers totalled £366.1m. Henderson held 48.4% of this and Schroders 51.6%.

As mentioned above, the fund makes investments in property via property unit trusts. These amount to £41,948,166 (including cash earned on the property investment). As specifically allowed in the regulations, all the fund's day-to-day cash is invested by the Council. Interest totalling £1,140,580.25 (£636,088.36) was paid at appropriate rates. The average cash balance held during the year was £24,760,975 (£17,442,383) and the average interest rate applied was 4.6% (3.8%), which represents the average 7-day rate. The average daily interest was £3,083.91 (£1,742.71). The year-end cash balance was £31,871,277 (£26,923,129). The figures in parentheses are for 2003/04.

Current market valuation of the assets is based on current market convention where they are primarily traded. This is either the last traded or middle market price. When representative prices are unavailable, investments are valued on the most appropriate basis in the opinion of the relevant fund manager.

7. Investment Transactions and Performance

Purchases of investments during 2004/05 were £159.5m (£173.1m) and sales proceeds were £141.7m (£171.7m) Profits/(Losses) on realisation were £0.9m (£3.9m). The figures in parentheses are for 2003/04.

As shown in the net asset statement, the fund invests in fixed interest stocks, UK equities, property (indirectly through unit trusts) and overseas equities and bonds. There were no investments in unlisted securities during the financial year under review. The fund also holds an interest earning cash balance, invested with the Council as mentioned above.

The fund made a general return in 2004/05 of 11.2%. The W.M. Company's statistics show that the average return for local authority pension funds was 11.7% and that Barnet was in the 52nd percentile of funds measured.

Performance of all pension funds was slightly subdued due to the persistent high oil prices in the year under review that have affected the world stock markets.

8. Prior Year Adjustments

There were no prior year adjustments.

9. Related Party Transactions

The administration expenses of £1,082,000 shown above were incurred by the London Borough of Barnet and are broken down as follows:

	2004/05	2003/04
	£'000	£'000
Human Resources pensions administration	742	560
Accountancy administration	45	14
Payroll	295	194
Payments	0	0
Total	<u>1,082</u>	<u>768</u>

Costs of Human Resources are the total cost of the section within HR administering pension's entitlement, contributions, etc; the cost of Accountancy Administration is an apportionment of the salaries of the Core Accountancy team determined by the time spent by members of the team on administrative matters relating to the pension fund. Payroll's expenses are determined by reference to the number of payslips processed which relate directly to the pension fund and Payments expenses are established by apportioning the total cost of the Payments section according to the number of transactions generated by each section.

There were no material transactions between the Fund and the Trustees of the Fund, or between the Fund and the senior officers of the Borough, during the financial years 2004/05 and 2003/04.

The figure for contributions debtors included in the Net Assets statement includes amounts totalling £373,584.75 (£677,389.95) due from Middlesex University, representing one months' outstanding contributions. These were paid to the Borough in April 2005 (April 2004). Also contained within the Contributions debtors' figure is an amount of £1,535,989.89 (£1,520,532.02), representing one month's outstanding contributions due from the London Borough of Barnet and which was paid in April 2005 (April 2004). The figures in parentheses are for 2003/04.

The independent Fund Advisor who also monitors the fund managers on behalf of the council was paid a fee of £8,500 for this service during the financial year under review.

10. Post Balance Sheet Events

There were no post Balance sheet events in the year under consideration.

GLOSSARY

For the purpose of compiling the statement of accounts, the following definitions have been adopted:

Accruals

The recognition of income and expenditure as it falls due, not when cash is received or paid.

Assets

These can either be:

- Fixed assets – tangible assets that give benefits to the authority for more than one year.
- Community assets – assets without determinable life that the authority intends to hold in perpetuity. They may have restrictions on their disposal. Examples include parks and historic buildings.
- Infrastructure assets – fixed assets such as highways and footpaths that cannot be transferred to another owner.
- Investment property – includes land and buildings held by the authority that are awaiting sale or development. This category also includes some property let on a commercial basis as well as some property that is for the good of the community.
- Non-operational assets – fixed assets not directly used for service provision. This includes assets under construction that will be transferred to operational assets once they are in use.

Asset Management Revenue Account (AMRA)

An account that capital accounting regulations requires the authority to maintain. All principal repayments and interest charges on loans are charged to this account. The AMRA is used to reverse out the capital charges for asset rentals made to the service accounts to leave only the annual external interest and principal repayments in the consolidated revenue account.

Associate Company

An organisation is an associate of a parent local authority where the authority holds a long term, participatory interest and is in a position to exercise a significant but not dominant influence over that organisation.

Budget

The council's financial plans for the year. Both capital and revenue budgets are prepared and, amongst other things, used as performance indicators.

Capital Charges

A charge by the asset management revenue account to service revenue accounts for their use of assets.

Capital expenditure

Expenditure on the acquisition of a fixed asset or expenditure that adds to (rather than merely maintains) the value of an existing fixed asset.

Capital Financing Account

An account recording financing transactions relating to capital expenditure. This is not a reserve that can be used, but contains the balance of depreciation against the MRP, reserved capital receipts and usable capital receipts applied to meet capital expenditure.

Capital Receipts

The proceeds of the disposal of assets, non-approved investments and the repayment of grants made by the authority.

CIPFA

The Chartered Institute of Public Finance and Accountancy. This, the institute of professional local government accountants, produces standards and codes of practice followed in the production of an authority's accounts.

Code of practice

Issued by CIPFA, this is a code of proper accounting practice with which local authorities in England and Wales must comply in preparing their financial statements.

Collection Fund

A Statutory account that shows the collection and disbursement of council tax and the administration of National Non Domestic Rates.

Consolidated Balance Sheet

A summary of all the assets, liabilities, funds, reserves, etc. of the council. It brings together details of the individual funds maintained by the authority.

Creditors

Money owed by the authority to others.

Debtors

Money owed to the authority by others.

Deferred Charges

A type of capital expenditure that does not give rise to tangible assets. Examples are renovation grants and capital grants to other bodies such as housing associations.

Depreciation

The writing down of the value of a fixed asset in line with its programmed useful life.

Employee costs

Pay and associated costs such as national insurance, pension contributions etc.

Estimates

The component parts of the council's budget.

Exceptional items

Items that, although usual to the activities of the authority by their nature, need separate disclosures because of their unusual size or incidence.

Extraordinary items

Material items, needing separate disclosure because they are unusual to the activities of the authority by their nature.

Fixed Asset Restatement Account

An account showing the surpluses or deficits on revaluation of fixed assets. This reserve is not available for general use in the financing of capital expenditure.

FRS's

Financial reporting standards issued by the Accounting Standards Board requiring information to be shown in accounts.

General Fund

The main revenue fund of the authority, it shows income from and expenditure on the council's day to day activities. It excludes the provision of housing that must be charged to a separate housing revenue account.

Government grants

The amounts of money the authority receives from the Government and inter-government agencies to help fund both general and specific activities.

Government grants deferred

Capital grants that are credited to the balance sheet and amortised to revenue over the life of the relevant assets to offset charges made for depreciation.

Gross expenditure

Expenditure before deducting any related income.

Housing Revenue Account (HRA)

The account which shows the income from and expenditure on the provision of council housing. Other services are charged to the general fund.

Joint Venture

A joint venture is where a parent local authority holds an interest on a long term basis in an organisation and that organisation is jointly controlled by the local authority and one or more other entities under a contractual arrangement.

Leases

These may be finance leases that transfer the risks and rewards of ownership of an asset to the authority. Alternatively they may be operating leases that are more akin to a hire agreement.

Liabilities

Amounts the authority either owes or anticipates owing to others, whether they are due for immediate payment or not.

Long term contracts

A contract that, once entered into, will take longer than the current period of account to complete.

Major Repairs Allowance (MRA)

The MRA is a government subsidy that was introduced to replace Housing Revenue Account borrowing for repairs.

Major Repairs Reserve (MRR)

This reserve is for capital expenditure on HRA assets.

Minimum revenue provision (MRP)

Statute requires revenue accounts to be charged with a minimum revenue provision of 4% for general fund and 2% for the housing revenue account as a notional redemption cost of all external loans.

Net expenditure

Gross expenditure less directly related income.

Precept

The amount of income demanded of the collection fund by an authority entitled to such income.

Preceptor

An authority entitled to demand money of the collection fund. The preceptors on Barnet's collection fund are the council itself and the Greater London Authority.

Provisions

Amounts held in reserve against specific potential liabilities or losses where there is uncertainty as to amounts and/or due dates. Payment to a provision is counted as service expenditure.

Public Works Loan Board (PWLB)

A Government body that lends money to local authorities for periods in excess of one year, often at preferential interest rates.

Rateable Value

Assessment by the Inland Revenue of a property's value from which rates payable is calculated.

Related parties

Two or more parties are related parties when at any time during the financial period:

- i. one party has direct or indirect control of the other; or
- ii. the parties are subject to common control from the same source; or
- iii. one party has influence over the financial and operational policies of the other party to the extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- iv. the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Reserves

Amounts prudently held to cover potential liabilities. Payments to reserves are not counted as service expenditure. Payments from reserves are passed through service revenue accounts, cf. provisions. Earmarked reserves are allocated for a specific purpose. Unallocated reserves are described as balances.

Revenue expenditure

Day to day running costs of services.

Revenue income

Day to day income received for services.

Revenue support grant

A Government grant paid towards the cost of general fund services. It is the authority's largest single source of income.

Running expenses

The cost of running a service less employee expenses and capital charges.

SSAP's

Standard statements of accounting practice. These are agreed by accounting bodies and describe standard treatment to be used in the preparation of accounts. They are gradually being replaced by FRS's.

Subsidiary

An organisation is a subsidiary of a parent local authority if the authority has either a majority share in the organisation or exercises a dominant influence over it.

Useful life

The anticipated period that an asset will continue to be of benefit to the authority.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Accounts and Audit Regulations 2003 require the publication of a Statement on Internal Control (SIC) with the financial statements. Although it is published with the financial statements the SIC is a broad reflection of the whole governance of the council, and must set out the controls in place that are designed to ensure:-

- the council's policies are put into practice and that values are met;
- laws and regulations are complied with;
- required processes are adhered to;
- financial statements and other published information are accurate and reliable;
- human, financial and other resources are managed efficiently and effectively;
- services are delivered efficiently and effectively.

The SIC must be signed by the Leader and Chief Executive, after it has been approved by the council or relevant body. In considering whether to approve the SIC, the relevant body should seek to satisfy itself that it has obtained relevant and reliable evidence to support the disclosures made and should consider the reviews of the SIC by key officers within the council, including (but not exclusively) the Chief Financial Officer, Monitoring Officer and Chief Internal Auditor.

The SIC should explain the nature of control and material changes in control exercised throughout the whole accounting period. It should identify any weaknesses in control that have been identified and set out an action plan to address them. It is divided into five sections, as follows:-

- Section 1 Scope of Responsibility;
- Section 2 Purpose of the System of Internal Control;
- Section 3 Internal Control Environment;
- Section 4 Review of Effectiveness;
- Section 5 Significant Internal Control Issues.

Guidance on the production of a SIC was published by the Chartered Institute of Public Finance and Accountancy in April 2004, after the close of the financial year. An interim statement for 2003/4 was published. This statement evidences further progress towards full compliance with the process for SIC completion which will be achieved in 2005/6 by developing key indicators of internal control and documenting evidence to support the SIC.

The SIC for 2003/4 was a detailed document which contained more information than necessary, particularly around what was then construed to be a 'significant weakness'. Following further discussions with external audit, who in turn have had additional guidance from the Auditing Practices Board, the SIC for 2004/5 is more focused on defined areas of corporate significance.

2004/05 STATEMENT ON INTERNAL CONTROL

In line with the guidance an interim statement is being presented for 2004-5.

Section 1 – Scope of Responsibility

The council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for, and used efficiently, economically and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way that its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of council functions and which includes arrangements for the management of risk.

Section 2 – Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It 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 risks to the achievement of council 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.

Section 3 – Internal Control Environment

The key elements of the internal control environment are set out below.

Objectives

The council's objectives are detailed in the Community Plan, which are also reflected in the Corporate Plan. These are cascaded through service Performance Management Plans and targets for service teams and individuals. Monitoring is via the FirstStat programme, Finance and Performance Review meetings, Member Challenge events and performance management.

Policy and Decision Making

The Local Government Act 2000 and secondary guidance specify the local authority functions that are the distinct and quite separate responsibility of the council and the executive. Neither body can become involved with taking decisions on the functions of the other, with certain exceptions referred to below. The Act permits no other bodies in the formal decision-making structure other than those described below.

Council Functions

The council's functions are broadly as follows:-

- planning and enforcement;
- licensing and regulation;
- a limited number of highway matters mainly concerned with public footpaths and bridleways;
- appeals against decisions;
- staffing;
- electoral management;
- appointments to other bodies;
- some other minor functions.

These functions may be exercised by the full council meeting or be delegated to committees or officers. They cannot be delegated to an individual councillor. They are delegated to the Planning

and Environment Committee and the Planning and Environment Area Sub-Committees, Appeals Committees, General Functions Committee and officers.

In addition, the full council has the power to approve the budget and statutory policy framework, but there are limitations imposed by the legislation and included in the constitution on how this can be exercised and how disagreements with the executive are to be resolved. This is the only control the council can exert over the functions of the executive. Part of each council meeting is set aside for debate on policy development, in which all councillors are able to take part. All councillors are permitted to serve on committees discharging council functions.

Executive Functions

All other functions of the local authority are the responsibility of the executive, which is the Leader and Cabinet – a total of 10 Members, which is the maximum permitted by the Act. Substitute or deputy Cabinet Members are not permitted.

Executive functions may be exercised by:-

- the Cabinet itself;
- Cabinet Committees (on which only cabinet members can vote or serve, although non-voting co-opted persons are allowed);
- individual Cabinet Members;
- Area committees (provided they are constituted on a ward basis);
- officers;
- joint arrangements with other local authorities.

The Leader is solely responsible for setting the executive delegation arrangements and limits. The executive is responsible for the preparation of the budget and the statutory policy framework for submission to the council. Otherwise, the executive is not subordinate to the council in discharging its functions and cannot be directed by the council how to discharge them.

Urgent and Emergency Decisions

Decisions taken by the decision takers set out above on both council and executive functions are subject to limitations and conditions imposed in the constitution, including financial restrictions. Some of those are relaxed for urgent decisions (e.g. where urgent action is required but might be delayed by following the normal procedures). In an emergency (e.g. where immediate action is needed to protect life or property or to maintain a critical service) most of the restrictions are removed.

Overview and Scrutiny Committees

The functions of Overview and Scrutiny Committees are specified in the Act and are and can only be:-

- policy development and review to assist the council and the executive;
- scrutinising the decisions and performance of the executive and the council, and other public bodies in the area;
- calling-in for reconsideration key decisions taken by the executive but not yet implemented.

Key decisions are those significant in financial terms or in their effect on communities comprising two or more wards. The Constitution provides for the call-in process to be operated solely by the Cabinet Overview and Scrutiny Committee and all executive decisions taken by Members can be called in, not just key decisions. Members of the Cabinet cannot be members of Overview and Scrutiny Committees.

Compliance

Assurance on compliance with policies, procedures, laws and regulations is provided, in part, by Internal Audit, that conducts risk based audits on the highest risk areas. Other sources of assurance on compliance come from external audit, other external inspectors (e.g. OFSTED, CSCI) and from service management's own internal control arrangements.

Risk Management

There has been further progress in implementing risk management in the council in 2004-5. Combined with the further development of monitoring and reporting routines, this will provide the basis for an effective risk management process.

In February 2005, the Chief Internal Auditor was delegated responsibility for risk management by the Chief Executive. An appropriate amendment has been made to the council's constitution to reflect this. This development does not remove the primary responsibility for risk management from service managers and the Internal Audit unit will continue to review and report on risk management arrangements in their interim and annual reports. This arrangement will be reviewed towards the end of 2005-6. External Audit will increase the amount of work they do in this area as a consequence of this arrangement.

The corporate risk management group was disbanded, as it had fulfilled the requirements of its terms of reference chiefly the production of a formal Risk Management Strategy and Toolkit, which was approved by Cabinet

Heads of Service are required to establish and complete risk registers, with progress being monitored through the Finance and Performance Review process. These meetings also encompass close monitoring of draft budget reductions, to minimise the chances of unachievable savings being incorporated in the budget. This work is also taken into account by the Borough Treasurer when providing statutory advice to council on the appropriate level of balances and reserves, as now required under the Local Government Act 2003.

The Borough Treasurer is developing a corporate financial risk register in tandem with work on financial forward planning. This register will also highlight financial uncertainties and opportunities.

All reports to committees continue to include a section on risks, which contributes to Members being better informed prior to deciding on policy and making decisions and increases officer understanding and awareness of risk issues.

Heads of Service incorporate risks associated with delivering service priorities in their Performance Management Plans.

A list of corporate risks is presented to Directors' Group for evaluation and reporting to Cabinet. These are closely monitored throughout the year by officers and Cabinet.

Progress on implementing risk management is monitored by the Audit and Resources Overview and Scrutiny Committee.

The council's key corporate risks were taken into account in the Corporate Plan for the year to which this statement relates and have again been identified for the first year of the subsequent version of the Corporate Plan (2005/06 – 2008/09.)

Risk Management was included in the portfolio of the Cabinet Member for Performance, Partnerships and Best Value.

Internal Audit provide a statement in all their interim and annual reports on the adequacy of risk management arrangements. Generally, they undertake an independent review of this annually. In 2004/5 they have relied on the work of external audit in this area. External Audit's final report came to the conclusion that:

'the current arrangements and processes form a good foundation for further developing risk management so that the areas for improvement identified during our review can be addressed.'

All Internal Audit reports published in 2005-6 will have a revised format that will require management to deliver the action required by the risk identified in the report i.e. Internal Audit will no longer construct recommendations in reports. However, as experts in risk and control, Internal Audit will provide advice and guidance on construction and design of controls. Internal Audit's focus will be to ensure that the identified risk has been adequately and cost-effectively addressed.

Use of Resources

Effective and efficient use of resources is achieved through a range of review processes linked to the annual service planning cycle. Best Value reviews have been conducted across a range of council services in accordance with legislative requirements. Business and service planning is well established but under constant review for improvements.

Base budget reviews are undertaken at Finance and Performance Review meetings, as part of preparing annual budget proposals to Cabinet. These meetings were convened on a bi-monthly basis for all services in 2004-5. They will be quarterly in 2005-6.

Cabinet member challenge is also undertaken on budget proposals.

All procurement activity across the council is overseen by the Strategic Procurement Team.

All Internal Audit reviews consider the use of resources as part of the scoping exercise for each review.

A self-assessment for the 2005 assessment of 'Use of Resources' will be completed in line with deadline set by the ODPM.

The 'external auditor scored judgement' gave an overall score of '3' (of a possible '4') in November 2004.

Financial Management

Financial management of the authority is organised through a wide range of processes and procedures which are being improved to deliver stronger financial control arrangements. Central to all this is Financial Regulations, which form part of the council's constitution.

Corporate financial control is also exercised through Finance and Performance Review meetings, with core membership comprising the Chief Executive, Borough Treasurer, Chief Internal Auditor, Assistant Chief Executive and Head of Human Resources. The outcome of these meetings is reported to Management Board and Cabinet Resources Committee.

Beyond this there are individual schemes of control for specific areas, e.g. Treasury Management Strategy.

A Best Value Review of Financial Management throughout the Council was carried out in 2003/04 which identified a number of actions that would improve financial management. Progress to date includes:

- Production of draft Financial Management Toolkits to be introduced to budget managers as they are trained in SAP;
- Audit of accounts for 2003/4 signed off 3 months earlier than previous year;
- Budget monitoring improved by use of standard template across all Services;
- Introduction of "Traffic light" monitors to track progress on achieving budget savings;
- Balances forecast to be £5m at 31 March 2005 having stood at £0.931 at 31 March 2004. Section 11 Notice issued following the audit of the 2002/03 accounts was lifted following the audit of the 2003/04 accounts and scrutiny of the monitoring of expenditure during 2004/05;
- Heads of Service, as an integral part of the budget preparation process for 2005/06, completed a risk assessment on all the items of budget growth or reduction,
- Financial Forward Plan presented to Council as part of budget report, and
- Capital investment proposals subjected to Option Appraisal and Capital Prioritisation by the Corporate Asset Strategy Management Group, prior to being recommended to Cabinet.

Further planned work, which is dependant upon the implementation of SAP includes:

- The transfer of roles and responsibilities between services and Corporate Finance to ensure Services take responsibility for managing their own budgets. SAP will facilitate Services undertaking some processes and being able to enquire and receive information direct from SAP.

- The completion of a new scheme of Cost Centre Management.
- The design of efficient business processes is being done through the SAP blueprint and realisation phases.
- Reduction of manual processes leading to creation of capacity for corporate finance to be proactive in supporting and advising services.

Performance Management

The Corporate Plan is the single improvement document for the authority. It contains all the key priorities and indicators by which achievement against corporate goals are measured. Progress against targets is monitored through a corporate performance management system based on regular meetings (FirstStat, Finance and Performance Review), regular data collection (monthly returns from service areas) and Member challenge (Overview and Scrutiny) as well as by the lead member for Policy and Performance.

CPO are currently revising performance management procedures with a view to further embedding a collaborative system based on robust data. As well as the frequency and level of service monitoring, new procedures will also consider arrangements for formally signing off actions at the appropriate level. An example of this best practice is the Chief Executive's recent agreement to receive quarterly FirstStat monitoring/action plans at Director's Group for review and sign off.

Section 4 – Review of Effectiveness

The council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of Internal Audit, which reviews the development, maintenance and implementation of internal control across the council.

The work of Internal Audit on key financial systems is quality assured by the council's external auditors, who also conduct some independent reviews of internal control. Other inspectorates also examine internal control as part of their work.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control is set out below.

Council

The constitution is reviewed annually by the Special Constitution Review Committee, informed by an Officer Constitution Group and Corporate Governance work undertaken by Internal Audit.

Executive

Cabinet periodically reviews progress on key corporate risks.

The Cabinet Member for Performance, Partnerships and Value has risk management in his portfolio.

All committee reports include a section on risk.

The Audit and Resources Overview and Scrutiny Committee conducts an annual review of the budget process. In addition it reviews the Internal Audit Annual and Interim Annual Reports and the Annual (External) Audit and Inspection Letter, in addition to other key reports from Internal and External Audit during the year.

The Cabinet Overview and Scrutiny Committee is able to review all items on the Cabinet agenda and can call-in any decision taken by the Cabinet Committee or a Cabinet Member, this exceeds the statutory requirement to have arrangements for calling-in Key Decisions.

Audit and Resources Overview and Scrutiny Committee

The terms of reference of the Audit and Resources Overview and Scrutiny Committee were as follows:-

- to ensure that the council's financial report and, in particular, the annual financial statements are balanced and fair and conform to accountancy standards;

- to reassure the council that the scope and depth of external audit work is sufficient and conducted competently;
- to satisfy the council that the internal auditors carry out a sufficient systematic review of the internal control arrangements, both operational (relating to effectiveness, efficiency and economy) and financial reporting controls;
- to consider external finance management reports;
- to scrutinise the council's annual budget process, and review the council's performance in relation to budget management;
- to assist the council in developing the three year budget strategy;
- to review the management of resources made available to the council and scrutinise financial management, property and asset acquisition and disposal and capital programme;
- to review the development of a council-wide property and asset strategy;
- to review the independence and objectivity of the external auditors and matters relating to the provision of non-audit services;
- to consider communications with the external auditors on audit planning and findings and on any material weaknesses in accounting and internal control systems and to report as appropriate to the Cabinet;
- to consider the major findings of any relevant internal investigations into control weaknesses, fraud or misconduct and management's response;
- to scrutinise the action taken by the council to fully implement a risk management system.

These were the terms of reference for this committee in 2004-5. A review of the scrutiny function has resulted in the establishment of a stand alone Audit Committee outside the scrutiny framework with a revised terms of reference which will have its first meeting in June 2005.

Internal Audit

The council's Internal Audit Service is provided predominantly by an in-house team supplemented by two external partners as follows:-

- ENPEYZ, who undertake all school audits;
- Deloitte and Touche, who provide between 150 and 250 days risk based systems audit a year.

All audit work is undertaken to the standards of the Institute of Internal Auditors and the CIPFA Code of Practice.

An annual audit plan is produced by the Chief Internal Auditor, in consultation with key stakeholders, based on a risk analysis of all of the council's auditable systems. In addition, the risks in each system are reviewed by the relevant Head of Service prior to the commencement of every audit review. The audit plan is agreed with our external auditors prior to finalisation to ensure that that plans are co-ordinated to add maximum value and avoid any duplication.

At the conclusion of each audit the recommendations are discussed with the appropriate head of service and an action plan is agreed. There is a follow-up review of every internal audit to ascertain progress being made by the head of service in addressing the agreed action plan. The Chief Internal Auditor publishes an annual report to the Management Board and Audit and Resources Overview and Scrutiny Committee.

The Chief Internal Auditor is a Chief Officer of the council, reporting to the Borough Treasurer and with direct access to the Chief Executive. The Chief Internal Auditor also reports to the Audit and Resources Overview and Scrutiny Committee on the following matters:-

- annual audit plan;

- regular progress reports on key findings and progress against the annual audit plan;
- annual report providing a final position on progress against the annual audit plan, a summary of all internal audit reviews completed, and an independent opinion of the Chief Internal Auditor on the adequacy and effectiveness of the overall control environment.

Corporate Anti Fraud Team

The Corporate Anti-Fraud Team (CAFT) is a specialist investigative unit that has been established to investigate allegations of Housing Benefit, Council Tax Benefit and general fraud within the London Borough of Barnet.

A key part of CAFT's role is to be raise fraud awareness corporately via training, publicity, enhanced intelligence gathering, effective and thorough investigation and prosecution where necessary.

Mission: CAFT's mission is to assist the council in protecting the public purse through the advancement of sound strategies, procedures and controls in the prevention, detection, investigation and deterrence of fraud and corruption.

Aims: CAFT aims to minimise fraud and loss through effective prevention and detection measures and is committed to supporting the community, employees and members in deterring fraud.

Where fraud is discovered and investigated, the Corporate Anti Fraud Team is dedicated to taking necessary action against alleged offenders and will prosecute in appropriate cases.

The council is also dedicated to reviewing all controls and systems in place and will take all reasonable steps to prevent recurrence of fraud, and to recover any funds lost through fraudulent behaviour.

Reporting: CAFT report summary findings with recommendations of all corporate fraud work to Management Board and are currently finalising arrangements for reporting to the Audit Committee. In 2005/6 CAFT will have a regular quarterly slot on the Management Board agenda.

In 2004-5 CAFT conducted successful investigations into a number of areas which has further raised the profile of anti fraud activity throughout the organisation.

All investigation reports are viewed by the Chief Internal Auditor to ensure that any risk/ control issues are identified and audit plans amended accordingly. Similarly Internal Audit discuss with CAFT any areas where they have identified control weaknesses which may have increased exposure to fraudulent activity.

In 2004-5 a serious fraud in the Cashiers office was uncovered and successfully investigated and prosecuted by CAFT. Internal Audit worked closely with CAFT on this exercise and appropriate management action was agreed to address the identified weaknesses including physical security aspects of the Cashiers office and CCTV.

CAFT will be seeking to increase the level of proactive anti-fraud work conducted in 2005/6.

Section 5 – Significant Internal Control Issues

When preparing the 2004-5 SIC, it is important that all the significant weaknesses in internal control are identified.

General Internal Control Weaknesses/ Issues that need to be addressed in 2005/06

Human Resources Control Issues

In late 2004, the strengthening human resources' project was established to improve the risk environment in the Human Resources and Payroll Service. In establishing the Resources Directorate in April 2005, the Director of Resources sought to move the project from one that had purely taken a performance and data quality approach to the issues facing the service to a risk approach to HR data, tackling high risk issues first and foremost.

As such, this led to the establishment of Operation Windmill, a Corporate Anti-Fraud Team led project in conjunction with HR colleagues aimed at:

- 'locking the door' in terms of recruitment processes
- introducing an interim corporate checklist to ensure consistency of documentation required of new employees
- chasing personal information data cleanse forms from all employees
- following up on suspect National Fraud Initiative cases.

However, while clearly this activity has mitigated the areas of high risk within the authority, both in terms of safer recruitment and potentially fraudulent employee activity, it is well understood that this alone will not resolve wider issues facing Human Resources. Therefore, at the same time as working with CAFT to resolve such issues, the HR management team has developed an action plan of priority service performance and policy issues to be addressed in year, seeking to address the longer-term systemic issues facing the service.

The key objectives outlined within the action plan include:

- Resolution of HR data issues, building on the great steps forward made as a result of the Modernising Core Systems and Operation Windmill projects
- Tackling the skills issues across HR, not only in relation to SAP
- Development of a corporate HR strategy and, with it, supporting policies and procedures to be applied consistently across the authority

BVPIs – The Corporate Performance Office will continue to assist services to review and improve the data gathering and reporting processes around BVPIs to ensure that the identified weaknesses are effectively addressed.

Internal Audit annual report 2004-5

The most recurring areas of control weakness across the council identified in the 2003/4 Internal Audit annual report are:

- Either no or inadequate policies and procedures (26 instances out of a total 159 recommendations made).
- Recommendations in this area do not necessarily mean that policies and/or procedures do not exist but that improvements or additions to existing policies and/or procedures may be required.
- Inadequate monitoring of management information to ensure objectives are achieved (17/159) and
- Lack of monitoring and administrative controls over the reliability and integrity of data (15/159)

External Audit Reports 2004-5

In 2004-5, external audit issued reports on the following:

- Governance arrangements
- Best Value Performance Indicators
- Grants certification
- Risk Management
- Contract Management
- HR and Payroll
- Adult Services (formerly called Community Care)

Where the key issues identified in these reports have been referred to previously within this section of the Statement they have not been repeated. However, the following additional

significant control issues were identified during the course of the various external audit reviews performed:

- Only eight of the 13 key accounts systems can be relied upon for the purposes of the final accounts audit
- Only six of the 14 key systems of internal control were deemed to be satisfactory from an internal control perspective
- Grant certification work led to a significant proportion of claims and returns being either amended or qualified
- Serious completeness issues were identified in the Council's central contracts register and contract monitoring arrangements leading to concerns over whether value for money was being achieved in aspects of the goods and services being procured
- 21 Best Value Performance Indicators were reserved, indicating continuing problems with data quality

Since these risks were identified and raised by external audit, significant steps have been taken to improve the overall control environment, not least the MCS project. Action plans have been produced for all the agreed recommendations in the above reports. Implementation of these is monitored by the relevant Head of Service.

SIC 2005-06

The process for production of the annual SIC can be improved. External Audit presented to a special Management Board meeting on 16th August 2005 on the significance and requirements of the SIC. Processes to ensure that all services effectively contribute to the process are being considered with a view to improving the way in which assurances can be obtained from across the council. We envisage that a revised process will link together work on risk management and assurances obtained from all other sources. Ultimately, this will feed into the annual statement prepared on behalf of the Chief Executive and Leader for the Annual Accounts, and will provide supporting documentation for internal and external audit.

Leo Boland
Chief Executive

Brian Salinger
Leader of the Council