

**London Borough of Barnet  
Statement of Accounts  
For the year ended 31 March 2010  
AUDITED**

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## **SECTION 1**

**Introduction and review of the year 2009/10**

## **Explanatory forward**

### **Foreword and statement of responsibilities**

This statement of accounts sets out the financial statements for the London Borough of Barnet, its pension fund and the group accounts.

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs. In Barnet that officer is the Chief Finance Officer (CFO), Andrew Travers.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts, this is done by elected members.

### **Internal financial control**

The council recognises its responsibilities to ensure proper financial management and control of its affairs. The council approves an annual revenue and capital budget and publishes annual accounts, which are approved by the Council and are subject to external audit.

Andrew Travers, the CFO, is also the Deputy Chief Executive and reports directly to the Chief Executive. Together with the Corporate Governance Directorate, the Finance Directorate holds responsibility for leading on risk management strategy. The Finance Directorate maintains a regular review of the council's financial systems and investigates any irregularities that arise. Further information is contained in the annual governance statement.

### **The Chief Finance Officer's responsibilities**

The CFO is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC code of practice in local authority accounting in the United Kingdom.

In preparing the statement of accounts, the CFO has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Complied with the code of practice.

The CFO has also:

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

The CFO is required to sign and date the statement of accounts for the year ended 31 March 2010, stating that it gives a true & fair view of the authority at the accounting date and its income and expenditure for the year.

## **The statement of accounts - Introduction**

This details the process in place during 2009/10 for ensuring proper financial management and control. It then reviews the effectiveness and raises any major issues that have arisen in the year.

There are some changes to the format of the accounts for 2009/10 as a result of the application of the statement of recommended practise (SORP) 2009. Further significant changes from 2010/11 onwards are expected, due to the introduction of International Financial Reporting Services (IFRS).

## **Statement of accounting policies**

This explains the basis on which the accounts have been prepared and their compliance with relevant regulatory body guidance.

The authority's accounting statements comprise of:

### **(i) The core financial statements**

#### **Income and expenditure (I&E) account**

This summarises the resources generated and consumed by the authority in providing services during 2009/10. The account also shows how the council's services are funded; the four main sources being specific income, council tax, redistributed non-domestic rates and government grants.

#### **Statement of movement on the general fund balance**

This is a reconciliation statement which shows how the balance of resources generated/consumed in the year links in with the statutory requirements for raising council tax.

#### **Statement of total recognised gains and losses (STRGL)**

This statement brings together all the gains and losses of the council for the year and shows the aggregate decrease in its net worth. In addition to the deficit sustained by the income and expenditure account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

#### **Balance sheet**

This records the authority's year-end financial position. It shows the balances and reserves at the authority's disposal, its long-term debt, net current assets or liabilities, and summarised information on the fixed assets held. It excludes the pension fund.

#### **Cash flow statement**

This summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue transactions.

### **(ii) The applicable supplementary single entity financial statements**

#### **Housing revenue account (HRA)**

This records the authority's statutory obligation to account separately for the costs of its landlord role. It shows major elements of housing revenue expenditure, maintenance, administration and capital financing costs, and how these are met by rents, housing subsidy and other income.

## **Collection fund statement**

The council is responsible for collecting council tax and non-domestic rates, the latter on behalf of the government. The proceeds of council tax are distributed to two preceptors: the council itself and the Greater London Authority (GLA), acting as an agent in this instance. The fund shows the income due from council tax, non-domestic rates and the application of the proceeds.

### **(iii) Group accounts**

The authority has only one wholly owned subsidiary company, Barnet Homes Ltd., an arms length management organisation (ALMO), over which it has full control and influence through the management agreement. The primary aim in establishing this company is to remove it from public sector borrowing controls and to allow a greater commercial freedom. These group accounts therefore show the consolidated position for the council. For statutory purposes Barnet Homes Ltd produce their own statement of accounts.

The SORP requires the council to produce group versions of its core financial statements:

- group income and expenditure account
- group statement of total recognised gains and losses
- group balance sheet
- group cash flow statement

It also requires the production of a further statement which demonstrates how the group statement links to the council's own income and expenditure account:

- reconciliation of the single entity income and expenditure account surplus or deficit to the group income and expenditure account surplus or deficit

### **(iv) Pension fund accounts**

The pension fund account shows the contributions to the fund during 2009/10 and the benefits paid from it. The net assets statement sets out the financial position for the fund as at 31 March 2010. The fund is separately managed by the council acting as trustee and its accounts are separate from those of the council.

# Review of the financial year

## Introduction

This section sets out some of the key features of the council's general and financial performance for 2009/10.

## Council performance

Council performance was assessed by the Audit Commission under the Comprehensive Area Assessment (CAA) process. The conclusion was as follows:

'Overall Barnet council performs well. The council has maintained high resident satisfaction levels with nearly all of its services compared with similar areas. Crime is low and the fear of crime is reducing. Services for vulnerable people and those needing care and support are good. Educational attainment is high and improving. Children with learning difficulties and or disabilities consistently perform well.

The council's strong vision of the future for local people supports the mission of being a successful city suburb. The council recognises that the borough is changing with a growing and ageing population and the challenges that this will bring. The council has recently assessed what things it does well and what the challenges for the future will be, and these form part of the new 'Future Shape Programme'.

Barnet council scores 3 out of 4 for managing performance. The council is delivering improvements in line with its own targets and those shared with partners. Over 80 per cent of targets are on track to be met. Councillors, staff and partners monitor progress against targets closely and act quickly to improve services that are not delivering as planned. There are good plans to improve services, which are based on a clear understanding of local need and partners and residents support these.

With its partners, the council has some ambitious longer-term plans for example, to strengthen the local economy through regeneration. The aim is to increase and improve housing and local facilities in the borough and develop jobs. The council has been successful with bids for central government funding, including Growth Area Funding and Building Schools for the Future programme.

The council is also working with residents who have suffered through the recession. For example, it is developing an internship scheme to support young people to find a job when they finish their education. Working with its housing partners, the council has reduced homelessness; built more affordable homes and improved the condition of homes let to former council tenants.

The Office for Standards in Education, Children's Services and Skills (OFSTED) has rated the council's children's services as performing well. Children and young people in Barnet generally achieve well in school, better than similar areas and this is continuing to improve. The gap in educational attainment between the lowest achieving children and others is consistently narrower than in similar areas in the early years. The council and partner agencies work well together to protect children and young people from harm and abuse.

The Care Quality Commission has graded the council's adult social care as performing well. Social services provide good support and care for people to live more independently. The number of people receiving direct payments, where they then arrange their own care and support instead of getting them directly from the council, is high compared to the London average. An inspection of social services in August 2009 found that the safeguarding of vulnerable adults was good in Barnet.

The council scores 3 out of 4 for its use of resources. The council manages its finances well and by changing the way it does things, has made significant savings. Compared with councils in similar areas Barnet Council provides good value for money services. The council has a good understanding of the needs of its residents and provides services to meet these.



Barnet Council recognises that in future, it may have to deliver services with less funding and is reviewing the way it works and how its' services will be provided to local people. Its 'Future Shape Programme' is introducing a new way of managing the organisation to drive change and improvement in services. The programme aims to give residents a greater say in the design of services; bringing together the council and other local public agencies and making savings as a result.

The council manages its staff and services well and is developing plans for the future. Staff sickness absence is consistently low. Council staff are well motivated and committed to what the council is trying to achieve for residents in Barnet. The council has good plans in place to ensure it has the staff capacity to meet growing demands for its services.'

The Audit Commission has announced that the CAA will not take place in 2010, and will be consulting in due course on a revised approach to audit and inspection.

## Financial performance

The council entered 2009/10 in a strong financial position with general balances of £17.482m. This position provided the council with some measure of flexibility to meet the financial challenges it faced in 2009/10 most notably: demand lead cost pressures in Adult Social Services, reduced return on the council's investments due to falling interest rates, reduced income from fees and charges due to the recession and the costs associated with the snow affecting road repairs, fees and charges on parking. Notwithstanding these pressures, financial year 2009/10 saw a budgeted use of balances of £0.923m and a net overspend of £1.702m on services financed by the General Fund. This overspend, which was forecast and reported to Members through the course of the year, lead to General Fund Balances as at 31 March 2010 of £15.780m. This is above the £15m target level of balances as set out in the council's Medium Term Financial Strategy.

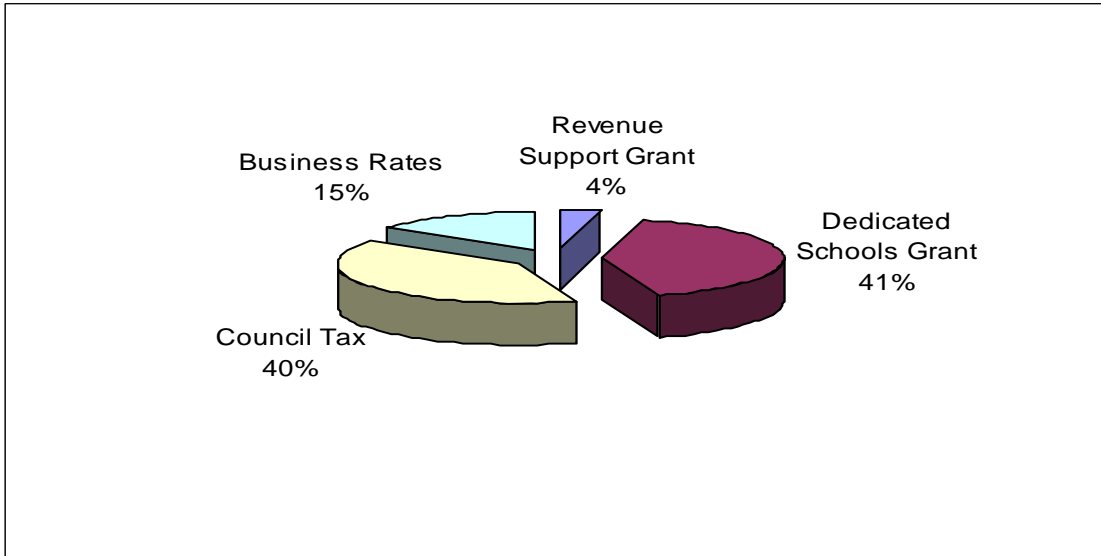
## The General Fund

The General Fund acts like a 'current account' which exists to finance the council's day to day costs of providing services. All expenditure, other than that relating to capital and the Housing Revenue Account (see below) is charged to the General Fund. At the start of financial year 2009/10 the council planned in year General Fund expenditure of £244.8m (net of specific service related grants and income from fees and charges).

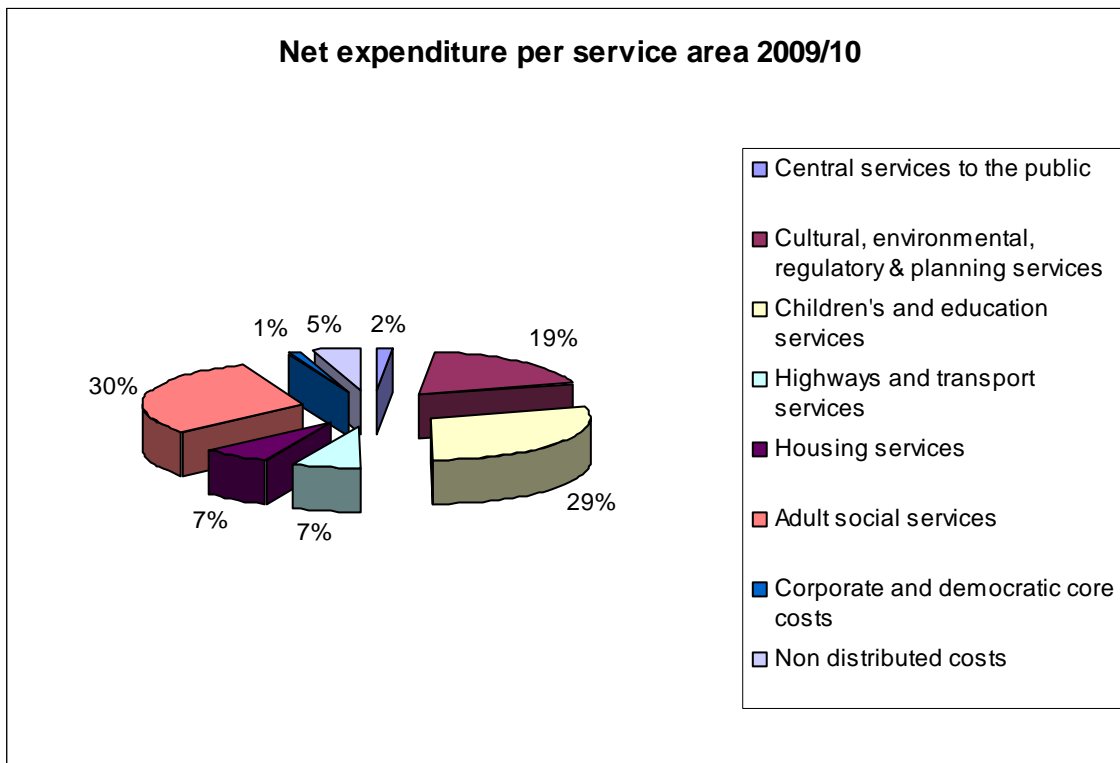
<b>2009/10</b>	Revised council spending plan	Actual net spend	Difference (actual - original)
	£000	£000	£000
Individual schools' budget	202,261	202,410	149
Net service expenditure	266,125	265,014	(1,111)
Contribution to /(from) balances	(923)	(1,702)	(779)
Budget requirement	467,463	465,722	(1,741)

A detailed breakdown of actual expenditure in 2009/10 by Service Area is set out in the Income and Expenditure Account.

Approximately 60% of General Fund expenditure was funded by central government, either through service specific grants or through general grants. The Council Tax funded around 40% of General fund expenditure in 2009/10, as illustrated overleaf:



The following table sets out the council's spending on individual service areas:



### Earmarked reserves

Earmarked reserves are amounts of money set aside to cover expenditure in future years for specific purposes. Earmarked reserves at the start of the financial year were £34.6m and increased to £32.6m as at 31 March 2010.

### Housing Revenue Account

The Housing Revenue Account (HRA) covers expenditure on providing, maintaining and managing council owned housing stock. This expenditure is offset by income from rent. Under the 1989 Local Government Housing Act, the HRA is ring fenced (held separately) from other accounts and its expenditure can not be subsidised from the General Fund (or vice versa)

In 2009/10 the HRA returned a surplus (increase of in year income over in year expenditure) of £0.380m (£0.401m deficit in 2008/09). This surplus has been transferred to cumulative HRA Balances which stand at £4.143m as at 31 March 2010 (£3.763m as at 31 March 2009).

Part of the Council's capital programme involves the major regeneration of some of the Borough's Housing Estates. As these projects progress it is expected that the number of Council-owned dwellings will fall, reducing rental income but without a proportionate fall in associated operating costs. This will provide a challenge to the future financial viability of the HRA and will be a key area of focus through the financial planning process..

## **Capital Programme**

During the year the council maintained investment in the priority areas of schools, housing, highways and infrastructure. Total capital expenditure was £115.545m, financed by a combination of borrowing (£48.083m), Government Grants (£48.181m), Developer Contributions (£2.227m) Sale of Surplus Assets (£3.319m) and contributions from revenue (£13.735m).

Consistent with Corporate Priorities, the year saw significant progress in the Primary Schools Capital Investment Programme (PSCIP) with the rebuilding of Whitings Hill and Broadfield schools now almost completed and Fairway and Northway underway. In addition, the year saw work start on the re-development of Hyde and Parkfield schools – both of which will include new children's centres, and the re-build of East Barnet Secondary School.

Investment in Housing saw yet more properties in the Borough reach the Decent Homes Standard. There was also significant improvement in disabled facilities and 62 new homes were completed on the Stonegrove Estate (with a further 117 new homes due in 2010/11).

Investment in Highways saw the reconstruction of several roads, carriageways and footpaths, the creation of additional Controlled Parking zones and London Bus networks. 2009/10 also saw play equipment installed in 11 parks for children through the Playbuilders Scheme.

Investment in infrastructure was concentrated on developing the Council's Core ICT systems – geared to modernising the way the Council works in order to improve service delivery and value for money, for example computerised storage of documents, Customer Relations Management software, mobile and home working facilities. Other notable infrastructure improvements included the refurbishment of Burnt Oak Library which featured a new Customer Service Centre. 2009/10 also saw further significant regeneration of the Colindale Development Area and installation of CCTV cameras at Temple Fortune ensuring Barnet remains a safe and successful city suburb.

## **Pension fund**

Although the Pension Fund accounts are now approved as a separate document, it is important to comment on the impact of the global financial crisis on the overall valuation of the fund.

The value of the fund as at 31 March 2010 was £631.4m, the majority of which is invested in the stock market. The fund increased in value by £149.3m.

## **Looking forward**

It is clear that resources for all public services will be severely constrained over the next few years. For local government, we are anticipating significant real terms reductions in the level of central government support. The Council's response to this challenge is the 'Future Shape' programme, which aims to transform the way local services are delivered in Barnet. In this way we hope to improve value for money for Barnet's citizens, delivering 'more for less'.

**The statement of the Chief Finance Officer**

The required financial statements appear on pages 41-119 and have been prepared in accordance with the accounting policies set out on pages 30-40.

  
**Andrew Travers**  
**Interim Deputy Chief Executive & Chief Finance Officer**

29/9/10

**Statement of the Chairman of the Audit Committee.**

I confirm these accounts were approved by the Audit Committee on behalf of the London Borough of Barnet at the meeting held on 21st September 2010.

  
**Cllr Monroe Palmer**  
**Chairman of Audit Committee**

29/9/10

## **Independent auditor's report to the Members of London Borough of Barnet**

### **Opinion on the Authority and Group accounting statements**

We have audited the Authority and Group accounting statements and related notes of London Borough of Barnet for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account the Collection Fund and the related notes. The Authority and Group accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of London Borough of Barnet in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Finance Officer and auditor**

The Chief Finance Officer's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the Authority and Group accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Authority and Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the accounting statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority'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 Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

## **Opinion**

In our opinion:

- The Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- The Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended.

## **Opinion on the pension fund accounting statements**

We have audited the pension fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of London Borough of Barnet in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

## **Respective responsibilities of the Chief Finance Officer and auditor**

The Chief Finance Officer's responsibilities for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

We read other information published with the pension fund accounting statements and related notes and consider whether it is consistent with the audited pension fund accounting statements. This other information comprises the Explanatory Foreword and the content of the Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund accounting statements and related notes. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority'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 pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the pension fund accounting statements and related notes.

### **Opinion**

In our opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

#### **Authority's Responsibilities**

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

### **Auditor's Responsibilities**

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Conclusion**

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance. We are satisfied that, in all significant respects, London Borough of Barnet made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

### **Certificate**

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Paul Winrow  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants

LONDON

29 September 2010



## **SECTION 2**

### **Annual governance statement and accounting policies**

## **ANNUAL GOVERNANCE STATEMENT 2009/2010**

### **1. Scope of Responsibility**

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

In discharging this overall responsibility the Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions including the management of risk.

Barnet London Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework delivering Good Governance in Local Government. This statement explains how the Council has complied with the code and also meets the requirements of regulations 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations 2006 in relation to the publication of a statement of internal control.

### **2. The Purpose of the Governance Framework**

The governance framework encompasses the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

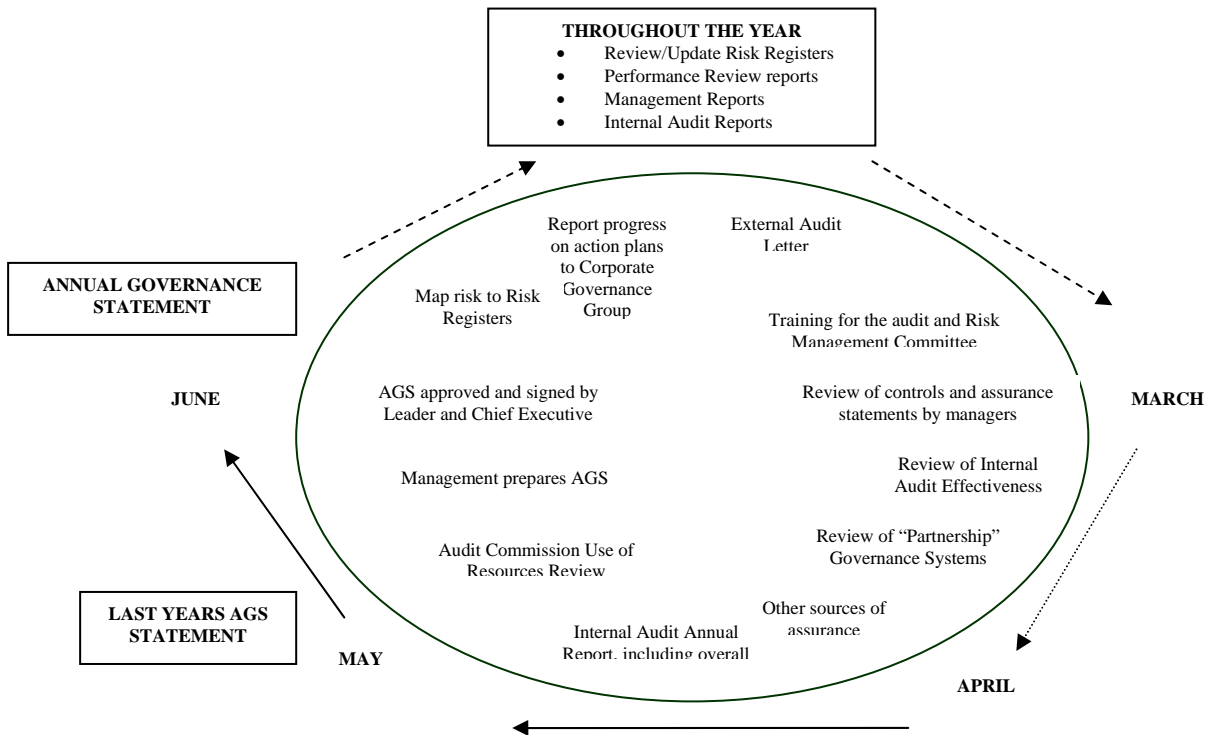
#### **Internal Control Environment:**

The Internal Control Environment is a system of checks and balances designed to manage risk, facilitate policy and decision making and deliver effective performance management in a cost effective and efficient manner thereby ensuring the Council uses its resources effectively:

- Performance Management System
- Corporate Strategy and Business Planning
- Annual Budget and Monitoring
- Code of Corporate Governance
- Project Management
- Anti Fraud Policy (and the work of the Corporate Anti Fraud Team)
- Financial Regulations and Procedures
- Code of Conduct
- Whistle Blowing Policy
- Complaints Policy
- HR Policies
- Information Standards
- Standards Committee
- Scrutiny Panels
- Audit Committee
- Contract Procedure Rules
- RIPA Policy

**The Governance Framework:**

The governance framework has been in place within Barnet London Borough Council for the year ended 31st March 2010 and up to the date of approval of the annual report and accounts. The governance cycle adopted by the Council is as follows:-

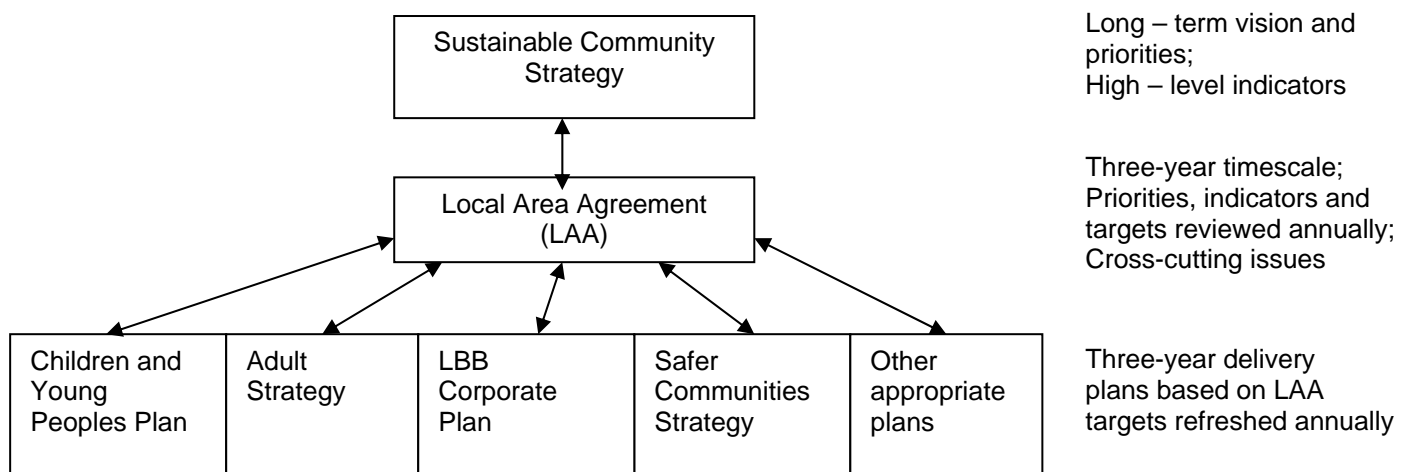


**3. The Corporate Governance Environment**

The Councils governance environment is consistent with the six principles of the CIPFA/SOLACE framework.

**Principle 1: Identifying and Communicating the Council's Vision and Purpose**

The diagram below outlines the relationship between the local strategic plans:-



In May 2008 Cabinet agreed the establishment of a Future Shape of the Organisation programme, in order to ensure that the Council was best placed to exercise local leadership and respond to the challenges that would face local government and public services in the future.

In December 2008 Cabinet agreed a programme structure for the next phase of the future shape programme, and that a detailed assessment of the overall model for public service commissioning, design and delivery be undertaken. The outcome of this assessment was reported back to Cabinet in two phases on 6 July and 21 October 2009.

The conclusions of the initial work were that to meet the challenges ahead, the following principles should be applied:

### **1. A new relationship with citizens**

In which citizens will have a much greater involvement in designing services and actively participating in improving their lives and Barnet.

### **2. A one public sector approach**

In which our strategies and services and those of our public sector partners are integrated and aligned, so that we can work together to improve outcomes for people in Barnet. An important aspect will be placing democratic accountability at the heart of it all.

### **3. A relentless drive for efficiency**

In which the Council plays a leading role in ensuring that public services as a whole are as efficient as they can be.

The 21 October report to Cabinet considered arrangements for implementing the Future Shape work programme and agreed that given the size of the programme and the risks involved, separate governance arrangements, including a Future Shape Programme Board and Overview and Scrutiny Committee be created to oversee the implementation of Barnet's Future Shape programme.

This Board was subsequently named as the One Barnet Programme Board and first met on 11 February 2010. Its specific purpose is to:

- Provide governance for the implementation of the Future Shape programme, to be known as the One Barnet programme
- Set the direction of the One Barnet programme and agree in principle and at first approval stage those projects that will form part of the programme
- Ensure that all projects deliver a corporate priority and fit with the 3 Future Shape principles
- Make recommendations to Cabinet, or any other Council decision making body where formal decisions are required, on the implementation of elements of the programme

It has a remit to:

- Consider and agree a work programme for the implementation of the One Barnet programme
- Review initial assessment plans and outline business cases
- Make recommendations to Cabinet on the approval or refusal of business cases
- Make any other recommendations to Cabinet as appropriate
- Receive reports from the Council's Investment Approvals Board ("IAB") as to the management of projects in the programme
- Consider any appropriate feedback from the Future Shape Scrutiny Panel

It is chaired by the Leader of the Council, and also includes the Deputy Leader, as well as Chief Executive, Deputy Chief Executives and Representatives from key public sector local strategic partners.

The Board is intended to be a consultative body only and does not take decisions in its own right. The Board will consider matters before it and make any recommendations as necessary to the Council's Cabinet or any other of the Council's decision making bodies.

Alongside this, the Future Shape Overview and Scrutiny Panel was established with a power to review the proposals being taken to the Programme Board as part of its activities to ensure early engagement in their development. The Panel evaluates and challenges business cases, reviews options appraisals, examines

linkages between the strands of the Future Shape programme, oversees implementation and refers issues to the One Barnet Programme Board and/or Cabinet as appropriate.

The governance of the Local Strategic Partnership will be reviewed during 2010-11 including the relationship with the One Barnet Programme Board.

**Principle 2: Members and officers Working Together to Achieve a Common Purpose with Clearly Defined Functions and Roles**

Elected members are collectively responsible for the governance of the Council. The Local Government Act 2000 introduced new executive arrangements whereby full Council, following proposals from the Executive, agrees the Council's policy framework, budget and key strategies. The Executive (the Cabinet), which comprises elected members, is responsible for implementing them and is responsible for exercising all functions of the Council except to the extent they have been categorised as non-executive functions (e.g. planning, licensing, elections and other miscellaneous functions).

This effectively separates decision-making and scrutiny of those decisions. The Chief Executive, Section 151 officer, Monitoring Officer and other senior managers are responsible for advising the Cabinet and scrutiny committees in legal, financial and other policy considerations.

<p><b>Executive Roles:</b></p>	<p>The Cabinet comprises a Leader and nine executive Members with the following portfolio responsibility (during the review period):</p> <ul style="list-style-type: none"> <li>• Leader &amp; Resources</li> <li>• Deputy Leader and Children's Services</li> <li>• Planning and Environmental Protection</li> <li>• Housing and Regeneration</li> <li>• Adults</li> <li>• Public Health</li> <li>• Investment in Learning</li> <li>• Policy and Performance</li> <li>• Environment and Transport</li> <li>• Community Engagement and Community Safety</li> </ul>
<p><b>Clear Decision Making:</b></p>	<p>Formal procedures and rules govern the Council's business:</p> <ul style="list-style-type: none"> <li>• Constitution</li> <li>• Scheme of Delegations</li> <li>• Financial Regulations</li> <li>• Scrutiny Process Guidance</li> <li>• Terms of reference for the Pension Fund Panel</li> </ul>
<p><b>Compliance:</b></p>	<p>Specific statutory responsibility rests with:</p> <ul style="list-style-type: none"> <li>• Chief Executive (Head of Paid Service)</li> <li>• Director of Corporate Governance (Monitoring Officer)</li> <li>• Deputy Chief Executive (Section 151 Officer)</li> </ul>

<p><b>Monitoring:</b></p>	<ul style="list-style-type: none"> <li>• Financial and operational data is reported to the Cabinet and Review panels quarterly</li> <li>• Work programmes of the Overview &amp; Scrutiny Committees and the Audit Committee include a challenge to both policy development and performance review</li> <li>• Performance monitoring has improved in 2009/10 by bringing together operational and financial performance information</li> <li>• The institution of a dedicated Budget and Performance Overview &amp; Scrutiny Committee has also enabled more effective Member oversight of the Council's performance</li> <li>• Further improvements are planned in 2010 with the introduction of customer satisfaction reporting</li> </ul>
<p><b>Value for Money:</b></p>	<p>The Council has been very successful at driving the efficiency Agenda with the costs being one of the lowest in London. However there is still much to do. Recognising this the new streamlined corporate plan has 'better services with less money' as one of only three key priorities. Some key activities to take this agenda forward are:</p> <ul style="list-style-type: none"> <li>• Establishment of an Investment Advisory Board</li> <li>• Service savings targets</li> <li>• Improved performance management/service planning</li> <li>• London Efficiency Challenge</li> <li>• Benchmarking exercises</li> <li>• Future Shape Programme (this is the main vehicle for driving the future efficiency programme and will change the way in which services are procured and delivered).</li> <li>• Every committee or Delegated Powers report has a corporate requirement to detail the value for money implication of the issue under consideration</li> </ul>
<p><b>Partnerships:</b></p>	<p>Partnership working is pivotal to Barnet's success. The Local Strategic Partnership (LSP) is at the heart of this approach. Metropolitan Police, Barnet College, NHS Barnet (the Primary Care Trust, Middlesex University and CommUNITY Barnet (formerly Barnet Voluntary Service Council work with the Council for the benefit of our communities. Key priorities of the LSP as expressed in the Sustainable Community Strategy are:-</p> <ul style="list-style-type: none"> <li>• Growing Successfully</li> <li>• Safer, Stronger and Cleaner Barnet</li> <li>• Investing in Children and Young People</li> <li>• Healthier Barnet (including older people).</li> </ul>

**Principle 3: Values of Good Governance and Standards of Behaviour**

The Council recognises that good governance is underpinned by shared values demonstrated in the behaviour of its members and staff.

The Director of Corporate Governance is the Monitoring Officer and is responsible for ensuring that the Council acts in accordance with the Constitution. However Directors have the primary responsibility for ensuring that decisions are properly made within the operations of the Directorates. The standards of conduct and behaviour expected of members and officers are clearly set out in a number of the codes of conduct for members and for officers.

- Members Code of Conduct
- Officer Code of Conduct
- Protocols for Member – Officer Relations
- Planning and Licensing Codes

Training programmes for both members and staff support these codes.

The Deputy Chief Executive is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. The Chief Internal Auditor has direct access to all three statutory officers and has well established reporting lines to members.

#### **Core Principle 4: Making Transparent Decisions Which are Subject to Scrutiny and Risk Management**

The Council recognises that all of its decisions must be legal and reasonable in the knowledge that all decisions are challengeable. The Council must therefore be able to demonstrate that decision makers followed a proper process, the decision was properly documented and was taken having regard to all relevant considerations.

##### **Scrutiny Function:**

The Scrutiny function works effectively to challenge performance and policy development which is supported by focussed reviews undertaken by Task and Finish Groups and Ad Hoc Committees. Recent work undertaken in relation to youth homelessness and road resurfacing has been strongly welcomed by the Cabinet.

Scrutiny committees, which comprise non-executive members, question and challenge the policy and performance of the Cabinet and also the Council's policy and performance in respect of non executive functions. The successful instilling of a culture of pre-decision Scrutiny is integral to the continued effective operation of the Scrutiny function, allowing meaningful member oversight of and contributions to major strategic and policy items.

Scrutiny has also had an ongoing role in the Council budget process, allowing member oversight of the long and short term financial picture, together with guiding the Council's direction with regard to budget consultation.

##### **Audit Committee:**

A major strength of the internal control system is the role of the Audit Committee. The purpose of an Audit Committee is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process.

To achieve these aims, the committee is responsible for the following key functions:

- Reviews of internal audit strategy, annual plan and performance, plus review of summary internal audit reports, and seeking assurance that action has been taken as necessary;
- Consider, where appropriate, the reports of external audit and inspection agencies.
- Consider the effectiveness of the authority's risk management arrangements, and seek assurances that action is taken on risk related issues identified by auditors and inspectors;
- Ensure that the authority's assurance statements, including the Corporate Governance Statement, properly reflect the risk environment and any actions required to improve it;
- Ensure that there are effective working relationships between external and internal audit, inspection agencies, and other relevant bodies, and that the value of the audit process is actively promoted;
- Reviews the Council's controls on data quality processes

##### **Standards Committee:**

The Standards Committee is responsible for:

- Promoting high standards of conduct
- Assisting members to observe the Code of Conduct

- Advising the Council on the adoption of revisions to the Code of Conduct
- Monitoring the operation of the Code of Conduct
- Provision of training on the Code
- The granting of any dispensations

### **Robust Risk Management Processes:**

The Council has continued to progress the development and embedding of risk management, both corporately, and across all Service areas during 2009/2010. Formal risk management arrangements provide for risk identification, analysis and ownership. Service Plans utilise service based risk registers in their objective setting and overarching or corporate wide risks are identified within the Corporate Risk Register.

All Cabinet and Committee reports include a section on risks ensuring members make fully informed decisions.

Quarterly risk management forums are held to share best practice and to agree procedural improvements and the Internal Control Checklist process to aid managers proactively manage their service risks. A process which is reviewed annually.

As part of the budget setting process the Chief Financial Officer will assess the financial risks facing the Council and will recommend to the Council a prudent level of reserves, provisions and balances having taken into account those risks.

### **The Internal Audit Function:**

The Internal Audit function operates under the Local Government Accounts and Audit Regulations, which require the maintenance of adequate and effective systems of internal audit of accounting records and control systems, and full assistance from officers and members in the provision of documents, records, information and explanation to enable the proper fulfilment of those audit responsibilities. The work of the Service reflects professional best practice, is guided by the Code of Practice for Internal Audit on Local Government and by the policies, procedures, rules and regulations established by the Authority.

The internal audit function, which works closely with the external auditor, undertakes a planned programme which is approved by the Audit Committee. The programme includes independent reviews of the systems of internal control and risk management.

Each Head of Service is responsible for operating systems of internal control within their service that will provide reasonable assurance of effective and efficient operations, reliable information and compliance with laws and regulations. A report on audit activity is made regularly to the Audit Committee. Internal Audit has concluded overall, based on the findings of work undertaken at Barnet Council that only limited assurance can be given on the systems of internal financial control in place. A number of areas for improvement have been identified and will be implemented on an agreed and phased basis subject to the assessed level of risk.

### **Corporate Anti-Fraud Team (CAFT):**

Under Section 151 of the Local Government Act 1972 the Council has a statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. The Director of Governance has the delegated authority for providing and maintaining this service.

The objective of the CAFT is to assist officers and Members in the effective discharge of their responsibilities. To this end, the CAFT furnishes them with assurance, analysis, appraisals, recommendations, counsel, and information concerning the activities it is required to become involved with. The objective includes promoting fraud awareness across the authority

CAFT is an independent, objective activity designed to add value and improve the council's operations. It helps the council achieve its objectives by bringing a systematic, disciplined approach to investigation evaluating and improving the effectiveness of fraud prevention and detection and the subsequent prosecution of individuals and organisations where appropriate. The council has a zero tolerance approach to fraud and other irregularity including any Money Laundering activity.

The CAFT operate under the Council's approved Counter Fraud and Anti Money Laundering Frameworks. The purpose of these Frameworks is to ensure that we have an appropriate set of policies and guidelines in



place in order to ensure fraud and money laundering activity is minimised through effective prevention, detection, investigation and deterrent measures and that we have a unified cohesive approach to reflect best practice.

The work and effectiveness of the Team is reported regularly to the Audit Committee.

### **Strong Financial Management:**

The system of internal financial control is based upon a framework of regular management information, financial regulations, administrative procedures and a structure of delegation and accountability. Internal financial controls include:

- The establishment of key controls within the accounting systems of the Council
- A robust system of budgetary control including formal quarterly including projected outturns, and additional summary reports. Provisional outturn statements are produced and presented as close to the end of the financial year as possible
- Financial reports which indicate financial performance up to year end and include action plans for dealing with pressure areas
- The production of regular financial reports at various levels within the Council which indicate actual expenditure against budgets
- A clear and concise capital appraisal process for prioritising and approving all capital projects
- Adherence to Prudential Indicators approved by Council to ensure that the Council only undertakes capital expenditure for which it can afford both the financing costs and the running costs;
- Provision of a financial management training course for all new budget managers;
- Financial Training for new budget holders
- Provision of a Project Management training

### **Core Principle 5: Developing the Capacity of Members and Officers to be Effective**

The Council needs people with the right skills to direct and control staff. To this end both Members and staff need to have the right skills to drive the organisation forward. The Council's learning and development needs are met through training, e-learning and other methods.

- All new members are provided with a detailed induction programme into the operations, objectives, partnerships, and codes of the Council.
- Following the implementation of the new Corporate Plan, officer personal evaluation and target setting has to be directly aligned to the Council's key priorities.
- Cross organisational engagement has been undertaken to improve knowledge and understanding of those corporate priorities and how services contribute to them
- A two year Member Induction and Development Programme has been developed in consultation with Members and Officers, to be implemented at the start of the municipal year 2010/11.

### **Core Principle 6: Engaging with Local People and Stakeholders**

The Council is committed to engaging with its citizens. Community participation and engagement is essential to secure sustainable improvement in public services and to engage citizens in the public decision making processes that affect their lives.

There is a range of consultation and engagement mechanisms to identify local people's views and priorities. The Council is responsive to local views and is particularly sensitive to the needs of vulnerable people. Planning recognises local needs in more disadvantaged areas.

The Council adopted a Consultation and Engagement Strategy in 2004. As a consequence some traditional modes of communication have been used such as Residents Forums, Citizens' Panel and a Civic Network. However, in recent years communication vehicles have gone through radical change. The Council has maximised the use of these new opportunities, during the review period, including:-

<b>The Leader Listens:</b>	<ul style="list-style-type: none"> <li>• Invites every household to meet with the Leader at meetings organised by polling district</li> <li>• Includes a blog which is moderated by the Leader</li> <li>• Extended to Leader Listens to Faith and Small Business</li> </ul>
<b>Website:</b>	<ul style="list-style-type: none"> <li>• Website re-launched in 2009</li> <li>• Social networking links from home page</li> <li>• 'Improved ability for citizens to post comments</li> <li>• 'Fix My Street' – ability for residents to post issues</li> <li>• Pledge Bank – opportunity for communities to obtain funding by making a part commitment</li> </ul>
<b>Ward Visit:</b>	Chief Executive and Ward Members meets residents to discuss local issues
<b>Budget Consultation:</b>	<ul style="list-style-type: none"> <li>• A series of face to face events, via the Leader Listens, Area Forums, and a Leader Listens Business Event</li> <li>• An online Budget Simulator (575 respondents)</li> <li>• An online qualitative survey on the Budget Headlines (18 respondents)</li> <li>• Letters sent out to all business rate payers inviting them to comment and take part in the consultation on the Budget Headlines</li> <li>• Budget and Performance Overview &amp; Scrutiny Committee providing opportunity for wider consultation with Members on the budget at all stages of its development</li> </ul>

#### 4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior officers of the Council who have responsibility for the governance environment, the Head of Internal Audit's annual report, and any comments made by the Council's external auditors and any other review agencies and inspectorates.

In practice the Council has a continuous process in place for maintaining and reviewing the effectiveness of its governance framework which includes the following:-

<b>Monitoring:</b>	Financial and operational monitoring presented to senior managers, the Cabinet, and Scrutiny Committees on a quarterly basis
<b>Internal Audit:</b>	<ul style="list-style-type: none"> <li>• Monitored by Audit Committee in year</li> <li>• Further strengthening of resources and profile planned</li> <li>• Implementation of revised working practices</li> </ul>
<b>Year End Processes:</b>	<ul style="list-style-type: none"> <li>• No significant issues identified in year end service control reports</li> <li>• Statutory Officer assurances obtained on internal control and governance arrangements</li> <li>• Review and cross referencing of inspection and audit reports and no issues identified.</li> </ul>

<b>Risk Management:</b>	Service based risk registers completed and available for challenge Corporate risk register reviewed and refined
<b>Standards Committee:</b>	Met regularly and covered work programme in addition to fully operating the system of local regulation through Sub-Committee assessment meetings and hearings
<b>Audit Committee:</b>	Met regularly throughout the year Regular reports received on:- <ul style="list-style-type: none"> <li>• Risk management</li> <li>• Internal Control</li> <li>• Anti fraud</li> <li>• Governance</li> </ul>
<b>Overview &amp; Scrutiny</b>	Overview & Scrutiny reviews its effectiveness on a yearly basis, with the findings reported with its annual report to Full Council.
<b>Special Committee (Constitution Review)</b>	Special Committee (Constitution Review) reviews the Council's Constitution over the course of the municipal year to ensure that good governance is maintained by it accurately reflecting current legislation and practice.

### Significant Governance Issues:

A number of areas for improvement were identified in the 2008/09 Annual Governance Statement. An update of those issues is set out below – those highlighted have actions that carry through to the 2010/11 Improvement Plan:-

<b>Improvement Area:</b>	<b>Current Position:</b>
Lack of adherence to the Councils Treasury Management Strategy	New procedures now operating to ensure compliance with the Strategy. Regular reports presented to the Audit Committee on activity and a compliance and training programme has been developed for Members to ensure that they have the necessary skills to robustly challenge and scrutinise the process.
Project Design and project management failures	A corporate framework was introduced in the summer of 2009. This has brought significant improvements to the governance and challenge of project initiation and delivery. It also provides detailed guidance and support for anyone involved in the management of a project.
Implementation of new scrutiny arrangements	New arrangements successfully implemented at the Annual Council Meeting 2009. A review of the new arrangements will be carried out early in 2010/11.
Clarification of the internal control systems and processes	An Internal Control Improvement Action Plan identified areas and provided actions for enhancing internal control. These actions, whilst some are ongoing, will be effectively implemented by September 2010.
Project post implementation reviews	As part of the corporate project management framework a post implementation review is required for every project. These will be captured and by the project consultancy team with the Commercial Services Directorate and used on future projects.
Member development	Developed a Member Induction and Development Programme 2010-12 to be implemented following the 2010 municipal elections.
Statutory Officer meetings – to aid improved governance	These meetings have been held on a regular monthly basis throughout the review period and have an agenda to deal with key current governance issues.
Review of the Scheme of delegation	The carrying out of this review was agreed by the Special Committee (Constitution Review) in 2009/10 and a further report will be presented to the Committee in 2010/11.

Role and profile of regulatory committees	Revised versions of Members Planning Code of Practice and Members Licensing Code of Practice were adopted by the Council in November 2009 following full consideration by the Standards Committee and the Special Committee (Constitution Review). Both aimed at giving Members and others a clearer insight into the appropriate behaviours and arrangements for dealing with these regulatory processes.
Develop partnership working towards a Goal of 'one public service'	'One Barnet Programme Board' including representation from partners established to oversee Future Shape programme (see below). LSP continues to oversee joint working including receiving reports on Future Shape;
Ensure governance remains central to change management programme	See above comments on project management governance

## 5. 2010/11 Improvement Areas

Key Improvement Area:	Assigned To:
CAFT Pro Active Fraud Programme 2010/11 will include high risks areas based on outcomes from previous CAFT investigations, 'No Assurance' IA reports, and national areas of concern for local government. This includes the impact of the recession on local authority fraud risks.	CAFT Manager
An overarching Information Management Strategy to pull together the various policies and procedures relating to information governance and data processing and management	Head of IS/Performance &OD Manager
A detailed action plan for addressing the data protection issues highlighted in the ICO Audit Data Protection Audit Report	CDG/Director of Corporate Governance/Head of IS
Internal audit will provide quarterly progress reports to the Audit Committee on performance against the agreed annual plan.	Head of Internal Audit
Internal Audit will work with directors and senior managers on strengthening the risk management system	Head of Internal Audit
A comprehensive training programme for Members of the Audit Committee will be prepared and delivered to enhance the Committee's performance	Democratic Services Manager
Improving the Overview & Scrutiny structure to maximise the effectiveness of the Scrutiny function, including entrenching a pro-active culture of pre-decision Scrutiny.	Democratic Services Manager
Ensure partnership governance arrangements fit for purpose, specifically of the LSP	ACE/ DCG
Raise the profile of risk management within the organisation and embed within the business planning process.	DCE/AD of F

## 6. Certification

To the best of our knowledge, the governance arrangements, as defined above have been effectively operating during the year with the exception of those areas identified in Section 5. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangement. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Leader of the Council: \_\_\_\_\_

*P. Hillier*

Date: 29/09/10

Chief Executive: \_\_\_\_\_

*N. Walker*

Date: 29/09/10

## **Statement of Accounting Policies**

### **Introduction**

The general principles adopted in compiling the Statement of Accounts for 2009/10 are consistent with the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2009 (SORP), as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Accordingly, the general principles that underpin these financial statements represent proper accounting practice for local authorities in England.

Changes have been made in accounting treatments to reflect changes from SORP 2009 that apply to local authorities from 1st April 2009. These changes are not intended to impact upon the overall financial position of the council or to impact on Council Tax levels.

All relevant Standard Statement of Accounting Practice (SSAP) and Financial Reporting Standards (FRS), so far as they apply to local authorities, have been observed. Any departures from these standards are disclosed, where relevant, in the policies detailed below.

The accounts have been prepared under the historic cost convention, modified by the revaluation of certain categories of tangible fixed assets in accordance with the SORP.

The accounts are prepared on an accruals and going concern basis.

### **Accounting for Retirement Benefits within HRA**

Day to day housing management is carried out by Barnet Homes therefore Barnet's HRA employs very few staff directly. The cost of obtaining a separate HRA actuarial report, to split the notional cost of HRA staff from those employed by the general fund cannot be justified. For this reason although the HRA has been reported on a FRS17 basis, no attempt has been made to show a separate liability related to defined benefit provision.

### **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. Such amounts are included as part of the Debtor and Creditor figures on the Balance Sheet. With regards to interest due but not paid on loans and investments (as at the Balance Sheet date) the Council's Policy is to add this to the carrying value of the loan or investment and not to debtors or creditors.

### **Bad Debt**

Bad debt is the extent to which an original amount of money owed to the council is impaired (no longer recoverable). The council's policy for estimating the provision required for bad debt is to firstly consider any specific debts which are regarded as being individually significant, e.g. bankruptcy of a company that owes a significant amount of money to the council. The remaining debt is then divided into the following groups:

- Tenants
- Council Tax
- Business Rates
- Other Local Authorities
- Sundry (trade) debtors

Each group has particular characteristics with regards to the debtor's propensity to pay the amount due. An assessment of impairment of debt for each group is then undertaken at the balance sheet

date, based on historical loss experience but adjusted to reflect the current economical climate. The provision for bad debt is then estimated on this basis and the amount is reflected in the balance sheet carrying figure for Debtors.

### **Best Value Accounting Code of Practice**

Best Value Accounting Code of Practice (BVACOP) represents proper practice with regards to consistent financial reporting. Written by CIPFA, its objective is to standardise the way in which Local Authorities identify and report expenditure so as to provide a consistent basis for all financial disclosures, enabling meaningful comparisons to be made between different Local Authorities. To this end, the council's policy is to fully adopt the provisions of BVACOP and to use the BVACOP standard Service Expenditure Analysis when reporting on the Net Cost of Services in the Income and Expenditure Account, even though the code allows alternatives to be used.

Under BVACOP, the costs of running centralised support functions (such as Finance, IT and Payroll) are recharged to direct Service Departments through the internal recharge mechanism using various apportionment bases (e.g. headcount, time spent, area occupied, invoices processed, etc) to reflect the work / support that has been provided. Under BVACOP Guidance, two specific types of cost (Corporate & Democratic Costs and Non-Distributed Costs) can be apportioned between the General fund, Housing Revenue Account and the Pension Fund. However this guidance is not obligatory and as the amounts involved would be immaterial the council's Policy is not to apportion such costs.

### **Capital Receipts**

A capital receipt is income received in exchange for the disposal of a fixed asset. It is held in the capital receipts unapplied account until the money is either used to fund capital spend or repay debt. Legislation requires a percentage of HRA capital receipts to be transferred to a central pool for redistribution by the government.

### **Collection Fund**

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect council tax and national non-domestic rates (NNDR). Under SORP 2009, in its capacity as a billing authority an authority acts as an agent: it collects and distributes Council Tax Income on behalf of the major preceptors and itself.

Up to 2008/09 the SORP required the Council Tax income included in the Income and Expenditure Account to be the amount that under regulation was required to be transferred from the Collection Fund to the General Fund of the billing authority. From the year commencing 1 April 2009, for both billing authorities and major preceptors, the Council Tax income included in the Income and Expenditure Account for the year shall be accrued income for the year.

The change of accounting policy for council tax and NNDR has required prior year adjustment to the 2008/09 corresponding amounts. A further disclosure is set out in note 2 to the Core Statements.

### **Contingent Assets**

Contingent Assets are transactions that may give rise to economic benefit to the council but cannot be estimated with reasonable certainty at the balance sheet date due to the very existence of the asset being dependent on the outcome of uncertain future events (such as resolution of legal proceedings).

Council policy is to give a brief description of the contingent asset in the notes to the Core statements.

## **Contingent Liabilities**

A contingent liability is either:

- i. a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control, or
- ii. a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
- iii. Detail of any contingent liability is given in notes to the balance sheet.

Accounting standards dictate not to recognise any contingent liabilities in the Accounting Statements, but to give a brief description (subject to the amount (s) being material). London Borough of Barnet discloses this in the notes to the Core statements.

## **Earmarked Reserves**

Earmarked Reserves are amounts of money set aside to cover expenditure in future years on specific projects or major initiatives - which would not be able to proceed unless money was set aside from prior year resources.

The effective impact of making an Earmarked Reserve is to decrease balances available for general purposes (General Fund balances) and to create / increase the amount set aside on the balance sheet to meet specific future expenditure (Earmarked Reserves). The council's policy is for departments to consider the need and apply for an Earmarked Reserve for their area, consistent with their service plans and the corporate plan. All applications for Earmarked Reserves are subject to approval by the Chief Finance Officer.

Reserves are discretionary not mandatory. A full breakdown of the council's Earmarked Reserves as at 31 March 2010 is set out in note 36 to the Core Statements.

## **Estimations**

Apart from Bad Debt Provisions, the only significant estimations in the accounts relate to:

- Community Care Services - estimates are made in respect of clients who have received care but where the invoices from the Care Provider have not been received until after the end of the financial year.
- Pension Fund – estimates are made based on the triennial review which was undertaken in 2007.
- Property valuations – some estimates are made based on market forces.
- Special Parking Account - estimates are made over likely income recoverable from unpaid penalty charge notices issued in 2009/10.

## **Exceptional / Extraordinary Items and Prior Period Adjustments**

Where applicable and relevant exceptional items and extraordinary items are disclosed in the income and expenditure 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. For 2009/10 there have been two changes in accounting policies (Collection Fund and for Private Finance Initiative). In both instances prior year comparatives have been provided in the relevant statements.

## **Financial Instruments**

A financial instrument is any transaction that generates an asset in the accounts of one entity and a liability in the accounts of another entity. All financial instruments are either classified as Financial Assets or Financial Liabilities and insofar as the council is concerned this covers our borrowings, loans, investments, trade debtors and creditors.

The council's financial liabilities and financial assets are carried on the balance sheet at amortised cost. The amortised cost is derived by taking the amount of the instrument at its inception, deducting the value of cash repayments made in year and adding on the interest charged / credited to the Income and Expenditure account. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure account. However, the SORP requires that the fair value of these instruments is disclosed in the notes to the account. The fair value of an instrument is the amount for which it could be sold for in an open market based on the present value of the future cash flows. The council calculates the fair value of PWLB debt, using the new borrowing rate, which calculates the notional interest gain/loss that will accrue if the authority keeps the loan until maturity.

Premiums paid on the early settlement of debt are also classified as Financial Instruments. Regulations allow such premiums to be charged to general fund balances over the number of years equal to that which was remaining on the original loan, or to charge such premiums over a shorter time frame if desired. The council's policy is to spread the premium over the term that was remaining on the original loan which gave rise to the premium. Further information on the council's Financial Instruments is set out in the Notes to the Core Statements.

## **Fixed Assets**

Tangible fixed assets are assets that have physical substance and held for use in the provision of services or for administration purposes on a continuing basis.

### Recognition

Tangible fixed assets are measured initially at cost comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. However, any expenditure on an asset that is under £50,000 is considered non-enhancing and is treated as revenue expenditure.

### Valuation

Tangible fixed assets are then valued and included in the balance sheet on the basis recommended in the CIPFA Code of Practice and in accordance with the statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS):

- Operational land and buildings - are included in the balance sheet at existing use value or, if specialised properties, at depreciated replacement cost (DRC) on a modern equivalent asset (MEA) basis these include schools.
- Non-operational land and buildings - on the basis of open market value;
- Infrastructure and community assets (including street lighting PFI) - are included at depreciated historic cost;
- Council dwellings are valued at existing use for social housing purposes.
- Vehicles, Plant and Equipment are valued at historical cost less depreciation as an approximation to current value.

The freehold and leasehold properties that comprise the Authority's property portfolio are subject to a 5 year rolling programme of revaluation, although Top 10 properties, all schools and all DRC's are valued every year, which is 80% of the council's portfolio. This ensures that where market conditions or rebuilding costs alter, all affected assets are considered over a reasonable period of time. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

### Depreciation

In accordance with FRS15 (Tangible Fixed Assets), all tangible fixed assets other than land and non-operational buildings are depreciated on a straight-line basis over their estimated useful lives. The Housing Revenue Account is charged an amount equivalent to the depreciation on Council Dwellings by way of a Major Repairs Allowance. Other Housing properties are depreciated in the normal manner. The Income and Expenditure Account, therefore, fully reflects the use of assets and the consumption of their economic benefits in the provision of services. Charges for depreciation are included as a charge to services. Estimated useful lives are reviewed as part of the asset revaluation exercises or where, in the interim, there has been an enhancement to an asset that has extended its useful operational life.

<b>Asset Category</b>	<b>Maximum Years Estimated Useful Life</b>
Land & Building	50
Infrastructure	30
Vehicles, Plant & Equipment	20
Intangibles	15
PFI street lights	25

### Impairment

Impairment can be defined as the unexpected or sudden reduction in quality or value of an asset. It can be caused by consumption of economic benefits or by a general fall in prices.

Examples of impairment are:

- A significant decline in a fixed asset's market value during the period;
- Evidence of obsolescence or physical damage to the fixed asset;
- A significant adverse change in the statutory or other regulatory environment in which the authority operates;
- A commitment by the authority to undertake a significant reorganisation.

In accordance with Financial Reporting Standard 11 (FRS11) - Impairment of Fixed Assets - the balance sheet valuation of all tangible fixed assets is reviewed annually where there is objective evidence that impairment has occurred. The authority accounts for it by:

- charging the loss as additional depreciation to the relevant service revenue account where the loss is due to the consumption of economic benefits e.g. physical damage or obsolescence, or
- Writing off the loss against any gains attributable to the asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

The council's policy is that where an impairment loss is charged to the Income and Expenditure Account and there are accumulated revaluation gains in the revaluation reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

### Disposals

Where an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). However, in accordance with statutory financing arrangements, the written off value of disposals is appropriated to the Capital Adjustment Account and the receipts appropriated to the Usable Capital receipts Reserve within the Statement of Movement on the General Fund Balance.

### **Government and Non-Government Grants and Contributions**

Government grants and other contributions are accounted for on an accruals basis and recognised immediately as income in the Income and Expenditure Statement. They are shown in the accounting statements when the conditions for their receipts have been complied with and there is reasonable assurance that the grant or contribution is to be received. Revenue grants are matched in service revenue accounts with service expenditure to which they relate.

Grants and contributions relating to fixed assets are credited to the government grants deferred account and released to service revenue accounts in line with depreciation. As per depreciation, these amounts are reversed in the reconciliation of general fund balance to avoid impact on local taxation. Grants to cover general expenditure Revenue Support Grant (RSG) are credited to the foot of the Income & Expenditure account after net operating expenditure.

### **Group Accounts**

The council's policy is to prepare Group Accounts to reflect the full range of economic activity which it has control over, as some of this activity is conducted by subsidiary companies which have a separate legal entity to that of the council. The Policy for consolidating the activity of subsidiaries with that of the council in the Group Accounts is based on the requirements of the SORP. The council reviews annually the extent to which other entities (over which the council has a material interest) need to be consolidated into the Group Accounts. In consolidating the accounts, all transactions and balances between the council and its subsidiaries are eliminated in full. Further information is set out in the Group Accounts.

### **Intangible Assets**

These are assets that do not have a physical form but which are identifiable and provide the council with rights to future economic benefits. The council carries just one type of intangible asset on its balance sheet, being the purchase of software licences. The policy is to amortise cost of the asset to revenue over its economic life, to reflect the pattern of consumption or benefits.

### **Leasing**

There are two basic types of lease, finance and operating. A finance lease is where the lease covers substantially the whole life of the asset and the lessee is, in effect, buying the asset on a deferred purchase. Finance leases are treated as fixed assets and would appear on the balance sheet.

Operating leases are in effect short term rentals and are charged to revenue over the life of the agreement.

### **Minimum Revenue Provision**

Statute 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 consumption of capital assets used. The depreciation charge is treated as the council's revenue provision and any variation from the statutory minimum is transferred between the capital adjustment account and the income and expenditure account.

The MRP for 2009/10 is calculated in accordance with the 2009/10 MRP Policy Statement agreed by Council on 3<sup>rd</sup> March 2009 and CLG Guidance on MRP. The Council Policy is to:

- Continue to charge 4% on capital expenditure incurred before 1<sup>st</sup> April 2008 and on future supported capital expenditure (Option 1 of Government guidance)
- Capital expenditure incurred on or after 1<sup>st</sup> April 2008 and funded by prudential borrowing will be repaid based on the useful asset life of the asset using equal annual instalments (Option 3 of Government guidance)

For PFI the council's policy is to charge MRP equal to the difference between lease payments and the finance charge.

A breakdown of MRP charged for the year 2009/10 can be found in note 19 of the Core statements.

## **Pension Costs**

Under financial reporting standard 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. In line with the requirements of the SORP the council's actuary uses the AA corporate bond rate to calculate future liabilities, specifically using the yield on the over 15 year IBOXX AA rated corporate bond index

### Pension reserve

The pension reserve is the financial accounting mechanism to ensure that FRS17 has no impact on council tax; this is where the actuarial gains / losses are charged. 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 council'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 Income and Expenditure Account.

### Classification of schemes

The council participates in two different pension schemes. The first is for teachers, a scheme administered by the Department for Children Schools and Families (DCSF). The second is the Local Government Pension Scheme (LGPS) for non-teaching staff and which provides its members with a defined pension related to their pay and length of service. Under FRS17, pension schemes are classified into two categories: Defined Benefit Schemes and Defined Contribution Schemes. The LGPS is classified as a Defined Benefit Scheme. The teachers' scheme of the DCSF, 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.

### Defined benefit schemes

The attributable assets of the scheme are 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 income and expenditure 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.

#### Defined contribution schemes

The teacher's 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.

#### **Post Balance Sheet Events**

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and
- those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

#### **Private Finance Initiative (PFI)**

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services are passed to the PFI contractor. Payments made by the council under a contract are generally called a unitary charge and are charged to revenue to reflect the value of services received in each financial year. The council has one PFI contract for the maintenance of street lighting in the borough. Under SORP and FRS 5 the contract was adjudged the equivalent of a service contract and so the assets involved were not included in the authority's balance sheet, as it was felt that the major risks and rewards inherent in the contract currently lie with the contractor. Changes in the SORP 2009/10 state that requirements are based on IFRIC 12 *Service Concession Arrangements*. The requirements apply in respect of PFI contracts existing as at 1<sup>st</sup> April 2008 and that prior period adjustments will be needed. This mandatory change in policy means that the council's PFI service will be reflected on the balance sheet along with a liability for the financing provided by the PFI operator, based on the fixed asset used.

The original recognition of these fixed assets is balanced by the recognition of a liability and prepayment for amounts due to the scheme operator to pay for the assets for street lighting.

Fixed assets recognised on the balance sheet are revalued and depreciated in the same way as similar infrastructure assets owned by the council.

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

- Fair value of services received during the year - debited to the relevant service in the income and expenditure account;
- Finance cost - an interest charge on the outstanding balance sheet liability;
- Contingent rent - increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income & Expenditure Account;
- Payments towards liability - applied to write down the balance sheet liability towards PFI operator;
- Lifecycle replacement costs - recognised as fixed assets on the balance sheet.

Any scheme entered into before 1 April 2009 will therefore have to be accounted for as if the new arrangements had applied since the inception of the scheme. This will require:

- restatement of the 1 April 2008 Balance Sheet for schemes entered into before that date.
- Adjustment of 2008/09 comparatives to reflect revised accounting arrangements for in-year transactions.

The PFI street lighting scheme comes on to the Balance Sheet as at 1 April 2008 and the change in accounting arrangements are complex. The following adjustments have been made:

- the assets used in the PFI scheme have been recognised on the balance sheet, based on their fair value at the time they became available for use,
- a finance lease liability has been recognised for the operator, written down to the amount outstanding at 1 April 2008
- variations to the contract have been accounted for as at the date that the variations became effective.

The change of accounting policy for PFI has required prior year adjustment to the 2008/09 corresponding amounts. A further disclosure is set out in note 2 to the Core Statements.

### **Provisions & Reserves**

Provisions are amounts charged to revenue to cover expenditure that has not been incurred but where there is an obligation and where the cost and timing of the expenditure is not yet known. Making a provision is mandatory not discretionary. Until such time as a corresponding payment is made to discharge the obligation, Provisions are carried on the Balance Sheet as a liability. When expenditure to which the provision relates is incurred, it is charged against the provision, reducing the liability amount carried on the Balance Sheet.

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

There is a specific Provision for Insurance which reflects the council's liability for events that have occurred as at the balance sheet date but where the timing of the payment is dependent upon the settlement process. The Council's policy is to base the Insurance Provision on a valuation by an Independent Actuary.

The council also sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for trading accounts & retirement benefits. All Provisions and Reserves are subject to approval by the Chief Finance Officer. A full breakdown of the Council's Provisions and Reserves as at 31 March 2010 is set out in note 32 to the Core Statements.

### **Redemption of debt**

The Chief Finance Officer's treasury management section borrows money and manages such borrowings, both long and short term, on behalf of the council. The need for these is reviewed regularly by projecting planned revenue and capital income and expenditure. Debt redemption is considered when the council has the capacity to do so and where it would be financially beneficial, giving due regard to financial standing, liquidity and credit risk. Premiums levied by lenders for early debt redemption are subject to a modification test prescribed in the SORP. This determines whether

the premium is added to the carrying value of any replacement loan and amortised to revenue over the life of the replacement loan or if it is charged in full to the income and expenditure account in the year in which it is incurred.

### **Redundancies**

Due to their potential to distort in year Service Expenditure the council can apply for permission from Central Government from available capital resources. Where permission is granted, an adjustment is made through the Statement of Movement on General fund so that the cost of redundancies does not impact on General Fund balances, where it is not then the relevant service accounts incur the cost.

For the financial year 2009/10 redundancy expenditure has been absorbed in the net cost of services.

### **Revenue Expenditure Funded from Capital under Statute**

Sometimes the council will incur expenditure which, whilst it provides benefit to the authority for more than a year, does not result in the creation or enhancement of an asset owned or controlled by the council. Examples include Home Improvement Grants and expenditure on Voluntary Aided School land & buildings. Such expenditure is charged to the relevant service area within the Income & Expenditure Account. However statutory regulations allow such expenditure to be funded from available capital resources. Therefore a technical accounting adjustment is made which results in the charges to the Income & Expenditure Account not impacting on General Fund balances and which reduces the level of Capital Reserves held by the Authority.

### **Stocks and work in progress**

Stocks and stores are included in the accounts at the lower of cost or net realisable value. Work in progress on uncompleted jobs is valued at cost, including overhead allocations.

### **Value Added Tax (VAT)**

Income & expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

## **SECTION 3**

### **Core financial statements**



## Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the period 1 April 2009 to 31 March 2010. It includes all day to day expenses and related income on an accruals basis, as well as the cost of fixed assets consumed in the period and the projected value of retirement benefits earned by employees in the year.

On its services the council spent:	Note	2009/10			2008/09*
		Gross expenditure £000	Gross income £000	Net expenditure £000	Net expenditure £000
Central services to the public		8,366	(3,249)	5,117	4,444
Cultural, environmental, regulatory & planning services		75,569	(18,283)	57,286	70,772
Children's and education services		421,285	(334,338)	86,947	74,688
Highways and transport services		45,625	(25,239)	20,386	18,749
Housing services		312,095	(291,238)	20,857	27,285
Adult social services		106,499	(15,697)	90,802	91,865
Corporate and democratic core costs		7,447	(3,023)	4,424	13,300
Non distributed costs		31,440	(10,991)	20,449	6,615
Net cost of services		1,008,326	(702,058)	306,268	307,718
Gain on the disposal of fixed assets	4			(152)	(179)
Precepts and Levies	6			1,646	1,508
Trading undertakings	7			733	(127)
Interest payable and similar charges				7,840	7,698
Housing capital receipts paid to Government pool				905	737
Interest and investment income				(2,137)	(12,862)
Pension interest costs and expected return on pension assets	40			16,404	12,193
Net operating expenditure				331,507	316,686
Net operating expenditure was financed by:					
Demand on collection fund				(154,679)	(149,537)
General Government grant	20			(31,909)	(25,204)
Non-domestic rates redistribution				(74,706)	(79,053)
Net Deficit for year				70,213	62,892

\*Restated

## Statement of Movement of General Fund Balance

The Statement of Movement on the General Fund Balance provides the necessary reconciliation between amounts included and not included in the Income and Expenditure Accounts but required by statute to be included or excluded when determining the movement on the General Fund Balance for the year.

	2009/10 £000	2008/09 * £000
Deficit for the year on the income and expenditure account	70,213	62,892
Net additional amount required by proper practices to be debited or credited to the general fund balance for the year	(67,178)	(64,259)
Decrease / (Increase) in general fund balance for the year	3,035	(1,367)
General fund balance brought forward*	(30,713)	(29,346)
General fund balance carried forward	(27,678)	(30,713)
Amount of general fund balance held by schools	(11,898)	(13,231)
Amount of general fund balance generally available for new expenditure	(15,780)	(17,482)
	(27,678)	(30,713)

\*Restated

## Note of Reconciling items for the Statement of Movement on the General Fund Balance

	2009/10		2008/09*	
	£000	£000	£000	£000
<i>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on General Fund Balance for the year</i>				
* Revenue expenditure funded from capital under statute	(64,966)		(12,225)	
* Depreciation, amortisation and impairment of fixed assets	(47,111)		(78,867)	
* Excess of depreciation charged to HRA services over the Major Repairs Allowance	(8,181)		(7,387)	
* Amortisation of Deferred Government Grants	47,355		14,312	
* Redundancy costs approved by the Secretary of State to be treated as capital expenditure	-		-	
* Net gain on disposal of fixed assets	152		181	
* The amount by which finance costs calculated in accordance with the SORP are different from the amount of finance costs calculated in accordance with statutory requirements	(36)		(43)	
* Net charges made for retirement benefits as per FRS17	(30,275)		(26,921)	
		(103,062)		(110,950)
<i>Amounts not included in the Income &amp; Expenditure Account but which are required by statute to be included when determining the movement of the General Fund Balance for the year</i>				
* Minimum revenue provision for capital financing	6,906		6,320	
* Capital expenditure charged in-year to the General Fund Balance	3,372		1,057	
* Transfer from Usable Capital Receipts	(905)		(737)	
* Employer's contributions payable to the Pension Fund and retirement benefits payable to pensioners	26,338		24,844	
		35,711		31,484
<i>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</i>				
Housing Revenue Account Balance	380		(401)	
Voluntary revenue provision for capital financing	-		-	
Net transfer to earmarked reserves	(2,059)		13,516	
Collection Fund Adjustment Account	1,852		2,092	
		173		15,207
<b>Net Additional Amount required to be credited to the General Fund for the year</b>		<b>(67,178)</b>		<b>(64,259)</b>

\*Restated

### Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit sustained on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	2009/10 £'000	2008/09* £'000
Deficit for the year on the income and expenditure account	70,213	62,892
Surplus arising on revaluation of fixed assets	(111,991)	(156,832)
Actuarial (gain) / loss on pension fund assets and liabilities	215,187	24,468
Other (gains) / losses included in the balance sheet*	(108)	345
Total recognised loss	173,301	(69,127)

#### \*Breakdown of other gains and losses

Amortisation of legacy debt redemption premium	(378)	(378)
Other	270	614
Loss re legacy cash issue	-	109
	(108)	345

\* Re-stated

## Balance Sheet

This statement summaries the council's assets and liabilities as at:

	Note	31 March 2010		31 March 2009 *	
		£000	£000	£000	£000
Fixed assets	21				
Operational assets					
Council dwellings		1,297,639		1,220,000	
Other land and buildings		454,448		491,171	
Community assets		8,739		8,619	
Vehicles, plant, furniture and equipment		15,251		21,633	
Infrastructure assets	30	81,207	1,857,284	69,565	1,810,988
Non-operational assets					
Investment properties		51,216		34,347	
Surplus assets awaiting disposal		35,973		38,517	
Assets under construction		110,368	197,557	77,112	149,976
Intangible assets	22	1,448		2,197	
Long term debtors	24	2,087		2,473	
Long term investments	5	24,442	27,977	9,606	14,276
Total long term assets			2,082,818		1,975,240
Current assets					
Stocks and works in progress	29	379		458	
Temporary investments	5	182,413		216,313	
Debtors	31	53,932		51,882	
Payments in advance		4,146		5,586	
Cash at bank and in hand	51	28,906		21,733	
		269,776		295,972	
Current liabilities					
Creditors	31	(177,387)		(155,525)	
Borrowing repayable within 12 months	5	(12,239)		(6,103)	
Bank overdraft	51	(25,424)		(25,138)	
Provisions	32	(16,095)		(9,230)	
		(231,145)		(195,996)	
Net current assets			38,631		99,976
Long-term liabilities					
Long term borrowing	5	(204,401)		(211,484)	
Long term lease	30	(15,859)		(11,426)	
Government grants deferred	42	(124,186)		(121,126)	
Pension Scheme	40	(441,160)	(785,606)	(222,036)	(566,072)
Total assets less liabilities			1,335,843		1,509,144
Financed by					
Revaluation reserve		317,679		221,421	
Financial instrument adjustment account	46	(1,718)		(2,060)	
Capital adjustment account		1,368,307		1,421,952	
Deferred capital receipts	39	646		773	
Usable capital receipts		17,012		10,568	
Pension reserve	40	(441,160)		(222,036)	
Collection fund adjustment account	38	6,891		5,040	
Major repairs reserve		3,798		4,384	
Earmarked Reserves	36	32,567		34,626	
Balances – general fund	34	27,678		30,713	
Balances – housing revenue account		4,143		3,763	
Total equity			1,335,843		1,509,144

\*Re-stated

## Cash Flow Statement

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

	Notes	2009/10		2008/09*	
		£000	£000	£000	£000
Net Revenue Activities Cash Flow	47		(46,761)		(17,639)
Returns on Investments and Servicing of finance					
<i>Cash outflows</i>					
Interest paid		6,761		6,822	
Interest element of finance lease rental payment		1,327		788	
<i>Cash inflows</i>					
Interest received		(4,955)	3,133	(11,889)	(4,279)
Capital activities					
<i>Cash outflows</i>					
Purchase of fixed assets	23	117,175		103,690	
Purchase of long term investments	49	14,836		(5,899)	
<i>Cash inflows</i>					
Sale of fixed assets		(10,491)		(2,808)	
Capital grants received		(53,150)		(33,115)	
Other capital cash receipts		(2,227)	66,143	(6,916)	54,952
Net cash inflow before financing			22,515		33,034
Management of liquid resources					
Net increase / (decrease) in short-term deposits	49	(33,900)		(29,534)	
Net increase / (decrease) in other liquid resources		1,918	(31,982)	1,409	(28,125)
Financing					
<i>Cash outflows</i>					
Repayment of amounts borrowed		-		-	
Capital element of finance lease rental payment		1,633		1,838	
<i>Cash inflows</i>					
New long term loans raised	49	7,083		892	
New short term loans	49	(6,136)	2,580	(1,016)	1,714
(Increase) / Decrease in cash and cash equivalents	51		(6,887)		6,623

\* Restated

## 1. Dedicated Schools Grant (DSG)

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

Details of the deployment of DSG receivable for 2009/10 is as follows:

School's budget funded by DSG	Total		
	£000		
Final DSG 2009/10			202,138
Brought forward from 2008/9			272
Carry forward to 2010/11 agreed in advance			-
			<u>202,410</u>
	Central expenditure	ISB	Total
	£000	£000	£000
Agreed budgeted distribution 2009/10	21,521	180,889	202,410
Actual central expenditure	(18,795)	-	(18,795)
Actual ISB Deployed to Schools	-	(182,588)	(182,588)
Local authority contribution for 2009/10	4	-	4
Carry forward to 2010/11	<u>2,730</u>	<u>(1,699)</u>	<u>1,031</u>

## 2. Prior Period Adjustment

<b>Income &amp; Expenditure Restatement</b>	2008/09			
On its services the council spent:	Net expenditure Restated £000	Movement £000	Net expenditure Audited £000	
Central services to the public	4,444	51	4,393	(i)
Cultural, environmental, regulatory & planning services	70,772	111	70,661	(i)
Children's and education services	74,688	351	74,337	(i)
Highways and transport services	18,749	1,327	17,422	(i & ii)
Housing services	27,285	145	27,140	(i)
Adult social services	91,865	281	91,584	(i)
Corporate and democratic core costs	13,300	52	13,248	(i)
Non distributed costs	6,615	1,473	5,142	(i & ii)
Net cost of services	307,718		303,927	
Gain on the disposal of fixed assets	(179)		(179)	
Impairment loss on deposits	-	(4,306)	4,306	(i)
Redundancy costs	-	(1,202)	1,202	(i)
Precepts and Levies	1,508		1,508	
Trading undertakings	(127)		(127)	
Interest payable and similar charges	7,698	788	6,910	(ii)
Housing capital receipts paid to Government pool	737		737	
Interest and investment income	(12,862)		(12,862)	
Pension interest costs and expected return on pension assets	12,193		12,193	
Net operating expenditure	316,686		317,615	
Net operating expenditure was financed by:				
Demand on collection fund	(149,537)	(2,343)	(147,194)	(iii)
General Government grant	(25,204)		(25,204)	
Non-domestic rates redistribution	(79,053)		(79,053)	
Transfer of collection fund deficit / (surplus)	-	251	(251)	(iii)
Net Deficit for year	62,892		65,913	



## Balance Sheet Restatement

31 March 2009

	Restated £000	Movement £000	Audited £000	
Fixed assets				
Operational assets				
Council dwellings	1,220,000		1,220,000	
Other land and buildings	491,171	1,678	489,493	(iv)
Community assets	8,619		8,619	
Vehicles, plant, furniture and equipment	21,633	276	21,357	(iv)
Infrastructure assets	69,565	12,438	57,127	(v)
Non-operational assets				
Investment properties	34,347		34,347	
Surplus assets awaiting disposal	38,517		38,517	
Assets under construction	77,112	(1,786)	78,898	(iv)
Intangible assets	2,197		2,197	
Long term debtors	2,473		2,473	
Long term investments	9,606		9,606	
Current assets				
Stocks and works in progress	458		458	
Temporary investments	216,313		216,313	
Debtors	51,882	(3,712)	55,594	(vi)
Payments in advance	5,586	2,681	2,905	(v)
Cash at bank and in hand	21,733		21,733	
Current liabilities				
Creditors	(155,525)	2,304	(157,829)	(vi)
Borrowing repayable within 12 months	(6,103)		(6,103)	
Bank overdraft	(25,138)		(25,138)	
Provisions	(9,230)		(9,230)	
Long-term liabilities				
Long term borrowing	(211,484)		(211,484)	
Long term lease	(11,426)	(11,426)		(v)
Government grants deferred	(121,126)		(121,126)	
Pension Scheme	(222,036)		(222,036)	
<b>Total assets less liabilities</b>	<b>1,509,144</b>		<b>1,506,691</b>	
Financed by				
Revaluation reserve	221,421	(3,452)	224,873	(iv)
Financial instrument adjustment account	(2,060)		(2,060)	
Capital adjustment account	1,421,952	4,632	1,417,320	(iv & v)
Deferred capital receipts	773		773	
Usable capital receipts	10,568		10,568	
Pension reserve	(222,036)		(222,036)	
Collection Fund Adjustment Account	5,040	5,040	-	(vi)
Major repairs reserve	4,384		4,384	
Earmarked Reserves	34,626	2,681	31,945	(v)
Balances – general fund	30,713		30,713	
Balances – collection fund	-	(6,448)	6,448	(vi)
Balances – housing revenue account	3,763		3,763	
<b>Total equity</b>	<b>1,509,144</b>		<b>1,506,691</b>	

- i) An exceptional item by definition is an item that occurs once. All items previously identified as exceptional items that have occurred for more than one year have been reclassified in the net cost of services.
- ii) In order to recognise PFI on Balance Sheet it has required the interest element of the unitary payment to be recognised, as well as the reversing out of the unitary payment. Various elements of the charge have also been recognised within Highways and transport services.
- iii) As specified by SORP 2009 the transfer of collection fund surplus is no longer required to be shown on the face of the Income & Expenditure but in reconciling items.
- iv) Movements following transition to SAP Asset Register.
- v) Bringing PFI on Balance Sheet has required recognising an asset and a liability. The unitary payment has an element of prepayment. In order to negate the impact on General Fund balances and mitigate the effect on council tax, earmarked reserves and capital adjustment account have been used.
- vi) Collection Fund restatement as per SORP 2009 has required de-recognising collection fund balance and creating a reserve account called Collection Fund Adjustment Account. Various creditor and debtor balances have been recognised or derecognised to ensure the authority's position as an agency.

### 3. Building Control and Inspection

Local authorities are required to prepare a building control account statement under the Building (Local Authority Charges) Regulations 1998. The results of trading were:

	Non-chargeable building inspection	Chargeable building control	Total	Non-chargeable building inspection	Chargeable building control	Total
	2009/10 £000	2009/10 £000	2009/10 £000	2008/09 £000	2008/09 £000	2008/09 £000
Expenditure						
Employees	173	785	958	180	858	1,038
Transport	9	15	24	12	17	29
Supplies and services	10	241	251	22	264	286
Central support	42	230	272	61	325	386
<b>Total</b>	<b>234</b>	<b>1,271</b>	<b>1,505</b>	<b>275</b>	<b>1,464</b>	<b>1,739</b>
Income						
Building regulation fees	-	(1,508)	(1,508)	-	(1,458)	(1,458)
Other income	(48)	-	(48)	(44)	-	(44)
<b>Total</b>	<b>(48)</b>	<b>(1,508)</b>	<b>(1,556)</b>	<b>(44)</b>	<b>(1,458)</b>	<b>(1,502)</b>
Deficit for year	186	(237)	(51)	231	6	237

### 4. Gains / Losses on disposal of fixed assets

Details of the gain or loss on disposal are outlined in the table below.

Type	Number sold	Gain £000
General fund properties	4	(24)
Contributions from property sold in prior years		196
Directly attributable costs of disposal		(20)
<b>General Fund Total</b>		<b>152</b>
HRA properties (non-dwellings)	2	90
HRA properties (dwellings)	8	-
<b>Total</b>	<b>14</b>	<b>242</b>

## 5. Deposits & Loans

### Deposits Outstanding

#### Deposits

	31 March 2010 £'000	31 March 2009 £'000
AAA rated counterparties (including Debt Management Office & Other Local Authorities)	119,600	116,300
AA rated counterparties	-	5,000
A rated counterparties	62,000	75,000
Other counterparties	27,400	27,400
Bonds - AAA rates	-	-
Total	<u>209,000</u>	<u>223,700</u>
Interest on deposits	3,814	6,515
War Loans	10	10
Icelandic impairments	(5,969)	(4,306)
Total	<u>206,855</u>	<u>225,919</u>

In May 2010, CIPFA's Local Authority Accounting Panel issued revised guidance on the level of impairment to be recognised in the 2009/10 Accounts by local authorities who had deposits with Icelandic Banks. The council are assuming priority status, but this is to be determined by Icelandic courts. The figure is arrived at using a revised impairment calculator provided by CIPFA specifically for this purpose and is based on the following assumptions:-

- 94.86% of the deposit placed with Landsbanki being returned.
- 100% of the deposits placed with Glitnir Bank being returned.

The impairment loss recognised in the Income and Expenditure Account 2009/10, £1.663m (£1.202m 09/10 and £0.461m not adjusted for in 08/09 LAAP Bulletin 82) has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered.

Repayments will be based on the value of the deposit in Icelandic Krona (ISK). The deposits may be subject to an exchange rate risk, as the sterling value received will depend on the prevailing exchange rate.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

## Borrowing Outstanding

### Short Term Borrowing

	31 March 2010	Rate of Interest	31 March 2009	Rate of Interest
	£'000		£'000	
<b>PWLB</b>				
Less than one year	7,000	£6m @ 4.40% £1m @ 4.70%	1,000	£1m @ 4.70%
<b>Market Loans</b>				
Less than one year	5,000	£5M @ 4.50%	5,000	£5M @ 4.50%
	<u>12,000</u>		<u>6,000</u>	
Interest accruals on short term PWLB loans	126		23	
Interest Accruals on short term loans money market	112		79	
EIR Adjustment	1		1	
<b>Total Short Term Loans</b>	<u><u>12,239</u></u>		<u><u>6,103</u></u>	

### Long Term Borrowing

	31 March 2010	Rate of Interest	31 March 2009	Rate of Interest
	£'000		£'000	
<b>PWLB</b>				
Between one and two years	1,000	£1m @ 4.75%	7,000	£6m @ 4.40% £1m @ 4.70%
Between two and seven years	-	-	1,000	£1m @ 4.70%
Between seven and fifteen years	2,000	£2m @ 4.85%	2,000	£2m @ 4.85%
More than fifteen years	137,000	£22m @ 4.25% £14m @ 4.70% £14m @ 4.45% £20m @ 3.70% £22m @ 4.20% £45m @ 4.10%	137,000	£22m @ 4.25% £14m @ 4.70% £14m @ 4.45% £20m @ 3.70% £22m @ 4.20% £45m @ 4.10%
<b>Market Loans</b>				
Between one and two years	2,500	£2.5m @ 3.05%	2,500	£2.5m @ 3.05%
Between two and seven years	42,000	£40m @ 3.83% £2m @ 3.95%	45,000	£40m @ 3.83% £2m @ 3.95%
Between seven and fifteen years	3,000	£3m @ 3.94%	-	£3m @ 3.94%
More than fifteen years	15,000	£5m @ 3.52% £5m @ 3.67% £5m @ 3.79%	15,000	£5m @ 3.52% £5m @ 3.67% £5m @ 3.79%
<b>Total</b>	<u><u>202,500</u></u>		<u><u>209,500</u></u>	
Interest accruals on long term PWLB loans	1,070		1,222	
Interest Accruals on long term loans money market	251		262	
Legacy balance adjustment	80		-	
EIR Adjustments	500		500	
<b>Total</b>	<u><u>204,401</u></u>		<u><u>211,484</u></u>	

## 6. Analysis of Precepts & Levies

The authority helps to defray the cost of other organisations. It does this either as a statutory duty or voluntarily, where it meets service objectives. Some contributions are made to London wide organisations, such as Transport for London (TFL).

	2009/10 £000	2008/09 £000
Included within net cost of services:		
London Borough's Grant Scheme (Social Services)	1,163	1,153
Concessionary Fares Scheme (Highways, Roads and Transport)	8,366	10,146
North London Waste Authority (Cultural, Environment and Planning)	10,387	8,724
TFL Traffic Control Signals (Highways, Roads and Transport)	439	422
<b>Total</b>	<b>20,355</b>	<b>20,445</b>
Included within Net operating expenditure:		
Coroner's Service	258	245
Environment Agency (land drainage)	274	275
Lee Valley Regional Park Authority	420	415
London Pension Fund Authority	694	573
<b>Total</b>	<b>1,646</b>	<b>1,508</b>
<b>Total</b>	<b>22,001</b>	<b>21,953</b>

## 7. Trading Operations

A number of operations that the council undertakes are technically classified as trading operations. This is where the client can choose who provides the service and is not obliged to use the council run trading undertaking. Most of the council's trading operations provide services on an internal basis only to other parts of the authority and the accounts of those undertakings are shown below.

	2009/10				2008/09	
	Transport Reserve	Income	Internal recharges	Expenditure	Trading (surplus)/deficit	Trading (surplus)/deficit
	£000	£000	£000	£000	£000	£000
Catering	-	(5,046)	138	5,082	174	35
Transport	-	(302)	(7,401)	8,366	663	(52)
Transfer to						
Transport Reserve	(120)	-	-	-	(120)	-
Schools Finance	-	-	-	-	-	(110)
Other	-	-	16	-	16	-
<b>Total</b>	<b>(120)</b>	<b>(5,348)</b>	<b>(7,247)</b>	<b>13,448</b>	<b>733</b>	<b>(127)</b>

## 8. Discretionary Expenditure under Section 137 of LGA Act 1972

Section 137 of the Local Government Act 1972 gives local authorities the power to incur expenditure which, in their opinion, is in the interests of their area or any of its inhabitants for purposes not otherwise authorised by statute. Awards of a similar nature can also be made by the Council under Section 2 of the Local Government Act 2000. The Council has reviewed its activities in light of this and concluded that no expenditure was incurred in financial year 2009/10 under these powers.

## 9. Expenditure on Publicity

Section 5 of the Local Government Act 1986 requires a separate account of expenditure on publicity. The council's expenditure on publicity is expedited through the Communications and Web teams. The staff recruitment and advertising is incurred by the council's HR department.

	2009/10	2008/09
	£000	£000
Staffing costs	499	442
Other costs	35	41
Staff recruitment and advertising	647	738
Total	1,181	1,221

## 10. Local Government Goods & Service Act 1970

This Act empowers the Council to provide goods and services to other entities. During financial year 2009/10 income of £6,652 was received from outside (third party) bodies in return for providing printing services. The reported figure for 2008/09 was £5,555.

## 11. Local Area Agreements

The Council is a participant in an LAA which is a three year agreement, based on the local Sustainable Community Strategy, between central Government and the Local Strategic Partnership (LSP). The LAA consists of a series of challenging targets that reflect the most important issues in Barnet that the LSP will be expected to meet over the next three years.

The members of the LSP are London Borough of Barnet, Barnet College, Barnet Primary Care Trust, The Metropolitan Police, Middlesex University and Barnet Voluntary Service Council.

## 12. Senior Staff Remuneration

The number of employees who received taxable remuneration in excess of £50,000, excluding employer's pension contributions for the year was:

Remuneration band	2009/10	2008/09
	Total - Number of Employees	Total - Number of Employees*
£ 50,000 - £54,999	177	167
£ 55,000 - £ 59,999	95	79
£ 60,000 - £ 64,999	60	64
£ 65,000 - £ 69,999	58	37
£ 70,000 - £ 74,999	27	35
£ 75,000 - £ 79,999	14	15
£ 80,000 - £ 84,999	15	12
£ 85,000 - £ 89,999	12	7
£ 90,000 - £ 94,999	3	5
£ 95,000 - £ 99,999	3	2
£100,000 - £104,999	4	1
£105,000 - £109,999	3	5
£110,000 - £114,999	1	4
£115,000 - £119,999	4	1
£120,000 - £124,999	2	1
£125,000 - £129,999	1	-
£130,000 - £134,999	2	2
£135,000 - £139,999	2	1
£140,000 - £144,999	1	2
£145,000 - £149,999	-	1
£150,000 ≥	3	3
	<b>487</b>	<b>444</b>

\* Restated



**Senior Officers - salary is £150,000 or more per year (England) - 2009/10**

Post Title and Name	Note	Salary (Including fees & allowances)	Expense Allowances	Total Remuneration excluding pension contributions 2009/10	Pension contributions	Total Remuneration including pension contributions 2009/10
		£	£	£	£	£
Chief Executive - Mr N Walkley		200,976	-	200,976	48,234	249,210
Executive Director for Environment & Development - Mr B Reynolds		178,425	-	178,425	42,822	221,247
Executive Director for Communities - Ms J Stansfield	i	74,344	-	74,344	7,137	81,481
Director of Adult Social Services - Ms I Findlay		163,498	-	163,498	38,808	202,306
Director of Children's Services - Mr R McCulloch-Graham	ii	137,920	-	137,920	33,101	171,021
		<b>755,163</b>	-	<b>755,163</b>	<b>170,102</b>	<b>925,265</b>

i) Ms J Stansfield was an employee at Barnet until 31st October 2009. Her annualised salary was £178,425 for 2009/10 (£178,425 in 2008/09)

ii) Mr R McCulloch-Graham commenced employment at Barnet on 1st June 2009, at an annualised salary of £165,504

**Senior Officers - salary is £150,000 or more per year (England) - 2008/09**

Post Title and Name	Note	Salary (Including fees & allowances)	Expense Allowances	Total Remuneration excluding pension contributions 2008/09	Pension contributions	Total Remuneration including pension contributions 2008/09
		£	£	£	£	£
Chief Executive - Mr L Boland	iii	146,188	-	146,188	34,055	180,243
Acting Chief Executive - Mr B Reynolds		173,968	-	173,968	40,535	214,503
Executive Director for Communities - Ms J Stansfield		165,574	-	165,574	38,579	204,153
Executive Director for Resources - Mr N Walkley		163,402	-	163,402	37,887	201,289
Acting Executive Director for Environment & Development - Mr S Murray	iv	138,985	-	138,985	32,383	171,368
		<b>788,117</b>	-	<b>788,117</b>	<b>183,439</b>	<b>971,556</b>

iii) Mr L Boland was employed as Chief Executive at Barnet until 4th January 2009. Mr B Reynolds acted into the role of Chief Executive.

iv) Mr S Murray was Acting Executive Director for Environment & Development, annualised salary for this post for 2008/09 was £170,028.

The following table sets out the remuneration disclosures for Senior Officers whose salary are less than £150,000 but equal to or more than £50,000 per year. The disclosure shows Directors, Assistant Directors and Heads reporting to Directors 2009/10

	Position	Note	Salary (Including fees & allowances)	Expense Allowances	Total Remuneration excluding pension contributions 2009/10	Pension contributions	Total Remuneration including pension contributions 2009/10
			£	£	£	£	£
	Director of Environment and Transport		140,127	-	140,127	33,238	173,365
	Director of Planning Housing & Regeneration	v	137,536	-	137,536	32,999	170,535
	Major Projects Director		132,495	-	132,495	31,795	164,290
	Director of Corporate Governance		132,480	-	132,480	31,795	164,275
	Director of Strategy		126,084	-	126,084	30,260	156,344
	Head of Housing and Environmental Health		107,574	-	107,574	25,730	133,304
	Major Capital Programmes Deputy Director		107,410	-	107,410	24,938	132,348
	Deputy Director of Adult Social Services		103,684	-	103,684	24,800	128,484
	Acting Deputy Director - Childrens		99,555	906	100,461	23,893	124,354
	Assistant Director - Health Partnerships		99,555	-	99,555	23,893	123,448
	Head of Legal & Deputy Monitoring Office		97,238	-	97,238	23,310	120,548
	Head of Building Control and Structures		93,783	906	94,689	21,970	116,659
	Assistant Director Organisational Development & Customer Care		93,244	-	93,244	22,378	115,622
	Performance & Development Assistant Director		87,382	-	87,382	17,985	105,367
	Assistant Director Customer Services & Libraries	v	87,282	-	87,282	17,974	105,256
	Assistant Director Inclusion		86,872	-	86,872	19,313	106,185
	Assistant Director Environment		86,860	-	86,860	20,838	107,698
	Head of Strategy - Planning and Housing		84,692	-	84,692	20,290	104,982
	Head of Planning & Development Management		84,543	-	84,543	20,290	104,833
	Assistant Director - Shared Services		84,411	-	84,411	20,238	104,649
	Assistant Director - Performance		83,291	-	83,291	19,770	103,061
	Assistant Director Environment	v	81,571	-	81,571	19,577	101,148
	Principal Inspector - Research & Procurement		80,446	906	81,352	17,804	99,156
	Head of Regeneration		81,162	-	81,162	19,479	100,641
	Head of Revenues		78,479	-	78,479	18,703	97,182
	Assistant Director Partnerships, Performance & Planning		76,021	-	76,021	17,145	93,166
	Deputy Director of Corporate Governance	v	75,057	-	75,057	17,638	92,695
	Head of Information Systems		74,396	-	74,396	17,816	92,212
	Assistant Director of Policy - Intelligence & Analysis	v	73,238	-	73,238	17,577	90,815
	Head of Internal Audit & Ethical Governance	v	72,080	-	72,080	17,299	89,379
	Head of Procurement		68,580	-	68,580	16,458	85,038
	Director for Resources	v	53,766	-	53,766	12,904	66,670
	Assistant Director - Strategic Services	v	53,262	-	53,262	12,783	66,045
	Acting Director - Children's Services	v	49,051	472	49,523	11,527	61,050
	Acting Corporate Anti Fraud Team Manager		46,232	-	46,232	11,071	57,303
			<b>3,119,439</b>	<b>3,190</b>	<b>3,122,629</b>	<b>735,478</b>	<b>3,858,107</b>

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year. The disclosure shows Directors, Assistant Directors and Heads reporting to Directors 2008/09

Position	Note	Salary (Including fees & allowances)	Expense Allowances	Total Remuneration excluding pension contributions 2008/09	Pension contributions	Total Remuneration including pension contributions 2008/09
		£	£	£	£	£
Director for Resources		143,730	-	143,730	33,474	177,204
Director of Adult Social Services	v	140,525	-	140,525	32,742	173,267
Acting Director - Children's Services		131,894	-	131,894	30,421	162,315
Director of Corporate Governance		130,968	-	130,968	30,466	161,434
Director of Environment and Transport	v	123,379	-	123,379	26,268	149,647
Director of Strategy	v	111,882	-	111,882	25,603	137,485
Director of Environment & Transport	v	108,777	-	108,777	25,321	134,098
Deputy Director of Adult Social Services		108,479	244	108,723	25,276	133,999
Deputy Director Safeguarding & Social Care	v	105,892	-	105,892	24,660	130,552
Assistant Director - Health Partnerships	v	97,990	244	98,234	22,828	121,062
Head of Building Control & Structures		94,151	849	95,000	20,659	115,659
Head of Legal & Deputy Monitoring Office		92,686	-	92,686	21,568	114,254
Assistant Director - Strategic Services		91,672	-	91,672	21,353	113,025
Deputy Director of Corporate Governance	v	91,144	-	91,144	19,783	110,927
Assistant Director Organisational Development & Customer Care		90,312	-	90,312	21,043	111,355
Assistant Director Environment	v	85,165	778	85,943	19,488	105,431
Acting Deputy Director	v	82,644	849	83,493	18,338	101,831
Assistant Director - Shared Services	v	82,202	-	82,202	19,101	101,303
Assistant Director Environment	v	81,374	725	82,099	18,960	101,059
Assistant Director Inclusion		81,960	-	81,960	17,978	99,938
Assistant Director Customer Services & Libraries	v	81,848	-	81,848	18,067	99,915
Head of Revenues		77,773	-	77,773	17,978	95,751
Major Projects Director	v	75,790	-	75,790	17,659	93,449
Acting Director of Planning Housing & Regeneration	v	74,985	-	74,985	17,461	92,446
Major Capital Programmes Deputy Director	v	74,733	-	74,733	17,413	92,146
Head of Internal Audit & Ethical Governance	v	74,707	-	74,707	17,396	92,103
Head of Strategic Finance	v	74,401	-	74,401	17,230	91,631
Head of Information Systems		73,535	-	73,535	17,126	90,661
Assistant Director Partnership, Performance & Planning		72,602	-	72,602	15,798	88,400
Corporate Anti Fraud Team Manager		71,952	-	71,952	15,059	87,011
Performance & Organisational Manager		69,298	-	69,298	13,467	82,765
		<b>2,898,450</b>	<b>3,689</b>	<b>2,902,139</b>	<b>659,984</b>	<b>3,562,123</b>

v) These personnel were not in post for the full financial year

### 13. Leases

The council does not own all of the property, vehicles and other equipment that it uses. These items are held under operating leases.

In the year 2009/10 the council paid £6.034m in respect of operating leases and there are commitments in place of £56.519m for future years.

Properties are leased out and in 2009/10 this produced an income of £3.065m with £99.046m contracted for future years.

Years	Vehicles, plant and equipment leased in £000	Property leased in £000	Property leased out £000
2009/10	1,496	4,123	3,065
2010/11	1,472	4,197	3,405
2010/11-2014/15	2,171	15,397	8,088
2015 to completion	21	33,733	87,552
Total commitments	5,160	57,450	102,110

### 14. Members Allowances

The total expenses and allowances paid to members in financial year 2009/10 was £1,239,325. The breakdown of these are members expenses - £42,975 and member allowances - £ 1,196,350 (£1,186,608 in 2008/09).

	2009/10 £000	2008/09 £000
Member Allowances	1,196	1,127
Member Expenses	43	60
Total	1,239	1,187

### 15. Related Party Transactions

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

Central government has effective control over the general operations of the council. It is responsible for the statutory framework within which the council operates, provides the majority of its funding, in the form of grants, and prescribes the terms of many of the transactions that the council has with other parties e.g. housing benefits.

Members of the council have direct control over the authority's financial and operating policies. By virtue of their office, through their residence in the borough and/or as active members of the community, members of the council participate in and are members of a variety of other public bodies and community groups. The council has well established

mechanisms and procedures for preventing undue influence. Part of these mechanisms is the disclosure of interests in the register of members' interest. In addition, every year members asked to complete a Declaration of any Related Party Transactions. In financial year 2009/10 several members declared that they had acted as Trustees for local Voluntary Organisations and as School Governors - some of which had economic activity with the Council. However the value of these transactions was not significant and the members concerned were not in a position to control or direct those transactions.

The council has a number of significant transactions with other local authorities and local health authorities. In particular the authority places pupils into neighbouring authorities' schools, the expenditure for which is included within the children's and education services line of the income and expenditure account. Detailed below is a list of the Investments placed with other local authorities as at the financial year end.

Local Authority	31 March 2010 £'000
Eastleigh Borough Council	6,000
Dunfries & Galloway Council	3,000
Brighton & Hove City Council	4,000
Gloucester City Council	1,500
Chesterfield Borough Council	2,000
Swindon Borough Council	10,000
Vale of White District Council	2,000
West Berkshire Council	5,000
Blaenau Gwent Borough Council	2,600
London Borough of Croydon	15,000
Bristol City Council	10,000
Southend-On-Sea Borough Council	21,500
Exeter City Council	7,000
Salford City Council	20,000
Plymouth City Council	10,000
<b>Total</b>	<b>119,600</b>

Every year all chief officers are required to complete a related party transactions declaration. For financial year 2009/10 there was no material transactions to declare.

The Pension Fund accounts are set out in Section 6 of these Statements. In 2009/10 the council's employer's contributions to the Fund were £24,988m. The council's member's contributions to the Fund were £6,929m. The Council charged the Fund £1.031m for administering the Fund.

The council has full control and influence over its subsidiary company, Barnet Homes Ltd. Accordingly, Group Accounts have been prepared under the requirements of FRS2, accounting for subsidiaries, and are set out in the notes to Section 5 of these statements

Below is summary table of the amounts owing to/from Barnet Homes at 31 March 2010.

	31 March 2010 £'000
Amounts owing to Barnet Homes	(3,206)
Amounts due from Barnet Homes	5,924
<b>Net Position</b>	<b>2,718</b>

## 16. 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 NHS Barnet 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:

	2009/10			2008/09		
	Total £000	Barnet £000	NHS Barnet £000	Total £000	Barnet £000	NHS Barnet £000
Equipment, servicing and repairs	1,431	844	587	1,353	738	615
Contract management (including delivery, collection and storage)	687	443	244	579	375	204
Stock adjustment	-	-	-	-	-	-
	<b>2,118</b>	<b>1,287</b>	<b>831</b>	<b>1,932</b>	<b>1,113</b>	<b>819</b>

The council and NHS Barnet contribute the value of the costs incurred to the pool, ensuring that accrued contributions match expenditure.

## 17. Audit Fees

The cost to the Authority of external audit and inspection fees are as follows:

	2009/10 £000	2008/09 £000
Fees payable to Grant Thornton UK LLP, the council's appointed external auditors for:		
-external audit service	415	420
-the certification of grant claims and returns	85	85
Fees payable to the Audit Commission in respect of statutory inspection	20	26
<b>Total</b>	<b>520</b>	<b>531</b>

The figures shown above are included in the 2009/10 net cost of services on the income and expenditure account.

## 18. Schemes under the Transport Act (Road Charges)

No road charging schemes or workplace charge levies were operational within the Authority in 2009/10.

## 19. Minimum Revenue Provision

Statute 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 reflect the consumption of capital assets used. The depreciation charge is treated as the council's revenue provision and any variation from the statutory minimum is transferred between the capital adjustment account and the income and expenditure account.

The figures were:

	2009/10	2008/09*
	£000	£000
General fund minimum revenue provision	5,059	5,262
PFI - minimum revenue provision	1,847	1,058
Total	<u>6,906</u>	<u>6,320</u>

\*Restated

## 20. General Government Grants

The income and expenditure account shows a figure of £31.909m for general Government grant. This amount comprises two elements of non-specific grant:

	2009/10	2008/09
	£000	£000
Revenue support grant	17,243	11,005
Area based grant	14,666	14,199
Total	<u>31,909</u>	<u>25,204</u>

The increase in the Revenue Support Grant balance of £6.238m is offset by a reduction in the Business Rates received, these are due to changes in Government formula grant.

## 21. Movement of Fixed Assets 2009/10

	Operational Assets					Total	Non-Operational Assets			Total	Intangible assets	Total
	Other land and Buildings	Vehicles Plant and Equipment	Infrastructure	Community Assets	Council House Dwellings		Investment Properties	Surplus assets	Assets under construction			
	£000	£000	£000	£000	£000		£000	£000	£000			
<b>Value of assets at 31 March 2009</b>	514,334	63,993	109,118	9,026	1,236,530	1,933,001	34,347	38,517	77,112	149,976	2,726	<b>2,085,703</b>
Reclassifications	(14,322)	-	4,855	(140)	-	(9,607)	7,646	1,961	-	9,607	-	-
Additions from AUC	2,317	1,241	6,164	-	-	9,722	4,995	-	(14,717)	(9,722)	-	-
Additions to assets	487	862	7,722	-	-	9,071	-	-	47,973	47,973	-	<b>57,044</b>
Upward Revaluations	17,671	-	-	443	78,696	96,810	14,254	2,646	-	16,900	-	<b>113,710</b>
Downward valuations	(14,480)	-	-	-	-	(14,480)	(790)	(5,212)	-	(6,002)	-	<b>(20,482)</b>
Disposals	-	-	-	-	(1,093)	(1,093)	(7,218)	(1,939)	-	(9,157)	-	<b>(10,250)</b>
<b>Value of assets at 31 March 2010</b>	<b>506,007</b>	<b>66,096</b>	<b>127,859</b>	<b>9,329</b>	<b>1,314,133</b>	<b>2,023,424</b>	<b>53,234</b>	<b>35,973</b>	<b>110,368</b>	<b>199,575</b>	<b>2,726</b>	<b>2,225,725</b>
<b>Accumulated Depreciation at 31 March 2009</b>	<b>(23,163)</b>	<b>(42,360)</b>	<b>(39,553)</b>	<b>(407)</b>	<b>(16,530)</b>	<b>(122,013)</b>	-	-	-	-	(529)	<b>(122,542)</b>
Reclassifications	171	-	-	-	-	171	(171)	-	-	(171)	-	-
Writeback of depreciation on revaluation	1,553	-	-	-	16,530	18,083	-	-	-	-	-	<b>18,083</b>
Downward valuations	(11,437)	(356)	-	(183)	-	(11,976)	(1,847)	-	-	(1,847)	-	<b>(13,823)</b>
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	(18,683)	(8,129)	(7,099)	-	(16,494)	(50,405)	-	-	-	-	(749)	<b>(51,154)</b>
<b>Depreciation at 31 March 2010</b>	<b>(51,559)</b>	<b>(50,845)</b>	<b>(46,652)</b>	<b>(590)</b>	<b>(16,494)</b>	<b>(166,140)</b>	<b>(2,018)</b>	-	-	<b>(2,018)</b>	<b>(1,278)</b>	<b>(169,436)</b>
<b>Asset at 31 March 2009</b>	<b>491,171</b>	<b>21,633</b>	<b>69,565</b>	<b>8,619</b>	<b>1,220,000</b>	<b>1,810,988</b>	<b>34,347</b>	<b>38,517</b>	<b>77,112</b>	<b>149,976</b>	<b>2,197</b>	<b>1,963,161</b>
<b>Asset at 31 March 2010</b>	<b>454,448</b>	<b>15,251</b>	<b>81,207</b>	<b>8,739</b>	<b>1,297,639</b>	<b>1,857,284</b>	<b>51,216</b>	<b>35,973</b>	<b>110,368</b>	<b>197,557</b>	<b>1,448</b>	<b>2,056,289</b>

In 2009/10 property services identified a fairer presentation for assets valued at £10.6m held for regeneration purposes as part of its rolling valuation programme. Due to changing market conditions the council is having to hold on to them for longer than anticipated and for this reason they have been moved from operational assets to Investment Properties. This is to recognise the nature of the assets and the appreciation in their value over the period which they are held. The impact on the accounts is that depreciation will no longer be charged for these assets, this is the council's standard policy for non-operational assets.



## 22. Intangible Assets

The only intangible assets the authority has are elements of software licences that have been capitalised as beneficial to the authority as useful for more than the year of account. Intangible assets are held at historic cost and amortised to nil value over an assumed useful life.

## 23. Financing of Capital Expenditure

Below is the year's capital expenditure on fixed assets:

	Total capital financed in 2009/10 £000	Total capital financed in 2008/09 £000
Capital receipts	3,319	5,118
General fund revenue contributions	3,372	1,057
HRA revenue contributions/MRA	10,363	10,205
Contributions including Section 106 receipts	2,227	6,916
Borrowing	48,083	48,371
Grants	48,181	34,761
Total	<u>115,545</u>	<u>106,428</u>

## 24. Long Term Debtors

There was a decrease balance for long term debtors during the year from an opening balance of £2.473m to a closing position of £2.087m.

Debtor	31 March 2010 £000	Movement £000	31 March 2009 £000
Court services	1,005	(121)	1,126
Car loans	341	(106)	447
Housing	646	(127)	773
Other	95	(32)	127
Total	<u>2,087</u>	<u>(386)</u>	<u>2,473</u>

## 25. Assets Held

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

### Assets Held

<b>Assets</b>	<b>31 March 2010</b>	<b>31 March 2009</b>
Schools - nursery & primary *	49	49
Schools - secondary & special *	18	18
Schools - referral units	1	1
Youth service facilities	3	3
Other education establishments	2	2
Libraries	14	14
Museums	2	2
Children's homes & hostels	2	2
Homes for people with learning difficulties	1	1
Children & family centres	5	5
Day centres for physically disabled	1	1
Day centres for mentally ill	2	2
Council dwellings	11,065	11,100
Garages	2,551	2,578
Car parks	25	25
Memorials etc	7	7
Community Assets - Parks & open spaces	170	174
Sports grounds	24	24
Golf courses	5	6
All weather playing areas	2	2
Athletics tracks	1	1
Swimming pools	3	3
Allotments (hectares)	91	91
Public offices	5	5
Other buildings	4	4
Vacant awaiting disposal	24	27
School land not attached to school assets	13	14
Borough roads & footpaths (length in km)	725	725

\*Excludes voluntary aided schools

## 26. Capital Commitments

At 31 March 2010, the council was contractually committed to expenditure amounting to some £56.951m. The schemes are summarised across services as follows:

Service area	2009/10 Total £000	2008/09 Total £000
Adults Social Services	592	-
Childrens Service	28,981	58,874
Environment and Operations	2,301	2,249
Planning, Housing and Regeneration	632	823
Commercial Services	64	2,112
Corporate Services	40	8
HRA	23,981	11,015
<b>Total</b>	<b>56,591</b>	<b>75,081</b>

## 27. Fixed Asset Valuation

The Council's Valuation Manager, Judith Ellis MRICS, values the Authority's freehold property portfolio in accordance with 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. The valuation basis for each of the fixed asset categories included in the Council's Balance Sheet is detailed in the accounting policies.

The valuation date for council dwellings was 31st March 2010. An analysis of the movement in the market was carried out using various property indices together with an analysis of market transactions.

This indicated that there had been a slight increase in values, as recognised in the valuation.

The valuation date for all other assets was 1st April 2009. This date was used as directed by the Royal Institution of Chartered Surveyors, to allow sufficient time to collect and assess valuation information

## 28. Net Assets Employed

This statement analyses the council's net assets as at 31st March 2010 between the general fund and the HRA.

	2009/10 £000	2008/09* £000
General Fund	52,606	302,050
HRA	1,283,237	1,207,094
Total	<u>1,335,843</u>	<u>1,509,144</u>

\*Restated

The total pension liability of £219.1m reduced the Authority's net worth significantly resulting in a general fund balance of £52.6m however the statutory arrangement for funding the deficit means the financial position of the Authority remains healthy.

## 29. Stock and Work in Progress

The authority's stocks of materials and work in progress at 31 March are shown below:

	2009/10 £000	Movement £000	2008/09 £000
Works in progress	7	-	7
Stores	372	(79)	451
Total	<u>379</u>	<u>(79)</u>	<u>458</u>

### 30. Assets Recognised under PFI arrangement

In April 2006 the council entered into a PFI contract to provide street lighting, the Core Investment Programme (CIP) is for 5 years. The post CIP Operating period is for a further 20 years. The 25 year contract will expire in 2031/32.

At year end street lights that have been erected are recognised on the authority's balance sheet as infrastructure assets. Each year over the CIP assets and corresponding liabilities are to be acknowledged.

Contingent rents are recognised as an expense of £211k in 2009/10 (£215k in 2008/09).

Below is the movement in the carrying value of the assets recognised under the PFI Arrangement:

	2009/10	Additions in year	2008/09
	£000	£000	£000
<b>PFI Street Lights</b>			
Gross Book Value	19,152	6,279	12,873
Accumulated Depreciation	(951)	(516)	(435)
<b>Net Book Value</b>	<b>18,201</b>	<b>5,763</b>	<b>12,438</b>

Below is the movement in the lease liability for the PFI arrangement:

	2009/10	Increase in	Interest paid in	2008/09
	£000	year	year	£000
		£000	£000	
<b>Liabilities</b>				
Lease Liability	15,859	5,761	(1,328)	11,426
	<b>15,859</b>	<b>5,761</b>	<b>(1,328)</b>	<b>11,426</b>

Payments to be made under the PFI arrangement are as follows:

Years	Repayment of liability	Interest	Service Charges	Other Charges
	£000	£000	£000	£000
2010/11	(2,297)	2,134	1,290	3,402
2011/12 - 2015/16	1,376	11,864	7,051	4,486
2016/17 - 2020/21	2,460	10,699	8,205	6,153
2021/22 - 2025/26	4,572	8,549	9,549	8,968
2026/27 - 2030/31	9,547	4,503	11,111	9,652
2031/32 - 2035/36	201	27	200	72
<b>Total commitments</b>	<b>15,859</b>	<b>37,776</b>	<b>37,406</b>	<b>32,733</b>

### 31. Debtors, Creditors and provision for Bad Debt

An analysis of the Authority's debtors and creditors as at 31 March 2010 is as follows:

	31 March 2010	31 March 2009*
	£000	£000
<b>Debtors</b>		
Other local authorities	3,473	2,980
Government departments	17,994	18,233
Ratepayers and taxpayers	12,980	13,196
Tenants (including temporary accommodation)	13,940	14,578
Other public bodies	719	625
Utilities	95	69
Sundry	26,876	23,012
Sub total	76,077	72,693
Less: provision for bad debts	(22,145)	(20,811)
Net debtor total	53,932	51,882

	31 March 2010	31 March 2009*
	£000	£000
<b>Creditors</b>		
Other local authorities	16,558	14,360
Government departments	417	69
Ratepayers and taxpayers	2,131	3,248
Other public bodies	3,122	3,166
Utilities	1,280	1,436
Grants, contributions and S106	27,390	25,664
Pension fund	71,817	52,962
Sundry	46,433	44,675
Receipts in advance	8,239	9,945
Creditor total	177,387	155,525

\*Restated

The following approach was taken with regards to estimating the provision for bad debts. In this context, provision for bad debts means the extent to which the original amount of debt is impaired (recovery could be doubtful). The council will still continue to pursue these debts.

The council's debtors were considered collectively for impairment, as there was no individual debtor that was considered to be individually significant. Total debtors were then divided into the following subgroup:

- Tenants
- Council Tax
- Business rates
- Other local authorities and public bodies
- Sundry (trade) debtors

Historical data shows that each of these sub-groups have different characteristics as to the debtors' propensity to pay all amounts due. An assessment of impairment of debtors of each sub group was undertaken at the balance sheet date based primarily on historical loss experience but adjusted to reflect current economical climate and the council's improved debt management.

Total estimated impairment of debt came to £24.145m and the level of debtors carried on the balance sheet as a current asset was reduced from £76.077m by this amount to £53.932m, as the latter figure represents the amount of total debt that is deemed to be reasonably recoverable.

## 32. Provisions

Provisions are amounts of money set aside to meet liabilities that have arisen from past events and which are likely to result in the future transfer of economic benefit to a third party. However, the precise amount and timing of such a transfer is uncertain. Provisions are included as expenditure within the net cost of services within the income and expenditure account and appear as a current liability on the balance sheet.

	01 April 2009	In year related payments	Written back in year	New Provisions raised	31 March 2010	Note
	£000	£000	£000	£000	£000	
Grants to Voluntary Sector	41	(37)	-	-	4	
Insurance	8,730	(770)	-	-	7,960	i
Catalyst	-	-	-	7,012	7,012	ii
Legal	-	-	-	220	220	iii
Housing & Property	230	(99)	-	468	599	iv
Disputed Invoices	-	-	-	-	-	
Service Provision Related	224	(64)	-	-	160	v
Central Expenses	5	(5)	-	140	140	vi
<b>Total</b>	<b>9,230</b>	<b>(975)</b>	<b>-</b>	<b>7,840</b>	<b>16,095</b>	

- i) The insurance provision is for liabilities that have occurred but where the timing of the payment is dependent upon the claim settlement process. The Provision reflects 100% of the council's ultimate projected liabilities.
- ii) This provision relates to payments the council is expected to pay to an adult care service provider. The case went to arbitration and has now been settled and the provision reflects deficit claim including interest.
- iii) The council terminated its contract with Community Investors Development Agency (CIDA) for Local Involvement Network (LINK) hosting services in December 2009, with a months notice. CIDA challenged this through an application for Judicial Review which has been granted. In addition to this, Following the Secretary of State's decision in June 2008 not to uphold the council's previous decision to make a Building Preservation Notice on a specific property, the council has received a compensation claim relating to the drop in market value in the intervening period.
- iv) Relates predominantly to NNDR bills with regards to part of the ground floor at NLBP. Also includes replacement boilers at the council offices in North London Business Park. Under the terms of the lease agreement the council is required to reimburse

the landlord for the cost of such work, however as at 31 March 2010 the actual costs have not been verified/agreed.

- v) Relates to services provided by other bodies and where some or all of the costs the cost of doing so are funded by the council. The provision is in recognition of the council's liability for increased payment in respect of events occurring before 31 March 2010 for services provided by the North London Waste Authority, Barnet & Chase Farm Midwifery Service and CAMHS Peri Natal Service.
- vi) Addition Levy relating to London Pension Fund, this is additional levy allocation to London boroughs. However the amount has been disputed by authorities and the outcome is pending.

### **33. Depreciation**

All fixed assets are depreciated using the straight line method, without residual value, over their useful life. The useful life of each of the authority's buildings is determined by the Head of Valuation and Property Services, while vehicles, plant and equipment may vary according to the nature of the items involved. It should be noted that land and investment properties are not depreciated under current regulations.

### **34. Revenue balances**

The general fund balances as at 31 March 2010 stood at £27.678m. These are revenue balances (surplus of cumulative revenue resources over cumulative revenue expenditure) held by the council for two primary reasons:

- i) To act as a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves
- ii) As contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;

Included in General Fund balances is £11.9m of school balances.



### 35. Balances held by schools

All maintained schools in Barnet operate delegated budgets. In essence this means that the schools themselves (rather than the authority) are responsible for planning and managing their expenditure. As at 31 March 2010 the accumulated surplus of these delegated budgets (excess of cumulative income over cumulative expenditure) stood at £11.9m, a decrease of £1.3m from the previous year. This surplus balance is made up of revenue and capital balances under the control of individual school governing bodies for future spending for the purposes of their schools and is not available to the authority to apply for other purposes.

Sector	31 March 2010	In year	31 March 2009
	£000	increase / (decrease) £000	£000
Nursery	394	23	371
Primary	7,450	(203)	7,653
Secondary	4,083	(1,161)	5,244
Special	484	(86)	570
Sub total	12,411	(1,427)	13,838
Less: loans repayable to authority	(512)	95	(607)
Total	11,899	(1,332)	13,231

### 36. Reserves

Reserve Type	Balance 31 March 2009	Net movement in year	Balance 31 March 2010	Purpose of reserve	Note
	£000	£000	£000		
Revaluation Reserve	221,421	96,258	317,679	Store of gains on revaluation of fixed assets not yet realised through sales	7
Financial Instrument adjustment account	(2,060)	342	(1,718)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	
Capital Adjustment Account	1,421,952	(53,645)	1,368,307	Store of capital resources set aside to meet past expenditure	7
Deferred Capital Receipts	773	(127)	646	Mortgages and deferred loans provided by the council	
Usable Capital Receipts	10,568	6,444	17,012	Proceeds of fixed asset sales available to meet future capital investment	
Pension Reserve	(222,036)	(219,124)	(441,160)	Balancing account to allow inclusion of pensions liability in the balance sheet	1
Collection Fund Adjustment Account	5,040	1,851	6,891	Balance of undistributed funds in the collection fund	5
Major Repairs Reserve	4,384	(586)	3,798	Resources available to meet capital investment in council housing	2
Specific Reserves	34,626	(2,059)	32,567	Money earmarked for future projects	3
Balances - General Fund	30,713	(3,035)	27,678	Prudent reserve to meet non-housing day to day running costs.	4
Balances - Housing Revenue Account	3,763	380	4,143	Prudent reserve to meet future running costs of council housing	6
<b>Total</b>	<b>1,509,144</b>	<b>(173,301)</b>	<b>1,335,843</b>		

Notes:

- 1 Pensions note
- 2 HRA notes
- 3 See table overleaf
- 4 Statement on movement of general fund balance
- 5 Collection fund
- 6 HRA notes
- 7 Restated for accounting changes

Specific reserves are amounts of money set aside to cover expenditure in future years on specified projects or major initiatives that would not be able to proceed unless money had previously been set aside.

The movement on the council's specific reserves during the year is shown below :

Nature of Reserve	Reserve b/fwd 01 April 2009	In year related Expenditure	Written back in year	New Reserves Raised	Reserve c/fwd 31 March 2010
	£000	£000	£000	£000	£000
Capital	5,162	(315)	(4,746)	444	545
Dedicated Schools Grant (DSG)	271	(271)	-	995	995
Elections	341	(41)	-	180	480
Housing Benefit Administration	2,935	(102)	(13)	466	3,286
International Financial Reporting Standards	500	(92)	-	100	508
ICT / Systems Related	881	(452)	(81)	1,075	1,423
Risk (i)	5,000	(120)	-	6,538	11,418
North London Sub Region Partnership	161	-	-	555	716
Transformation (ii)	4,358	(1,358)	-	490	3,490
Premises Related	697	-	(60)	48	685
Street Lighting (iii)	5,894	(54)	(737)	-	5,103
Utilities/Energy	500	-	-	-	500
Working Neighbourhood Fund	452	(31)	-	-	421
Interest	5,733	(1,000)	(4,733)	-	-
Schools	-	-	-	145	145
Transport	-	-	-	120	120
Highways	-	-	-	340	340
Other	1,332	(844)	(60)	1,555	1,983
<b>Sub Total - General Fund Earmarked Reserves</b>	<b>34,217</b>	<b>(4,680)</b>	<b>(10,430)</b>	<b>13,051</b>	<b>32,158</b>
Special Parking Account (SPA)	409	-	-	-	409
<b>Total - All Earmarked Reserves</b>	<b>34,626</b>	<b>(4,680)</b>	<b>(10,430)</b>	<b>13,051</b>	<b>32,567</b>

- i) Risk – to manage risks from litigation, including in respect of Icelandic bank deposits, and risks in respect of managing reductions to central government support to local authorities in 2010/11 and through the medium-term financial strategy period
- ii) Transformation – To is to fund Council's transformation programme to change, protect and improve Council services through a period of reductions in central government to support to local authorities.
- iii) Street Lighting – This is to smooth out the profiling on the PFI Contract.

### 37. Trust Funds

The authority is trustee to three charitable trusts, only one is significant, the Avenue House bequest. This is managed and administered by the Avenue House Estate Management Charity which is a charity in its own right, totally independent of Barnet and so no balances or transactions of the trust appear in Barnet's accounts.

### 38. Collection Fund Balances

The council has to record transactions for council tax and business rates in a collection fund account. The balance will be paid to or recovered from the account's preceptors, the council and the Greater London Authority in future years.

	2009/10	2008/09*
	£000	£000
Barnet	6,891	5,040
Greater London Authority	1,918	1,408
Total	<u>8,809</u>	<u>6,448</u>

\*Restated

### 39. Deferred Capital Receipts

Deferred capital receipts largely 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.

	31 March 2009	Net movement in year	31 March 2010
	£000	£000	£000
Deferred capital receipts	773	(127)	646

## 40. Pension Reserve

The authority has its own defined benefit local government pension scheme. This means that although these benefits will not actually be payable until employees retire, the authority has an obligation to make relevant payments at the time future entitlements are earned. The authority's contributions to pensions earned by employees in the year of account are included in the net cost of services. The net pension interest cost less expected return on assets counts against net operating expenditure. Pension interest cost is the amount that current service cost increases as members of the scheme approach retirement. The actuary calculates this using the projected unit method. These are all notional costs calculated to show the authority's true liability change for the year in line with pension regulations. The actuary's calculation of the net deficit on the pension fund is shown below. The change in the net value of the pension fund includes actuarial losses of £215.187m. These arise from the differences between actual events as they have turned out and assumptions that were made at the date of the earlier actuarial valuation, known as experience gains and losses as well as changes in actuarial assumptions.

	2009/10		2008/09	
	£000	£000	£000	£000
Deficit at the beginning of the year		(222,036)		(195,491)
Net cost of services				
Current cost of services	(10,249)		(12,908)	
Curtailment and settlements	(3,622)		(347)	
Past service cost	-		(1,473)	
		(13,871)		(14,728)
Net operating expenditure				
Interest cost	(37,217)		(40,795)	
Expected return on assets in the scheme	20,813		28,602	
		(16,404)		(12,193)
Amount charged for pensions in the year		26,338		24,844
Net actuarial gain/(loss)		(215,187)		(24,468)
Fund deficit at end of the year		(441,160)		(222,036)

The deficit is calculated by the assets minus the present value of funded obligation (liabilities). The assets have increased but the liabilities more so. The reason for this large increase in liabilities is the financial assumptions used. The discount rate is the main assumption that affects the liabilities, a change of 1% in the real discount rate can cause a change of approximately 20% in the liabilities. As the real discount rate has fallen by 2.4% from 3.9% to 1.5% this along with a higher long term expectation of inflation has caused the liabilities to increase significantly. With the liabilities, or the present value of funded obligation, increasing the deficit has increased by a large amount.

To ensure that the net figure in the accounts is the actual amount paid to the pension fund rather than a notional sum, the FRS 17 figure is reversed out of the general fund balance reconciliation statement and replaced with the actual figure.

The authority also contributes to the Department for Children, School's and Families Teacher's Pension Fund at a rate of 14.1% of pensionable pay. The amount paid in the year, £12.1m is included in the education service costs (2008/09 £11.3m).

Although this is a defined benefit scheme the nature of it is that the authority is unable to identify its share of the underlying assets and liabilities and so cannot report these. Contributions are set in relation to the current service period only.

The contributions to March 2010 are 24.0% and expected contributions to March 2011 are 24.8%.

Barnet as the administrating authority receives administration expenses that were £0.956m in 2009/10 (£0.876m in 2008/09).

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

	2009/10 £000	2008/09 £000	2007/08 £000	2006/07 £000	2005/06 £000
Estimated liabilities of the scheme	(886,078)	(561,260)	(594,456)	(647,455)	(640,480)
Estimated assets of the scheme	444,918	339,224	398,965	400,773	374,440
Net liability	(441,160)	(222,036)	(195,491)	(246,682)	(266,040)

#### Reconciliation of present value of the scheme liabilities

	31 March 2010 £000	31 March 2009 £000
Opening defined benefit obligation	561,260	594,456
Service cost	10,249	12,908
Interest cost	37,217	40,795
Actuarial loss/(gain)	295,747	(69,267)
Losses on curtailments	3,622	347
Estimated benefits paid (net of transfers in)	(27,501)	(24,482)
Past service cost	-	1,473
Contributions by scheme participants	6,951	6,704
Unfunded pension payments	(1,467)	(1,674)
Closing defined benefit obligation	886,078	561,260

#### Reconciliation of fair value of the scheme assets

	31 March 2010 £000	31 March 2009 £000
Opening fair value of scheme assets	339,224	398,965
Expected return on scheme assets	20,813	28,602
Actuarial gain/(loss)	80,560	(93,735)
Contributions by employer	26,338	24,843
Contributions by scheme participants	6,951	6,704
Estimated benefits paid (net of transfers in)	(28,968)	(26,155)
Fair value of scheme assets at end of period	444,918	339,224

The estimated asset allocation for London Borough of Barnet as at 31 March 2010 is as follows:

Employer Asset Share	31 March 2010		31 March 2009	
	£000	%	£000	%
Equities	275,849	62%	193,018	57%
Gilts	40,043	9%	69,202	20%
Other bonds	57,839	13%	12,891	4%
Property	17,797	4%	16,961	5%
Cash	53,390	12%	47,152	14%
<b>Total</b>	<b>444,918</b>	<b>100%</b>	<b>339,224</b>	<b>100%</b>

#### Basis for estimating assets and liabilities

The liabilities have been assessed using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The actuaries have adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31 March 2007. The post retirement mortality tables adopted were the PA92 series projected to calendar year 2007 for current pensioners and 2017 for non-pensioners with a -2 year age rating and a 95% scaling factor.

Assumed life expectancy from age 65 years

Retiring today	Males	19.60
	Females	22.55

Retiring in 20 years

Males	20.67
Females	23.60

It is assumed that 50% of retiring members will opt to increase their lump sums to the maximum allowed.

#### Financial assumptions

	31 March 2010		31 March 2009	
	% pa	Real	% pa	Real
Price increases	3.9	-	2.7	-
Salary increases	5.4	1.5	4.2	1.5
Pension increases	3.9	-	2.7	-
Discount rate	5.5	1.5	6.7	3.9

The figures are from the Barnett Waddingham FRS 17 Disclosures report, and are based on price increases and pension increase assumptions on the unadjusted difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England. Salary increases are then assumed to be 1.5% above price increases, as last year.

## Expected return on assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2009 for the year to 31 March 2010). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

The following expected returns were adopted:

### Expected return on assets

	31 March 2010	31 March 2009
	% pa	% pa
Equities	7.6	7.0
Gilts	4.5	3.9
Bonds	5.5	6.5
Property	5.5	6.5
Cash	3.0	3.0

### Profit & Loss Account Cost for the Year to 31 March 2010

The amounts recognised in the profit and loss statement are:

	Year to 31 March 2010	Year to 31 March 2009
	£000	£000
Current service cost	10,249	12,908
interest on obligation	37,217	40,795
Expected return on Scheme assets	(20,813)	(28,602)
Past service cost	-	1,473
Loss(gain) on curtailments and settlements	3,622	347
Total	30,275	26,921
Actual return of Scheme assets	101,373	(65,133)

### Amounts for the Current and Previous Periods

Amounts for the current and previous periods	Year to March 10	Year to March 09	Year to March 08	Year to March 07	Year to March 06
	£000	£000	£000	£000	£000
Defined benefit obligation	(886,078)	(561,260)	(594,456)	(647,455)	(640,480)
Scheme assets	444,918	339,224	398,965	400,773	370,706
Surplus (deficit)	(441,160)	(222,036)	(195,491)	(246,682)	(269,774)
Experience adjustments on Scheme liabilities	7,544	-	(9,709)	(977)	32,420
Percentage of liabilities	0.9%	-	1.6%	0.2%	(5.1)%
Experience adjustments on Scheme assets	80,560	(93,735)	(33,879)	(431)	51,400
Percentage of assets	18.1%	(27.6)%	(8.5)%	(0.1)%	13.9%
Cumulative actuarial gain (loss)	(138,200)	76,987	101,455	49,484	13,770



## Project Pension Expense for the year to 31 March 2011

Projections for Year to 31 March 2011	Year to 31 March 2010 £000
Service Cost	24,764
Interest Cost	48,849
Return on assets	(28,665)
Total	44,948
Employer contributions	27,168

### 41. Post Balance Sheet Events

Following the coalition government's election, the Building Schools for Future schemes have been suspended. This has resulted in a cost of £207k included as assets under construction in the 2009/10 accounts. We have agreed with the auditors that this amount is immaterial and will be written out to revenue in 2010/11.

### 42. Government Grants Deferred

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.

### 43. Contingent Liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events that are not wholly within the Council's Control.

As at 31 March 2010, known claims made against the council which, whilst either not accepted and / or of an unknown quantity, represent a potential future call on the Council's Resources.

- The Council has received equal pay claims from current and former members of staff. The Council is considering the claims and the matter may be heard in the Employment Tribunal. As with any litigation it has the potential for a financial impact which may need to be managed through consideration of earmarked reserves.

### 44. Contingent Assets

A Contingent Asset is a possible event that may arise as a consequence of a past event but where the existence of the asset (to the council) will only be confirmed by the occurrence of future events that are not wholly within the council's control.

The Isle of Wight off-street car parking Fleming claim has been declined by Her Majesty's Revenue and Customs (HMRC) and the original lead case has been referred back to the UK tribunal (Tax) by the European Court of Justice. There is a possibility that Local Authorities may win the claim against HMRC.

## 45. Financial Instruments

### Introduction

A financial instrument is any transaction which generates an asset in the accounts of one entity and a liability in the accounts of another entity. For the most part, this covers (but is not limited to) borrowings, loans, and investments. The 2007 Statement of Recommended Accounting Practice (SORP) – which under law constitutes proper accounting practice in Local Government – introduced changes to the way Local Authorities have to measure, account and present their Financial Instruments.

The primary purpose of these notes is to assist the reader to evaluate:-

- The significance of financial instruments on the Authority's financial position and performance, and
- The risks arising from those instruments and how the Authority manages those risks.

The Authority has adopted CIPFA's Treasury Management in the Public Services Code of Practice. In accordance with CIPFA's Prudential Code, the Authority has set treasury management indicators to control key risks inherent in financial instruments.

### Financial Instrument Balances

As required by the SORP, a breakdown of the Authority's financial instruments is shown below:

	Long Term 31 March 2010 £000	Long Term 31 March 2009 £000	Current 31 March 2010 £000	31 March 2009 £000
Financial liabilities (borrowings) at amortised cost	215,226	212,507	211,845	189,808
Total borrowings	215,226	212,507	211,845	189,808
Financial Assets (Loans and receivables) at amortised cost	26,529	16,913	265,251	265,251
Total Investments	26,529	16,913	265,251	265,251

### Fair Value of Financial Instruments

The Authority's financial liabilities and financial assets are carried in the balance sheet at "Amortised Cost". The Amortised Cost is arrived at by taking the initial amount of a loan advance, deducting the value of cash repayments made in year and adding on the interest charged/credited to the Income and Expenditure Account. The SORP requires the Fair Value of these instruments to be disclosed in the notes. The Fair Value of an instrument is the amount for which it could be sold for in an open market – based on the present value of the future cash flows that take place over the remaining terms of the instrument.

The fair value of the Authority's instruments compared to the amounts carried on the balance sheet based on amortised cost are as follows:

i) Financial instruments classified as financial liabilities

	31 March 2010		31 March 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Trade creditors	169,148	169,148	145,580	145,580
Bank overdraft	25,424	25,424	25,138	25,138
PFI Long Term Lease	15,859	15,859	11,426	11,426
Borrowings*	216,640	210,029	217,586	208,848
	<b>427,071</b>	<b>420,460</b>	<b>399,730</b>	<b>390,992</b>

\*The fair value is less than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the balance sheet date. The commitment to pay interest below current market rates reduces the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

ii) Financial instruments classified as financial assets

	31 March 2010		31 March 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Deposits	206,855	206,859	225,919	227,414
Long term debtors	2,087	2,087	2,473	2,473
Short term debtors	53,932	53,932	51,882	51,882
Cash at bank	28,906	28,906	21,733	21,733
	<b>291,780</b>	<b>291,784</b>	<b>302,007</b>	<b>303,502</b>

All of the above financial assets are categorised by the SORP as loans and receivables, the defining characteristics being that financial assets:-

- Have fixed and determinable payments; and
- Are not quoted in an active market.

The council does not have any other categories of financial asset.

The fair value is higher for financial assets at 31 March 2010 than the carrying amount because the authority's portfolio of investments includes a number of fixed rate investments where the interest rate receivable is higher than the rates available for similar investments at the balance sheet date. The guarantee to receive interest above current market rates increase the amount that the authority would receive if it agreed to early repayment of the investment.

## **Nature and Extent of Risk Arising from Financial Instruments**

### **Key Risks**

The Council's activities expose it to a variety of financial risks, the key risks are:

- ✓ Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- ✓ Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- ✓ Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- ✓ Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

### **Overall Procedures for Managing Risk**

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- ✓ by formally adopting the requirements of the Code of Practice;
- ✓ by approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum for exposures the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- ✓ by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported quarterly to Members.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

## **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Authority's maximum exposure to credit risk. The table (composite defaults from Fitch, Standard & Poors and Moody's) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period 1990 – 2009 on investments out to 5 years. Defaults shown are by long term rating category on investments out to 1 year, which were the most commonly held investments during the year.

	Amount at 31 March 2010	Historical experience of default	Adjustment for market conditions at 31 March 2010	Estimated maximum exposure to default
	£000	%	%	£000
	(a)	(b)	(c)	(a * c)
Deposits with banks and financial institutions				
AAA rated counterparties including Debt Management Office & Other Local Authorities	119,600	0.00%	0.00%	-
AA rated counterparties	-	0.03%	0.03%	-
A rated counterparties	62,000	0.08%	0.08%	50
Other counterparties	27,400	42.67%	42.67%	11,692
Bonds – AAA rates	-	0.00%	0.00%	-
Trade debtors	14,751	5.00%	5.00%	738
Business rates (NDR) debtors	-	1.00%	1.00%	-
Council tax debtors	12,980	2.00%	2.00%	260
Tenant debtors	13,940	10.00%	10.00%	1,394
Total	250,671			14,134

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £27.4m invested in this sector at that time. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to the CIFPA accounting guidance. The impairment is reflected in the carrying amount of investment and full impairment was charged to revenue in year.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties.

The Council also uses non credit rated institutions, in particular the Debt Management Office and other Authorities who are selected on the value of their asset base. In these circumstances these investments have been classified as other counterparties.

The Council generally allows 30 credit for its trade debtors, such that £6.7m of the £6.5m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Trade debtors	
Less than three months	1,717
Three to six months	1,024
Six months to one year	609
More than one year	3,158
	<u>6,508</u>

Council tax is payable on a month by month basis and as at 31 March 2010 the past due amounts can be analysed by age as follows:

	Council Tax £000
Less than one year	5,092
More than one year	7,888
	<u>12,980</u>

Collateral – During the reporting period the council held no collateral as security

### **Liquidity risk**

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

### **Refinancing and Maturity Risk**

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- ✓ monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- ✓ monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	31 March 2010	31 March 2009
	£000	£000
Less than one year	12,000	3,500
Between one and two years	3,500	7,000
Between two and seven years	42,000	46,000
Between seven and 15 years	5,000	52,000
More than fifteen years	152,000	107,000
<b>Total</b>	<b>214,500</b>	<b>215,500</b>

The maturity analysis of financial assets is as follows:

	31 March 2010	31 March 2009
	£000	£000
Less than one year	181,600	208,700
Between one and two years	18,181	15,000
Between two and three years	1,391	-
More than three years	7,828	-
<b>Total</b>	<b>209,000</b>	<b>223,700</b>

NB. Trade debtors of £6.5m are not shown in the above table.

### Market risk

#### i) Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- ✓ borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- ✓ borrowings at fixed rates – the fair value of the borrowing will fall;



- ✓ investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- ✓ investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account, in which case gains and losses will be posted to the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

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

	£000
Increase in interest payable on variable rate borrowings	2,097
Increase in interest receivable on variable rate investments	(2,175)
Impact on Income and Expenditure Account	(78)
Increase in Government grant receivable for financing costs*	(675)
Share of overall impact debited to the HRA*	619
Decrease in fair value of fixed rate investment assets	-
Impact on STRGL	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	800

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at amortised Cost

ii) Price risk

The Council, excluding the pension fund, does not invest in equity shares or marketable bonds.

iii) Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## 46. Financial Instrument Adjustment Account

In 2007/08 a change in accounting regulations regarding financial instruments brought about the creation of a new reserve, known as the financial instruments adjustment account (FIAA), which as at 31 March 2010 comprised the following elements:

	Unamortised Debt Premium	EIR Interest	Total
	£000	£000	£000
Bal b/fwd 1 April 2009	1,595	465	2,060
In year transactions	(378)	36	(342)
Bal c/fwd 31 March 2010	<u>1,217</u>	<u>501</u>	<u>1,718</u>

The unamortised debt premium relates to a penalty imposed on the council by a lender several years ago when a debt was paid off early. This penalty, or premium is to be written down to revenue over a number of financial years equal to the unexpired term of the original loan instrument.

## 47. Revenue reconciliation

Notes	2009/10		2008/09*	
	£000	£000	£000	£000
(Surplus)/deficit for year:				
Deficit for the year on the income and expenditure account	70,213		62,892	
Net additional amount required to be credited to the General Fund for the year	(67,178)	3,035	(64,259)	(1,367)
Housing Revenue Account		(380)		401
Non cash transactions				
MRP & other capital related adjustments	(18,314)		(14,027)	
Other revenue adjustments	409		(3,384)	
Contributions to/(from) reserves and provisions	(4,091)	(21,996)	(10,984)	(28,395)
Working capital				
(Increase)/decrease in creditors	48	(21,862)	10,855	
Increase/(decrease) in payments in advance	48	(1,440)	232	
Increase/(decrease) in stock and work in progress	48	(79)	95	
Increase/(decrease) in debtors	48	1,664	(4,624)	6,558
Items which appear elsewhere in the Cash Flow Statement				
Returns on investment and servicing of finance		(5,703)	5,164	5,164
Net Revenue Activities		<u>(46,761)</u>	<u>(17,639)</u>	

\* Restated

#### 48. Movements in other current assets

	Balance Sheet 31 March 2010 £000	2009/10 Movement £000	Balance Sheet 31 March 2009 £000	2008/09* Movement £000
Debtors due within 12 months	53,932	2,050	51,882	(4,471)
Debtors due beyond 12 months	2,087	(386)	2,473	(153)
Creditors	(177,387)	(21,862)	(155,525)	10,855
Stocks and works in progress	379	(79)	458	95
Payments in advance	4,146	(1,440)	5,586	232
<b>Total</b>	<b>(116,843)</b>	<b>(21,717)</b>	<b>(95,126)</b>	<b>6,558</b>

\* Restated

#### 49. Movements in liquid resources & financing

	31 March 2010 £000	2009/10 Movement £000	31 March 2009 £000	2008/09* Movement £000
Temporary Investments	182,413	(33,900)	216,313	(29,534)
Long Term Investments	24,442	14,836	9,606	(5,899)
Short term loans	(12,239)	(6,136)	(6,103)	(1,016)
Long term loans	(204,401)	7,083	(211,484)	892
<b>Total</b>	<b>(9,785)</b>	<b>(18,117)</b>	<b>8,332</b>	<b>(35,557)</b>

\*Restated

#### 50. Liquid Resources

Liquid Resources are made up of short term deposits.

#### 51. Movements in cash & cash equivalents

	Balance Sheet 31 March 2010 £000	2009/10 Movement £000	Balance Sheet 31 March 2009 £000	2008/09 Movement £000
Imprest accounts	28,906	7,173	21,733	2,063
Cash overdrawn	(25,424)	(286)	(25,138)	(8,686)
<b>Total</b>	<b>3,482</b>	<b>6,887</b>	<b>(3,405)</b>	<b>(6,623)</b>

## 52. Reconciliation of net cashflow to movement in net debt

	Note	2009/10 £000	2008/09* £000
Movement in net debt			
Movement of cash in year	51	6,887	(6,623)
Cash outflow from long term borrowing	49	7,083	892
Short term borrowing cashflow		(6,136)	(1,016)
Movement in net debt in the year		7,834	(6,747)
Opening net debt		(220,992)	(214,245)
<b>Total</b>		<b>(213,158)</b>	<b>(220,992)</b>

	Balance Sheet 2009/10 £000	Balance Sheet 2008/09* £000
Analysis of net debt		
Temporary borrowing	(12,239)	(6,103)
Long term borrowing	(204,401)	(211,484)
Imprests	28,906	21,733
Cash	(25,424)	(25,138)
<b>Total</b>	<b>(213,158)</b>	<b>(220,992)</b>

\*Restated

## 53. Other Government Grants

	2009/10 £000	2008/09* £000
Education (excluding DSG)	47,578	59,369
DSG	202,138	195,074
Community care and other social services	12,054	9,525
Asylum Seekers	748	620
Council tax benefits administration	2,960	2,688
Local Authority Business Incentive Grant	588	761
Street Lighting PFI	2,235	2,235
Other	-	-
<b>Total</b>	<b>268,301</b>	<b>270,272</b>

\*Restated

**SECTION 4**

**Supplementary financial statements**

## Housing Revenue Account

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

	Note	2009/10		2008/09
		£000	£000	£000
<b>Income</b>				
Dwelling rents		(46,351)		(45,215)
Non-dwelling rents		(1,558)		(1,534)
Charges for services and facilities		(6,616)		(6,899)
<b>Total Income</b>			<b>(54,525)</b>	<b>(53,648)</b>
<b>Expenditure</b>				
Repairs and maintenance		8,461		8,534
Supervision and management		21,297		21,997
Rents, rates, taxes and other charges		85		155
Negative Housing Revenue Account subsidy payable	9	10,387		11,826
Depreciation and impairment of fixed assets	6,7	18,878		26,475
Debt Management Costs		14		34
Increase in bad debt provision		340		412
Revenue Expenditure funded from capital under statute (REFCUS)		1,628		-
<b>Total Expenditure</b>			<b>61,090</b>	<b>69,433</b>
Net Cost of HRA Services per Authority Income and Expenditure Account			6,565	15,785
			-	-
HRA share of the whole authority non-distributed costs				
<b>Net Cost of HRA Services</b>			<b>6,565</b>	<b>15,785</b>
Gain or Loss on sale of HRA fixed assets		(90)		-
Interest payable and similar charges		3,550		2,929
Interest and investment income		(97)		(261)
Impairment loss on investment	7	55		78
<b>Deficit for the year on HRA services</b>			<b>9,983</b>	<b>18,531</b>

## Statement of Movement on the HRA Balance

	2009/10	2008/09
	£000	£000
Deficit for the year on the HRA Income and Expenditure Account	9,983	18,531
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the SORP and those determined in accordance with statute:		
EIR interest cost on stepped loans	(14)	(14)
Amortisation of premium on early repayment of debt	8 378	378
Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory		
HRA requirements - Impairment reversal	(2,636)	(6,806)
Gain or Loss on sale of HRA fixed assets	90	-
Transfer from Major Repairs Reserve	3 (8,181)	(11,688)
<b>(Increase)/Decrease in HRA balance for the year</b>	<b>(380)</b>	<b>401</b>
<b>HRA Balances</b>		
HRA Balance brought forward	(3,763)	(4,164)
(Surplus)/Deficit for the year	(380)	401
<b>HRA Balance carried forward</b>	<b>(4,143)</b>	<b>(3,763)</b>

## Housing Revenue Account notes

### 1. Dwelling stock

The authority's dwelling stock was, at 31 March	2009/10	2008/09
	£000	£000
Houses	3,555	3,560
Bungalows	184	184
Flats	5,812	5,834
Maisonettes	1,412	1,413
Hostels	72	79
Bed sits	30	30
<b>Total</b>	<b>11,065</b>	<b>11,100</b>

### 2. Value of HRA assets

Values as at 31 March	2009/10	2008/09
	£000	£000
Balance sheet value - dwellings	1,297,639	1,220,000
Balance sheet value -other land and buildings	58,666	42,448
Vacant possession value -dwellings	2,041,000	1,936,000

The difference between vacant possession value and the balance sheet value represents the economic cost of providing council housing.

### 3. Major Repairs Reserve

	2009/10	2008/09
	£000	£000
Balance as at 1 April	(4,384)	(6,355)
Capital expenditure charged to reserve (dwellings)	10,363	10,205
Depreciation - dwellings	(16,515)	(16,530)
- non-dwellings	(1,410)	(3,218)
Transfer to HRA - dwellings	6,771	8,470
- non-dwellings	1,410	3,218
Interest on balances	(33)	(174)
<b>Balance as at 31 March</b>	<b>(3,798)</b>	<b>(4,384)</b>

The major repairs allowance (MRA) represents the capital cost of keeping the council's dwelling stock in its current condition. Authorities have the flexibility to spend MRA resources outside of the financial year in which they are allocated, enabling the more efficient planning of works. In the revenue account it offsets the depreciation charged. The Major Repairs Reserve (MRR) represents balances carried forward.



#### 4. HRA capital expenditure

The HRA capital transactions were:-

	2009/10	2008/09
Expenditure	£000	£000
Dwellings	24,358	30,532
Other property	1,981	379
Total	<u>26,339</u>	<u>30,911</u>
Financed from		
Borrowing	12,871	17,488
Capital receipts reserve	-	298
Major repairs reserve	10,363	10,205
Other contributions	3,105	2,920
Total	<u>26,339</u>	<u>30,911</u>

#### 5. Capital receipts

Capital receipts from disposals within the HRA were:-

	2009/10	2008/09
	£000	£000
Land	1,065	140
Dwellings	1,070	870
Paid over to pool	(905)	(737)
Total	<u>1,230</u>	<u>273</u>

The authority has to pay a portion of the receipts from the sale of council houses into a government housing pool on the basis that the original cost of the housing would have been partly paid by government grant.

#### 6. Depreciation

The depreciation charged to the HRA was:-

	2009/10	2008/09
	£000	£000
Dwellings	16,494	16,530
Other property	1,431	3,218
Total	<u>17,925</u>	<u>19,748</u>

#### 7. Impairment

Impairment charged to the HRA was:-

	2009/10	2008/09
	£000	£000
Dwellings	-	2,293
Other property	953	4,434
Investments	55	78
Total	<u>1,008</u>	<u>6,805</u>

## 8. Debt premium amortised in year

2009/10	2008/09
£000	£000
378	378

## 9. HRA Subsidy

The negative HRA subsidy payable by the authority was made up of:-

	2009/10	2008/09
	£000	£000
Management and maintenance	20,717	20,000
Major repairs allowance	9,743	8,060
Charges for capital	5,493	5,005
Other items of reckonable expenditure	57	57
Interest on receipts	(48)	(54)
Rent	(46,209)	(44,992)
Rent constraint allowance	-	-
Total for year	(10,247)	(11,924)
Prior year adjustments	(140)	98
Total payable	(10,387)	(11,826)

## 10. Arrears

HRA arrears outstanding at the year end:

	2009/10		2008/09
	£000	£000	£000
Leaseholder service charges	3,472		3988*
less bad debt provision	(664)		(666)
		2,808	3,322
Housing rents	2,686		2,899
less bad debt provision	(1,251)		(1,393)
		1,435	1,506
Commercial rents	80		113
less bad debt provision	(22)		(33)
		58	80
Net arrears		4,301	4,908

\*Restated

## 11. ALMO – Barnet Homes LTD

The management of the council's housing stock is undertaken by Barnet Homes LTD, an arm's length management organisation (ALMO) that is wholly owned by the authority.

## 12. Accounting for pensions in the HRA

As day to day housing management is carried out by Barnet Homes Ltd, the HRA employs very few staff directly. Because of this the cost of obtaining a separate HRA actuarial report, to split the notional cost of HRA staff from those employed by the general fund, cannot be justified. Therefore although the HRA has been reported on an FRS17 basis, no attempt has been made to show a separate liability related to the defined benefit position.

## 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.

The income and disbursement account of the collection fund for 2009/10 is:

	Note	2009/10		2008/09	
		£000	£000	£000	£000
<b>Income</b>					
Council Tax	1		167,770		165,389
Council Tax Benefits			29,278		26,502
Collectable business rates	2		95,970		92,483
			<u>293,018</u>		<u>284,374</u>
<b>Disbursement</b>					
<b>Precepts:</b>					
- London Borough of Barnet		152,069		147,194	
- Greater London Authority		42,323	194,392	42,118	189,312
Estimated surplus on collection fund:	2				
- London Borough of Barnet		758		250	
- Greater London Authority		217	975	73	323
<b>Non-domestic rates</b>					
- Payment to national pool		95,547		92,058	
- Cost of collection allowance		423	95,970	425	92,483
Total disbursed			291,337		282,118
<b>Council tax</b>					
Change in bad debt provision		(4,396)		(2,629)	
Written off	3	3,716	(680)	2,229	(400)
Fund surplus / (deficit) for year			2,361		2,656
			<u>293,018</u>		<u>284,374</u>
<b>Fund balance brought forward</b>					
Fund surplus / (deficit) for year			2,361		2,656
Fund balance carried forward	38		<u>8,809</u>		<u>6,448</u>

## Notes to collection fund

### 1. Council tax

The Government provides the authority with a valuation of each residential property as at 1 April 1991. Each valuation is allocated into one of eight bands on which individual council tax charges are calculated. 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 standard charge is found by taking the amount of income required by the collection fund's two preceptors combined and dividing this by the council tax base. The amount of council tax required from a property in any tax band is the band D charge (£1423.02 for 2009/10) 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
A	0.67	956
B	0.78	5,575
C	0.89	19,289
D	1.00	24,320
E	1.22	31,843
F	1.44	24,374
G	1.67	23,318
H	2.00	6,761
MOD contribution		268
Tax base		<u>136,704</u>

### 2. Collection fund surplus and deficit

The preceptors share any council tax surpluses and deficits.

### 3. 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.

**SECTION 5**

**Group accounts**

## Group Income and Expenditure Account

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

On provision of services the group spent:

	2009/10 Consolidated net expenditure	2008/09 Consolidated net expenditure
	£000	£000
Central services to the public	5,117	4,444
Cultural, environmental and planning services	57,286	70,772
Children's and education Services	86,947	74,688
Highways, roads & transport services	20,386	18,749
Housing services	16,711	23,764
Adult social services	90,802	91,865
Corporate and democratic core	4,424	13,300
Non distributed costs	23,222	9,417
Net cost of services	304,895	306,999
Loss / (gain) on the disposal of fixed assets	(152)	(179)
Precepts and levies	1,646	1,508
Trading undertakings	733	(127)
Interest payable and similar charges	8,317	8,046
Contribution of housing capital receipts to Government pool	905	737
Interest and investment income	(2,216)	(13,182)
Corporation tax	18	82
Pension interest costs and expected return on pension assets	16,404	12,193
Net operating expenditure	330,550	316,077
Net operating expenditure was financed by:		
Demand on collection fund	(154,679)	(149,537)
General Government grant	(31,909)	(25,204)
Non-domestic rates redistribution	(74,706)	(79,053)
Net Deficit for the year	69,256	62,283

\* Restated

## Reconciliation of the Single Entity Deficit to the Group Deficit

	2009/10 £000	2008/09* £000
Deficit from LBB's income and expenditure account	70,213	62,892
Surplus arising from other entities included in the group accounts Subsidiaries (Barnet Homes Ltd)	(957)	(609)
Group account deficit for the year	<u>69,256</u>	<u>62,283</u>

\* Restated

## Group statement of total recognised gains and losses

This statement brings together all the gains and losses of the group for the year and shows the aggregate increase in its net worth. In addition to the deficit sustained on the group income and expenditure account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	2009/10	2008/09*
	£000	£000
Deficit/(surplus) for the year on the income and expenditure account	69,256	62,283
Surplus arising on revaluation of fixed assets	(111,990)	(156,832)
Actuarial (gain)/loss on pension fund assets and liabilities	229,092	25,412
Other gains and losses included in the group balance sheet	(108)	(345)
Total recognised gain for the year	<u>186,250</u>	<u>(69,482)</u>

\* Restated



## Group Balance Sheet

This statement summaries the assets and liabilities of the Reporting Group as at 31st March 2010

	31 March 2010		31 March 2009*	
	£000	£000	£000	£000
Fixed assets				
Operational assets				
Council dwellings	1,297,639		1,220,000	
Other land and buildings	454,448		491,171	
Community Assets	8,739		8,619	
Vehicles, plant and equipment	15,608		21,918	
Infrastructure assets	81,207	1,857,641	69,565	1,811,273
Non-operational assets				
Investment Properties	51,256		34,387	
Surplus assets awaiting disposal	35,973		38,517	
Assets under construction	110,368	197,597	77,112	150,016
Intangible assets	1,448		2,197	
Long term debtors	2,087		2,473	
Long term investments	24,442	27,977	9,606	14,276
Total long term assets		2,083,215		1,975,565
Current assets				
Stocks and works in progress	379		459	
Temporary investments	187,413		223,313	
Debtors	48,812		48,990	
Payments in advance	4,146		5,586	
Cash at Bank and in hand	33,890		22,524	
	274,640		300,872	
Current liabilities				
Creditors	(180,861)		(159,330)	
Borrowing repayable within 12 months	(12,239)		(6,103)	
Bank overdraft	(25,424)		(25,138)	
Provisions	(16,147)		(9,283)	
	(234,671)		(199,854)	
Net current assets		39,969		101,018
Long-term liabilities				
Long term borrowing & other liabilities	(204,401)		(211,484)	
Government grants - deferred	(124,186)		(121,126)	
Long Term lease	(15,859)		(11,426)	
Liability related to defined benefit pension	(460,466)	(804,912)	(228,025)	(572,061)
Total assets less liabilities		1,318,272		1,504,522
Financed by				
Revaluation reserve		317,679		221,422
Financial instrument Adjustment account		(1,718)		(2,060)
Capital adjustment account		1,368,307		1,421,952
Usable capital receipts		17,012		10,568
Deferred capital receipts		646		773
Pension reserve		(460,465)		(228,024)
Collection fund adjustment account		6,891		5,040
Major repairs reserve		3,798		4,384
Earmarked reserves		32,567		34,626
Balances		29,412		32,078
Balances – housing revenue account		4,143		3,763
Total equity		1,318,272		1,504,522

\*Restated

## Group Cashflow Statement

This consolidated statement summarises the movement within the group both for capital and revenue purposes.

	Group 2009/10		Group 2008/09*	
	£000	£000	£000	£000
Net Revenue activities Cash Flow		(49,075)		(18,120)
Returns on Investments and Servicing of finance				
Cash outflows				
Interest paid	6,761		6,822	
Interest element of finance lease rental payment	1,327		788	
Cash inflows				
Interest received	(5,028)	3,060	(12,219)	(4,609)
Capital activities				
Cash outflows				
Purchase of fixed assets	117,369		103,819	
Purchase of long term investments	14,836		(5,899)	
Cash inflows				
Sale of fixed assets	(10,491)		(2,809)	
Capital grants received	(53,150)		(33,115)	
Other capital cash receipts	(2,227)	66,337	(6,916)	55,080
Net cash inflow before financing		20,322		32,351
Management of liquid resources				
Net increase/(decrease) in other liquid resources	(35,900)		(25,034)	
Net increase/(decrease) in short term deposits	1,918	(33,982)	1,409	(23,625)
Financing				
Cash outflows				
Repayment of amounts borrowed	-		-	
Capital element of finance lease rental payment	1,633		1,838	
Cash inflows				
New long term loans raised	7,083		892	
New short term loans	(6,136)	2,580	(1,016)	1,714
(Increase) / Decrease in cash and cash equivalents		(11,080)		10,440

\*Restated

## Notes to group accounts

### 1. Introduction

For a variety of legal, regulatory and other reasons, Local authorities often choose (or are required) to conduct their activities not through a single legal entity but through two or more legal entities which fall under its ultimate control. For this reason the financial statements of the local authority do not necessarily, in themselves, present a full picture of its economic activities or financial position. Because of this, the Statement of Recommended Practice (SORP) requires a local authority to prepare group accounts if it has a controlling influence over one or more other legal entities. The aim of the group accounts is to give an overall picture of the extended services and economic activity that is under the control of the local authority. The London Borough of Barnet (the reporting authority) has a subsidiary company, Barnet Homes Ltd, which it has full control and influence over and therefore group accounts have been prepared.

### 2. Basis of consolidation

The group income and expenditure account, group balance sheet and group cash flow statement have been prepared by consolidating the accounts of the reporting authority (London Borough of Barnet) and its subsidiary (Barnet Homes Ltd) on a line by line basis. The accounts of Barnet Homes Ltd have been prepared using similar accounting policies and practices to that of the reporting authority. However some accounting policies and practices of Barnet Homes Ltd do differ in some respects from the authority's due to legislative requirements. Any material differences are highlighted within the accounts themselves.

### 3. Barnet Homes Ltd, an arms length management organisation for housing

#### i) Nature of the business

Barnet Homes Ltd (Companies House Registration No. 4948659) was created by Barnet Council to manage and improve its housing stock. The primary aim in establishing the company was to attract government funding to enable the Decent Homes programme to be delivered. Barnet Homes Ltd, a not-for-profit company, took over responsibility for managing approximately 11,000 council homes from Barnet Council in April 2004. Barnet Homes Ltd is managed by a Board of 12 members made up of 4 council nominees, 3 tenants, 1 lease holder and 4 independent persons with professional skills and experience to help run the services. Until 1 July 2010 Board members were volunteers only receiving out-of-pocket expenses but approval has now been given for Board members to receive remuneration for their services from this date.

#### ii) Relationship with the authority

Under the SORP, Barnet Homes Ltd is deemed a wholly owned subsidiary of Barnet Council. As such, the council is required to consolidate the financial statements of Barnet Homes Ltd with its own (single entity) accounts in order to form group accounts. The council holds all the share capital in Barnet Homes and would be required to contribute £2 if the company was ever wound up.

#### iii) Financial performance

In 2009/10 the company made an operating surplus of £0.957 million (£0.609m surplus in 2008/09).

#### iv) Transactions with the company

The authority paid the company £28.918m in 2009/10 for the provision of housing management services and repair and maintenance works to housing stock (£28.927m in 2008/09). The authority provides the following services to the company:

The authority leases premises to the company and also provides various support services e.g. payroll. Total charges from the authority to the company in 2009/10 were £2.8m (£2.8m in 2008/09).

#### **4. Group cash flow statement**

The group cash flow statement, prepared in accordance with the SORP, forms part of the group statements. The group cash flow statement shows the movement of cash in and out of the group. However, cash flows relating internally to the group are eliminated as are any intra-group gains and losses. Only cash receipts and payments that flow to and from the group as a whole are included.

#### **5. Accounts**

The full set of financial statements for Barnet Homes Ltd can be obtained from:

The Head of Financial Services  
Barnet Homes Ltd  
9<sup>th</sup> Floor  
Barnet House  
1255 High Street  
Whetstone  
London N20 0EJ

Tel: 0800 389 5225

Internet Web Address: <http://www.barnethomes.org>

**SECTION 6**

**Pension Fund**

## Fund Account

Contributions and Benefits	Note	2009/10		2008/09	
		£000	£000	£000	£000
Contributions	3	48,676		46,050	
Transfers in	4	4,660		2,973	
Other income		7		1	
		<u>53,343</u>		<u>49,024</u>	
Benefits	5	(35,696)		(31,620)	
Leavers	6	(6,431)		(2,052)	
Administrative expenses	7	(1,030)		(936)	
		<u>(43,157)</u>		<u>(34,608)</u>	
<b>Net (withdrawals)/additions from dealings with members</b>			10,186		14,416
<b>Return on investments</b>					
Investment income	8	14,799		18,806	
Change in market value of investments	9	126,404		(97,873)	
Investment management expenses	10	(2,127)		(1,845)	
		<u>139,076</u>		<u>(80,912)</u>	
<b>Net returns on investments</b>					
<b>Net increase/decrease in the fund during the year</b>			149,262		(66,496)
<b>Net assets of the scheme</b>					
At 1 April 2009			482,139		548,635
At 31 March 2010			<u>631,401</u>		<u>482,139</u>

## Net Assets Statement

Net Assets Statement	Note	2009/10		2008/09	
		£000	£000	£000	£000
Investment assets	9	627,342		480,589	
Current assets	11	5,177		5,892	
Current liabilities	12	(1,118)		(4,342)	
		<u>631,401</u>		<u>482,139</u>	

## NOTES TO THE PENSION FUND ACCOUNTS

### 1. Introduction

The Pension Fund is a funded, defined benefit occupational pension scheme set up under the Superannuation Act 1972 and is administered by the London Borough of Barnet. The scheme provides pensions and other benefits to former Authority employees (except teachers, who have a separate scheme) and to the following admitted and scheduled bodies:

#### Admitted Bodies

Barnet Homes	Birkin Services
Connaught	Fremantle Trust
Friends Moat Mount	Go Plant Hire
Greenwich Leisure	Housing 21
Open Learning Partnership	Servite Housing
Turners Cleaning	

#### Scheduled Bodies

Ashmole	Barnet College
Danegrove School	Deansbrook Junior
Dollis Junior	Finchley Catholic
Friern Barnet School	London Academy
Mathilda Marks	Menorah Foundation
Middlesex University	Mill Hill County School
Monkfrith School	Osidge School
Queen Elizabeth Boys	St Michael's Grammar
St Pauls CE Primary	Woodhouse College
Wren Academy	

The Fund is financed by member and employer contributions, interest, dividends and realised profits from investments. The Fund provides retirement grants, death grants, member pensions and widows' pensions. The funding policy aims 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.

Contributions made by employees are tiered, related to salary and they range from 5.5% to 7.5%. These rates are applicable to all employees including manual workers.

The number of employees contributing to the fund increased during the year from 7,093 at 31 March 2009 to 7,175 at 31 March 2010. During the same period the number of pensioners increased from 6,041 to 6,207 and the number of deferred pensioners increased from 5,812 to 6,025. A government scheme supplies teachers' pensions; they are not provided for under these arrangements.

### 2. Accounting Policies

#### Accounting Standards

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and follow the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes.

## Basis of Preparation

The financial statements are prepared on an accruals basis except in the case of transfer values, which are debited or credited in the year of payment or receipt in accordance with recommended practice. Investment income is taken into account where dividends are declared but not paid at the financial year end.

The financial statements summarise the transactions of the scheme and the net assets of the fund. The financial statements do not take account of liabilities to pay pension and other benefits after the financial year end. The actuarial position of the scheme, which does take account of such obligations, is dealt with in note 15 and these financial statements should be read in conjunction with them.

## Investments

Investments are shown in the Net Asset Statement at Market Value. Market Value has been determined as:

- a) Listed securities and securities on the Unlisted Securities Market (USM) are determined by Stock Exchange current bid prices at 31 March 2010.
- b) Unit trust investments are stated at the latest prices quoted by their respective managers as at 31 March 2010.
- c) Transactions in foreign currencies are taken into account at the ruling rate of exchange at the time of the transaction and in the financial statements at the rates prevailing on 31 March 2010.

## Sale and Purchase of Investments

The purchase and sale of investments is delegated to the fund managers and all settlements are accrued on the day of trading (the costs of acquiring investments are included in the value of the assets). The two fund managers: Schroder Investment Management and Newton Investment Management are required to produce a return on investment within benchmarks set by the Authority. These restrictions and the fund manager's analysis of the assets and issuing bodies, dictates the timing of sales and purchases of investments. Approximately 12% of the Fund is held in house (4% in property unit trusts and 8% in pooled funds) and cash arising from these unit trusts is administered by the staff of the London Borough of Barnet acting on advice from the Authority's independent investment advisor.

## Administration Expenses

Administration expenses are calculated as a percentage of the London Borough of Barnet's expenses plus the direct costs of the Pensions section within the Corporate Services Directorate.

## Benefits

Benefits are provided in accordance with the provisions of the Local Government Pension Scheme. Benefits are accounted for in the period in which they fall due. Full details of all benefits payable are available on the Borough's website at [www.barnet.gov.uk/pensions](http://www.barnet.gov.uk/pensions)



### Cash Balances and Interest on Cash

A cash balance of £71.82 million (£52.96 million in 08/09) was held by the Authority at 31 March 2010. Interest on cash held by the Borough on behalf of the Pension Fund is calculated on a rate equivalent to the Borough's average rate of return.

### Taxation

The Fund is an exempt approved fund and therefore not liable for UK income tax or capital gains tax. As the London Borough of Barnet is the administrating authority of the fund, VAT input tax is recoverable on all fund activities.

Taxation agreements exist between Britain and a number of countries whereby all or a proportion of the tax deducted locally from investment income may be reclaimed. The proportion reclaimable varies from country to country. Non-recoverable deductions are classified as withholding tax.

### **3. Contributions**

	<b>2009/10</b>	<b>2008/09</b>
	£000	£000
<b>Employers</b>		
LB Barnet	24,988	23,306
Scheduled bodies	10,321	9,239
Admitted bodies	2,907	3,412
<b>Members</b>		
LB Barnet	6,929	6,744
Scheduled bodies	2,732	2,511
Admitted bodies	799	838
	<b>48,676</b>	<b>46,050</b>

### **4. Transfers In**

	<b>2009/10</b>	<b>2008/09</b>
	£000	£000
Individual transfers in from other schemes	4,660	2,973
	<b>4,660</b>	<b>2,973</b>

### **5. Benefits**

	<b>2009/10</b>	<b>2008/09</b>
	£000	£000
Pensions	27,234	25,364
Commutations and lump sum payments	7,939	5,738
Lump sum death benefits	523	518
	<b>35,696</b>	<b>31,620</b>

## 6. Payments to and on Account of Leavers

	2009/10	2008/09
	£000	£000
Refunds to members leaving service	5	1
Group transfers to other schemes	-	346
Individual transfers to other schemes	6,426	1,705
	<u>6,431</u>	<u>2,052</u>

## 7. Administrative Expenses

	2009/10	2008/09
	£000	£000
Administration and processing	979	878
Actuarial fees	14	17
Audit fees	37	39
Legal and other professional fees	-	2
	<u>1,030</u>	<u>936</u>

All other costs of administration are borne by the London Borough of Barnet.

## 8. Investment Income

	2009/10	2008/09
	£000	£000
Income from fixed interest securities	2,576	3,131
Dividend from equities	10,280	10,108
Income from index linked securities	375	229
Income from pooled investments	142	965
Income from property unit trusts	1,295	1,337
Interest on cash deposits	448	3,460
Other income	489	308
	<u>15,605</u>	<u>19,538</u>
Irrecoverable withholding tax	(806)	(732)
Total investment income	<u>14,799</u>	<u>18,806</u>

## 9. Investments

	Value at 01 April 2009 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31 March 2010 £000
Fixed interest securities	81,292	41,272	(73,296)	(9,393)	39,875
Equities	227,854	116,263	(104,440)	96,848	336,525
Index-linked securities	24,216	8,843	(10,996)	1,745	23,808
Pooled investment vehicles	72,758	29,173	(5,324)	36,446	133,053
Properties	21,506	-	-	758	22,264
	<u>427,626</u>	<u>195,551</u>	<u>(194,056)</u>	<u>126,404</u>	<u>555,525</u>
Cash Deposits	<u>52,963</u>				<u>71,817</u>
	<u>480,589</u>				<u>627,342</u>

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

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £238,500 (2008/09: £351,177). There are also transaction costs incurred on behalf of the unitised funds, but these are reflected in the unit cost. In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme. The fund does not participate in stock lending arrangements.

The market value of investments held under management by the Fund's investment managers at year end totalled £533,261,000. This was split as follows:

	£'000	%
Schroder Investment Management	248,457	46.6
Newton Investment Management	240,168	45.0
Legal & General	<u>44,636</u>	<u>8.4</u>
Total	<u>533,261</u>	<u>100.0</u>

	<b>2009/10</b>	<b>2008/09</b>
	£000	£000
<b>Fixed interest securities</b>		
UK – Government	28,245	66,131
UK - Corporate Bonds	3,829	8,609
Overseas Corporate	4,130	-
Overseas Government	3,671	6,552
	<u>39,875</u>	<u>81,292</u>
<b>Equities</b>		
UK quoted	188,408	125,501
UK unquoted	-	-
Overseas quoted	148,117	102,353
Overseas unquoted	-	-
	<u>336,525</u>	<u>227,854</u>
<b>Index-linked securities</b>		
UK public sector quoted	20,523	24,216
Overseas public sector quoted	3,285	-
	<u>23,808</u>	<u>24,216</u>
<b>Pooled investment Vehicles</b>		
UK Managed funds	35,881	8,233
UK Unit Trusts	97,172	64,525
	<u>133,053</u>	<u>72,758</u>
<b>Property</b>		
UK property unit trusts	22,264	21,506
	<u>22,264</u>	<u>21,506</u>
<b>Cash Deposits</b>		
Sterling	71,817	52,963
	<u>71,817</u>	<u>52,963</u>

## AVC Investments

The Authority holds assets invested separately from the main fund in the form of individual insurance policies securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions (AVC). Members participating in this arrangement each receive an annual statement confirming the amounts held to their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

	<b>2009/10</b> £000	<b>Contributions</b> £000	<b>Income</b> £000	<b>Expenditure</b> £000	<b>2008/09</b> £000
AVC Investments					
<b>Norwich Union</b>	<b>753</b>	41	26	(57)	743
Prudential					
With Profits	477	45	27	(54)	459
Deposit	291	36	1	-	254
Unit Linked	221	31	36	-	154
<b>Total Prudential AVCs</b>	<b>989</b>	112	64	(54)	867

## 10. Investment Management Expenses

	<b>2009/10</b> £000	<b>2008/09</b> £000
Administration, management and custody	2,017	1,786
Performance Measurement Services	12	13
Other advisory fees	98	46
	<b>2,127</b>	<b>1,845</b>

## 11. Current Assets

	<b>2009/10</b> £000	<b>2008/09</b> £000
Contributions due from employers in respect of		
Employer contributions	1,060	842
Member contributions	279	229
Accrued income	3,814	4,801
Overpayment of Benefits	4	-
Cash Balances	20	20
	<b>5,177</b>	<b>5,892</b>

## 12. Current Liabilities

	<b>2009/10</b> £000	<b>2008/09</b> £000
Unpaid Benefits	344	511
Unsettled Purchases	257	3,479
Accrued Expenses	517	352
	<b>1,118</b>	<b>4,342</b>

### 13. Statement of Investment Principles

The Authority is required by law to prepare and publish a Statement of Investment Principles (SIP). This Statement, approved in May 2000, sets out the Fund's policy on a range of matters relating to the investment and management of the Pension Fund. The Statement is published on the Borough's website at [www.barnetpensions.org](http://www.barnetpensions.org)

### 14. Related Party Transactions

Fund administration expenses payable to the administrating authority, the London Borough of Barnet are outlined below

	2009/10	2008/09
	£000	£000
Human Resources	581	584
Accountancy administration	143	177
Payroll Support	232	175
	<u>956</u>	<u>936</u>

### 15. Actuarial Valuation

Hymans Robertson LLP undertook a formal actuarial valuation of the fund as at 31 March 2007, in accordance with The Local Government Superannuation Regulations 1986. The actuarial valuation calculates the contribution rate payable by Authority, as an employer, to meet the Administering Authority's funding objectives. The actuarial method used by the Actuary is known as the "projected unit method". The key feature of this method is that in assessing the future service cost, the Actuary calculates the contribution rate, which meets the cost of benefits accruing in the year after the valuation date. This is the same method adopted at the previous valuation and is an appropriate method for a fund, which is open to new members.

The actuary adopted a market value approach whereby assets were valued initially on a market value basis and liability assumptions were derived from gilt yields. The assumptions, which have the most significant effect on the result so the valuation, are:

Assumption	Rate
Future pension increases (based on price inflation)	3.2%
Future pay increases	4.7%
"Gilt-based" discount rate	4.5%
Funding basis discount rate	6.1%
Overall rate of return on investments	7.2%

The 2007 valuation actuarially assessed the value of the Fund's assets as £539.5 million, being sufficient to meet 71% of the Fund's liabilities.

The latest information valuation as at 31<sup>st</sup> March 2010 as per the requirements of FRS17, use the roll-forward approach together with the following assumptions (the figures in brackets relate to 31<sup>st</sup> March 2009, and are given for comparison);

<b>Assumption</b>	<b>Rate</b>
Assumed price inflation	3.9% (2.7%)
Salary increases	5.4% (4.2%)
Pension increases	3.9% (2.7%)
Discount rate	5.5% (6.7%)

The triennial valuation was reported to the London Borough of Barnet Pension Fund Committee on 11 December 2007 and is available to view at [www.barnet.gov.uk/pensions](http://www.barnet.gov.uk/pensions).

## **GLOSSARY**



## **Glossary**

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

### **Accounting policies**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- (i) recognising
- (ii) selecting measurement bases for, and
- (iii) presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

### **Accounting standards**

A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Act of Parliament and in professional codes and statements of recommended practices. These standards make comparability, among other things, possible.

### **Accrual**

The recognition of income and expenditure as it is earned or incurred, as opposed to when cash is received or paid.

### **Actuarial gains and losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- (b) the actuarial assumptions have changed.

### **Assets**

These can either be:

- Fixed assets, tangible assets that give benefits to the authority for more than one year.
- Community assets, assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks and historic buildings.
- Council dwellings, these are owned by the council providing services to the communities. Such examples include leisure centres, libraries and museums.

- Vehicles, these assets are used by the council for the direct delivery of services, such examples include dust carts.
- Equipment, held by the local Authority in the delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objective of the authority.
- Infrastructure assets, fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of such fixed assets are 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 held by an authority but not used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets include investment properties and assets that are surplus to requirements, pending their sale. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the authority and the rental income is negotiated at arm's length.
- Intangible assets, these are usually stand alone intellectual property rights such as software licences that, although they have no physical substance are right to show on the balance sheet where they have been capitalised as being of benefit for more than the year of account. Where software is integral to the running of hardware it is properly included in the value of the hardware.

### **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.

### **Balance sheet**

A statement of the recorded assets, liabilities and other balances at the end of an accounting period.

### **Benefits**

Benefits can be received in the form of future economic benefits or in the form of service potential. Assets that are used to deliver goods and services in accordance with the reporting authority's objectives but which do not directly generate net cash inflows can be described as embodying 'service potential'. Assets that are used to generate net cash inflows can be described as embodying 'future economic benefits'.

### **Best value accounting code of practice (BVACOP)**

BVACOP sets the financial reporting guidelines for local authorities. It supplements the principles and practice set out in the code of practice on local authority accounting (known as the SORP), by establishing practice for consistent reporting. It provides guidance in three key areas:

- The definition of total cost
- Trading accounts
- Service expenditure analysis

## **Billing authority**

A local authority empowered to set and collect council tax, and manage the collection fund, on behalf of itself and local authorities in its area.

## **Capital expenditure**

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset. It is not necessary for the asset to be owned by the authority e.g. renovation grants.

## **Collection fund**

The fund, administered by a billing authority, into which council taxes are paid, and from which payments were made to the general fund of billing and major precepting authorities. NNDR collected by a billing authority is also paid into the fund before being passed on to central government for distribution to local authorities.

## **Community assets**

Assets that a local authority intends to hold in perpetuity, that have no determinable useful life, and may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

## **Corporate and democratic core**

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

## **Deferred capital receipts**

These represent amounts derived from the sale of assets, which will be received in installments over agreed periods of time, such as payments from mortgages on the sale of council houses.

## **Defined benefit scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

## **Defined contribution scheme**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employees benefits relating to employee service in the current year and prior periods.

## **Depreciation**

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

## **Events after the balance sheet date (post balance sheet events)**

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

## **FRS's**

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

## **General fund**

The revenue fund of the authority, it shows income from and expenditure on the council's day to day activities.

## **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.

## **Historic cost**

The actual cost of an asset in terms of past consideration as opposed to its current value.

## **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.

## **HRA subsidy**

Revenue funding paid to local authorities to make up any assumed deficit between income and expenditure in the HRA. HRA subsidy is based on the concept of the 'notional HRA'; local authorities are required to construct a notional account using the government's assumptions regarding levels of rents and expenditure on repairs and maintenance. Any deficit is the subsidy entitlement for the year, and if there is a notional surplus then the authority has a negative subsidy entitlement, and the surplus must be transferred to the government.

## **Impairment**

A reduction in the value of a fixed asset, greater than normal depreciation, below its carrying amount in the balance sheet.

## **Infrastructure assets**

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure are highways and footpaths.

## **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 entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

## **Major repairs allowance (MRA)**

The MRA is a government subsidy that was introduced to replace housing revenue account borrowing for repairs to maintain the housing stock to a good standard.

## **Major repairs reserve (MRR)**

This reserve is for capital expenditure on HRA assets.

## **Minimum revenue provision (MRP)**

The minimum amount that the council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes.

## **National non-domestic rates (NNDR)**

The rates paid by businesses. These rates are collected by local authorities and paid over to the government. They are then redistributed to local authorities on the basis of relevant population.

## **Net book value**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation. The NBV should not be taken to represent a current market value.

## **Operational assets**

Fixed assets held and occupied, used and consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

## **Outturn**

Actual income and expenditure in a financial year.

## **Pension funds**

For the Local Government Pension Scheme, these are the funds that invest employers' and employees' pension contributions in order to provide pensions for employees on their retirement and pensions for employees' dependants in the event of death of the employee.

## **Prior period adjustments**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

## **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; expenditure against a provision is therefore not charged to revenue as this would be double counting.

## **Prudential borrowing**

Borrowing by local authorities without government financial support, but in accordance with the CIPFA Prudential Code for local authority borrowing.

## **Prudential Code**

A professional code of practice prepared by CIPFA, for the prudential system introduced on 1 April 2004. Local authorities are required by legislation to have regard to the code.

## **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
- (iii) 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.

## **Related party transactions**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

## **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, as against provisions, where it is not. Earmarked reserves are allocated for a specific purpose. Unallocated reserves are described as balances.

## **Revenue support grant**

A general grant payable to support local authorities' revenue expenditure. A local authority's RSG entitlement is intended to make up the difference between expenditure and income from the NNDR pool and council tax. Revenue support grant is distributed as part of formula grant.

## **Stocks**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until after a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

## **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.

## **Substance over form**

Financial Reporting Standard 5 requires that the substance (real effect on the authority) of a transaction is reported rather than just actual monetary movements (substance over form) at the time they happen. That is future liabilities or gains are recognised in the accounts when they are incurred rather than just when paid for or received.

This largely refers to assets where benefits or liabilities of ownership pass without legal title or they may endow future liabilities or gains. In Barnet's case for instance a lease agreement's transactions will show the actual amount paid or received in the year, but there is a liability for future payments or receipts for the life of the lease, these are recognised in the accounts.

**Useful life**

The period over which the local authority will derive benefits from the use of fixed asset.