London Borough of Barnet
Statement of Accounts
For the year ended 31 March 2009

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SECTION 1

Introduction and review of the year 2008/09

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), Clive Medlam.
- 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.

Clive Medlam, the Chief Finance Officer, is also the Director of Resources and reports directly to the Chief Executive. Together with the Corporate Governance Directorate, the Resources Directorate holds responsibility for leading on risk management strategy. The Corporate Governance 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 2009.

The statement of accounts - introduction

This details the process in place during 2008/09 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 further significant changes to the format of the accounts from 2009-10 onwards due to the introduction of International Financial Reporting Standards (IFRS) as a result of the application of the statement of recommended practice (SORP) 2008, which will alter the presentation of these accounts when compared to previous years.

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:

(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 2008-09. 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 increase 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). 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 2008/09 and the benefits paid from it. The net assets statement sets out the financial position for the fund as at 31 March 2009. 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

For the first time in the last few years, the Statement of Accounts have not been subject to significant year on year changes that have required explanation on my part. Nonetheless, local authority accounts remain a relatively opaque document on the surface meaning it is not always straightforward for readers to ascertain the financial performance of the Council so it is important that I draw out the key issues.

The overall financial position of the Council has strengthened over the last twelve months with a small increase in the level of balances and a significant increase in the level of reserves held to mitigate against potential future events. This is an important achievement for the authority and provides it with a position of relative strength from which to pursue potential opportunities in the future.

The Council

Each year the Audit Commission measures the Council's overall performance in two ways – by assessing the Council's "direction of travel" (DoT) and by giving our services an Comprehensive Performance Assessment (CPA) overall star rating.

In 2008/09 our Direction of Travel score changed from "improving well" to "improving strongly" – the highest score available. However, oddly our overall CPA star rating dropped from 4 to 3. The Audit Commission looks at over 100 performance indicators across services including Use of Resources, Benefits, Children and Young People, and Adult Social Care. Each of these areas receives its own individual star rating, and these combine to provide an overall rating.

The Council scored top marks (four stars) in Housing Benefits, Housing, and Environment but our score for Culture dropped from 3 stars to 2. The reason the fall in the Culture score is due to a museum, not owned or run by the Council, seeking but not yet achieving full accreditation from its national body. Due to our corporate assessment score of 3, CPA methodology does not allow a Council to be given an overall score of four stars if any individual service area scores a two or below. It is partly the inflexibility of this methodology that has moved the Audit Commission to replace CPA with the Comprehensive Area Assessment (CAA) from 1 April 2009.

The CPA score tends to attract more attention than the Direction of Travel assessment but it should be noted that the Council received the top possible mark in three of the six service areas which the Audit Commission assessed. Moreover, the Direction of Travel score placed the Council in the top 24% of councils in the country and, in their Direction of Travel Statement, the Audit Commission were complimentary about the many improvements that are being made to Services.

The Council also improved on its Use of Resources assessment including receiving the highest score for the internal control area due to its pro-active work on anti-fraud and risk management. It also received the top score on its external financial reporting and for its managing performance against budget. It is very likely that had the Council not had funds on deposit with the Icelandic banks, it would have received the highest score for its financial standing and therefore an overall score of '4' for its Use of Resouces.

Iceland

The second half of the financial year has been dominated by the publicity surrounding our deposits with two Icelandic Banks. The council entered into a number of fixed term deposits with financial institutions based in Iceland – but it should be noted that all of

these were placed well before the emergence of the current credit crisis and we were one of over one hundred public sector organisations to have done so. In response to the freezing of the deposits with the Iceland institutions, local authorities organised themselves into steering committees and have worked with the creditors of the banks to seek the release of the funds. It is important to stress that there is still no actual loss and we expect to learn of the position of our claim before the end of the 2009/10 financial year, but we have no firm confirmation yet as to the dates on which any such sums will be paid. The 2009/10 budget has already been adjusted to account for lower interest expectations.

It has been well publicised that the Council was acting outside of its approved Treasury Management Strategy when these deposits were placed but that does not have any impact on whether the funds will be returned.

Included in the accounts is a technical adjustment for an estimated potential loss that could arise in the future based on guidance issued by CIPFA. At the time of writing, Regulations prohibit the Council's Housing Revenue Account being charged and thus the total impairment will be charged in full to the General Fund in financial year 2008/09. However, the LGA are challenging this regulation so there is a possibility that part of the impairment could still be apportioned to the HRA (and Pension Fund).

Following on from the issues highlighted around the Council's treasury management activity, significant work has already been undertaken and further work is underway to ensure the tightening of both the Treasury Management Strategy and the internal working practices. Changes were agreed in the immediate wake of the financial crisis and the revised strategy that was agreed by Cabinet Resources Committee in March was much clearer in specifying the rating of counterparties and the length of time for which funds could be deposited. In addition, the day to day procedures have been and will continue to be reviewed as well as more detailed and more regular management information being sent to senior managers and Members.

Overall Financial Performance and Financial Management

The Council entered 2008/09 in a strong financial position with general balances of £17.447m, well in excess of the balances available in recent memory. This position provided the Council with some measure of flexibility to meet the financial challenges it faced in 2008/09 most notably; demand lead cost pressures in Adult Social Services; reduced return on our investments due to falling interest rates and reduced income from fees and charges due to the recession. Notwithstanding these pressures, financial year 2008/09 saw a net underspend of £0.059m 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 of £17.506m m as at 31 March 2009, which is still above the £15m target level of balances as set out in the Council's Medium Term Financial Strategy.

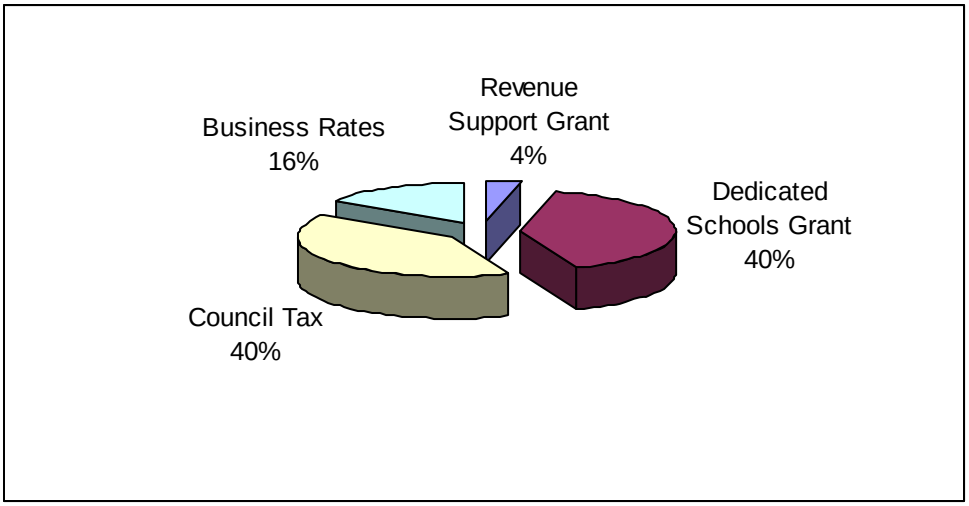
The General fund

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 2008/09 the Council planned in year General Fund expenditure of £237.5m (net of specific service related grants and income from fees and charges) as illustrated below

2008/09	Original council spending plan	Actual net spend	Difference (actual - original)
	£000	£000	£000
Individual schools' budget	195,500	195,046	(454)
Net service expenditure	252,579	255,843	3,264
Contribution to /(from) balances	1,360	(59)	(1,419)
Budget requirement	449,439	450,830	1,391

A detailed breakdown of actual expenditure in 2008/09 by Service Area is set out in the Income and Expenditure Account. As was the case in 2007/08, this shows that the majority of gross expenditure related to Children's & Education Services and on Housing Services

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 2008/09, as illustrated below.



Due to Barnet's poor grant settlement from Central Government, it is likely that the proportion of General Fund expenditure that is financed by Council tax will rise in subsequent years.

Earmarked Reserves

Earmarked Reserves are amounts of money set aside to cover expenditure in future years on specified projects or major initiatives which would not be able to proceed unless money was set aside from prior year resources. Earmarked Reserves at the start of the financial year were £18.6m and stood at £31.8m as at 31 March 2009. Earmark Reserves are discretionary i.e. Local Authorities are not required to make them, and

whilst the Council does not have a formal policy, the level of Earmarked Reserves does affect the Council's overall financial standing and its ability to meet future pressures.

Housing Revenue Account

The Housing Revenue Account (HRA) consists of 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 2008/09 the HRA returned a deficit (shortfall of in year income over in year expenditure) of £0.401m (£0.67m deficit in 2007/08). This deficit has been transferred to cumulative HRA Balances which stand at £3.763m as at 31 March 2009 (£4.164 as at 31 March 2008).

During the year the Council also had to pay £10.9m into the National Housing Subsidy system. This is a central government mechanism for redistributing resources from more affluent areas to less affluent areas. It is because Barnet is deemed an affluent area that it was required to make this payment – which, as with the cost of maintaining and managing the housing stock, was financed by tenants rent.

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. Alongside the Housing Subsidy System – which will see Barnet Contribution to the National Pool increase in 2009/10, this is likely to lead to future budget pressures for the HRA and its future financial viability is uncertain.

Capital Programme

During the year the Council maintained investment in the priority areas of schools, housing, highways and infrastructure. Total capital expenditure was £107m, financed by a combination of borrowing (£48m), Government Grants (£35m), Developer Contributions (£7m) Sale of Surplus Assets (£5m) and contributions from revenue (£11m).

Consistent with the Corporate Priority of `A Bright Future for Children and Young People' the year saw significant progress in the Primary Schools Capital Investment Programme (PSCIP) with the rebuilding of Whittings Hill and Broadfield schools under-way. 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 09-10). Investment in Highways saw the reconstruction of several roads, carriageways and footpaths, the creation of additional Controlled Parking zones and London Bus networks.

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. 2008/09 also saw further significant regeneration of the Colindale Development Area.

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 2009 was £481.918m, the majority of which is invested in the stock market. The fund decreased in value by £66.717m. This reflects the position of the market in over the last year where there has been a significant fall in the value of virtually all stocks and shares as part the credit crunch.

In the last twelve months the Pension Fund has appointed both a new independent investment advisor, HSBC Consulting, and a new actuary, Barnett Waddingham LLP. Officers will be working with both organisations on the options for improving the funding level and therefore the revenue impact on all bodies within the fund. I would like to take this opportunity to pass my thanks on the Fund's previous Independent Investment Advisor, Paul Oldham, for all his work on behalf of the fund over the past thirty years.

Looking forward

Alongside approving the annual budget, the Council also agrees a Forward Plan which projects the potential Council Tax requirement in future years. Based on maintaining an acceptable annual Council Tax increase, the current Forward Plan identifies a resource gap in each year from 2010/11 to 2013/14 of between £9m - £12m. The next Comprehensive Spending Review is due to report next year and, if current indications about reducing the level of public spending come to pass, this is likely to increase the level of savings and efficiencies the Council is required to find.

Bridging this resource gap is a major challenge for the Authority and is one of the main reasons behind the Future Shape of the Council Review – which will look at the organisation of the Council and identify potential options for future delivery of Council Services. More immediately, however, the Council has already implemented a Strategy to address the future resources gap, which includes

- Reducing expenditure
- Efficiency savings (same or improved output but with less resources)
- Enhancing Value for Money
- Reviewing fees and charges

Moreover, the Authority is not immune from the effects of the current economic climate, which is expected to impact on the Council as follows:-

- Income from fees & charges (contributions from Developers, Planning and Building Control Fees, Property Searches etc.) are expected to fall as a result of the slow-down in the Housing and construction markets.
- Lower return on investments – due to the significant fall in interest rates
- Collection Rates for general debts, Council Tax, NNDR and rents are expected to fall as individuals, companies and organisations struggle to pay their bills
- Pension Fund – the next triennial review of the Pension Fund will be in 2010 and Actuaries have been reporting significant short term falls in pension fund assets compared with liabilities. This could lead to a significant increase in the Employers contribution rate from financial year 2011/12
- Capital Receipts – part of the Council's capital programme is financed by the sale of council assets (land and buildings). However due to the collapse of the construction and property markets actual receipts from these sales could be

significantly below the amounts originally envisaged in the Capital programme. Any increase in Council borrowing to compensate might not be sustainable

Finally, having commented on this being a relatively quite year for amendments to the statements, the next two financial years will see substantial technical changes to the scope, content and calculation of our Financial Statements as all Local Authorities move from UK Accounting Standards to International Accounting Standards. Understanding and implementing these new International Standards is a huge challenge for Local Government and major implications for our accounting policies budgeting, governance and financial reporting. Preparations for this are already underway with the appointment of a dedicated project resource to ensure the Council is fully compliant.

The statement of the Chief Finance Officer

The required financial statements appear on pages 45-110 and have been prepared in accordance with the accounting policies set out on pages 34-43.

Clive Medlam BSc., CPFA
Director of Resources & Chief Finance Officer

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 29 June 2009.

Cllr Jeremy Davies
Chairman of Audit Committee

SECTION 2

Annual governance statement and accounting policies

PROPOSED ANNUAL GOVERNANCE STATEMENT 2008/09

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 a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for 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 Governance. A copy of the Code will be included in the Constitution from May 2009.

The statement explains how Barnet London Borough Council has complied with the Code, delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) Regulations 2006, which require the Council to publish a statement on internal control in accordance with proper practice. Proper practice has been defined as an Annual Governance Statement.

2. The Purpose

The Governance Framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled; and 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.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. The system also recognises that it is not possible, or even desirable in a value for money context, to eliminate all risk of failure to achieve policies, aims and objectives. The system of internal control and risk management is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Barnet London Borough Council for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts.

3. The Governance Framework

Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users:

The Sustainable Community Strategy for Barnet sets out the vision for how the Council and other local organisations and agencies will work together to improve the economic, social and environmental well-being of the borough. Supporting the Strategy is the Council's Corporate Plan setting out the vision for the Council. It affirms the values and aspirations of Barnet the place, the people and the organisation. The corporate priorities are clearly defined in the Corporate Plan which demonstrates how the Council will achieve its objectives over the four year period and how it reviews progress to date.

Corporate priorities are cascaded through Service Plans and populate targets for service teams and individuals.

The Sustainable Community Strategy (2008-2018), delivered by the Council and its partners:	▪ Approved by the Local Strategic Partnership. The Strategy was refreshed in 2008/9 ▪ Published on the Council's Website
The Corporate Plan (2008/09):	▪ Approved by Cabinet in April 2008 ▪ Published on the Council's Website

Reviewing the Authority's vision and its implications for the Authority's governance arrangements:

One of the key objectives in the Corporate Plan under Corporate Priority 'More Choice Better Value' is to 'enhance and further develop corporate governance'. Governance arrangements are reviewed annually by the Special Committee (Constitution Review) whose recommendations are reported to the full Council for ratification. For 2008/09, the following are achievements in respect of some of the key priorities were identified under that objective:

- Establish the new AGS process and promote this as being a 'Governance Health Check' : *first AGS approved by Audit Committee in June 2008*
- Establish a Governance Framework for Barnet: *Code of Corporate Governance approved by the Audit Committee and then recommended for inclusion in the Constitution by the Special Committee (Constitutional Review) in March 2009*
- Implement second Council-wide Ethical Governance Assessment: *achieved and actions to implement recommendations agreed by the Standards Committee in December 2008*
- Revise FOI Publication Scheme: *achieved and new version published in December 2008*
- Work with the Council to review and reposition Scrutiny to perform a more effective role: *review complete and recommendations agreed by Council in July 2008, to be implemented in May 2009*

The on-going work on reviewing governance arrangements is captured in the new Corporate Plan 2009/10 and beyond.

Measuring the quality of services for users, ensuring they are delivered in accordance with the authority's objectives and ensuring they represent the best use of resources:

Corporate priority targets are established annually as part of the process of refreshing the Corporate Plan, and are then monitored through the corporate performance framework. Quarterly performance reports are considered at Cabinet Resources Committee and by Overview and Scrutiny.

Services must ensure that systems are in place to collect relevant, accurate and robust performance data, and that they comply with the Data Quality Policy, which was refreshed in March 2009. This policy establishes why data quality is important, the Council's commitment to data quality and the responsibilities in respect of maintaining data quality, as well as identifying the guidance and support available.

These processes have been developed to monitor business/service performance and have involvement at the highest Member and Officer levels within the Council. Value for Money reviews, Internal Audit reports and officer working also support this process.

Officers from all Directorates met regularly from the summer of 2008 to prepare for the 2009/10 budget Directorates were asked to consider the 2009/10 budget in light of the savings that would have to be made as a consequence of the projected financial settlement the Council would receive from central government. Consideration extended to options for both efficiencies and possible service reductions. Each proposal was subjected to challenge at Officer level before being presented to Executive Members for their consideration

The Council initiated a programme of value for money reviews in 2008. 3 reviews have now been completed by services and 7 more are in progress. The reviews both show delivered savings and make savings proposals. The completed reviews are undergoing a process of independent review by the Council's Business Improvement Team.

The quality and efficiency of Barnet's services is also assessed annual by the Audit Commission and its appointed external auditors. Previously this process was called Comprehensive Performance Assessment (CPA). This year a new regime has been introduced called Comprehensive Area Assessment (CAA), which places a greater emphasis on outcomes, partnership working, and planning for future challenges.

Barnet Council is currently working with its partners to produce a self-evaluation, using the CAA framework, as well as a self-assessment of the way that it manages performances and manages its use of resources. This supports Barnet and its partners to continuously review and improve their performance, whilst also generating evidence that the Audit Commission can use for its CAA judgements.

The annual Use of Resources assessment existed under CPA, but as part of CAA it is broader in scope and more challenging in expectation. It assesses how well

organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people, and now embraces the use of natural, physical and human resources and places a new emphasis on commissioning services for local people.

For 2007/08 Barnet achieved a three out of a possible four, which was consistent with the previous year. This year Auditors will produce a judgement for each of the following three themes:

- Managing finances - focusing on sound and strategic financial management.
- Governing the business - focusing on strategic commissioning and good governance.
- Managing resources - focusing on the effective management of natural resources, assets and people.

For Barnet, our initial draft assessment reveals good performance across many of the themes and Grant Thornton have provided an overall indicative score of 2 out of 4 under a much more challenging assessment framework. However further evidence is being identified with a view to improving the UoR score prior to the final announcement in late summer 2009.

Corporate Plan Quarterly Performance Monitors:	▪ Published on the council's website ▪ Reported to Cabinet Resources Committee and Overview and Scrutiny Committees ▪ Monitored by both internal Officer and Member meetings
Year End Performance Out turn:	▪ Reported in summary form to the public in the Annual Finance and Performance Report
New Corporate Plan 2009/10	▪ Approved by Cabinet in March 2009, but has been significantly rewritten subsequently.
New Equalities Policy (an easy-read version is being developed to enhance the document's accessibility)	▪ Approved by Cabinet in December 2008 and underpins the service planning process

Putting the Community First is also at the heart of all our corporate priorities. We endeavour to ensure that the services we provide meet the needs of all our communities. From April 2009, as part of the Local Government and Public Involvement Act 2007, local authorities will have a duty to inform, involve and consult with their residents and service users.

We have already established many excellent offline traditional methods of involving residents in decisions and service provisions, namely through: our Citizens panel;

service user/resident surveys; service user groups; ad-hoc group discussions with our residents; area forums; councillor surgeries; youth board; consultation documents; customer access points; comments and complaint cards.

However, the Council recognises we are experiencing rapid social change and we need to build a stronger relationship with our citizens, having wider and deeper conversations to understand their needs and preferences. Our role is to provide the space for citizens to debate with the council and public agencies, and with each other, the competing priorities and build a consensus on priorities for the area, and explain how decisions were reached. We also want to give citizens greater control over their lives and the ability to make informed choices for themselves. To ensure all citizens have an equal opportunity to do all of this we need to find innovative forms of engagement and new ways of communicating with them.

As part of this recognition and new approach the council has recently developed a strong online presence, namely through our own social media website, whereilive.org. The council has also established a presence on facebook; twitter, flickr and the Leader of the Council has launched his own Leader Listens website.

Consultation portal	▪ Procured for 2009/10. Will be a searchable online calendar to publish, search, track and help co-ordinate and report on consultations and also ensure action as result of consultation and engagement are clearly visible to residents
Focus groups	▪ A particular example being a successful one with users following the introduction of Self-directed support providing useful feedback on the initiative
Citizens Panel Newsletter	▪ Provides feedback on outcomes of consultations to Citizens Panel Members
Place survey	▪ Conducted October-December 2008 and collecting data for National Indicators. Key findings were that: • Satisfaction with the local area has improved and is higher than the London and outer London averages • Satisfaction with the council has decreased but is still higher than London and outer London average

Defining and documenting the roles of the executive, non-executive, scrutiny and officer functions with clear delegation arrangements and protocols for effective communication:

The Council has a Constitution that is subject to annual review by the Special Committee (Constitution Review). The Constitution sets out the governance arrangements operating within the Council and from May 2009 includes the Code of Corporate Governance. Council appoints a Leader and Cabinet. The Leader allocates executive responsibilities and the Council appoints committees to discharge regulatory and scrutiny responsibilities. All relevant roles, terms of reference and delegated responsibilities are set out in the Constitution which is published on the Council's Website. The Constitution also includes Protocols for

Member–Officer Relations.

New/re-designed 'Governance' pages on the Council's website and Corporate Governance Intranet sites	▪ To communicate and promote key sections of the constitution in a clear and concise way
New Scrutiny model/arrangements with streamlined roles and responsibilities	▪ To be implemented in May 2009

Developing communication and embedding codes of conduct, defining the standards of behaviour for members and staff:

Councillors and co-opted members are required to comply with the Members Code of Conduct which is set out in the Constitution. There are a number of other protocols which apply the principles of the Code to specific areas of Council activity. The Standards Committee is required to promote and maintain high standards of conduct by councillors and co-opted members. Officers are also subject to a code of conduct and a number of other policies and procedures relating to their employment. These policies and procedures are published on the Council's intranet.

Review/assessment of compliance with Member Code of Conduct	▪ The Standards Committee annual report to Council in July provides a summary of all allegations of breach of the Member Code of Conduct assessed and determined during the year
Revision of Codes of Conducts	▪ The Standards Committee responded in December 2008 to the Government's consultation on proposed changes to the Members' Code of Conduct and introduction of a statutory Officer Code of Conduct. They are being regularly updated in 2009 as appropriate
Council-wide Ethical Governance Assessment carried out in 2008	▪ Reported confidence improving in matters relating to the registration of interests and 100% awareness of Members of the register ▪ Actions agreed by the Standards Committee to further improve levels of staff awareness and confidence – to be implemented in 2009
Standards Committee	▪ To facilitate the operation of Local Regulation the Standards Committee was expanded in May 2008 involving a significant recruitment exercise and training programme.

Reviewing and updating standing orders; standing financial instructions; a scheme of delegation and supporting procedure notes/manuals which clearly define how decisions are taken and the processes and controls required to manage risks:

The Council's Standing Orders and Financial Regulations are included within the annual review carried out by the Special Committee (Constitution Review). Delegation is also dealt with in the Constitution and Officers are required to draw up a list of specific powers for approval to be delegated to them to be published in the Council's website.

The Risk Management Strategy was developed in 2007 and as part of best practice it has since been revised and approved, alongside the guidelines, by the Audit Committee in June 2008. The Corporate Risk Register provides clarity and ownership of those potential risks that may have a direct impact to the corporate priorities. This is monitored, reviewed and updated quarterly by senior Council Officers and twice yearly at Audit Committee. Service level risk registers record risks and risk management progress relating to their service plan, team plans and all major projects.

The Finance & Performance Review (F&PR) process continues to review high level risks through individual service risk registers whilst encompassing close monitoring of service delivery performance, performance against budgets and budget reduction targets thus minimising the chances of unachievable savings being incorporated in the budget. F&PR also reviews the financial risk registers and challenges Cabinet Members and officers on them. All Cabinet and committee reports include a section on risks, which contributes to Members being better informed prior to deciding on policy and other decision making. This also raises the awareness and increases Member and officer understanding of risk and the risk management process. There is also now a single Use of Resources section to all committee reports.

Quarterly risk management forums are held to share risk management best practice, agree changes to the risk management procedures, identify risk management training needs and agree the format of the Internal Control Checklist (ICC) process. This process is designed to enable managers to assess and improve the risk and control environment within their areas of control, in services across the Council.

A follow-up audit concluded in 2008/09 of the audit of the risk management function in 2006/7 provided a 'satisfactory' level of assurance that the development of corporate risk management is progressing adequately.

As part of the annual budget and Council Tax setting, the Chief Finance Officer identifies the potential financial risks and contingent liabilities facing the Authority in reaching his view on the adequacy of balances and reserves. These risks are captured and monitored in a comprehensive financial risk register which also tracks the mitigating actions required to minimise the likely impact on the Council.

The financial risk register is controlled by the Chief Finance Officer but is owned by all senior Council Officers, and forms part of the regular financial monitoring programme to Cabinet Resources Committee. It also forms part of the F&PR process and at officer level is routinely raised as part of the regular 'Section 151' contact that the Chief Finance Officer has with the Heads of Finance.

An assessment of the Authority's Internal Control Checklist (ICC) is carried out annually to test and prove the internal control environment within the Council. The

process supports the Internal Audit planning process, the F&PR process and is also available to External Audit.

Internal Audit continue to review the ICC process across the Council and report on these arrangements and the ICC process in their interim and annual reports.

Further revision and simplification of the ICC Checklist for 2008/09	▪ All services completed the revised ICC in January 2009
Improvements in the use of the ICC	▪ A tighter process for actions arising from the assessment of ICCs to feed into risk registers and service plans is being developed. ▪ Corporate Improvement Plans are managed by the Corporate Risk Officer and advised to the Council's Senior Officers whilst Service and Team Improvement Plans are dealt with within service areas and updated quarterly as part of the F&PR process.
Carrying out audits of the ICC process in all services	▪ This work began in 2007/8 and will continue through to 2009/10
Risk that outcomes for vulnerable children do not improve	▪ Mitigated through the corporate risk framework resulting in the Annual; Performance Assessment confirming a decisive response to Joint Annual Review recommendations and rigorous performance management within the service.
Financial risk that the forward plan approved by Council identified a budget gap of £10m which needed to be bridged to deliver Council Tax in line with the medium term financial strategy.	▪ Mitigating action resulted in Council tax being set in line with the medium term financial strategy.

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities:

The Audit Committee's comprehensive terms of reference as set out in the Constitution incorporate the core functions as identified by the CIPFA document. The Committee has a membership of non-Executive Members and is chaired by an Opposition Councillor. It has 5 meetings a year programmed into the Council's Calendar of Meetings. The Committee approves its own work programme for each Council year.

Comprehensive training programme during 2008	▪ Provided to the whole Audit Committee through sessions incorporated into the formal meetings of the committee.
Carried out Annual Review of the Audit Committee Effectiveness	▪ Reported to committee in April 2009 – recommendations agreed

Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful:

Various internal controls operate to ensure compliance with relevant laws and regulations as well as internal policies and procedures. This includes the role of the Monitoring Officer, Legal Services, Human Resources and the Corporate Anti-Fraud Team. Internal policies are particularly reviewed through the Corporate Plan process.

The roles of the Statutory Officers of the Council are set out on the Council's Website [hyperlink to follow] and the functions are set out in the Constitution. In particular, the Section 151 Officer exercises powers set out in the Council's Financial Regulations including ensuring that if decisions are likely to be taken that may incur unlawful expenditure this is reported. No such report had cause to be made in 2008/09.

Assurance on compliance with policies, procedures, laws and regulations is provided, in part, by Internal Audit which conducts risk based audits on the highest risk areas. Other sources of assurance come from external audit, other external inspectors (e.g. OFSTED, CSCI) and from service management's own internal control arrangements. No notable non-compliance has been identified in 2008/09.

The Council has comprehensive policies and financial regulations which are reviewed at regular intervals. These arrangements are directed at ensuring compliance with all applicable regulations and other relevant codes. This includes the Council's Contract Procedure Rules.

The Council has a Corporate Procurement Team that has gone through changes in 2008/09 including the appointment of a new Head of Procurement and movement of the team to the Major Projects Directorate. This move means that advice and assistance is easily available for all larger procurements. However, the team's expertise also remains open to all departments for assistance and advice in any procurement matter. All Procurement Managers in the team are professionally qualified and suitably experienced in public sector procurement matters.

The Council's Corporate Procedure Rules and Procurement Code of Practice have been revised in 2009 to reflect a more robust and standardised method of ensuring compliance with relevant legislation and internal policies. The Council also operates a Gateway Review process for all procurements valued at more than £140k which checks the justification for any procurement, confirms compliance with internal procedures and confirms applicable European Procurement rules are being followed.

For all procurements over £25,000 the authority to proceed is also sought by the completion of delegated powers reports or by ensuring that the procurement is identified in the budget contract appendix presented to the Council. A delegated powers report is also completed at the completion of the procurement process before any contract award; this has to be approved by statutory officer review which includes Legal Services and Democratic Services.

Review of Financial Regulations	▪ The Council's Financial Regulations were comprehensively revised by the Special Committee (Constitution Review) in October-March 2009

(Arrangements for) Whistle-blowing and for receiving and investigating complaints from the public are in place and well publicised:

The Council has a whistle-blowing policy and counter-fraud guidance published on its website. The whistle-blowing policy aims to encourage staff and others to feel confident in raising serious concerns by providing clear avenues through which those concerns can be raised and reassuring staff who raise concerns that they will not be victimised if they have a reasonable belief and the disclosure was made in good faith. The counter-fraud guidance is designed to assist in both the detection and reporting of fraud. The Council has a well established three stage corporate complaints process, which is also publicised on Barnet Online.

New Customer Relations Management software	▪ In the process of being implemented - to improve the visibility and consistency of reporting of complaints
Revised Whistle-blowing leaflet launched in Oct 2008	▪ To report the new 24 hour Whistle-blowing hotline number
Whistle-blowing Cases	▪ The number of whistle-blowing cases investigated and the findings are summarised in an annual report [link to be included post June]

Identifying the development needs of members and senior officers in relation to their strategic roles, and supporting with appropriate training:

An informal Member Development Panel with representatives of all three political groups meets to consider training and development for elected Members. Officers support the work of the Panel in seeking to develop a Member Development Strategy. Examples of programmes/events during 2008/09 are:

Equalities Training: Delivered by the Executive Director for Communities and the Strategic Equalities Adviser)	▪ Offered to all Members in2008
Informal Evening on Digital Media and Blogs: Delivered by the Editor of the Hendon Times	▪ Offered to all Members in 2008

A Personal Development Programme, the charismatic and compelling Councillor: delivered by FECUND	▪ Offered to all Members in 2008
Individual Coaching: provided by SOLACE	▪ Provided for individual Councillors
A full training plan for the Standards Committee	▪ Provided to Independent Members only or the whole committee as appropriate

The Council has officer learning and development policies embedded within its HR framework with responsibility for delivery devolved to service areas. The Council also has an appraisal scheme which identifies learning and development needs in relation to work objectives. .

Development for Directors/senior officers during 2008/09	▪ Facilitated events ▪ Personal Development Plans ▪ Service-specific management events
Governance Managers Development programme: *endorsed by the Institute of Leadership and Management (ILM)*	▪ All delegates were ILM certified at the end of the programme in December 2008 ▪ Phase 2 of the programme to be launched in June 2009 ▪ Aim to develop senior managers in the directorate as 'Ambassadors of Governance'

Establishing clear channels of communication with all sections of the community and other stakeholders ensuring accountability and encouraging open consultation:

The Council actively engages with all relevant stakeholders when developing its vision and strategies. Residents Forums, a Civic Network, a Citizen's Panel and other extensive consultation arrangements are all elements of this active engagement. All appropriate Committee meetings are open to the public and both agendas and minutes are available on the Council's website. The 'People' section of the Corporate Plan's Vision and Values recognises the richness of Barnet's diversity and the importance of having an effective dialogue with all of its diverse residents. The Council is committed to using a range of innovative forms of engagement and communication with citizens and using this information to enrich its understanding of the needs of our local residents. This information is of particular value in supporting the Council in its approach to promoting choice and independence for some of our more vulnerable residents.

The Leader Listens initiative:	▪ Invites every household in a polling district to meet personally with the Leader of the Council ▪ Includes a blog to which residents can post and

	which is personally moderated by the Leader ▪ Has gained widespread local and national interest as an innovative means of consultation ▪ Met in 15 polling districts in 2008, inviting approximately 1150 residents to each and with an average of 28 attendees per meeting. ▪ Has expanded to 'Leader Listens to Faith', Leader Listens to Small Business', and supermarket events
Website improvements incorporating social networking	▪ Full re-launch of the Council's Website in early 2009 with new look and new features ▪ Range of social networking sites available from the frontpage of the website ▪ In particular, 'Where I Live' providing an opportunity to share thoughts about Barnet; the place and the people ▪ Encourages a wider range of citizens to make their voices heard and publicised through Barnet First
A new Ward Visit initiative	▪ Launched in March 2009 for the Chief Executive and Ward Members to walk the wards to meet residents and discuss local issues

Incorporating good governance in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements:

The success of the Council rests on its leadership role in bringing together other public services, the voluntary and community sector and the business community.

This work is co-ordinated through the Local Strategic Partnership (LSP). An Executive chaired by the Leader of the Council, brings together the most senior leaders from the main agencies that deliver public services in Barnet. The Council also holds a Civic Network twice a year to bring together the widest range of organisations in Barnet to help shape future strategy.

Barnet's Sustainable Community Strategy 'Barnet: A First Class Suburb' was launched on 1 April 2006 following extensive analysis of the issues facing Barnet and residents' priorities. It sets out a shared vision for Barnet in 2016 and contains four themes:

- Investing in children and young people
- Safer, stronger, and cleaner Barnet
- Growing successfully
- Healthier Barnet (including older people)

Each of these is supported by more detailed ambitions and an Action Plan of activities that will make a real impact on these priorities is updated annually and overseen by the LSP.

A process was put in place during 2007/08 to incorporate the relationship between the Council and the LSP into the Council's Constitution. The relevant article in the Constitution sets out the role of the LSP, where decision making responsibilities rests, the role of the Executive in ensuring appropriate governance arrangements for the LSP and its subsidiary boards and in ensuring that a partnership register is maintained by the Council's Officers and that the Council puts appropriate scrutiny arrangements in place.

Schools are another example of group working and the adoption of the self-assessment tool for Financial Management Standard in Schools (FMSiS) has been a key ingredient of good governance and development of effective financial management in schools. All secondary schools were required to pass the standard by 31 March 2007 and under the three-year renewal process will be required to be re-accredited in 2009/10. All Primary and Special Schools are required to pass by the end of 2009/10. All self assessments and evidence prepared by schools to date have been assessed independently through Council's Internal Audit and Ethical Governance.

Terms of reference and a constitution for the LSP (incorporating the Audit Commission's good practice guidance)	▪ Agreed by Cabinet 3 April 2008 and incorporated into the Constitution
All partnerships that report directly to the LSP	▪ Have recently reviewed governance arrangements
A new Partnership Register and toolkit	▪ These provide a focus for partnership work and will be used in future training and workshops. The toolkit was finalised in June 2008 and the register was completed in March 2009
New reciprocal arrangements with the PCT	▪ The Special Committee (Constitution Review) in February 2009 approved proposals for the Chief Executive of the PCT to attend Executive meeting, including matters related to heath from which the press and public were excluded and for the Director of Communities to attend PCT Board meetings
Schools FMSiS	▪ At 31/03/09 18 out of 19 secondary schools had met the standard with the remaining secondary school having met it since. ▪ 61 out of 87 primary schools had met the standard and all 4 Special schools in the borough.

4. Review of Effectiveness

As with all Local Authorities, the Council operates through a governance framework. This is an inter-related system that brings together an underlying set of legislative requirements, governance principles and management processes. This operates across the Council but the Council has a Corporate Governance Directorate with a stated aim *"to promote the highest standards of conduct, accountability and transparency in the way the Council and its partnerships operate'*.

The governance framework must conform to principles of good governance and the Council has in 2008/09 agreed a Code of Corporate Governance that aims to demonstrate how the Council does this. This Code identifies the supporting principles and the requirements associated with them and, most importantly, the means through which the Council achieves these.

The Council routinely reviews the effectiveness of its governance framework, including the system of internal control and thereby its compliance with the Code of Corporate Governance, through various means, including this Annual Governance Statement. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, appropriate committee structures, the work of the internal auditors and by comments made by the external auditors and other inspection agencies. The role of and the processes used by the following are particularly highlighted:

The Council:

The Council has responsibility for the budget and statutory policy framework as well as constitutional and quasi legislative functions. It delegates to Council committees many regulatory functions.

The Executive:

The Executive is responsible for considering overall financial and performance management and receives comprehensive reports on a regular basis. It is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.

Overview and Scrutiny Committees:

There is a comprehensive Scrutiny function which holds the Executive to account. A new Scrutiny model and arrangements will be in place from May 2009, designed to further strengthen this function and raise the profile of Scrutiny across the Council.

The Audit Committee:

The Audit Committee met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment. It receives regular reports on risk management, internal control, anti-fraud and governance matters. There are also regular reports from the External Auditor, including the report to those charged with governance (the ISA260 report).

The Standards Committee:

The Standards Committee have met regularly throughout the year to consider and review issues relating to the conduct of Members and report annually to the Council on their work. There is an agreed annual work programme, which in 2008/09 focussed on implementing Local Regulation and the biennial Ethical Governance Assessment; the findings from which were received in December 2008 and an action plan agreed. There are agreed protocols and criteria for assessments and determinations and initial assessments have gone well

Internal Audit:

The 2008/09 annual audit plan is risk based and was prepared in consultation with the Directors before being approved by the Audit Committee on 19 March 2008. In delivering the audit plan, reports were issued to the Directors and relevant stakeholders at the conclusion of each audit. These reports capture management actions against reported risks and include the timing of the follow-up audit to confirm implementation of the agreed actions. At the conclusion of each planned follow-up audit during 2008/09 on the audits from 2007/8, management were provided with revised opinion on the level of post audit assurance.

The Audit Committee were kept informed of the progress of the annual plan through the Internal Audit Interim Annual Report 2008/09 on 9 December 2008 and the Internal Audit Annual Report on 29 June 2009. The Council's external auditors review aspects of internal audit each year specifically in order that they can place reliance on the audit work.

Based on the work completed in 2008/09, the Head of Internal Audit and Ethical Governance concluded that there were no significant and material weaknesses in internal controls. Where weaknesses have been identified, management actions have been agreed to mitigate reported risks. Key areas for improvement identified by the Head of Audit include: the Meals Service and Customer Billing, Data Protection Framework, Drug and Alcohol Service, Parking Pay and Display Maintenance and Cash Collection, and Use of Consultants in Environment and Transport.

During 2009/10 consideration will be given to extend the coverage provided by Internal Audit as part of the process to strengthen the internal control environment across the council.

Risk Management:

A Corporate Risk Register exists, which the Council's senior officers use throughout the year to review corporate risks and ensure that actions are being taken to effectively manage the Council's highest risks. Services regularly review their risk registers and any issues they consider to be a corporate risk are discussed by the Council's senior officers prior to inclusion in the Corporate Risk Register. Corporate risk management support services in this process by attending management teams when requested. This system of monitoring and review has proved effective in maintaining the profile of risk management and strategic risks.

Members role on risk management will be developed further in 2009/10 and this will include providing members of the Audit Committee an opportunity to review and

challenge Directorate risk registers. The Audit Committee reviewed and challenged the Corporate Risk Register during 2008/9.

Performance Monitoring:
The Councils' performance framework monitors internal and externally driven indicators through the quarterly reporting to Scrutiny Committees, Finance and Performance Review and Member Challenge meetings with Members and First Stat challenge meetings.

Year-end processes:
The year end review of the governance arrangements and the control environment included:

- Obtaining reports from Services that key elements of the control framework were in place during the year in their departments. They were also asked to identify areas where control weaknesses had resulted in significant issues arising for the department and their comments are reflected in this statement
- Obtaining assurances from other senior management, including the S.151 Officer and the Monitoring Officer, that internal control and corporate governance arrangements in these essential areas were in place throughout the year. These assurances were given unreservedly
- Validating assurances obtained by reference to documentation held and by comparing the assurances provided to an evaluation of the effectiveness of the control environment. This comparison revealed no discrepancies or causes for concern
- A review of the external inspection reports received by the Council during the year, the opinion of the Head of Internal Audit and Ethical Governance in his annual report to management and an evaluation of management information in key areas to identify any indications that the control environment may not be sound. All of these were satisfactory

5. Significant Governance Issues

No significant issues affecting the Council's governance framework were identified in 2007/08. However, the Council's Corporate Plan included an objective to 'enhance corporate governance' and a number of actions were identified in 2007/08 to further strengthen existing systems. The position in 2008/09 in respect of those issues is set out below:-

Improvement area:	Present position:
A Local Code of Corporate Governance will be introduced during 2008/09	▪ Has been agreed and will be included in the Constitution from May 2009
Building on previous work on Member development, as referenced above, the training/development plan for Members will be further developed in 2008/09	▪ The Member Development Panel planned a number of innovative programmes/events to support and develop Members on 2008/09 (exampled in section 3) ▪ In May 2009 work will commence on drafting Member Development and Support Strategy for 2009/10 and beyond

Improvement area:	Present position:
The partnerships register that has been compiled of all sub partnerships and groups reporting to the LSP is to be improved to be a register of all the council's partnerships, including contractual partnerships. This work is in progress	▪ This work is complete. All Council services have mapped the partnerships that they are involved in
A review of the established delegated powers arrangements will take place in 2008/09	▪ Review complete and report/recommendations being considered by the Director of Corporate Governance initially
Following a recent Member–led review, recommendations will be implemented to increase the effectiveness of the Council's scrutiny arrangements in 2008/09	▪ The review findings and recommendations were approved by Council in July 2008. Following ratification at the Annual Meeting, new arrangements will be implemented in 2009/10
Business continuity planning is a priority for the Council but some deficiencies in the support for this have been identified and these are to be addressed	▪ A new BC Plan template was adopted for 2008/09, with all services updating their plans in the process. A service by service challenge of all plans took place at the end of 2008
Given the high profile of a few serious cases recently, a review of the Council's information management, particularly security of data in emails and on laptops/data sticks, will take place in 2008/09 to ensure the highest standards of best practice and compliance are being consistently applied;	The General Functions Committee, on 14 January 2009, approved the following policies: ▪ Acceptable Usage (New) ▪ Data Protection (Updated) ▪ Information Security (Updated) ▪ Internet and E-mail (Updated) ▪ Password (New)
It has been identified that staff guidance information governance is patchy and not available from one clear source; therefore work is planned to review, consolidate and publicise the guidance on the intranet;	▪ There has been a change in responsibility in this area during 2008/09. Guidance on the Intranet has been reviewed and training provided to Link Offices across the Council. General awareness training for all staff is planned for 2009/10. ▪ Information Governance Index is now published on the intranet. The index is populated with list of documents we should eventually have to enable staff access to key IG policies and guidance from single source
An internal audit review of the established arrangements for complying with Data Protection Act has been commissioned for 2008/09	▪ Internal audit review of the arrangements for complying with Data Protection completed and final report issued on 16 February 2009
The Internal Control Checklist process specifically within the Corporate Governance Directorate will be reviewed in 2008/09.	▪ The ICC process for Corporate Governance was audited in 2008/09 - with Limited Assurance. All recommended actions were agreed
Arrangements have been put in place and are being further developed to ensure effective and proper local handling of Member code of conduct complaints under the new system of Local Regulation;	▪ The Standards Committee established Sub-committees in May 2008. During the year it has agreed Protocols and Criteria for Assessment and Determination and used the former in making and reviewing assessments

Improvement area:	Present position:
Steps will be taken in 2008/09 to further reduce the approximately 20% of follow-up audits that are still being given limited or no assurance;	▪ Management agreed action plan is issued to clients in the majority of the follow-up audits at least one month before the follow-up is due to take place to ensure that management have put in place the agreed actions ▪ Further, at the exit meeting stage of the main audit clients are encouraged to be more realistic on the agreed implementation date
A Counter Money Laundering Policy will be put in place to support the Council's already wide range of counter fraud policies and initiatives;	• An Anti Money Laundering Framework has now been produced which consists of a set of documents detailing the Legislation, Money Laundering Response Plan, Money Laundering Reporting Toolkit and the CF2ML Referral form. It is awaiting authorisation
Further steps will be taken to ensure that appropriate risk management and health and safety responsibilities are incorporated into the job descriptions of all managers;	▪ This has not been addressed in 2008/09.To discuss further with the interim Head of HR
A computerised risk management system is to be implemented to enhance current processes by enabling easier reporting and greater visibility through wider access; this access to include partners and Members:	▪ To be implemented in 2009

Significant Issues and Key Priorities for 2009/10:

In 2008/09 some weaknesses have been identified in respect of the system of internal control; the two most significant being a failure at the operational level to adhere to the Council's Treasury Management Strategy and failures in overall project design and project management leading to a significant overspend against the original budget on the Aerodrome Road bridge project. In relation to the performance of investments with the Icelandic banks and the apparent non compliance to the Treasury Management Strategy two external reviews have been commissioned. The first review assessed the effectiveness of the system of internal control generally across the Council. The second review led by an Ad Hoc Scrutiny Committee appointed by the full Council has commissioned an external independent investigation and will review both management and performance in relation to the introduction, implementation and monitoring of the Treasury Management Strategy. Raising awareness of the importance of the various elements of the system of internal control will be a high priority in 2009/10; to be addressed in various ways including some of those identified below.

The Corporate Plan still identifies enhancing corporate governance as an important objective for the Council and therefore the following have been identified for 2009/10:

Key Priority/Improvement area:	Owners:
Implementation of the new Scrutiny arrangements as agreed at Annual Council May 2009 to ensure effective challenge of the Executive	Democratic Services
The balance of responsibility between service managers and the various systems of internal control to be clarified to ensure robust systems of internal control are in place across the Council	Senior Officers
Initiating a system and identifying a programme for post-implementation reviews of projects, re-structures and major changes in procedures etc in order to capture lessons learnt for future work and re-inforce the requirements for rigorous project management	Senior Officers
Continuation of improvement in Member Development ensuring a progressive and responsive development programme for changing modes of service delivery	Director of Corporate Governance
Re-introducing statutory officer meetings for a variety of purposes including developing the Annual Governance Statement through the year and strengthening the link between it and the Internal Control Checklist	Chief Executive
Reviewing the Scheme of Delegation on recommendation from the Standards Committee as part of the action plan for the Ethical Governance Assessment findings and to ensure a robust and clearly communicated scheme operates	Senior Officers
Strengthen the role and profile of regulatory committees to ensure their fully effective operation	Senior Officers
In the context of the Comprehensive Area Assessment to further develop partnership working towards a goal of 'one public service', including meeting the challenge of new leadership at the Council and the other three leading public services	Director of Strategy
Ensure that governance remains central, rigorous and responsive through changing requirements in service delivery including through the Future Shape programme	Senior Officers
To further investigate and remedy any concerns raised through the Internal Control Checklist in order to improve internal control	Senior Officers

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 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: _____

Date: _____

Chief Executive: _____

Date: _____

Statement of Accounting Policies

Introduction

The general principles adopted in compiling the Statement of Accounts for 2008/09 are consistent with the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2008 (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.

All relevant Standard Statements 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.

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.

Accounting for Retirement Benefits within HRA

As day to day housing management is carried out by Barnet Homes, Barnet's HRA employs very few staff directly. Because of 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 a FRS17 basis, no attempt has been made to show a separate liability related to defined benefit provision.

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. 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 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.

Cash Flow Statement

As permitted by FRS1 *Cash Flow Statements,* revenue activities' cash flows can be presented using either the:-

- The direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.
- The indirect method, whereby the net cash flow from revenue activities is derived by means of reconciliation form the surplus or deficit on the Income and Expenditure Account for the year.

Historically, regulations required that Local Authorities could only use the direct method of preparing the Cash Flow Statement. However, under the 2008 Statement of Recommended Practice (SORP) Local Authorities now have the choice to use either the direct or the indirect method. For practical purposes and in terms of output, the two methods are largely the same. The difference is in the method of preparation. The Council's Policy is to prepare the Cash flow Statement using the Indirect Method. The Revenue Activities section of the Cash Flow Statement includes revenue expenditure that is financed from capital under statute, as such expenditure is now included in the Income and Expenditure Account. Previously, such expenditure was known as Deferred Charges

and used to be included as part of the Capital Activities section of the Cash Flow Statement.

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 not recognise any contingent assets in the Accounting Statements, but to give a brief description in the Notes to the Account.

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.

Council Policy is to not recognise any contingent liabilities in the Accounting Statements, but to give a brief description in the Notes to the Account (subject to the amount(s) being material).

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 2009 is set out in a note to the Core Statements.

Estimations

Other than for 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.
- Special Parking Account – estimates are made over likely income recoverable from unpaid penalty charge notices issued in 2008/09.

Exceptional / Extraordinary items and prior period adjustments

This relates to 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. More details and fuller explanations are given in the individual relevant financial statements.

Euro

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

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 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.

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

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 £10,000 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

- Non-operational land and buildings - on the basis of open market value

- Infrastructure and community assets - are included at depreciated historic cost

- Council dwellings are valued at existing use for social housing purposes on the basis laid down by the DCLG

- 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. 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.

Impairment
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. This is accounted for 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.

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 Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis. 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.

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. As land is not consumed in the way buildings and plant is by use, it does not depreciate. Where a grant is used to fund the purchase of land, it is written down over a period of ten years.

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. Examples include patients, licences, copyrights and trademarks. 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.

Leasing

There are two basic types of lease, financial and operating. A finance lease is where the lease covers 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. The council has no material finance leases.
Operating leases are in effect short term rentals and are charged to revenue over the life of the agreement.

Minimum Revenue Provision

Minimum Revenue Provision (MRP) is the amount of money the Council has to set aside each year in respect of its capital borrowing debt. The MRP is a technical accounting entry which impacts on General Fund balances and Council Tax levels. The Capital Financing and Accounting Regulations place a duty on Local Authorities to make an MRP which is considered to be prudent and places a responsibility with the Council to approve and Annual MRP Strategy.

The Regulations allow four different methods to be used for the calculation of MRP. The Council's Policy is to use:-

- Option 1 (the `Regulatory method') for borrowings entered into before 1 April 2008 and for any future supported borrowing* after 1 April 2008
- Option 3 (the `Asset Life Method') for any unsupported borrowing** entered into after 1 April 2008

** Supported borrowing – borrowing for which the Government provides support through the Revenue Support Grant to meet the cost of borrowing for capital expenditure*
*** Unsupported Borrowing – borrowings for capital expenditure for which the Government will not provide support through the Revenue Support Grant*

Private Finance Initiative (PFI)

The Council has a PFI contract for the maintenance of street lighting in the borough. The contract is adjudged the equivalent of a service contract and so the assets involved are not included in the Authority's Balance Sheet, as it is felt the major risks and rewards inherent in the contract currently lie with the contractor. Council policy is to keep the current accounting treatment under review, as forthcoming changes to the accounting standards that deal with this area may require the risks and rewards of the contract to be reflected in the Council's balance sheet.

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.

Pension reserve

The pension reserve is the financial accounting mechanism to ensure that FRS17 has no impact on council tax. The cost of providing pensions for employees is funded in accordance with the statutory requirements governing each scheme.

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

Provisions

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 this Insurance Provision on a valuation by an Independent Actuary.

All Provisions are subject to approval by the Chief Finance Officer. In considering the range of Provisions required, the Council has regarded the national issue of back pay arising from unequal pay claims. However after a substantial review, the Council is not of the view that it has a material financial liability and accordingly has not made a Provision.

A full breakdown of the Council's Provisions as at 31 March 2009 is set out in a note to the Core Statements.

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 were 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).

Revenue Expenditure Funded from Capital under Statue

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 are 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.

Redundancies

Due to their potential to distort in year Service Expenditure and hence meaningful comparability, the Council's Policy is to record redundancy costs as a central cost in the Income & Expenditure Account and to apply for permission from Central Government to finance the redundancies 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.

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 if 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.

Stocks and work in progress

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

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 2008 to 31 March 2009. 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	2008/09 Gross expenditure £000	2008/09 Gross income £000	2008/09 Net expenditure £000	2007/08 Net expenditure £000
Central services to the public		7,828	(3,435)	4,393	3,516
Cultural, environmental, regulatory & planning services		85,894	(15,233)	70,661	70,789
Children's and education services		367,141	(292,804)	74,337	64,586
Highways and transport services		37,048	(19,626)	17,422	16,591
Housing services		291,775	(266,928)	24,847	46,597
Adult social services		104,784	(13,200)	91,584	80,113
Corporate and democratic core costs		14,509	(1,261)	13,248	10,683
Non distributed costs		16,373	(11,231)	5,142	1,090
Net cost of services		925,352	(623,718)	301,634	293,965
Gain on the disposal of fixed assets	4			(179)	-
Impairment loss on deposits	5			4,306	-
Redundancy costs				1,202	1,197
Precepts and Levies	6			1,508	1,284
Trading undertakings	7			(127)	387
Interest payable and similar charges				6,910	6,699
Housing capital receipts paid to Government pool				737	3,902
Interest and investment income				(12,862)	(13,834)
Pension interest costs and expected return on pension assets	40			12,193	5,665
Net operating expenditure				315,322	299,265
Net operating expenditure was financed by:					
Demand on collection fund				(147,194)	(141,603)
General Government grant	20			(25,204)	(11,824)
Non-domestic rates redistribution				(79,053)	(70,454)
Transfer of collection fund deficit / (surplus)				(251)	1,362
Net Deficit for year				63,620	76,746

Statement of Movement of General Fund Balance

	2008/09	2007/08*
	£000	£000
Deficit for the year on the income and expenditure account	63,620	76,746
Net additional amount required by proper practices to be debited or credited to the general fund balance for the year	(64,987)	(83,746)
Increase in general fund balance for the year	(1,367)	(7,000)
General fund balance brought forward*	(29,346)	(22,346)
General fund balance carried forward	(30,713)	(29,346)
Amount of general fund balance held by schools	(13,231)	(11,924)
Amount of general fund balance generally available for new expenditure	(17,482)	(17,422)
	(30,713)	(29,346)

*Restated

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

	2008/09 £000	2008/09 £000	2007/08 £000	2007/08 £000
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				
* Revenue expenditure funded from capital under statute	(12,225)		(3,990)	
* Depreciation and impairment of fixed assets	(76,260)		(83,986)	
* Excess of depreciation charged to HRA services over the Major Repairs Allowance	(7,387)		(11,923)	
* Amortisation of Deferred Government Grants	14,312		6,216	
* Redundancy costs approved by the Secretary of State to be treated as capital expenditure	-		(1,197)	
* Amortisation of intangible fixed assets	-		-	
* Net gain on disposal of fixed assets	181		-	
the SORP are different from the amount of finance costs calculated in accordance with statutory requirements	(43)		(65)	
* Net charges made for retirement benefits as per FRS17	(26,921)		(23,791)	
		(108,343)		(118,736)
Amounts not included in the Income & Expenditure Account but which are required by statute to be included when determining the movement of the General Fund Balance for the year				
* Minimum revenue provision for capital financing	5,262		5,062	
* Capital expenditure charged in-year to the General Fund Balance	1,057		5,283	
* Transfer from Usable Capital Receipts	(737)		(3,902)	
* Employer's contributions payable to the Pension Fund and retirement benefits payable to pensioners	24,844		22,993	
		30,426		29,436
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				
Housing Revenue Account Balance	(401)		(671)	
Voluntary revenue provision for capital financing	-		-	
Net transfer to earmarked reserves	13,331		6,226	
		12,930		5,555
Net Additional Amount required to be credited to the General Fund for the year		(64,987)		(83,746)

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 includeds gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits

	2008/09 £000	2007/08 £000
Deficit for the year on the income and expenditure account	63,620	76,746
Surplus arising on revaluation of fixed assets	(150,362)	(77,525)
Actuarial (gain) / loss on pension fund assets and liabilities	24,468	(51,971)
Movement on the collection fund	(2,656)	(3,605)
Other (gains) / losses included in the balance sheet*	(4,854)	(11,918)
Total recognised gain	(69,784)	(68,273)

*Breakdown of other gains and losses

Depreciation on Assets pertaining to revaluation	(5,199)
Amortisation of legacy debt redemption premium	(378)
Gain re MRR Interest	(174)
Asset correction	685
Loss re in year movement on DCR	145
Loss re legacy cash issue (see below)	109
Other	(42)
	(4,854)

Balance Sheet

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

	Note	31 March 2009 £000	£000	31 March 2008* £000	£000
Fixed assets	21				
Operational assets					
Council dwellings		1,220,000		1,086,000	
Other land and buildings		490,730		478,854	
Community assets		8,619		9,378	
Vehicles, plant, furniture and equipment		21,357		5,164	
Infrastructure assets		57,126	1,797,832	44,755	1,624,151
Non-operational assets					
Investment properties		34,347		38,143	
Surplus assets awaiting disposal		38,536		63,219	
Assets under construction		78,664	151,547	64,764	166,126
Intangible assets	22	2,197		10,706	
Long term debtors	24	2,473		2,626	
Long term investments		14,440	19,110	15,505	28,837
Total long term assets			1,968,489		1,819,114
Current assets					
Stocks and works in progress	29	459		363	
Temporary investments		211,479		245,847	
Debtors	31	57,322		56,353	
Payments in advance		2,905		2,859	
Cash at bank and in hand		21,733		19,584	
		293,898		325,006	
Current liabilities					
Creditors	31	(159,557)		(166,380)	
Borrowing repayable within 12 months		(5,080)		(5,087)	
Bank overdraft		(25,138)		(16,366)	
Provisions	32	(9,230)		(11,762)	
		(199,005)		(199,595)	
Net current assets			94,893		125,411
Long-term liabilities					
Long term borrowing		(212,507)		(212,376)	
Government grants deferred	42	(121,126)		(98,729)	
Pension Scheme	40	(222,036)	(555,669)	(195,491)	(506,596)
Total assets less liabilities			1,507,713		1,437,929
Financed by					
Revaluation reserve		223,602			73,240
Financial instrument adjustment account	45	(2,060)			(2,396)
Capital adjustment account		1,419,613			1,484,997
Deferred capital receipts	39	773			918
Usable capital receipts		10,568			14,390
Pension reserve	40	(222,036)			(195,491)
Major repairs reserve		4,384			6,355
Earmarked Reserves	36	31,945			18,614
Balances – general fund	34	30,713			29,346
Balances – collection fund	38	6,448			3,792
Balances – housing revenue account		3,763			4,164
Total equity			1,507,713		1,437,929

*Re-stated

Cash Flow Statement

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

	Notes	2008/09 £000	2008/09 £000	2007/08 £000	2007/08 £000
Net Revenue Activities	46		(9,734)		(70,815)
Servicing of finance					
Cash outflows					
Interest paid		6,910		5,245	
Cash inflows					
Interest received		(12,862)	(5,952)	(8,292)	(3,047)
Capital activities					
Cash outflows					
Purchase of fixed assets		104,229		85,154	
Deferred charges and long term debtors		(153)		-	
		104,076		85,154	
Cash inflows					
Sale of fixed assets		(1,794)		(11,065)	
Capital grants received		(37,418)		(36,797)	
Other cash income		(7,334)		(5,085)	
		(46,546)	57,530	(52,947)	32,207
Net cash inflow before financing			41,844		(41,655)
Management of liquid resources					
Net (increase)/decrease in short term deposits			(34,368)		64,347
Financing					
Cash outflows					
New long term investments		(1,065)		(22,905)	
Repayment of long term borrowing					
Repayment of short term loans			(1,065)		(22,905)
Cash inflows					
New short term loans		7		-	
New long term loans	49	(131)		(1,876)	
Long term investment		336	212	2,396	520
Decrease in cash and cash equivalents	50		6,623		307

Notes to the core financial statements

1. Dedicated schools grant (DSG)

Schools funding for local authorities in England is provided by a grant called the dedicated schools grant (DSG). The DSG is ring-fenced and can only be applied to expenditure properly incurred in the schools budget defined by regulation. The schools budget includes elements for a limited range of educational services provided on an authority-wide basis and the individual schools budget (ISB), which is divided into a budget share for each maintained school.

DSG is allocated to the ISB, which as soon as it is deployed it is recognised to have been spent as i.e. passed to schools' budget shares.

Details of the deployment of DSG 2008/09 are as follows:

School's budget funded by DSG	Total
	£000
Final DSG 2008/09	195,074
Brought forward from 2007/8	246
Draw down of 2009/10 grant agreed in advance	180
	195,500

	Central expenditure	ISB	Total
	£000	£000	£000
Budgeted distribution 2008/09	20,075	175,425	195,500
Actual central expenditure spend and ISB deployed to schools	(19,118)	(176,164)	(195,282)
Local authority contribution for 2008/09	234	-	234
Draw down of 2009/10 grant agreed in advance	(180)	-	(180)
Carry forward to 2009/10	1,011	(739)	272

Note: The local authority contribution is for centrally retained schools insurance, the charges for which are calculated at year end.

Changes in balances held by schools are shown in note 35.

2. Undischarged obligations arising from long-term contracts

The only obligations the council has under long-term contracts are those disclosed in notes 13 (leasing) and 30 (PFI).

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 2008/09 £000	Chargeable building control 2008/09 £000	Total 2008/09 £000	Non-chargeable building inspection 2007/08 £000	Chargeable building control 2007/08 £000	Total 2007/08 £000
Expenditure						
Employees	180	858	1,038	175	869	1,044
Transport	12	17	29	12	17	29
Supplies and services	22	264	286	42	274	316
Central support	61	325	385	61	307	368
Total	275	1,464	1,739	290	1,467	1,757
Income						
Building regulation fees	-	(1,458)	(1,458)	-	(1,454)	(1,454)
Other income	(44)	-	(44)	(55)	-	(55)
Total	(44)	(1,458)	(1,502)	(55)	(1,454)	(1,509)
Deficit for year	231	6	237	235	13	248

4. Gain or loss on disposal of fixed assets

Details of the gain or loss on disposal are outlined in the table below. No gain or loss on the disposal of HRA properties (dwellings) was recognised.

Type	Number sold	Gain £000
General fund properties	6	181
HRA properties (non-dwellings)	7	-
HRA properties (dwellings)	5	-
Total	18	181
Directly attributable costs of disposal		2
Net total		179

5. Impairment on deposits

The impairment loss on deposits of £4.306m relates to a number of fixed term deposits the council placed with two Icelandic banks. All deposits were entered into via brokers after consulting the banks credit criteria and consultation with the Council's Treasury Consultants. Both of the Icelandic banks were rated by all credit rating agencies at a level that was well within the credit criteria that the council uses for investments purposes.

In September 2008 the Icelandic banks that held our deposits, Landsbanki and Glitnir Bank – went into administration resulting in objective evidence of an impairment event. In line with current accounting practice, the council had to calculate the difference between the value of these deposits recorded its accounts with the value of the payments expected to be received.

In May 2009, CIPFA's Local Authority Accounting Panel issued guidance on the level of impairment to be recognised in the 2008/09 Accounts by local authorities who had deposits with Icelandic Banks. This guidance was itself predicated on legal opinions obtained by the Local Government Association who have been working closely with the Administrators of the banks concerned. The figure is arrived at using an impairment calculator provided by CIPFA specifically for this purpose and is based on the following assumptions:-

- 95% of the deposit placed with Landsbanki being returned, plus all the interest accrued on the deposit up to 14 November.

- 100% of the deposits placed with Glitnir Bank being returned, plus all the interest accrued on the deposits up to 14 November.

The effect of this is an estimated capital loss of £0.750m in relation to the deposit with Landsbanki. In addition to this estimate, there is a further accounting adjustment to meet the technical reporting requirements of £3.56m for the unreceived interest on the deposits.

However it is important to stress that there is still no actual loss and we expect to learn of the position of our claim before the end of the 2009/10 financial year, but we have no firm confirmation yet as to the dates on which any such sums will be paid. The 2009/10 budget has already been adjusted to account for lower interest expectations.

At the time of writing, regulations prohibit the HRA being charged and thus the total impairment will be charged in full to the general fund in financial year 2008/09. This is reflected in the revenue outturn figures. However, the LGA are challenging this regulation so there is a possibility that part of the impairment could still be apportioned to the HRA (and Pension Fund).

6. Analysis of levies and precepts

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

	2008/09 £000	2007/08 £000
Included within net cost of services:		
London Borough's Grant Scheme (Social Services)	1,153	1,165
Concessionary Fares Scheme (Highways, Roads and Transport)	10146	10,989
North London Waste Authority (Cultural, Environment and Planning)	8,724	7,957
TFL Traffic Control Signals (Highways, Roads and Transport)	422	412
	20,445	20,523
Included within Net Operating Expenditure:		
Coroner's Service	245	202
Environment Agency (land drainage)	275	248
Lee Valley Regional Park Authority	415	411
London Pension Fund Authority	573	423
	1,508	1,284
	21,953	21,807

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 services and is not obliged to use the council run provider. 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 trading operations are shown below.

	2008/09				2007/08
	Income	Internal recharges	Expenditure	Trading (surplus)/ deficit	Trading (surplus)/ deficit
	£000	£000	£000	£000	£000
Catering	(4,744)	(46)	4,825	35	75
Transport	(926)	(5,326)	6,201	(51)	277
Schools finance	(780)	1	668	(111)	(61)
Other	-	-	-	-	96
Total	(6,450)	(5,371)	11,694	(127)	387

8. Discretionary expenditure

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 2008/09 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.

	2008/09	2007/08
	£000	£000
Staffing costs	442	427
Other costs	41	49
Staff recruitment and advertising	738	613
	1,221	1,089

10. Local Government Goods and Services Act 1970

This act empowers the council to provide goods and services to other entities. During financial year 2008/09 income of £5,555 was received from outside (third party) bodies in return for providing printing services. The reported figure for 2007/08 was £6,066.

11. Local area agreement

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

Renumeration band	2008/09	2007/08
£50,000 to £59,999	248	219
£60,000 to £69,999	103	89
£70,000 to £79,999	47	23
£80,000 to £89,999	17	13
£90,000 to £99,999	7	10
£100,000 to £109,999	8	5
£110,000 to £119,999	4	2
£120,000 to £129,999	1	3
£130,000 to £139,999	3	3
£140,000 to £149,999	3	-
£150,000 to £159,999	-	2
£160,000 to £169,999	2	1
£170,000 to £179,999	1	1
£180,000 plus	-	-
Totals	444	371

These figures include staff working in LBB maintained schools

13. Leases

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

In the year 2008/09 the council paid £6.4m in respect of operating leases and there are commitments in place of £25.7m for future years.

Properties are leased out and in 2008/09 this produced an income of £2.6m with £83.6m contracted for future years.

Years	Vehicles, plant and equipment leased in £000	Property leased in £000	Property leased out £000
2008/09	2,287	4,154	2,610
2009/10	1,629	1,474	2,527
2010/11-2013/14	3,584	5,161	8,890
2014 to completion	-	13,853	72,197
Total commitments	7,500	24,642	86,224

14. Members allowances

The total allowances paid to members in financial year 2008/09 was £1,119,606 (£1,079,133 in 2007/08).

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 quotidian financial and operating procedures. 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 2008/09 several members declared that they had acted as trustees for local voluntary organisations, some of which had economic activity with the authority. However neither was the value of these transactions significant nor the members concerned in a position to control or direct them.

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 spend for which is included within the children's and education services line of the income and expenditure account.

Every year all chief officers are required to complete a related party transactions declaration. For financial year 2008/09 there were no material transactions to declare.

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.

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:

	2008/2009			2007/2008		
	Total	Barnet	NHS Barnet	Total	Barnet	NHS Barnet
	£000	£000	£000	£000	£000	£000
Equipment, servicing and repairs	1,353	738	615	1,443	703	740
Contract management (including delivery, collection and storage)	579	375	204	570	370	200
Stock adjustment	-	-	-	1,132	1,132	-
Total expenditure *	1,932	1,113	819	3,145	2,205	940

*Total expenditure is equal to contributions by Barnet and NHS Barnet.
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:

	2008/09 £000	2007/08 £000
Fees payable to Grant Thornton UK LLP, the council's appointed external auditors for:		
-external audit service	420	421
-the certification of grant claims and returns	85	90
Fees payable to the Audit Commission in respect of statutory inspection	26	26
Total	531	537

The figures shown above are included in the 2008/09 net cost of services on the income and expenditure account.

18. Schemes under the Transport Act

No road charging schemes or workplace charge levies were operational within the authority in 2008/09.

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. Barnet's practice is not to exceed the minimum required.

The figures were:

2008/09	2007/08
£000	£000
5,262	5,062

The MRP is currently 4% of the authority's capital financing requirement.

The regulations are changing so that from 2009/10 MRP will be based on the actual amount borrowed to finance individual capital schemes divided by the expected useful life of each scheme. The new regime starts with 2008/09 expenditure as MRP on an asset becomes payable in the year following its acquisition. Expenditure prior to 2008/09 will continue to be covered under the old regulations.

20. General Government grants

The income and expenditure account shows a figure of £25.204m for general Government grant. This amount comprises two elements of non-specific grant:

	2008/09	2007/08
	£000	£000
Revenue support grant	11,005	11,824
Area based grant	14,199	-
	25,204	11,824
In net cost of services	-	9,120
	25,204	20,944

The equivalent of the area based grant shown above paid to the council in 2007/08, an amount of £9.120m, was included as part of the net cost of services.

Note 21. Movement of Fixed Assets 2008/09

	Assets under construction	Community assets	Council dwellings	Infrastructure	Investment property	Other land and buildings	Surplus assets	Vehicles, plant and equipment	Fixed asset totals	Intangibles	Asset totals (inc. intangibles)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value 01.04.08	64,764	9,840	1,151,968	76,733	38,449	528,935	63,243	18,700	1,952,632	35,963	1,988,595
Accumulated Depreciation 01.04.08	-	(256)	(45,492)	(31,978)	(8)	(20,277)	(24)	(13,536)	(111,571)	(25,257)	(136,828)
Accumulated Impairment 01.04.08	-	(207)	(20,476)	-	(298)	(29,903)	-	-	(50,884)	-	(50,884)
Net Book Value 01.04.08	**64,764**	**9,377**	**1,086,000**	**44,755**	**38,143**	**478,755**	**63,219**	**5,164**	**1,790,177**	**10,706**	**1,800,883**
Reclassifications	(5,294)	-	5,756	-	-	408	-	9,848	10,718	(10,718)	-
Deleted assets	-	-	-	-	(226)	(111)	-	-	(337)	-	(337)
Duplicate assets	-	(341)	-	-	(415)	989	19	-	252	-	252
Revaluations	-	42	117,323	-	2,345	57,013	4,185	5	180,913	-	180,913
Impairments	-	(252)	(2,293)	(44)	(5,147)	(40,342)	(27,979)	(1,809)	(77,866)	(93)	(77,959)
Depreciation	-	(160)	(16,530)	(7,140)	(8)	(16,066)	-	(4,095)	(43,999)	-	(43,999)
Additions	19,194	44	30,614	19,555	65	10,283	-	12,244	91,999	2,302	94,301
Disposals	-	(91)	(870)	-	(410)	(199)	(908)	-	(2,478)	-	(2,478)
Net book value 31 March 2009	**78,664**	**8,619**	**1,220,000**	**57,126**	**34,347**	**490,730**	**38,536**	**21,357**	**1,949,379**	**2,197**	**1,951,576**
Gross book value 31 March 2009	78,664	9,931	1,305,661	96,351	40,859	601,738	67,447	49,480	2,250,131	27,624	2,277,755
Accumulated depreciation c/f 31 March 2009	-	(421)	(62,022)	(39,181)	(16)	(39,739)	(24)	(26,314)	(167,717)	(25,334)	(193,051)
Accumulated impairment c/f 31 March 2009	-	(891)	(23,639)	(44)	(6,496)	(71,269)	(28,887)	(1,809)	(133,035)	(93)	(133,128)
Net book value 31 March 2009	**78,664**	**8,619**	**1,220,000**	**57,126**	**34,347**	**490,730**	**38,536**	**21,357**	**1,949,379**	**2,197**	**1,951,576**

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 depreciate to nil value over an assumed practical life.

The movements in value of intangible assets during the year are shown in note 21.

23. Financing of capital expenditure

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

	Total capital financed in 2008/09	Total capital financed in 2007/08
	£000	£000
Capital receipts	5,120	9,940
General fund revenue contributions	1,057	5,283
HRA revenue contributions/MRA	10,205	11,693
Contributions including Section 106 receipts	7,334	4,001
Borrowing	48,023	29,073
Grants	35,228	27,712
Total	106,967	87,702

24. Long term debtors

There was a decrease for long term debtors during the year from on opening balance of £2.626m to a closing position of £2.473m.

Debtor	31 March 2009	Movement	31 March 2008
	£000	£000	£000
Court services	1,126	(54)	1,179
Car loans	447	(80)	527
Housing	773	(147)	920
Other	127	127	-
	2,473	(154)	2,626

25 Assets held

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

Assets	31 March 2009	31 March 2008
Schools - nursery and primary *	49	49
Schools - secondary and special *	16	16
Schools - referral units	1	1
Youth service facilities	4	4
Other education establishments	2	2
Libraries	14	14
Museums	2	2
Children's homes and hostels	2	2
Homes for people with learning difficulties	1	0
Children and family centres	5	5
Day centres for physically disabled	1	1
Day centres for mentally ill	2	2
Council dwellings	11,100	11,195
Garages	2,578	2,599
Car parks	25	25
Memorials etc	7	7
Community assets - parks and open spaces	174	174
Sports grounds	24	28
Golf courses	4	4
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	5
Vacant awaiting disposal	27	25
School land not attached to school assets	14	11
Borough roads and footpaths (length in km)	725	725

*Excludes voluntary aided schools

26. Capital commitments

At 31 March 2009, the council was contractually committed to expenditure amounting to some £75.081m. The schemes are summarised across services as follows:

Service area	Total £000
Childrens service	58,874
Environment and transport	2,236
Planning, housing and regeneration	823
Resources	2,133
HRA	11,015
Total	75,081

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.

Operational properties are valued to open market value on an existing use basis; where that use is one that rarely is represented by market transaction the depreciated replacement cost (DCR) approach might be used. The housing stock is included in the balance sheet at a discounted market value to take into account the nature of a social housing portfolio. Non operational assets and investment properties are valued on a fully open market basis. Equipment and infrastructure (e.g. roads) are not valued as such but included at historic cost.

28. Net assets employed

This statement analyses the council's net assets as at 31 March 2009 between the general fund and the HRA.

	Total £000	HRA £000	General fund £000
Operational assets	1,841,400	1,319,259	522,141
Non-operational assets	107,978	18,215	89,763
Intangible assets	2,198	-	2,198
Long term debtors	2,473	2,473	-
Long term investments	14,440	-	14,440
Current assets	293,898	10,571	283,327
Current liabilities	(199,005)	(1,534)	(197,471)
GGD	(121,126)	(4,301)	(116,825)
Long term borrowing	(212,507)	(80,372)	(132,135)
Pension scheme	(222,036)	-	(222,036)
	1,507,713	1,348,984	714,398

29 Stocks and works in progress

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

		2008/09 £000	Movement £000	2007/08 £000
Works in progress	- works in default	7	0	7
Stores	- transport stores	24	(21)	45
	- road signs and equipment	34	(2)	36
	- libraries & museums	32	6	26
	- grounds maintenance	7	0	7
	- recycling bins	68	37	31
	- salt	51	0	51
	- catering	125	11	69
	- cleansing	54	2	52
	- other	57	18	39
		459	51	363

30. Assets recognised under PFI arrangements

In April 2006 the council entered into a PFI contract to provide street lighting. The contract involves 6,000 items of street furniture and will increase the number of public lighting columns to around 30,000. The 25 year contract will expire in 2031 when ownership of the street lights will revert to Barnet.

In 2008/09 payments of £4.308m (£3.642m in 2007/08) were paid to the contractor. Payments are made to the contractor in accordance with actual performance. The council is committed to pay some £4.705m in 2009/10, subject to performance, and will continue to pay similar annual figures to the completion of the contract.

31. Debtors, creditors and provision for bad debts

An analysis of the Authority's debtors and creditors as at 31 March 2009 is as follows:

Other local authorities		2,980	2,754
Government departments		20,421	18,151
Ratepayers and taxpayers		22,063	21,777
Tenants (including temporary accommodation)		14,578	14,939
Other public bodies		625	5,955
Utilities		69	-
Capital		-	-
Sundry		23,012	20,843
	Sub total	83,748	84,419
Less: provision for bad debts		(26,426)	(28,066)
	Net debtor total	57,322	56,353
Creditors			
Other local authorities		14,360	13,477
Government departments		69	11,469
Ratepayers and taxpayers		5,551	4,099
Other public bodies		3,166	2,554
Utilities		1,436	962
Capital		-	-
Pension fund		52,859	51,870
Sundry		72,171	48,085
Receipts in advance		9,945	12,900
	Creditor total	159,557	145,416

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 i.e. no longer recoverable.

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 £ 26.426m and the level of debtors carried on the balance sheet as a current asset was reduced from £83.748m by this amount to £57.322m, 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

	1 April 2008	In year related payments	Written back in year	New provisions raised	31 March 2009	Note
	£000	£000	£000	£000	£000	
Grants to voluntary sector	10	(6)	-	37	41	
Insurance	8,300	-	-	430	8,730	i
Legal	50	(50)	-	0	-	
Housing and property	3,206	(29)	(3,127)	180	230	ii
Disputed invoices	196	(168)	(28)	-	-	
Service provision related	-	-	-	224	224	iii
Other	-	-	-	5	5	
Total	11,762	(253)	(3,155)	876	9,230	

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) Relates predominantly to 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 2009 the actual costs have not been verified/agreed

iii) 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 2009 for services provided by the North London Waste Authority, Barnet & Chase Farm Midwifery Service and CAMHS Peri Natal Service

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 2009 stood at £30.713m. 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 £13.231m 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 2009 the accumulated surplus of these delegated budgets (excess of cumulative income over cumulative expenditure) stood at £13.2m, an increase of £1.3m from the previous year. This surplus balance is 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	Balances held 31/03/09	In year increase / (decrease)	Balances held 31/03/08
	£000	£000	£000
Nursery	370	(33)	338
Primary	7,653	(253)	7,400
Secondary	5,244	(1,164)	4,080
Special	570	(217)	353
sub total	13,838	(1,668)	12,170
Less: loans repayable to authority	607	(360)	246
Total	13,231	(1,307)	11,924

36. Reserves

The movement in the council's reserves during the year was:

Reserve Type	Balance 31 March 2008 £000	Net movement in year £000	Balance 31 March 2009 £000	Purpose of reserve	Notes
Revaluation reserve	73,240	150,362	223,602	Store of gains on revaluation of fixed assets not yet realised through sales	
Financial instrument adjustment account	(2,396)	336	(2,060)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	
Capital adjustment account	1,484,972	(65,359)	1,419,613	Store of capital resources set aside to meet past expenditure	
Deferred capital receipts	918	(145)	773	Mortgages and deferred loans provided by the council	
Usable capital receipts	14,390	(3,822)	10,568	Proceeds of fixed asset sales available to meet future capital investment	
Pension reserve	(195,491)	(26,545)	(222,036)	Balancing account to allow inclusion of pensions liability in the balance sheet	1,7
Major repairs reserve	6,355	(1,971)	4,384	Resources available to meet capital investment in council housing	2,7
Specific reserves	18,614	13,331	31,945	Money earmarked for future projects	3
Balances - general fund	29,371	1,342	30,713	Prudent reserve to meet non-housing day to day running costs.	4
Balances -collection fund	3,792	2,656	6,448	Balance of undistributed funds in the collection fund	5
Balances - housing revenue account	4,164	(401)	3,763	Prudent reserve to meet future running costs of council housing	6
	1,437,929	69,784	1,507,713		

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 be set aside.

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

	31 March 2008 £000	expenditure £000	written back £000	transfers in £000	31 March 2009 £000
Capital	5,100	-	-	62	5,162
Dedicated schools grant (DSG)	246	195,462	-	195,488	272
Elections	157	7	-	191	341
Housing benefit administration	115	-	-	2,820	2,935
IFRS	500	-	-	-	500
information systems related	1,290	496	91	178	881
Litigation	2,008	467	-	3,460	5,001
North London Sub-region partnership	141	-	-	20	161
Organisation and structure of council	4,237	547	-	668	4,358
Premises related	278	1	-	420	697
Street lighting	2,677	-	-	536	3,213
Utilities/energy	500	-	-	-	500
Working neighbourhood fund	-	-	-	452	452
Interest	-	-	-	5,733	5,733
Other	955	456	191	1,022	1,330
General fund earmarked reserves	18,204	197,436	282	211,050	31,536
Special parking account (SPA)	410	-	101	100	409
Total - all earmarked reserves	18,614	197,436	383	211,150	31,945

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.

Preceptor	2008/09 £000	2007/08 £000
Barnet	5,044	2,948
Greater London Authority	1,404	844
	6,448	3,792

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.

	Balance 1 April 2008	Net movement in year	Balance 31 March 2009
	£000	£000	£000
Deferred capital receipts	918	(145)	773

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 actuaries calculation of the net deficit on the pension fund is shown is shown below. The change in the net value of the pension fund includes actuarial losses of £24.468m. 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.

	2008/09		2007/08	
	£000	£000	£000	£000
Deficit at the beginning of the year		(195,491)		(246,682)
Net cost of services				
Current service cost	(12,908)		(17,671)	
Curtailment and settlements	(347)		(286)	
Past service cost	(1,473)		(169)	
		(14,728)		(18,126)
Net operating expenditure				
Interest cost	(40,795)		(34,896)	
Expected return on assets in the scheme	28,602		29,249	
		(12,193)		(5,647)
Amount charged for pensions in the year		24,844		22,993
Net actuarial gain/(loss)		(24,468)		51,971
Fund deficit at the end of the year		(222,036)		(195,491)

Under the 2008 SORP the council has adopted the amendment to FRS17, retirement benefits. As a result quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of the scheme assets as at 31 March 2008 has been restated from £402.995m to £398.965m, a decrease of £4.030m resulting in an increase of the pension fund deficit of £4.030m. Current and prior year surpluses have been unaffected by this change.
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, £11.3m is included in the education service costs.

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

Reconciliation of present value of the scheme liabilities

	Year to 31 March 2009 £000	Year to 31 March 2008 £000
Opening defined benefit obligation	594,456	647,455
Service cost	12,908	17,671
Interest cost	40,795	34,896
Actuarial gains	(69,267)	(85,850)
Losses on curtailments	347	286
Estimated benefits paid (net of transfers in)	(24,482)	(24,180)
Past service cost	1,473	169
Contributions by scheme participants	6,704	5,640
Unfunded pension payments	(1,674)	(1,631)
Closing defined benefit obligation	561,260	594,456

Reconciliation of fair value of the scheme assets

	Year to 31 March 2009 £000	Year to 31 March 2008 £000
Opening fair value of scheme assets	398,965	400,773
Expected return on scheme assets	28,602	29,249
Actuarial losses	(93,735)	(33,879)
Contributions by employer	24,843	22,993
Contributions by scheme participants	6,704	5,640
Estimated benefits paid (net of transfers in)	(26,155)	(25,811)
Fair value of scheme assets at end of period	339,224	398,965

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 2009		31 March 2008	
	% pa	Real	% pa	Real
Price increases	2.7	-	3.6	-
Salary increases	4.2	1.5	5.1	1.5
Pension increases	2.7	-	3.6	-
Discount rate	6.7	3.9	6.9	3.2

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 1April 2008 for the year to 31 March 2009). 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:

	31 March 2009	31 March 2008
	% pa	% pa
Equities	7.0	7.8
Gilts	3.9	5.7
Bonds	6.5	5.7
Property	6.5	5.7
Cash	3.0	4.8

41. Post balance sheet events

There are no post balance sheet events to report

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 2009, 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.

- A service provider has made two substantial deficit claims – both of which have been rejected by the Council. Whilst it is envisaged that the matter will pass to arbitration, any settlement awarded could result in a significant call on Council Resources

- In June 2008 the Secretary of State overturned the Council's decision to place a Building Preservation Notice on Carmelite Monastery. The Council has since received a compensation claim from the developers of the property relating to the drop in market value

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.

In financial year 2008/09 the Council recognised an impairment loss on investments of £4.3m. Consistent with proper Accounting Practice and advise from CIPFA, the full amount of this loss has hitherto been absorbed fully be the General Fund. However, there is a possibility that part of this loss could be apportioned between other funds (i.e. the Housing Revenue Account and the Pension Fund) – however this is subject to agreement by the Pension Fund Committee and further guidance from the Local Government Association.

A recent court case in connection with VAT revenue income paid over by a Local Authority over to Her Majesty's Customs & Excise (HMRC) means that there is a possibility of the Council receiving a refund of some of the VAT that it has previously paid to HMRC. However there is no guarantee of a refund as HMRC have to consider each Local Authority claim individually and, at the time of writing, no estimate as to the likely amount of the claim has been made.

45. Financial Instrument and the Financial Instrument Adjustment Account

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 Authorities financial instruments is shown below:

	Long Term 31 March 2009	**Long Term 31 March 2008**	**Current 31 March 2009**	**31 March 2008**
	£000	**£000**	**£000**	**£000**
Financial liabilities (borrowings) at amortised cost	212,507	212,376	189,808	160,279
Total borrowings	212,507	212,376	189,808	160,279
Financial Assets (Loans and receivables) at amortised costs	16,913	18,131	293,439	322,921
Total Investments	16,913	18,131	293,439	322,921

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 2009		31 March 2008	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Trade creditors	159,590	159,590	145,416	145,416
Bank overdraft	25,138	25,138	16,366	16,366
Borrowings*	217,586	208,848	217,463	213,010
	402,314	393,576	379,245	374,792

*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 2009		31 March 2008	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Deposits	225,919	231,045	261,352	261,468
Long term debtors	2,473	2,473	2,626	2,626
Short term debtors	57,322	57,322	56,353	56,353
Payments in advance	2,905	2,905	2,859	2,859
Cash at bank	21,733	21,733	19,584	19,584
	310,352	315,478	342,774	342,890

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 2009 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:
    - o The Council's overall borrowing;
    - o Its maximum and minimum exposures to fixed and variable rates;
    - o Its maximum and minimum for exposures the maturity structure of its debt;
    - o 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 at least annually 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 (from Fitch) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period 1990 – 2007 on investments out to 5 years.

	Amount at 31 March 2009 £000s	**Historical experience of default %**	**Adjustment for market conditions at 31 March 2009 %**	**Estimated maximum exposure to default £000s**
Deposits with banks and financial institutions	(a)	(b)	(c)	(a * c)
AAA rated counterparties	0	0.00%	0.00%	0
AA rated counterparties	5,000	0.06%	0.06%	3
A rated counterparties	75,000	0.65%	0.65%	488
Other counterparties	143,700	0.65%	0.65%	934
Bonds – AAA rates	0	0.00%	0.00%	0
Trade debtors	13,771	5.00%	5.00%	686
Business rates (NDR) debtors	5,265	1.00%	1.00%	53
Council tax debtors	16,550	2.00%	2.00%	331
Tenant debtors	14,578	10.00%	10.00%	1,458
Total	273,864			3,953

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 buildings societies 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 £13.7m 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	1,437
Three to six months	807
Six months to one year	969
More than one year	3,516
	6,729

Council tax and NDR (Business Rates) are payable on a month by month basis and as at 31 March 2008 the past due amounts can be analysed by age as follows:

	NDR £000	Council Tax £000
Less than one year	3,419	6,890
More than one year	1,846	9,660
	5,265	16,550

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 2009 £000s	31 March 2008 £000s
Less than one year	3,500	5,000
Between one and two years	7,000	3,500
Between two and seven years	46,000	60,000
Between seven and 15 years	52,000	8,000
More than fifteen years	107,000	139,000
Total	215,500	215,500

The maturity analysis of financial assets is as follows:

	31 March 2009 £000s	31 March 2008 £000s
Less than one year	208,700	240,800
Between one and two years	15,000	0
Between two and three years	0	15,000
More than three years	0	0
Total	223,700	255,800

NB. Trade debtors of £13.7m 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.

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.

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 2009 comprised the following elements:

	Unamortised Debt Premium	EIR Interest	Total
	£'000	£'000	£'000
Bal b/fwd 01/04/08	1,974	421	2,396
In year transactions	(379)	43	(336)
Bal c/fwd 31/03/09	1,595	465	2,060

*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.

Notes to the Cash Flow Statement

46. Revenue reconciliation

	Notes	2008/09 £'000	2008/09 £'000	2007/08 £'000	2007/08 £'000
(Surplus)/deficit for year:					
- General fund		(1,367)		(6,999)	
- Housing revenue account		401		671	
		(966)		(6,328)	
- Collection fund		2,656	1,690	(3,605)	(9,933)
Capital related adjustments					
MRP & capital spend funded from revenue		(12,939)		(16,673)	
Capital creditors				169	
Capital debtors				(313)	
Other revenue adjustments			552		
Contributions to (from) reserves and provisions		(12,770)	(25,709)	15,559	(1,258)
Interest: - paid		(6,910)		(5,245)	
- received		12,862	5,952	8,292	3,047
(Increase)/decrease in creditors	47	6,823		(62,201)	
(Increase)/decrease in payments in advance	47	46		(3,367)	
Increase/ (decrease) in stock and work in progress	47	96		(1,228)	
Increase/(decrease) in debtors	47	816	7,781	4,125	(62,671)
			(9,734)		(70,815)

47. Movements in other current assets

	Balance Sheet 31/3/09 £'000	2008/09 Movement £'000	Balance Sheet 31/3/08 £'000	2007/08 Movement £'000
Debtors due within 12 months	57,322	969	56,353	4,753
Debtors due beyond 12 months	2,473	(153)	2,626	(628)
Creditors	(159,557)	6,823	(166,380)	(62,201)
Stocks and works in progress	459	96	363	(1,228)
Payments in advance	2,905	46	2,859	(3,367)
	(96,398)	7,781	(104,179)	(62,671)

48. Movements in other current assets

	Balance Sheet 31/3/09 £'000	2008/09 Movement £'000	Balance Sheet 31/3/08 £'000	2007/08. Movement £'000
Temporary Investments	211,479	(34,368)	245,847	64,347
Pension Fund Creditor	(52,751)	(881)	(51,870)	(22,566)
Temporary Investments	158,728	(35,249)	193,977	41,781

49. Movements in long term borrowing

	Balance Sheet 31/3/09 £'000	2008/09 Movement £'000	Balance Sheet 31/3/08 £'000	2007/08 Movement £'000
Long term borrowing	212,507	131	212,376	1,876

50. Movements in cash and cash equivalents

	Balance Sheet 31/3/09 £000	2008/09 Movement £000	Balance Sheet 31/3/08 £000	2007/08 Movement £000
Imprest accounts	21,733	2,149	19,584	1,193
Cash overdrawn	(25,138)	(8,772)	(16,366)	(1,500)
Totals	(3,405)	(6,623)	3,218	(307)

51. Reconciliation of net cashflow to movement in net debt

	Notes	2008/09 £000	2007/08 £000
Movement in net debt			
Movement of cash in year	50	(6,623)	(307)
Cash outflow from long term borrowing	49	(131)	(1,876)
Short term borrowing cashflow		7	-
Movement in net debt in the year		(6,747)	(2,183)
Opening net debt		(214,245)	(212,062)
		(220,992)	(214,245)

Analysis of net debt	Balance Sheet 2008/09 £000	Balance Sheet 2007/08 £000
Temporary borrowing	(5,080)	(5,087)
Long term borrowing	(212,507)	(212,376)
Imprests	21,733	19,584
Cash	(25,138)	(16,366)
	(220,992)	(214,245)

52. Other Government Grants

	2008/09 £000	2007/08 £'000
Education (excluding DSG)	59,369	63,143
DSG	195,074	185,129
Community care and other social services	9,525	12,193
Asylum Seekers	620	801
Council tax benefits administration	2,688	2,687
Local Authority Business Incentive Grant	761	1,960
Street Lighting PFI	2,235	2,235
Other		1,141
Totals	270,272	269,289

52. Capital expenditure and income

Capital expenditure appears higher in the cashflow than in the notes to the balance sheet as gross expenditure on and grants to long term debtors are shown here whereas in the balance sheet notes they are netted off.

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 requires its separation from the transactions of the general fund. HRA income and expenditure does not affect the amount of council tax levied.

	Notes	2008/09 £000	2008/09 £000	2007/08 £000
Income				
Dwelling rents		(45,215)		(42,852)
Non-dwelling rents		(1,534)		(1,423)
Charges for services and facilities		(6,899)		(6,290)
Contributions towards expenditure		-		(3)
Total Income			(53,648)	(50,568)
Expenditure				
Repairs and maintenance		8,534		8,556
Supervision and management		21,997		21,565
Rents, rates, taxes and other charges		155		117
Negative housing revenue account subsidy payable	9	11,826		10,054
Depreciation and impairment of fixed assets	6,7	19,881		42,549
Debt management costs		34		27
Bad debt provision		412		483
Total expenditure			62,839	83,351
Net Cost of HRA Services shown in income and expenditure account			9,191	32,783
HRA share of the whole authority non-distributed costs			-	45
Net cost of HRA Services			9,191	32,828
Interest payable and similar charges			2,929	2,142
Interest and investment income			(261)	(213)
Impairment loss on investments			76	-
Deficit for the year on HRA services			11,935	34,757
Statement of movement on the HRA balance				
Deficit for the year on the HRA income and expenditure account			11,935	34,757
Difference between interest payable and similar charges determined in accordance with the SORP and those determined in accordance with statute:				
EIR interest cost on stepped loans			(14)	(19)
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			(4,511)	(22,522)
Transfer from major repairs reserve	3		(7,387)	(11,923)
Decrease in HRA balance for the year			401	671
HRA balances				
HRA balance brought forward			(4,164)	(4,835)
Deficit for the year			401	671
HRA balance carried forward			(3,763)	(4,164)

Housing Revenue Account notes

1. Dwelling stock

The authority's dwelling stock was, at 31 March	2009	2008
Houses	3,560	3,568
Bungalows	184	187
Flats	5,834	5,918
Maisonettes	1,413	1,413
Hostels	79	79
Bed sits	30	30
	11,100	11,195

2. Value of HRA assets

Values as at 31 March	2009	2008
	£000	£000
Balance sheet value - dwellings	1,220,000	1,086,000
Balance sheet value -other land and buildings*	42,448	51,456
Vacant possession value -dwellings	1,936,000	1,723,000

*2008 Restated

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

3. Major Repairs Reserve

	2008/09	2007/08
	£000	£000
Balance as at 1 April	(6,355)	(9,580)
Capital expenditure charged to reserve (dwellings)	10,205	11,694
Depreciation - dwellings	(13,501)	(15,157)
- non-dwellings	(1,946)	(4,871)
Transfer to HRA - dwellings	5,441	7,052
- non-dwellings	1,946	4,871
Interest on balances	(174)	(364)
Balance as at 31 March	(4,384)	(6,355)

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:	2008/09	2007/08
Expenditure	£000	£000
Dwellings	30,532	37,818
Other property	379	887
Total	30,911	38,705
Financed from		
Borrowing	17,488	21,060
Capital receipts reserve	298	2,538
Major repairs reserve	10,205	11,694
Other contributions	2,920	3,413
Total	30,911	38,705

5. Capital receipts

Capital receipts from disposals within the HRA were:	2008/09	2007/08
	£000	£000
Land	140	181
Dwellings	870	4,891
Paid over to pool	(737)	(3,902)
Total	273	1,170

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

	2008/09	2007/08
The depreciation charged to the HRA was:	£000	£000
Dwellings	13,500	15,156
Other property	1,946	4,871
Total	15,446	20,027

7. Impairment

	2008/09	2007/08
Impairment charged to the HRA was:	£000	£000
Dwellings	-	20,481
Other property	4,435	2,041
Investments	76	-
Total	4,511	22,522

8. Amortisation of premium on early repayment of debt

In order not to affect housing subsidy arrangements, regulations require premiums paid in respect of the early repayment of debt by the HRA to be spread over the original life of the repaid loans rather than in the year of repayment.

9. HRA Subsidy

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

	2008/09 £000	2007/08 £000
Management and maintenance	20,000	19,956
Major repairs allowance	8,060	8,104
Charges for capital	5,005	4,077
Other items of reckonable expenditure	57	57
Interest on receipts	(54)	(82)
Rent	(44,992)	(42,653)
Rent constraint allowance	-	754
Total for year	(11,924)	(9,787)
Prior year adjustments	98	(267)
Total payable	(11,826)	(10,054)

10. Arrears

HRA arrears outstanding at the year end:	2008/09 £000	£000	2007/08 £000
Leaseholder service charges	3,899		4,608
less bad debt provision	(666)		(697)
		3,233	3,911
Housing rents	2,899		3,018
less bad debt provision	(1,393)		(1,431)
		1,506	1,587
Commercial rents	113		196
less bad debt provision	(33)		(36)
		80	160
Net arrears		4,819	5,658

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 2008/09 is:

	Note	2008/09		2007/08	
		£000	£000	£000	£000
Income					
Council tax	1		165,389		160,405
Council tax benefits			26,502		24,851
Collectable business rates	2		92,483		86,462
			284,374		271,718
Disbursement					
Precepts:					
- London Borough of Barnet		147,194		141,603	
- Greater London Authority		42,118	189,312	41,129	182,732
Estimated surplus/(deficit) on collection fund:	3				
- London Borough of Barnet		250		(1,362)	
- Greater London Authority		73	323	(389)	(1,751)
Non-domestic rates					
- Payment to national pool		92,058		86,033	
- Cost of collection allowance		425	92,483	429	86,462
Total disbursed			282,118		267,443
Council tax					
Change in bad debt provision	4	(2,629)		(687)	
Written off		2,229	(400)	1,357	670
Fund surplus / (deficit) for year			2,656		3,605
			284,374		271,718
Fund balance brought forward			3,792		187
Fund surplus / (deficit) for year			2,656		3,605
Fund balance carried forward			6,448		3,792

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 (£1,392.57 for 2008/09) 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	934
B	0.78	5,479
C	0.89	19,001
D	1.00	24,021
E	1.22	31,757
F	1.44	24,359
G	1.67	23,411
H	2.00	6,704
MOD contribution		278
Tax base		135,944

2. Non-domestic rates

Barnet collects non-domestic rates (NDR) from local businesses and organisations and pays them into the Government's central NDR pool. The Government's national uniform rate, 46.2p in 2008/09 (44.4p in 2007/08) multiplied by the property's rateable value determine the amount charged. The aggregate business valuation for the borough at 31 March 2009 was £228.8m (£231.4m at 31/3/2008).

The amount paid into the central NDR pool is redistributed to local authorities, including Barnet, in line with their overall Formula Grant allocations. In 2008/09, the Pool funded 88% of the Formula Grant distribution in England, which for Barnet was £90.057m. This was paid directly into the general fund.

3. Collection fund surplus and deficit

The preceptors share any council tax surpluses and deficits.

4. Council tax written off

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

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:	2008/09 Consolidated net expenditure	2007/08 Consolidated net expenditure
	£000	£000
Central services to the public	4,393	3,516
Cultural, environmental and planning services	70,661	70,790
Children's and education Services	74,337	64,586
Highways, roads & transport services	17,422	16,592
Housing services	21,326	42,848
Adult social services	91,584	80,113
Corporate and democratic core	13,248	10,682
Non distributed costs	7,944	3,970
Net cost of services	300,915	293,097
Loss / (gain) on the disposal of fixed assets	(179)	-
Impairment loss on deposits	4,306	-
Redundancy costs	1,202	1,197
Precepts and levies	1,508	1,284
Trading undertakings	(127)	387
Interest payable and similar charges	7,258	6,700
Contribution of housing capital receipts to Government pool	737	3,902
Interest and investment income	(13,182)	(14,302)
Corporation tax	82	133
Pension interest costs and expected return on pension assets	12,193	5,756
Net operating expenditure	314,713	298,154
Net operating expenditure was financed by:		
Demand on collection fund	(147,194)	(141,603)
General Government grant	(25,204)	(11,824)
Non-domestic rates redistribution	(79,053)	(70,454)
Transfer of collection fund deficit	(251)	1,362
Net Deficit for the year	63,011	75,635

Reconciliation of the Single Entity Deficit to the Group Deficit

	2008/09	2007/08
	£000	£000
Deficit from LBB's income and expenditure account	63,620	76,746
Surplus arising from other entities included in the group accounts		
Subsidiaries (Barnet Homes Ltd)	(609)	(1,111)
Associates	-	-
Joint ventures	-	-
Group account deficit for the year	63,011	75,635

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

	2008/09	2007/08
	£000	£000
Deficit/(surplus) for the year on the income and expenditure account	63,011	75,635
Surplus arising on revaluation of fixed assets	(150,362)	(77,525)
Actuarial (gain)/loss on pension fund assets and liabilities	25,412	(54,034)
Movement on the collection fund	(2,656)	(3,605)
Other gains and losses included in the group balance sheet	(4,854)	(11,918)
Total recognised gain for the year	(69,449)	(71,447)

Group Balance Sheet

This statement summaries the assets and liabilities of the Reporting Group as at 31st March 2009

	31 March 2009		31 March2008*	
	£000	£000	£000	£000
Fixed assets				
Operational assets				
Council dwellings	1,220,000		1,086,000	
Other land and buildings	490,730		478,854	
Community Assets	8,619		9,378	
Vehicles, plant and equipment	21,642		5,515	
Infrastructure assets	57,126	1,798,117	44,755	1,624,502
Non-operational assets				
Investment Properties	34,387		38,182	
Surplus assets awaiting disposal	38,536		63,219	
Assets under construction	78,664	151,587	64,764	166,165
Intangible assets	2,197		10,706	
Long term debtors	2,473		2,626	
Long term investments	14,440	19,110	15,505	28,837
Total long term assets		1,968,814		1,819,504
Current assets				
Stocks and works in progress	477		363	
Temporary investments	218,479		248,347	
Debtors	54,412		54,787	
Payments in advance	2,905		2,859	
Cash at Bank and in hand	22,524		24,192	
	298,797		330,548	
Current liabilities				
Creditors	(163,362)		(170,612)	
Borrowing repayable within 12 months	(5,080)		(5,087)	
Bank overdraft	(25,138)		(16,366)	
Provisions	(9,230)		(11,893)	
	(202,810)		(203,958)	
Net current assets		95,987		126,590
Long-term liabilities				
Long term borrowing& other liabilities	(212,560)		(212,376)	
Government grants - deferred	(121,126)		(98,729)	
Liability related to defined benefit pension	(228,025)	(561,711)	(201,348)	(512,453)
Total assets less liabilities		1,503,090		1,433,641
Financed by				
Revaluation reserve		223,602		73,240
Financial instrument aAdjustment account		(2,060)		(2,396)
Capital adjustment account		1,419,613		1,484,996
Usable capital receipts		10,568		14,390
Deferred capital receipts		773		918
Pension reserve		(228,025)		(201,348)
Major repairs reserve		4,384		6,355
Earmarked reserves		31,945		18,614
Balances		32,078		30,916
Balances – collection fund		6,448		3,792
Balances – housing revenue account		3,763		4,164
Total equity		1,503,090		1,433,641

*Prior Year Comparator Figures Re-stated

Group Cashflow Statement

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

	Group 2008/09		2007/08*	
	£000	£000	£000	£000
Net Revenue activities		(10,215)		(72,156)
Servicing of finance				
Cash outflows				
Interest paid	6,910		5,246	
Cash inflows				
Interest received	(13,192)	(6,282)	(8,749)	(3,503)
Capital activities				
Cash outflows				
Purchase of fixed assets	104,358		85,274	
Deferred charges and long term debtors	(153)		-	
Cash inflows				
Sale of fixed assets	(1,795)		(11,066)	
Capital grants received	(37,418)		(36,797)	
Other cash income	(7,334)		(5,084)	
Net cash inflow before financing		57,658		32,327
Management of liquid resources				
Net (increase)/decrease in short term deposits		(29,868)		61,847
Financing				
New long term investments	(1,065)		(22,905)	
Repayment of long term borrowing	-		-	
Repayment of short term loans	-	(1,065)	-	(22,905)
Cash inflows				
New short term loans	7		-	
New long term loans	(131)		(1,876)	
Long term investment	336	212	2,396	520
Decrease / (increase) in cash and cash equivalents		10,440		(3,870)

*Prior Year Comparator Figures Re-Stated on Indirect Method

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 accounting 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 remove it from onerous public sector borrowing controls in order to allow greater commercial freedom. Barnet Homes Ltd, a not for profit company, took over responsibility for managing approximately 11,000 council homes from Barnet Council in April 2004. It also took responsibility for almost 400 staff from the council's housing services department. Barnet Homes Ltd is managed by a Board of 15 members made up of 5 council nominees, 4 tenants, 1 lease holder and 5 independent persons with professional skills and experience to help run the services. Board members are volunteers and only receive out of pocket expenses.

ii) Relationship with the authority

Under the SORP, 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 2008/09 the company made an operating surplus of £0.609 million (£1.111m surplus in 2007/08).

iv) Transactions with the company

The authority paid the company £28.927m in 2007/08 for the provision of housing management services and repair and maintenance works to housing stock (£28.309m in 2007/08). 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 2008/09 were £2.8m (£2.9m in 2007/08).

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
9th Floor
Barnet House
1255 High Street
Whetstone
London N20 OEJ

Tel: 0800 389 5225
Internet Web Address: http://www.barnethomes.org

SECTION 6

Pension Fund

Pension Fund

Administered under the local government superannuation and pension fund acts

Fund Account

Contributions and Benefits	Note	2008/09 £000		2007/08 £000	
Contributions	3	46,050		42,275	
Transfers in	4	3,203		2,156	
Other income		1		0	
		49,254		44,431	
Benefits	5	(31,620)		(28,787)	
Leavers	6	(2,282)		(2,743)	
Administrative expenses	7	(902)		(832)	
		(34,804)		(32,362)	
Net (withdrawals)/additions from dealings with members			14,450		12,069
Return on investments					
Investment income	8	18,805		21,458	
Change in market value of investments	9	(98,005)		(21,822)	
Investment management expenses	10	(1,967)		(2,572)	
Net returns on investments		(81,167)		(2,936)	
Net increase/decrease in the fund during the year			(66,717)		9,133
Net assets of the scheme					
At 1 April 2008			548,635		539,502
At 31 March 2009			481,918		548,635

Net Assets Statement

	Note	2008/09 £000		2007/08 £000	
Investment assets	9	480,847		546,091	
Current assets	11	2,785		3,964	
Current liabilities	12	(1,714)		(1,420)	
			481,918		548,635

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

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

Scheduled Bodies

Akiva School	Argentium Silver
Ashmole	Barnet College
Danegrove School	Deansbrook Junior
Dollis Infant	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
Summerside 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 5.25% to 7.5%. These rates are applicable to all employees including manual workers.

As at 31st March 2009 there were 7,093 employees contributing to the fund with 6,041 pensioners and 5,812 deferred pensioners. 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 2009.
b) Unit trust investments are stated at the latest prices quoted by their respective managers as at 31 March 2009.
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 2009.

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 three fund managers: Schroder Investment Management, Midas Capital Partners Ltd (contract ceased on 26th June 2008) 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 11% of the Fund is held in house (4% in property unit trusts and 6.5% 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 Human Resources Department.

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 internet at www.barnet.gov.uk/pensions

Cash Balances and Interest on Cash

A cash balance of £52.75 million (£51.87 million in 07/08) was held by the Authority at 31 March 2009. 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

	2008/09	2007/08
Employers	£000	£000
LB Barnet	23,306	21,390
Scheduled bodies	9,239	9,083
Admitted bodies	3,412	2,895
Members		
LB Barnet	6,744	5,809
Scheduled bodies	2,511	2,291
Admitted bodies	838	807
	46,050	42,275

4. Transfers In

	2008/09 £000	2007/08 £000
Individual transfers in from other schemes	3,203	2,156
	3,203	2,156

5. Benefits

	2008/09 £000	2007/08 £000
Pensions	25,364	23,866
Commutations and lump sum payments	5,738	4,502
Lump sum death benefits	518	419
	31,620	28,787

6. Payments to and on Account of Leavers

	2008/09 £000	2007/08 £000
Refunds to members leaving service	1	19
Group transfers to other schemes	346	0
Individual transfers to other schemes	1,935	2,724
	2,282	2,743

7. Administrative Expenses

	2008/09 £000	2007/08 £000
Administration and processing	878	775
Actuarial fees	17	45
Audit fees	5	6
Legal and other professional fees	2	6
	902	832

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

8. Investment Income

	2008/09 £000	2007/08 £000
Income from fixed interest securities	3,129	2,811
Dividend from equities	9,789	9,185
Income from index linked securities	229	234
Income from pooled investments	965	2,879
Income from property unit trusts	1,337	1,857
Interest on cash deposits	3,460	1,827
Other income	422	3,136
	19,331	21,929
Irrecoverable withholding tax	(526)	(471)
Total investment income	18,805	21,458

9. Investments

	Value at 01 April 2008	Purchases at Cost	Sales Proceeds	Change in Market Value	Value at 31 March 2009
	£000	£000	£000	£000	£000
Fixed interest securities	60,488	82,758	(61,153)	(682)	81,411
Equities	289,494	126,795	(112,602)	(75,148)	228,539
Index-linked securities	21,983	20,063	(22,225)	4,447	24,268
Pooled investment vehicles	88,152	43,466	(43,546)	(15,302)	72,770
Derivative contracts	-	-	-	-	-
Properties	34,104	163	(1,839)	(11,320)	21,108
	494,221	273,245	(241,365)	(98,005)	428,096
Cash Deposits	51,870				52,751
	546,091				480,847

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 £351,177 (2007/08: £359,785). 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.

	2008/09	2007/08
	£000	£000
Fixed interest securities		
UK – Government	66,131	41,717
UK - Corporate Bonds	8,728	6,119
Overseas Corporate	0	0
Overseas Government	6,552	12,652
	81,411	60,488
Equities		
UK quoted	125,956	148,656
UK unquoted	0	1,558
Overseas quoted	102,583	139,280
Overseas unquoted	0	0
	228,539	289,494
Index-linked securities		
UK public sector quoted	24,268	20,911
Overseas public sector quoted	0	1,072
	24,268	21,983
Pooled investment Vehicles		
UK Managed funds	8,233	9,359
UK Unit Trusts	64,537	78,793
	72,770	88,152
Property		
UK property unit trusts	21,108	31,673
	0	2,431
	21,108	34,104
Cash Deposits		
Sterling	52,751	51,870
	52,751	51,870

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:

	2008/09	2007/08
	£000	£000
AVC Investments		
Norwich Union	743	687
Prudential	383	426
	1,126	1,113

The fund does not participate in stock lending arrangements.

10. Investment Management Expenses

	2008/09 £000	2007/08 £000
Administration, management and custody	1,908	1,993
Performance Measurement Services	13	16
Other advisory fees	46	563
	1,967	2,572

11. Current Assets

	2008/09 £000	2007/08 £000
Contributions due from employers in respect of		
Employer contributions	842	55
Member contributions	229	14
Accrued income	1,694	3,875
Cash Balances	20	20
	2,785	3,964

12. Current Liabilities

	2008/09 £000	2007/08 £000
Unpaid Benefits	511	0
Unsettled Purchases	763	842
Miscellaneous	122	393
Accrued Expenses	318	185
	1,714	1,420

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

14. Related Party Transactions

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

	2008/09 £000	2007/08 £000
Human Resources	584	522
Accountancy administration	117	163
Payroll Support	175	147
	876	832

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 31st March 2009 as per the requirements of FRS17, use the roll –forward approach together with the following assumptions (the figures in brackets relate to 31st March 2008, and are given for comparison);

Assumption	**Rate**
Assumed price inflation	2.7% (3.6%)
Salary increases	4.2% (5.1%)
Pension increases	2.7% (3.6%)
Discount rate	6.7% (6.9%)

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.

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.

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

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.

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.

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 y ear 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.

Fixed asset restatement account

An account showing the surpluses or deficits on revaluation of fixed assets. This reserve is a device to allow the accounts to balance and is not available for general use in the financing of capital expenditure.

FRS's

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

General fund

The 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.

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.

Non-domestic rate (NDR)

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.

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.

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.