MEETING
AUDIT COMMITTEE
DATE AND TIME
THURSDAY 27TH JULY, 2017
AT 7.00 PM
VENUE
HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BG

Dear Councillors,

Please find enclosed additional papers relating to the following items for the above mentioned meeting which were not available at the time of collation of the agenda.

Item No	Title of Report	Pages
11.	EXTERNAL AUDITOR'S REPORT UNDER INTERNATIONAL STANDARD ON AUDITING (ISA) 260 FOR THE YEAR 2016/17	3 - 146

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AGENDA ITEM 11

	Audit Committee **27 July 2017**
Title	**Statement of Accounts and External Auditor's Audit Findings Report for the year 2016/17**
Report of	Director of Resources - Statutory 151 Officer
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Audit Findings Report Appendix B –Statement of Accounts 2016/17
Officer Contact Details	Gillian Clelland – Assistant Director, CSG Finance Service Gillian.Clelland@barnet.gov.uk 020 8359 5310

Summary

The external audit of the Council's Statement of Account is undertaken by BDO. The attached report at Appendix A provides the findings of BDO to date. BDO anticipate providing an unmodified opinion on the Council's financial statements subject to the clearance of the outstanding matters on page 5 of the findings report

BDO were presented with the draft financial statements on 31 May 2017 and accompanying working papers on 5 June 2017 and recognised that the finance team worked with their audit team effectively throughout the course of the audit to progress testing and respond to audit queries. The accounts must be approved and published by 30 September 2017.

In providing the opinion on the financial statements, BDO are required to reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources (the Value for Money Conclusion). The Audit Findings Report contains matters raised by the auditor and their

recommendations on the issues. Any further update on these items will be given verbally at the meeting. To assist Members in reviewing the external auditor's comments the Statement of Accounts 2016/17 is attached to this report.

Recommendations
1. That the Committee consider the Statement of Accounts 2016/17 and recommend that they be signed by the Chairman and the Director of Resources (Statutory 151 Officer) on behalf of the Council when the audit is complete and the ISA260 report is produced, unless there are any significant unadjusted changes that would affect the true and fair value assessment of the auditors.
2. That the matters raised by the external auditor relating to detailed aspects of the 2016/17 accounts audit be noted.

1. WHY THIS REPORT IS NEEDED

1.1 Under Section 151 Local Government Act 1972- "…every local authority shall make arrangements for the proper administration of their financial affairs. Additionally, in accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the council's accounts and pension fund accounts. The final report of the auditors will be provided at the meeting

2. REASONS FOR RECOMMENDATIONS

2.1 So that the Council can meet its legal obligation to produce audited financial statements.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 None

4. POST DECISION IMPLEMENTATION

4.1 None

5. IMPLICATIONS OF DECISION

5.1 **Corporate Priorities and Performance**
Review of reports made under the International Standard on Auditing (ISA) 260 are an integral part of corporate governance. This is in line with Barnet's Corporate Plan – to make sure Barnet is a place "where services are delivered efficiently to get value for the taxpayer".

5.2 **Resources (Finance & Value for Money, Procurement, Staffing, IT,**

Property, Sustainability)

5.2.1 The Statement of Accounts shows the financial position of the council as at 31 March 2017.

5.3 **Legal and Constitutional References**

5.3.1 Section 151 Local Government Act 1972- "…every local authority shall make arrangements for the proper administration of their financial affairs.

5.3.2 The Council is a public authority that is subject to the audit of its annual accounts by an external auditor. The Local Audit and Accountability Act 2014, Part 5 specifies the 'Conduct of local audit'

5.3.3 Part 9 of the Accounts and Audit Regulations 2015 requires that the statement of accounts must be considered by a committee or full council and approved by a resolution of that body. The accounts must then be signed by the person presiding at the meeting. The section 151 officer must then re-confirm on behalf of the authority that they are satisfied that the statement of accounts presents a true and fair view of the financial position of the authority and its income and expenditure for that year.

5.3.4 The 2015 Regulations also require that the accounts are published by 30 September 2017. From next year the requirement is for publication by 31 July each year, two months earlier than the current statutory deadline.

5.3.5 The International Standard on Auditing (UK and Ireland) 260 deals with the auditor's responsibility to communicate with those charged with governance in an audit of financial statements. A link to the website containing ISA 260 can be found at https://www.frc.org.uk/Our-Work/Publications/Audit-and-Assurance-Team/ISA-%28UK-and-Ireland%29-260-Communication-with-those.pdf

5.3.6 The Council's Constitution, Responsibility for Functions, Annex A - the functions of the Audit Committee are detailed and include "To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council" and "To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts".

5.4 **Risk Management**

5.4.1 A positive external audit opinion on Barnet's Statement of Accounts plays an essential and key role in providing assurance that Barnet's financial risks are managed in an environment of sound stewardship and control.

5.4.2 There are no key risks relating to the production, audit or publishing of the Statement of Accounts identified in the service risk register.

5.5 **Equalities and Diversity**

5.5.1 Accurate financial reporting is important to ensure the management of resources to enable the equitable delivery of services to all members of the community and to reduce the differential impact of the services received by all of Barnet's diverse communities.

5.6 **Consultation and Engagement**

N/A

6. BACKGROUND PAPERS

6.1 None

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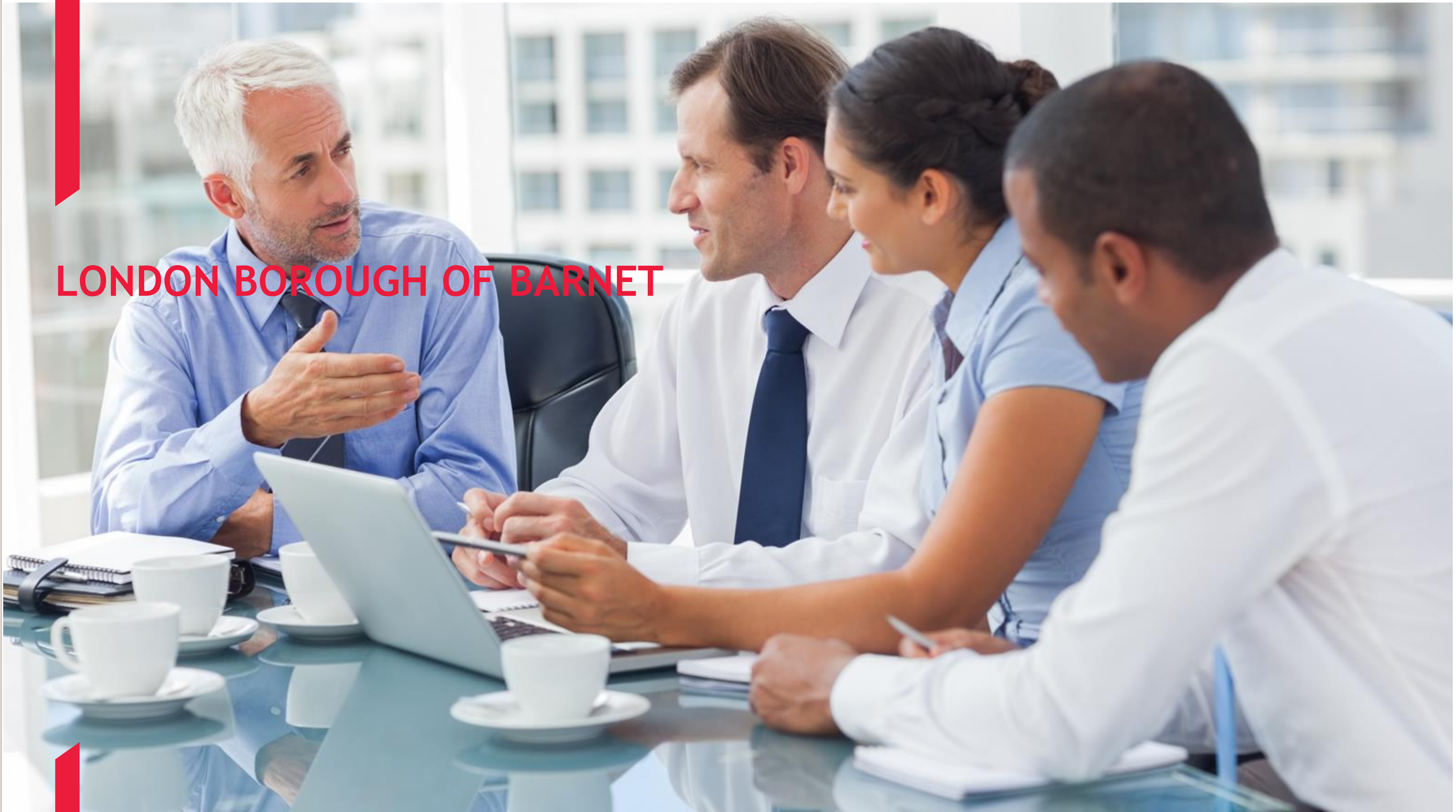


INTERIM AUDIT FINDINGS REPORT

Audit for the year ended 31 March 2017
Issued 25 July 2017

CONTENTS

SUMMARY

AUDIT SCOPE AND OBJECTIVES	
Audit status	We have partially completed our audit procedures in accordance with the planned scope. However, work remains ongoing in a number of areas, as set out on page 5, and this Interim Audit Findings Report reflects key findings to date. We will present an oral update at the Audit Committee for any new issues that arise and we will issue our final Audit Completion Report upon completion of our work and receipt of a revised final Statement of Accounts incorporating all agreed audit adjustments.
Audit risks update	During the course of our audit we have elevated the risk level of three of our audit risks from 'normal' to 'significant'. These are as follows:- • Property, plant and equipment and investment property valuations (page 10) • Pension liability assumptions (page 13) • Changes in presentation of the financial statements (page 16) There are no other changes to the audit risks included within our Audit Plan dated 3 April 2017.
Materiality	Our overall financial statement materiality for the group and Council is £16 million. This has been updated from our Audit Plan to reflect the expenditure amounts in the draft Statement of Accounts.
Changes to audit approach	There were no other significant changes to our planned audit approach nor were any restrictions placed on our audit.

KEY AUDIT AND ACCOUNTING MATTERS	
Material misstatements	Testing completed to date has identified the following material misstatements: • £153 million of internal recharges between departments as both income and expenditure in the CIES in the current year and £309 million in the restated prior year comparative figures (page 16) • Material omissions from the grant income note (page 8). • Public Health grants of £18.054 million were incorrectly classified as non-specific grant income but should be in Public Health income (page 8) • Errors and omissions in the related party transactions note, which is considered material by nature (page 19) • Errors in the exit packages note, which is considered material by nature (page 21).
Unadjusted audit differences	There is one unadjusted audit difference identified by our audit work which if corrected would not impact on the surplus on provision of services. Details are set out at Appendix I. However, as set out within this report, there are a number of areas where our audit work is ongoing. An updated list of unadjusted audit differences will be included within our final Audit Completion Report.
Control environment	Our audit identified no significant deficiencies in internal controls. A number of other deficiencies have been identified as set out at Appendix II.

SUMMARY

KEY MATTERS FROM OUR AUDIT OF USE OF RESOURCES	
Sustainable finances	Our work in this area is ongoing and we will update the Audit Committee at their meeting on 27 July.
Contract management and monitoring	We have identified an additional significant risk to our use of resources opinion in respect of contract management and monitoring. This has arisen as a result of the numerous issues identified by internal audit in 2016/17 and also our own external audit work. Work is ongoing in this area and further detail is provided on page 29.

AUDIT OPINION	
Financial statements	Subject to the successful resolution of outstanding matters set out on page 5, we anticipate issuing an unmodified opinion on the financial statements for the year ended 31 March 2017.
Use of resources	As above, our work on significant risks in ongoing. We will update the Audit Committee at their meeting on 27 July.

OTHER MATTERS FOR THE ATTENTION OF THE AUDIT COMMITTEE	
Whole of Government Accounts	Local authorities' were required to submit the unaudited DCT to HM Treasury and auditors by 7 July 2017. At the time of drafting this report we have not yet received a copy of the draft DCT, and it is our understanding that this has not yet been submitted to HM Treasury.
Audit independence	Our observations on our audit independence and objectivity and related matters are set out in Appendix IV.
Audit certificate	We will issue our audit certificate after we have completed our work on the group financial statements, Pension Fund financial statements, use of resources and Whole of Government Accounts, and after responding to any objections received from local electors. The Audit Committee should note that our audit of the Pension Fund financial statements has been delayed due to a delay in receiving complete financial statements and supporting working papers, and is now scheduled to commence on 7 August.

INTRODUCTION

PURPOSE AND USE OF THIS REPORT

We present our Interim Audit Findings Report to the Audit Committee, which details the key findings arising from the audit to date for the attention of those charged with governance. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process.

As auditors we are responsible for performing our audit in accordance with International Standards on Auditing (UK & Ireland) (ISAs) which provide us with a framework which enables us to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures to date, which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. As the purpose of the audit is for us to express an opinion on the financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

This report has been prepared solely for the use of the Audit Committee. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

This report includes the results of the audit to date. We will issue our final Audit Completion Report upon clearance of the outstanding matters set out on page 5, and receipt of a final agreed Statement of Accounts.

We would like to thank staff for their co-operation and assistance during the audit and throughout the period.

AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcome feedback from external bodies and is committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US firms), the firm undertake a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our latest Transparency Report at www.bdo.co.uk.

OUTSTANDING MATTERS

The following matters remain outstanding at the date of this report:

1. Completion of audit work in a number of areas, including testing of manual journals, investment properties, receivables, provisions, housing revenue account and housing benefit expenditure.

2. Clearance of outstanding issues on the audit tracker currently with the finance team. The most significant of these relate to:
   - Receipt of an updated actuary's report in respect of the net pension liability
   - Review of updated financial instruments note
   - Review by management for transactions with related parties declared, but omitted from original finance working paper

3. Completion of the ongoing review of the audit file by the manager, Partner and Engagement Quality Control Reviewer, and clearance of any points arising.

4. Receipt of outstanding bank and lender confirmations.

5. Receipt of a component auditor return from the auditor of The Barnet Group Ltd.

6. Partner and final technical review of the financial statements and clearance of any points arising.

7. Receipt and checking of final amended financial statements, incorporating any agreed audit adjustments.

8. Subsequent events review.

OUTSTANDING MATTERS

9 Final review and approval by you of the financial statements, including the management representation letter attached in Appendix VI.

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT RISKS

We assessed the following matters as significant audit risks. Since we issued our Audit Plan on 3 April 2017, we have amended the risk from normal risk to significant risk in respect of: property, plant and equipment and investment property valuations; pension liability assumptions; and changes in presentation of the financial statements.

Below we set out how these risks have been addressed and the outcomes of our procedures to date.

Key: ■ Significant risk ■ Normal risk

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
1	Management override of controls	Under ISA 240 there is a presumed significant risk of management override of the system of internal controls in all entities. By its nature, there are no controls in place to mitigate the risk of management override.	We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.	We have used data analytics software to review the Council's general ledger, in order to focus our testing of journals on higher risk areas. Our detailed testing of a sample of journals is still in progress, although work to date has not identified any significant issues.
			We reviewed significant accounting estimates for biases and evaluating whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud.	We have not found any indication of management bias in accounting estimates. Our views on significant management estimates are set out in this report.
			We obtained an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual.	We have identified no significant or unusual transactions to date which we consider to be indicative of fraud in relation to management override of controls.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
2	Revenue recognition	Under Auditing Standards there is a presumption that income recognition presents a fraud risk. For local authorities, the risks can be identified as affecting the existence of income. In particular, we considered there to be a significant risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance conditions before these may be recognised as revenue in the Comprehensive Income and Expenditure Statement (CIES). We also considered there to be a significant risk in relation to the existence of fees and charges income recorded in the CIES.	We tested a sample of grants subject to performance conditions to confirm that conditions of the grant have been met before the income is recognised in the CIES.	The first draft accounts included public health grant income of £18.054 million incorrectly classified within taxation and non-specific grant income in the CIES, when it should have been included within the Public Health line above deficit on continuing operations. There were significant omissions within the first draft grant income disclosure note, for example the housing benefit subsidy grant which is material by value, although we are satisfied that the correct amounts had been recognised as income within the CIES. Management has agreed to correct the above errors, and provided updated accounts on 18 July, which we are in the process of reviewing. In addition, we have identified that Community Infrastructure Levy (CIL) income is being recognised when cash is received, not at the point that a chargeable development commences, as required by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The correct treatment would generally result in income being recognised earlier. The finance team is currently undertaking an exercise to quantify any understatement of income.

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
Revenue recognition (continued)		We tested a sample of fees and charges income to ensure income has been recorded in the correct period and that all income that has been recorded should have been recorded.	Our testing of fees and charges income is substantially complete and we have not identified any significant issues to date. We did find one payment of £7,000 which had been incorrectly accounted for as a reduction to income, rather than expenditure. Although this amount is trivial, a review of the Council's ledger identified purchase ledger transactions totalling £1.073 million which have been recorded against income codes, and could be similarly misclassified. The finance team is currently undertaking a review of these transactions to quantify the extent of any error arising.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
3	**Property, plant and equipment and investment property valuations**	Local authorities are required to ensure that the carrying value of land, buildings, dwellings and investment properties is not materially different to existing use value for operational assets, or fair value for surplus assets and investment properties at the balance sheet date. The Council applies an annual revaluation process which is determined through consultation between the finance team and Principal Valuation Manager. High value properties, and those which are expected to be subject to significant valuation movements, are revalued on an annual basis. This covers approximately 90% of properties by value. Other properties are revalued on a rolling 5-yearly basis. There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at year-end. *(This has been increased from a normal risk to a significant risk due to volatility and uncertainty over market prices in the year)*	We reviewed the instructions provided to the valuer and reviewed the valuer's skills and expertise in order to determine if we can rely on the management expert. We assessed whether the basis of valuation for assets valued in year is appropriate based on their usage, and whether an instant build modern equivalent asset basis has been used for assets valued at depreciated replacement cost. We reviewed valuation movements against indices of price movements for similar classes of assets and followed up valuation movements that appeared unusual.	We have gained sufficient assurance over the independence, objectivity and competence of the Council's valuation team, and therefore can rely upon their work in valuing the Council's property assets. In addition, we note that there is a robust review and challenge process in place within the finance team which provides further assurance. We have reviewed a sample of in-year revaluations and we are satisfied that the valuation bases used are appropriate. We have challenged the valuer in respect of a number of property valuation movements which appeared unusual in comparison to general indices, and some of this work is still ongoing. Further information about our assessment of the estimates applied can be found on the following page.

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES		
Property, plant and equipment and investment property valuations		
ESTIMATE	**COMMENT**	**AUDIT CONCLUSION**
Operational land and buildings are valued by reference to existing use market values Dwellings are valued by reference to open market value less a social housing discount Investment properties and surplus land and buildings are valued by reference to fair value for highest and best use Some specialist buildings (for example schools) are valued at depreciated replacement cost for a modern equivalent asset	For Council dwellings, a flat rate of 5.0% increase in valuations has been applied to each property for 2016/17 (giving a total revaluation gain of £27.2 million after accounting for stock movements). We have compared this to a range of national house price indices, which show increases of between 2.8% and 4.2% over the same period. However, Land Registry data for the Barnet local authority area shows an increase in house prices over the period of 8.0%. Management have explained that the 8.0% increase relates primarily to private sales of non-social housing, and that in the view of the valuer this increase will not be replicated within the Council's social housing stock. We are currently carrying out further work to evaluate this explanation. Council owned schools are valued at depreciated replacement cost on the basis of government guidance on the required floor area per pupil for different types of school. It is noted that the Council applies the maximum recommended floor area per pupil which is allowed by the government guidelines, which will result in valuations towards the top end of the range. The rationale for this is that schools constructed by the Council in recent years have been built to a high specification. This year, the Council has recognised a valuation decrease of 2.7% (£5.5 million) in respect of its schools' land and buildings, which is primarily as a result of a fall in pupil numbers of 2.4%. Building costs per square metre have been held at their prior year levels, compared to an increase in the BCIS All-In Tender Price index of 2.2% (between April 2015 and April 2016, which is the effective date of valuation). We are currently undertaking an exercise to benchmark the build costs used against other authorities, before concluding on the appropriateness of the estimates applied. Investment properties have seen an overall increase in valuation of 0.3% (£0.4 million) in year. However, this overall increase incorporates significant downwards revaluations totalling £6.5 million on three individual properties (Mill Hill Depot, and two sites relating to the Brent Cross redevelopment). Our review of a sample of investment property valuations and challenge of the assumptions used is ongoing. Surplus assets have seen a significant overall revaluation increase of 37.7% (£9.4 million). Of this, £7.4 million relates to two properties: the first is in the Burnt Oak development area, and the second is in the Brent Cross regeneration area. Both properties have been revalued in year on the basis of their future development potential.	**TBC**

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES		
Property, plant and equipment and investment property valuations		
ESTIMATE	COMMENT	AUDIT CONCLUSION
Continued	Other land and buildings have been revalued upwards by a total of 2.3% (£3.4 million). IPD regional capital growth indices (for buildings) show regional increases of 2.7% for retail, 10.5% for office, and 12.7% for industrial, for the period Q1 2015 to Q1 2016 (as the effective date of the Council's valuations is 1 April 2016). However, research conducted by Knight Frank shows that land values within the region (based upon residential development land) have decreased by 1.8% over the same period. We have tested a sample of properties, and challenged the valuer where individual movements appear unusual, and we are satisfied that overall the Council's valuations fall within a reasonable range.	

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
4	Pension liability assumptions	The net pension liability comprises the group and Council's share of the market value of assets held in the pension fund and the estimated future liability to pay pensions. An actuarial estimate of the liability is calculated by an independent firm of actuaries. The Council has appointed new actuaries, Hymans Robertson, for 2016/17. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. At the planning stage it was our understanding that the actuary was likely to take a more prudent assessment of future assumptions that would increase the pension liabilities. We identified a risk that the valuation would not be based on accurate membership data or would use inappropriate assumptions to value the liability. *(This has been increased from a normal risk to a significant risk following a review of the draft accounts which showed a larger decrease in the net pension liability)*	As the auditors of the Pension Fund, we will review the controls for providing accurate membership data to the actuary.	Our work in respect of controls over providing accurate membership data to the actuary is still ongoing, and has been affected by significant delays to our audit of the Pension Fund. As such, we are not yet in a position to conclude on this risk. In addition, we note that the actuary has based his estimate of fund assets upon index returns, as the authority has not provided actual investment return information. If actual investment returns were to differ significantly from the index returns used, the asset value and thus the net pension liability could be materially misstated. Again, we are not yet in a position to conclude upon this due to significant delays to our audit of the Pension Fund. However, our preliminary review of the draft Pension Fund accounts indicates that the net liability is likely to be materially understated. Management has contacted the actuary to request an updated report.
			We reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data. This included review of the PwC consulting actuary report commissioned by the NAO on behalf of all local authority auditors for the review of the methodology of the actuary and reasonableness of the assumptions.	We consider that the assumptions and methodology used by the Council's actuary are appropriate, and will result in an estimate of the net pension liability which falls within a reasonable range. Further details are provided on the following page. However, we did identify issues in respect of the draft pensions disclosure note, in that disclosures relating to the LGPS and Teachers' Pension Scheme (TPS) had been combined. This is incorrect, since the accounting requirements for the two schemes are very different (in that the TPS is accounted for as a defined contribution scheme). Management has agreed to separate the notes and correct the disclosures in the final accounts.

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
Pension liability assumptions (continued)			We note that the gross pension liability of the Council has increased by £147 million, from £1.030 billion to £1.177 billion. This is principally due to the reduction in the discount rate used to value future liabilities (from 3.5% to 2.5%) along with a slightly higher increase in future pension increases (from 2.3% to 2.4%). Offsetting this increase is a reduction in mortality years applied to current and future pensioners and a lower increase rate for salaries (from 4.1% to 2.4%).

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES

Gross pension liability assumptions

ESTIMATE

The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows

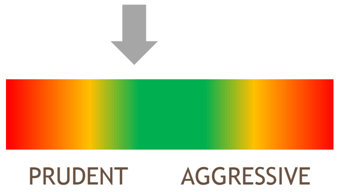
HOW RISK WAS ADDRESSED BY OUR AUDIT

The actuary has used the following assumptions (actual used below) to value to future pension liability:

	Actual used	Acceptable range (PwC report)	Assessment of assumption against expectations
RPI increase	3.4%	3.4%	Reasonable
CPI increase	2.4%	2.4%	Reasonable
Salary increase	2.7%	--	Employer specific – appears reasonable in context of CPI/RPI
Pension increase	2.4%	2.4%	Reasonable
Discount rate	2.5%	2.5-2.7%	Lower end of range
Mortality:			
Retiring today			
- Male	21.9 years	21.5-22.8	Reasonable
- Female	24.3 years	24.1-25.1	Reasonable
Retiring in 20 years			
- Male	23.9 years	23.7-24.4	Reasonable
- Female	26.5 years	26.2-26.9	Reasonable
Commutation rate :			
Pre-April 2008	50%	25%-75%	Reasonable
Post-April 2008	50%	25%-75%	Reasonable

All of the assumptions used fall within the reasonable range for the actuary as per the PwC consulting actuary report. We note that the use of a discount rate at the bottom of the expected range is likely to result in an estimate of net liability which is slightly on the prudent side, although combined with the mortality estimates which tend towards the lower end for life expectancy, we are satisfied that overall the estimate falls within a reasonable range.

AUDIT CONCLUSION



KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
5	**Changes in presentation of the financial statements**	The Code requires a change to the presentation of some areas of the financial statements this year. This includes: • Change to the format of the Comprehensive Income and Expenditure Statement (CIES) • Change to the format of the Movement in Reserves Statement (MIRS) • New Expenditure and Funding Analysis (EFA) note • Change to the Segmental Reporting note • New Expenditure and Income analysis note This requires a restatement of the 2015/16 CIES. We identified a risk that these presentational changes would not be correctly applied in the financial statements. *(This has been increased from a normal risk to a significant risk following a review of the draft accounts which included a number of unexpected differences relating to these changes.)*	We reviewed the draft financial statements and checked these against the CIPFA Disclosure Checklist and whether the analysis by service in the CIES is consistent with the internal reporting within the Council. We reviewed the restatement of the comparative 2015/16 information to ensure that this was presented consistently with the current year basis.	We are satisfied that the new format and structure of the CIES is appropriate, and consistent with internal reporting to the Policy and Resources Committee, which is deemed to fulfil the role of Chief Operating Decision Maker for the Council. We found a number of errors were made in the restatement of the prior year CIES into the new format in the draft accounts, which resulted in both income and expenditure being grossed up by £332 million. There was no overall impact on the net surplus on provision of services. It has taken significant effort by the finance team to identify the causes of these errors, so that they can be corrected. This is in part due to the Council's highly complex ledger structure and chart of accounts, and the resulting high level of manual intervention which is required during the accounts preparation process. The finance team has now presented a revised version of the prior year CIES which has reduced income and expenditure by £309 million from the first draft. We have been informed that the remaining difference of £23 million from the prior year accounts relates to prior year errors to be corrected by way of retrospective restatement. As such, a prior period adjustment note will need to be included within the final accounts. Due to the issues identified with the prior year restatement, we also asked the finance team to revisit the current year CIES. Similar grossing up errors were found totalling £153 million.

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
Changes in presentation of the financial statements (continued)			In addition, we found that the Expenditure and Funding Analysis note presented within the draft financial statements did not follow the format required by the Code. In light of the number and value of errors found, our detailed audit testing is ongoing. In particular, work is ongoing to review the revised statements provided by the finance team on 18 July, and there are still outstanding issues to resolve in respect of the treatment of material adjustments relating to capital reserves, and other non-trivial adjustments which have not yet been substantiated. In addition, given the level of misstatement in the current year accounts, and evidence of netting errors in the prior year accounts, we have recognised a control deficiency in respect of the Council's accounts preparation process (see recommendation in Appendix II).

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
6	Allowances for non-collection of receivables	The Council recognises a significant allowance for the non-collection of receivables, primarily in respect of council tax arrears, NDR arrears, housing benefit overpayments, housing rents arrears and parking charges. The Council assesses each type of receivable separately in determining how much to allow. There is a risk over the valuation of this allowance if incorrect assumptions or source data are used, or an inappropriate methodology is applied.	We will review the provision model for significant income streams and debtor balances to assess whether it appropriately reflects historical collection rates by age of debt or arrears.	This work is ongoing at the time of drafting this report.

SIGNIFICANT ACCOUNTING ESTIMATES

ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT CONCLUSION
Estimate of future write-off for uncollectable debt	This work is in progress.	TBC

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
7	Consideration of related party transactions	We consider if the disclosures in the financial statements concerning related party transactions are complete and accurate, and in line with the requirements of the accounting standards.	We reviewed the related party transactions identification procedures in place and relevant information concerning any such identified transactions. We also carried out Companies House searches for undisclosed interests. We discussed with management and reviewed Member and senior officer declarations to ensure there are no potential related party transactions which have not been disclosed.	At the time of drafting this report, annual related party declarations have not been received from 7 current Members of the Council. We consider this to be a poor response rate as compared to other authorities, and accordingly have recognised a deficiency in internal control (see recommendation in Appendix II). From our work completed to date, we have identified no evidence of undisclosed related party transactions within the draft accounts. However, we have identified the following disclosure errors in the draft related party transactions note:- • Outstanding balances to and from The Barnet Group Ltd are not consistent with the consolidation schedules used to prepare the group accounts. As such, the creditor balance is understated by £5.989 million, and the debtor balance is understated by £3.231 million • There is no disclosure of the total level of transactions between the Council and its subsidiaries • The balance of investments held with other local authorities has not been updated with the current year figure. Management has agreed to correct these errors in the final accounts. We also identified that not all declared related parties had been included on the finance team's analysis of related party transactions, which raises the possibility that there may be undisclosed transactions with these bodies.

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
Consideration of related party transactions (continued)			The finance team is currently undertaking an exercise to identify any such transactions, and a recommendation has been raised in respect of this process (see recommendation in Appendix II).

KEY AUDIT AND ACCOUNTING MATTERS

OTHER ISSUES

We comment below on other issues identified in the course of our audit, of which we believe you should be aware:

	AUDIT AREA	AUDIT FINDINGS
8	**Exit package disclosures**	During our interim audit visit, we identified payments totalling £23,000 made during 2016/17 in relation to two exit packages which had been agreed during 2015/16. In accordance with Code requirements, these should have been included within the 2015/16 exit packages disclosure note, but were not. As a result of this, we requested that the finance team carry out an exercise to identify any similar exit packages which should have been disclosed in the prior year, and also carry out an additional exercise at year-end to consider payments in the first 3 months of 2017/18, which may be indicative of exit packages agreed in 2016/17 which need to be disclosed. The exit packages note within the first draft accounts did not agree to the underlying supporting working papers, and the finance team have confirmed that the draft note was incorrect. We have now received updated working papers, however these are once again based upon payments made during the year per payroll, and do not consider whether there are exit packages which have been agreed but not paid at year-end. We received a further updated note on 19 July and we are in the process of reviewing this.
9	**Investment classification**	One investment balance with another local authority (£5.053 million including accrued interest) has been incorrectly classified within long-term investments, when it should have been classified within short-term investments as it matures within 12 months of the balance sheet date. Management has agreed to correct this error in the final accounts.
10	**Credit balances on receivables ledger**	Our review of the Council's receivables ledger has identified credit balances totalling approximately £1.613 million which should be reclassified to payables. We are waiting for management to inform us whether or not it will adjust the final accounts in respect of this error. In the meantime, we have included this as an unadjusted error at Appendix I.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	AUDIT FINDINGS
11	**Immaterial disclosures**	The draft accounts include a number of immaterial or surplus disclosure notes, as follows: • Heritage assets • Intangible assets • Inventories • Construction contracts • Assets held for sale • Usable reserves (refers directly to MIRS) • Acquired and discontinued operations • Impairment losses We recommend that these notes are removed to improve clarity for the user of the accounts. In addition, the accounting policies note includes policies relating to inventories, assets held for sale, intangibles, contingent assets, and the Carbon Reduction Scheme which should be removed on materiality grounds.
12	**Other disclosure issues**	We have identified a number of other disclosure issues within the draft accounts to date, the most significant of which are as follows: • Property, plant and equipment note did not include an analysis of balances by revaluation date, as required by the Code • Further analysis or explanation was required of material ‘other receipts from investing activities’ within the notes to the Cash Flow Statement • Further analysis of explanation was required of material ‘other earmarked reserves’ • Further analysis was required of receipts in advance and payments in advance by counter-party type • There were a number of disclosure issues and errors within the financial instrument notes, which we are still reviewing in detail • Auditors’ remuneration was incorrectly stated • Movement on the HRA Statement did not match the format required by the Code • Various other minor rounding, casting or consistency errors which have been communicated to management. We are currently in the process of reviewing the revised draft accounts provided by management, to assess the extent to which the issues raised have been addressed.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	AUDIT FINDINGS
13	**CSG prepayment**	As at 31 March 2017, the Council has a prepayment balance of £44.7 million in respect of its Customer and Support Group (CSG) contract. This contract covers a number of frontline and back office services including finance, ICT, HR, customer services, revenues and benefits, procurement, estates, and corporate programmes. As this is a significant prepayment, we challenged management with regard to its basis. Of the prepayment amount, £21.4 million is in accordance with the payment profile set out in the contract, whereby significant payments were made at the start of the contract (and in subsequent years) to cover capital investment and transformational expenditure. A further £3.7 million relates to services paid for prior to the commencement of the contract, but delivered over the contract life. The financial profile of the contract anticipates these amounts being utilised by the end of the 2022/23 financial year. A further payment of £19.1 million was made in December 2016 in respect of service charge payments relating to the first three quarters of 2017/18. This payment was made in advance of the originally agreed profile, on the basis that the Council was offered a discount of approximately £0.5 million in the following financial year. A similar prepayment of £1.9 million was made to the same supplier in respect of other projects which the Council had committed to fund. The prepayment was endorsed by the Performance and Contract Management Committee, following a report by a Member-led Working Group. In forming its recommendations, the Group considered the risk of supplier failure (which was deemed to be highly unlikely), contract withdrawal by the supplier, and the Council's ability to issue service improvement notices or apply service credits in year (which it concluded was not impinged). We are therefore satisfied that the decision has been subject to an appropriate degree of scrutiny, and management confirm that this transaction presented value for money.

OTHER REPORTING MATTERS

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

	MATTER	COMMENT
1	The draft financial statements, within the Statement of Accounts, was prepared and provided to us for audit on 31 May 2017.	As set out elsewhere within this report, we have identified a number of errors within the first draft financial statements, many of which were material. We received an updated set of accounts on 18 July, and we are currently in the process of reviewing these.
2	We are required to review the draft Annual Governance Statement and be satisfied that it is not inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Councils review of effectiveness and our knowledge of the Council.	We received a copy of the draft Annual Governance Statement on 19 July, and our review is ongoing. We will provide an update to the Audit Committee at its meeting on 27 July.
3	We are required to read all the financial and non-financial information in the Narrative Report to the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.	As a result of the significant issues identified within the draft CIES and EFA (see page 16), we did not commence our review of the Narrative Report until receipt of the updated accounts on 18 July, and this work is ongoing. We will provide an update to the Audit Committee at its meeting on 27 July.

CONTROL ENVIRONMENT

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

As the purpose of the audit is for us to express an opinion on the Council's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We note that the Council's internal audit function has issued a number of observations and recommendations on the Council's control environment during 2016/17. We have not repeated these recommendations in this report unless we consider them to highlight significant deficiencies in control which we are required to report to you.

Our audit has identified no significant deficiencies in internal control. Other deficiencies have been discussed with management and are included in the action plan at Appendix II.

WHOLE OF GOVERNMENT ACCOUNTS

We comment below on other reporting required:

	MATTER	COMMENT
1	For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Authority for use by the Department of Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level. This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.	Local authorities' were required to submit the unaudited DCT to HM Treasury and auditors by 7 July 2017. At the time of drafting this report we have not yet received a copy of the draft DCT, and it is our understanding that this has not yet been submitted to HM Treasury. We will complete our review of the DCT after we have completed our audit of the Council's financial statements. We will aim to issue our opinion on the consistency of the DCT return with the audited financial statements before the 30 September 2017 statutory deadline, subject to timely receipt of the draft DCT and supporting working papers.

USE OF RESOURCES

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money). This is based on the following reporting criterion:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

We reported our risk assessment, which included use of resources significant risks, in the 2016/17 audit plan issued in 18 April 2017. We have since undertaken a more detailed assessment of risk following our completion of the interim review of financial controls and review of the draft financial statements, and we have included one additional significant risk relating to contract management and monitoring (see page 29).

We report below our findings of the work designed to address these significant risks and any other relevant use of resources work undertaken.

Key: ■ Significant risk

USE OF RESOURCES

RISK AREA		RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
1	Sustainable finances	In 2016/17, the Council has reported an overspend on services against budget of £8.3 million. The majority of this relates to adults and communities (£5.4 million) and housing needs and resources (£1.8 million), as a result of sustained demand pressures in these areas. During the year, the Council has seen a reduction in its General Fund and earmarked reserves balances (combined) of £18.5 million. The Medium Term Financial Strategy (MTFS) was updated in March 2017 and now forecasts a budget gap prior to identified savings of £53.9 million over the 3 year period from 2017/18 to 2019/20. The Council has fully identified savings plans in order to address this budget gap. However, the savings targets remain significant and achievement of these will be inherently challenging, as evidenced by the overspend in 2016/17. Ahead of 2020, the MTFS and Council Plan will be subject to fundamental review as continued support from reserves will not be viable.	Our work in this area is ongoing, and we will update the Audit Committee at their meeting on 27 July.

USE OF RESOURCES

RISK AREA		RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
2	Contract management and monitoring	The Council relies heavily on external contractors for the provision of a large number of its frontline and back office services. Some of these contractors are completely separate private sector organisations, whilst others are wholly or partly controlled by the Council, despite being separate legal entities. The vast majority of the Council's services are now delivered through one of these outsourcing arrangements. In order to continue to make informed decisions and manage risk in an appropriate way within such an environment, it is important to establish strong contract management and monitoring controls. Such controls should allow the Council to monitor the operational performance of its main contractors, compliance with agreed service standards, and any risks to the Council arising from the contractor's work. They also allow the Council to ascertain whether or not it is receiving value for money from the use of its contractors, and to take remedial action where issues are identified. During the course of 2016/17 we have noted a number of internal audit reports which have raised significant findings in this area. In addition, further concerns have been identified through our own audit work. As such, we have recognised a significant risk to our use of resources opinion.	We are in the process of carrying out additional work in this area before we are able to conclude upon whether there is any impact on our use of resources opinion.

APPENDICES

APPENDIX I: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Audit Committee is required to consider. This includes audit differences that have been corrected by management, and those that remain uncorrected along with the effect that they have individually, and in aggregate, on the financial statements.

ADJUSTED AUDIT DIFFERENCES

We have identified a number of material misstatements within the first draft Statement of Accounts presented for audit, as set out within this report. These include:

- £153 million of internal recharges between departments as both income and expenditure in the CIES in the current year and £309 million in the restated prior year comparative figures (page 16)
- Material omissions from the grant income note (page 8).
- Public Health grants of £18.054 million were incorrectly classified as non-specific grant income but should be in Public Health income (page 8).
- Errors and omissions in the related party transactions note, which is considered material by nature (page 19).
- Errors in the exit packages note, which is considered material by nature (page 21).

Management has agreed to correct the above errors in the final Statement of Accounts.

In addition, other non-trivial adjusted audit differences have been set out in the main body of this report.

UNADJUSTED AUDIT DIFFERENCES

There is one unadjusted audit difference identified by our audit work which if corrected would not impact on the surplus on provision of services. You consider this identified misstatement to be immaterial in the context of the financial statements taken as a whole. We concur with this judgement however we also request that you correct it even though not material.

However, as set out within this report, there are a number of areas where our audit work is ongoing. An updated list of unadjusted audit differences will be included within our final Audit Completion Report.

APPENDIX I: AUDIT DIFFERENCES

		INCOME AND EXPENDITURE		BALANCE SHEET	
		DR	CR	DR	CR
	£'000	£'000	£'000	£'000	£'000
Surplus on provision of services before adjustments	**3,842**				
DR Short term debtors				1,613	
CR Short term creditors					(1,613)
(1) Impact of credit balances on the receivables ledger	-				
TOTAL UNADJUSTED AUDIT DIFFERENCES	**-**	**-**	**-**	**1,613**	**(1,613)**
Deficit on provision of services if adjustments accounted for	**3,842**				

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

Key: ■ Significant deficiency in internal control ■ Other deficiency in internal control ■ Other observations

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
STATEMENT OF ACCOUNTS					
Accounts preparation process	The first draft accounts presented for audit included material 'grossing up' errors whereby both income and expenditure for both the current and prior years was materially overstated. In addition, management has confirmed that there were material 'netting off' errors in the prior year financial statements such that income and expenditure were understated by £23 million. We have also identified several classification errors within the current year draft accounts. Whilst these errors have arisen partly as a result of the changes to the format of the CIES this year, it is also our view that the Council's ledger structure and chart of accounts is too complex, and the level of manual intervention and off-ledger adjustments required presents a risk to the accuracy of the financial statements.	We recommend that management conducts a detailed review with a view to determining whether there is scope to simplify the current ledger structure and accounts preparation process, particularly around the level of manual intervention and off-ledger adjustments required in the preparation of the CIES. Where off-ledger adjustments are required, the process should be clearly documented in advance of year-end, with explanations of each adjustment required. This will reduce the risk of error or omission during the accounts preparation phase. Off-ledger adjustments should be subject to a documented review and authorisation process which mirrors that required for journals posted within Integra.			
Related party declaration process	At the time of drafting this report, related party declaration forms have not been received by a number of Members and senior officers who are required to complete them. The poses a risk that related party transactions may not be identified, and may therefore be undisclosed within the financial statements. We note that attempts have been made by officers to chase the outstanding declarations but with no success.	We recommend that a process is put into place whereby there is appropriate Member oversight of the process (for example through the Audit Committee), in an attempt to improve compliance rates.			

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
Related party transaction controls	We identified that not all declared related parties had been included on the finance team's analysis of related party transactions, which increases the risk of undisclosed related party transactions.	We recommend that a control is put into place to check that all declared related parties have been included within the finance team's analysis at year-end.			
Exit packages	Our review of the draft exit packages disclosure note identified that this had been prepared on the basis of payments made during the year, rather than exit packages agreed in the year as required by the Code. The note was therefore misstated.	We recommend that a control is put into place as part of the year-end process to ensure that any exit packages which have been agreed in year but paid in the following year are identified and reported.			
Bank reconciliations	The year-end bank reconciliations which were first provided to us contained a number of errors, and did not reconcile. We have now been provided with satisfactory reconciliations. However, discussions with the finance team have confirmed that reconciliations have not always been prepared and reviewed on a timely basis throughout the year. This increases the risk that errors or fraud relating to the Council's bank accounts may not be detected in a timely way, and this may result in financial loss to the Council.	We recommend that a monitoring process is put into place to ensure that all control account reconciliations (including bank reconciliations) are prepared and reviewed at an appropriate level on a timely basis throughout the year.			

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
High level oversight of financial controls	Throughout our audit, we noted that many of the control activities which provide assurance over the completeness and accuracy of the Statement of Accounts take place outside of the finance team, for example within payroll, adults and communities, revenues and benefits or IT teams. This includes key controls around the initiation of material income and expenditure streams, and the interfacing of financial information between feeder systems and Integra. This in itself is not unusual within a large and complex organisation such as the Council. However, we do have some concerns about a lack of high level understanding and oversight of the complete control framework, and how this provides management with the required level of assurance that the internal control system, as a whole, is suitable for the Council's needs.	We recommend that management conducts a review and assessment of the overall internal control system. Process notes and/or system diagrams should be drawn up for key transaction streams, setting out the key control activities in each place, who has responsibility for their operation, and how their effectiveness is monitored.			

APPENDIX III: MATERIALITY

MATERIALITY - FINAL AND PLANNING	FINAL	PLANNING
Group materiality	£16,000,000	£14,300,000
Significant components: • London Borough of Barnet	£16,000,000	£14,300,000
Non-significant components: • The Barnet Group Ltd [100% subsidiary] and its subsidiaries - Barnet Homes Ltd - Your Choice (Barnet) Ltd - TBG Flex Ltd - Opendoor Homes Ltd	£5,000,000	£5,000,000
Immaterial components excluded from the Group financial statements: • Barnet Holdings Ltd • BXS LLP • Hill Green Homes Ltd	-	-
Immaterial joint ventures that are not adjusted for equity accounting in the Group financial statements: • Regional Enterprise Ltd [49% joint venture via Barnet Holdings Ltd] • The Inglis Consortium LLP [13.9% joint venture] • BXS GP Ltd [50% joint venture via BXS LLP]	-	-

APPENDIX III: MATERIALITY

MATERIALITY – FINAL AND PLANNING (continued)
Planning materiality for the group and the Council was based on 1.5 % of gross expenditure based upon the prior year group financial statements. We revised our materiality upwards upon receipt of the draft financial statements, due to an increase in expenditure this year. Component materiality is set for those entities where component auditors perform an audit or a review for the purposes of the group audit. The local materiality applied for the statutory audit of the component financial statements, where required, cannot exceed the component materiality and is likely to be lower than the component materiality set as part of the group audit. We understand that the component auditor has agreed materiality at a level significantly below our component materiality level. The final clearly trivial threshold for the group and the Council has been set at £320,000, based upon 2% of the materiality level of the group.

APPENDIX IV: INDEPENDENCE

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired. These policies include engagement lead and manager rotation, for which rotation is required after 5 years and 10 years respectively.

INDEPENDENCE - ENGAGEMENT TEAM ROTATION	
Senior team members	Number of years involved
LEIGH LLOYD-THOMAS – Audit engagement lead	2
JODY ETHERINGTON – Audit manager	2

We are not aware of any financial, business, employment or personal relationships between the audit team, BDO and the group and we have not identified any potential threats to our independence as auditors.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

APPENDIX V: FEES SCHEDULE

	2016/17 FINAL PROPOSED £	2016/17 PLANNED £	2015/16 FINAL £	EXPLANATION FOR VARIANCES
Code audit fee	170,025 (1)	170,025	170,025 (1)	N/A
Certification fee (Housing benefits subsidy)	20,310	20,310	21,617 (2)	N/A
TOTAL CODE AUDIT AND CERTIFICATION FEES	**190,335**	**190,335**	**191,642**	
Audit related services:				
• Pooling of Housing Capital Receipts certification fee	2,750	2,750	2,750	N/A
• Teachers' Pension certification fee	5,000	5,000	5,000	N/A
Fees for non-audit services	-	-	-	N/A
OTHER ASSURANCE SERVICES	**7,750**	**7,750**	**7,750**	
TOTAL ASSURANCE SERVICES	**198,085**	**198,085**	**199,392**	

(1) The Code audit fee quoted is as per the scale fee set by Public Sector Audit Appointments Ltd (PSAA). A fee variation is yet to be agreed in respect of additional work carried out in relation to objections to the accounts received from local electors in 2015/16 and 2016/17.

(2) The fee for the 2015/16 housing benefits subsidy claim does not yet include a fee variation to be agreed in respect of additional work requested in response to correspondence from the Department of Work and Pensions.

APPENDIX VI: DRAFT REPRESENTATION LETTER

TO BE TYPED ON CLIENT HEADED NOTEPAPER
BDO LLP
55 Baker Street
London
WIU 7EU

[XX] September 2017

Dear Sirs

Financial statements of the London Borough of Barnet for the year ended 31 March 2017

We confirm that the following representations given to you in connection with your audit of the Council's financial statements (the 'financial statements') for the year ended 31 March 2017 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and Members of the Council.

The Director of Resources has fulfilled her responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies: local government issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2017 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code') and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

APPENDIX V: DRAFT REPRESENTATION LETTER

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with international financial reporting standards and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving Councillors, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

We have disclosed to you all allegations of fraud or suspected fraud affecting the financial statements that have been communicated by Councillors, employees, former employees, analysts, regulators or any other party.

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- Rate of inflation (CPI): 2.4%
- Rate of increase in salaries: 2.7%
- Rate of increase in pensions: 2.4%
- Rate of discounting scheme liabilities: 2.5%
- LGPS commutation take up option: 50%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

b) Valuation of housing stock, other land and buildings and investment properties

We are satisfied that the useful economic lives of the housing stock and other land and buildings, and their constituent components, used in the valuation of the housing stock and other land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to council dwellings and other land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

We are satisfied that investment properties have been appropriately assessed as level 2 on the fair value hierarchy for valuation purposes and valued at fair value, based on highest and best use.

APPENDIX VI: DRAFT REPRESENTATION LETTER

c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for council tax arrears, NDR arrears, housing benefit overpayments, housing rent arrears and parking charges are reasonable, based on collection rate data.

We consider that the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

We confirm that the above representations are made on the basis of enquiries of Councillors, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Anisa Darr
Director of Resources
XX September 2017

Cllr Hugh Rayner
Chair
Signed on behalf of the Audit Committee
XX September 2017

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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Statement of Accounts

for the year ended

31 March 2017

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Narrative Report

An Introduction to the Statement of Accounts

The Statement of Accounts for the London Borough of Barnet provides a picture of the council's financial position at 31 March 2017 and a summary of its income and expenditure in 2016/17. It is, in parts, a complex document which is prepared in accordance with legislation and accounting guidance which ensures that the accounts of all Government funded bodies provide comparable and consistent information.

The Accounts are approved by the Audit Committee and the Independent Auditor's Report to the Members of the London Borough of Barnet confirms whether the accounts provide a true and fair view of the council's financial position.

The accounts are published in full on the council's website at: http://www.barnet.gov.uk.

Medium Term Financial Strategy and 2016/17 Budget Setting

The setting of the budget for 2016/17 had to take into account national economic factors, for example assumed reductions in government funding and inflation increases, along with local factors such as the housing trajectory and population and demand pressures on services. A budget gap estimated to be £81.1m for the period 2016 to 2020 had been identified during a review of the Medium Term Financial Strategy (MTFS) in July 2015. The previous five years had also seen a period of significant challenge for the council, but one it had risen to, having successfully saved £75 million while limiting impacts on front line services and maintaining resident satisfaction.

There were changes to the way the Revenue Support Grant (RSG) was calculated including factoring in the level of council tax each borough could raise. This change meant that grant allocations were increased for boroughs with a lower council tax base but did not take into consideration population or the increase in deprivation in outer London boroughs. Nor did it take into account historical underfunding of outer London boroughs or the demographic changes in London over the last decade. Barnet has a large council tax base, however it also has the largest population in London and the change in the RSG calculation, which was not well communicated, impacted negatively on Barnet.

The Council's grant reduction in 2016/17 was 32%, which was £5.5m worse than had been forecast. In order to mitigate the impact of this on the savings target, we used £2m from the surplus on the collection fund income, £2m of increased income from New Homes Bonus and reduced the allocation to contingency by £1.5m.

The social care precept was new for 2016/17 and allowed the council to raise money through council tax to be spent exclusively on adult social care. The council increased council tax by 1.7% which generated £2.571m. The impact of demographic pressures and pressures from increased referrals from the NHS was mitigated by this funding, along with funding from the Better Care Fund.

There were a number of known pressures that we confidently quantified and included in the MTFS; these included inflationary pressures on pay and contracts, demographic increases and their impact on service provision and concessionary fares. However, there were other risks and pressures identified that had not fully materialised at the time of the budget setting and these have been funded through reserves and contingencies.

The budget for 2016/17 included savings proposals of £19.554m to reach a balanced position. The council's savings plans through to 2020 place a greater emphasis on ways to reduce demand on services – through the community doing more, intervening earlier to treat the cause not the problem, and influencing residents to change their behaviour, for example by recycling more. £18.667m (95%) of the savings were achieved in 2016/17.

Investing in the future is a key strand of the council's response to the scale of the challenge facing local government from funding reductions and increasing demand. Barnet will not be able to support the growth needed to ensure the council's financial independence without investment for the future. The capital programme not only supports the growth agenda but also includes a number of additions that enable the achievement of the revenue savings proposals.

The capital programme allocated £238.902m in 2016/17 with the main spend planned on schools, relocation of the Mill Hill depot, land acquisition to enable to regeneration at Brent Cross, the new council offices at Colindale and investment in housing and infrastructure. The budget was revised during the year to £175.803m with the reduction of £63.099m being re-profiled in future years.

Financial Performance

The council managed a net revenue budget of £274.968m during 2016/17. The outturn for the year was £283.298m, which resulted in an overspend of £8.330m (2.9%), as set out below.

Service Area	Budget £000	Actual £000	(Under)/ Overspend £000
Adults and Communities	86,808	92,161	5,353
Assurance[1]	3,847	3,846	(1)
Central Expenses	41,800	41,298	(502)
Commissioning Group	20,200	20,200	-
Customer and Support Group	22,086	22,586	500
Education and Skills	7,084	7,257	173
Family Services	54,863	55,289	426
HB Public Law1[1]	2,011	2,125	114
Housing Needs and Resources	5,559	7,365	1,806
Parking and Infrastructure	(1,838)	(1,838)	-
Public Health	18,055	18,055	-
Regional Enterprise	1,130	1,364	234
Registrar Service[1]	(162)	63	225
Street Scene	13,525	13,527	2
Net Expenditure	**274,968**	**283,298**	**8,330**
Financed by			
Council tax	(153,091)	(163,009)	
Grant income	(76,822)	(72,391)	
Business rates	(35,484)	(28,524)	
Transfers from reserves	8,483	(1,320)	
Public Health grant	(18,054)	(18,054)	
Total Financing	(274,968)	**(283,298)**	

The actual expenditure of the council is subject to regular financial and operational monitoring and reported publically on a quarterly basis to the Performance and Contract Management Committee. The principal reasons for the overspend in 2016/17 are as follows:

- Adults and communities have been experiencing a continued increase in demand for adult social care services since 2014/15. In particular, there have been increases in the number of clients with learning disabilities and also in the number of clients with dementia, both groups requiring increasingly complex packages of care. The Deprivation of Liberty Safeguards (DOLS) service also continued to have significant pressures in 2016/17 as a result of Supreme Court judgements in 2014/15 and a loss of grant funding since 2015/16. To offset these demand pressures, the service achieved savings in third party

[1] These service area are included in 'other' within the Comprehensive Income and Expenditure Statement

contracts in the prevention and wellbeing area and has made significant staff savings across the delivery unit.

- The overspend of £1.806m within Housing Needs and Resources has been driven by a sustained demand for temporary accommodation and high rental prices exceeding government payments received by the council.

The overspend is funded from the General Fund balance, resulting in a balance (excluding schools but including the transfer of an earmarked reserve no longer required) of £9.614m, compared with £12.543m at 31 March 2016.

The outturn for the year is adjusted in the financial statements for a number of factors, mainly due to accounting adjustments required by statute or reporting standards, in order to allow the accounts to be comparable against other local authorities and public sector bodies. A summary of the adjustments is listed below.

	2016/17 £000	2015/16 £000
Net expenditure on services	**283,298**	**280,293**
Capital and other adjustments not recorded against service budgets	(1,965)	(24,964)
Adjusted net expenditure	281,333	255,329
Other operating expenditure (note 10)	9,711	7,833
Financing and Investment Income and Expenditure (note 11)	23,064	15,158
Taxation and Non-Specific Grant Income (note 12)	(317,950)	(310,700)
Surplus on the provision of services	(3,842)	(32,380)
Surplus on revaluation of property	(10,471)	(33,794)
(Gains)/losses on the pension fund	(34,063)	(23,592)
Total Comprehensive Income and Expenditure surplus	**(48,376)**	**(89,766)**

Capital Programme

The council spent £137.311m on its capital programme in 2016/17, which is summarised in the table below. The in-year underspend of £38.492m will be profiled and subsequently spent in 2017/18 and future years.

Service Area	2016/17 Budget £000	2016/17 Actual £000	2015/16 Actual £000
Adults and Communities	1,380	1,968	3,977
Education and Skills	40,013	27,030	24,430
Family Services	5,523	1,649	961
Commissioning Group	16,820	18,852	18,445
Housing Needs and Resources	8,870	4,072	-
Commercial – Parking and Infrastructure	1,196	1,121	364
Re delivery unit	60,875	42,708	44,629
Street Scene	1,908	1,085	743
Housing Revenue Account	39,218	37,826	38,787
Total Capital Expenditure	**175,803**	**137,311**	**132,336**
Financed by			
Grants and other contributions	(50,170)	(32,473)	(32,006)
Capital receipts	(17,935)	(21,004)	(25,137)
Borrowing	(67,683)	(32,899)	(28,709)
HRA revenue / Major Repairs Allowance	(22,776)	(29,248)	(27,525)

Reserves	(15,873)	(20,749)	(18,302)
General Fund revenue	(1,366)	(938)	(657)
	(175,803)	**(137,311)**	**(132,336)**

The most significant items of capital investment in 2016/17 included the primary and secondary school expansion programmes to meet demand for school places (£26.599m), land acquisitions as part of the Brent Cross redevelopment scheme (£13.588m), investment in highways infrastructure (including Transport for London schemes) (£18.386m), expenditure on the new council offices (£5.732m), expenditure relating to the relocation of the Mill Hill depot (£10.602m), out-of-borough housing (£4.042m) and the Housing Revenue Account capital programme (£37.826m).

Significant Movements in the Statement of Accounts

Comprehensive Income and Expenditure Statement

There are a number of significant movements in this statement, which result in a total movement in Comprehensive Income and Expenditure of £41.390m. The majority of the large movements relate to changes in asset valuations in 2016/17 or the previous year.

Balance Sheet

The Balance Sheet shows a net movement in the council's net worth between 31 March 2016 and 31 March 2017 of £48.376m. Long term assets have increased by £68.699m, due largely to purchase of and investment in council housing and out-of-borough properties for rent, acquisition of regeneration sites and expenditure on assets under construction, such as the new council offices.

Current assets as at 31 March 2017 decreased by £19.046m compared to the previous year, mainly due to a reduction in short term cash deposits as these were used to finance capital expenditure and payments in advance during the year.

Within current liabilities, short term creditors have increased by £18.779m due mainly to an increase in council tax and business rates payable to central government and the GLA.

As at 31 March 2017, the council holds £96.799m of earmarked reserves compared to £112.000m as at 31 March 2016. These are amounts of money set aside to fund expenditure on specific capital or revenue projects or initiatives in future years.

Explanation of the Financial Statements

Core Financial Statements

The *Movement in Reserves Statement* shows the movement in the reserves held by the council analysed into 'usable reserves' (i.e. those that can be used to fund expenditure) and other 'unusable' reserves. Total reserves at 31 March 2017 were £804.427m compared with £756.051m at 31 March 2016. The Movement in Reserves Statement reconciles the £48.376m surplus on the Comprehensive Income and Expenditure Statement to the movement in the General Fund balance and its accompanying note (note 8) provides a breakdown of the adjustments between the accounting basis and funding basis under regulations. These include reversals of depreciation and the adjustments made to comply with International Accounting Standard 19 (employee benefits), entries relating to the financing of capital expenditure from revenue and vice versa, gains on the revaluations of non-current assets and actuarial gains and losses on the pension fund.

The *Comprehensive Income and Expenditure Statement* is the primary statement illustrating performance. It summarises the income receivable and expenditure incurred in operating the council's services for the year. The statement shows a surplus for 2016/17 of £48.376m which represents the amount by which income exceeds expenditure. The statement was formerly prepared in accordance with the CIPFA Service Reporting Code of Practice for Local Authorities (SeRCOP) but from 2016/17 reflects the council's normal management reporting arrangements. The *Expenditure and Funding Analysis (Note 7),* which is a new note in 2016/17, shows how the council's funding has been used in providing services and also how this expenditure is allocated for decision making purposes between the council's delivery units.

The *Balance Sheet* summarises the council's assets, liabilities and reserves. At 31 March 2017, the council's net worth was £804.427m compared with £756.051m, an increase of £48,376m. There are no significant provisions or contingencies included in the Statement of Accounts as at 31 March and there were no material write offs during the year.

The *Cash Flow Statement* summarises, in cash terms, the council's transactions with its taxpayers, its customers, its suppliers, the Government and other parties.

The notes to the accounts provide analysis of various categories of income and expenditure and the additional information that the council is required to disclose, such as details of capital expenditure and sources of finance, officers' remuneration and information on pensions.

The statement of accounting policies explains the policies adopted by the council to prepare these accounts.

Supplementary Statements
As well as collecting its own tax, the council collects business rates on behalf of the Government and the Greater London Authority (GLA) and council tax on behalf of the GLA (as a precept on the council tax). All of this activity is summarised in the Collection Fund Account.

The Housing Revenue account reflects the statutory obligation to account separately for the council housing provision. The statement shows the major elements of income and expenditure.

The Annual Governance Statement describes the council's governance framework, sets out how it as reviewed its governance arrangements and discloses the actions taken, or proposed, to deal with any significant governance issues. The statement is signed by the Leader of the Council and the Chief Executive Officer.

The Statement of Responsibilities for the Statement of Accounts outlines the responsibilities of the council and of the Chief Finance Officer. The certificate of the Chief Finance Officer is a statement that confirms the validity of the information presented in the accounts. The Chief Finance Officer considers whether any material events have occurred since 31 March 2017 and have concluded that no events have occurred that require to be disclosed.

The report of the auditors provides an opinion as to whether the accounts present a true and fair view of the council's financial position.

The Statement of Accounts concludes with a glossary of financial terms, designed to assist the reader in understanding the information presented.

Review of the Year

Non-Financial Performance of the Council

The **Corporate Plan 2015-2020** sets out the council's vision and strategy for the next five years based on the core principles of fairness, responsibility and opportunity to make sure Barnet is a place:

- of opportunity, where people can further their quality of life
- where people are helped to help themselves, recognising that prevention is better than cure
- where responsibility is shared, fairly

- where services are delivered efficiently to get value for money for the taxpayer

A suite of indicators are included in the Corporate Plan to help us monitor performance and targets have been set to encourage improvement against the strategic priorities. 63% (41) of Corporate Plan indicators achieved target in 2016/17 and 59% (36) improved on last year (2015/16)[2].

Residents continue to be satisfied with Barnet as a place to live (85%), which remains above the national average (83%), whilst satisfaction with the way the council runs things (71%) is on par with the national average (71%).

An additional £4.263m of council tax has been collected compared to last year. The net annual collectable council tax for 2016/17 is £194.3m, an increase of £2.9m compared to 2015/16. The council tax four-year collection rate of 98.50% achieved the year-end target (98.49%). The business rate four-year collection rate (99.06%) also achieved its yearend target (99%).

There has been good progress on the estate regeneration programme, including the completion of new homes in Dollis Valley (59 homes including 18 affordable), Grahame Park (60 homes, including 37 affordable), Millbrook Park (85 homes including 50 affordable) and Stonegrove and Spur Road (169 homes including 28 affordable).

The percentage of residents unemployed has fallen to 4.9% (from 5.8% last year) and compares favourably with London at 5.7% (December 2016). Youth unemployment has also fallen to 16% (from 18% last year).

Barnet schools are performing within the top 10% in the country. Educational performance is measured by the new Attainment 8 and Progress 8 indicators. These look at pupils' average grade across eight subjects, including English and Maths. Barnet schools have scored highly for Attainment 8 at 56.1 (compared with a national average of 48.2 and the London average of 51.7) placing fifth in the country and Progress 8 at 0.33 (compared with a national average of 0 and the London average of 0.16) placing fourth in the country.

93% of primary schools and 92% of secondary schools have been rated as good or better by Ofsted, compared with a national average of 90% (primary) and 78% (secondary) and the London average of 93% (primary) and 89% (secondary).

Service quality remains a priority for the council. The recycling rate has marginally increased to 36.73% (Quarter 3 2016/17) from 36.5% in Quarter 3 2015/16 but remains below the 42% target. The highest rated service continues to be recycling and refuse collection with residents' satisfaction at 74% for recycling and 76% for refuse collection – both above the London averages (66% and 69% respectively[3]).

Barnet remains a safe place to live with the Mayor's Office for Policing and Crime (MOPAC) set of crimes (burglary, vandalism, criminal damage, theft of/from a motor vehicle, violence with injury, robbery and theft from the person) falling by 21% since 2011/12, compared with 18.6% across London[4].

Considerable work has been undertaken to improve customer service and this has been reflected in an increase in customer satisfaction to 91% (from 76% last year) and web satisfaction to 55% (from 45% last year). Barnet is now in the Top 3 ranking for face-to-face and Top 10 ranking for web contact in the national GovMetric channel satisfaction league tables.

In addition to the suite of indicators included in the Corporate Plan, targets have been set to monitor service performance. Across the council, 76% (229) of service indicators achieved target in 2016/17 and 61% (158) improved on last year[5].

[2] 77 Corporate Plan indicators were reported at the End of Year 2016/17: 65 have a RAG rating and 61 have a Direction of Travel status.

[3] November 2014, Survey of Londoners.

[4] 2011/12 is the baseline year used by MOPAC for tracking London wide and Borough level crime reduction performance.

The council's Transformation Programme consists of 78 projects required to deliver the Medium Term Financial Strategy and the Corporate Plan. The majority of projects within the Transformation Programme are on track to deliver to time, cost and quality.

Looking Forward for the Council

Despite ongoing difficult economic and demographic conditions, the council has continued to robustly manage its financial position. £18.667m of savings were delivered in 2016/17 and the MTFS includes £53.863m of further savings through to 2020. Barnet has five priorities that are set out in the Corporate Plan – 2017/18 Addendum. These are:

- delivering quality services;
- responsible growth, regeneration and investment;
- building resilience in residents and managing demand;
- transforming local services; and
- promoting community engagement, facilitating independence and building community capacity.

The council is embarking on a 'Priorities and Spending Review' (PSR) to fully revise its MTFS through to 2023, presenting options to the new administration following the May 2018 local elections. Through using the proceeds of growth to invest in our borough's critical infrastructure we are ensuring the sustainability of the council by laying the groundwork for generating future income locally.

The council has set aside funding to help balance its budget over the medium term and the MTFS will also seek to ensure the General Fund balance is replenished to the level of £15m determined as being the amount necessary to enable the council to manage risk and volatility of spend over the medium term.

Conclusion

The council has a strong track record of delivering savings and has ambitious plans to ensure that, despite the financial challenges faced, the quality of local services is not compromised. The council will continue to work hard to ensure high quality services at the lowest possible cost are delivered to residents and businesses.

Should you require further information about the accounting statements, please contact the Finance Team at the London Borough of Barnet at: Ground Floor Building 2, North London Business Park, Oakleigh Road South, Barnet, N11 1NP, or email inspectionofaccounts@barnet.gov.uk.

Section 151 Officer

[5] 367 service indicators were reported at the End of Year 2016/17: 300 have a RAG rating and 259 have a Direction of Travel status.

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In the London Borough of Barnet, that officer is the Chief Executive;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Chief Executive's Responsibilities

The Chief Executive and Chief Finance Officer is responsible for the preparation of the London Borough of Barnet's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Executive and Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the London Borough of Barnet Council at 31 March 2017 and its income and expenditure for the year then ended. The draft accounts were published on 31 May 2017.

ANISA DARR.

John Hooton
Chief Executive (Chief Executive and Section 151 Officer)

Approval of Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit Committee on 27 July 2017

Chair of Audit Committee
Councillor Hugh Rayner

Comprehensive Income and Expenditure Statement (CIES)

This statement summarises the income and expenditure of the council in providing services during 2016/17. The statement also shows how the council's services are funded through council tax, business rates, government grants and fees and charges made by the council for its services.

Comprehensive Income and Expenditure Statement	Note	2016/17 Gross expenditure	2016/17 Gross income	2016/17 Net expenditure	2015/16 Restated Gross expenditure	2015/16 Restated Gross income	2015/16 Restated Net expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Adults and Communities		125,239	(34,330)	**90,909**	127,997	(33,470)	**94,527**
Central Expenses		4,383	(29,081)	**(24,698)**	24,936	(23,564)	**1,372**
Commissioning Group		297,260	(264,569)	**32,691**	324,964	(287,932)	**37,032**
Customer and Support Group		41,259	(6,836)	**34,423**	28,549	(1,610)	**26,939**
Education and Skills		310,410	(268,581)	**41,829**	269,740	(237,271)	**32,469**
Family Services		61,949	(4,359)	**57,590**	57,210	(5,186)	**52,024**
Housing Needs and Resources		29,702	(22,393)	**7,309**	26,178	(20,164)	**6,014**
Local Authority Housing (HRA)		30,183	(63,245)	**(33,062)**	9,044	(61,152)	**(52,108)**
Parking and Infrastructure		24,962	(24,398)	**564**	7,403	(5,755)	**1,648**
Public Health		18,656	(18,191)	**465**	15,746	(16,191)	**(445)**
Regional Enterprise		39,018	(23,030)	**15,988**	33,049	(26,027)	**7,022**
Street Scene		41,040	(6,362)	**34,678**	30,353	(4,107)	**26,246**
Other		7,881	(3,288)	**4,593**	9,318	(2,608)	**6,710**
Deficit on Continuing Operations		**1,031,942**	**(768,663)**	**263,279**	**964,487**	**(725,037)**	**239,450**
Other Operating Expenditure	10	9,970		**9,970**	6,772		**6,772**
Financing and Investment Income and Expenditure	11	27,435	(4,630)	**22,805**	28,721	(12,502)	**16,219**
Taxation and Non-Specific Grant Income	12	-	(299,896)	**(299,896)**	-	(294,821)	**(294,821)**
Surplus on Provision of Services		**1,069,347**	**(1,073,189)**	**(3,842)**	**999,980**	**(1,032,360)**	**(32,380)**
Surplus on revaluation of non-current assets	13			**(10,471)**			**(33,794)**
Remeasurement of the net defined benefit liability	44			**(34,063)**			**(23,592)**
Other Comprehensive Income and Expenditure				**(44,534)**			**(57,386)**
Total Comprehensive Income and Expenditure		**1,069,347**	**(1,073,189)**	**(48,376)**	**999,980**	**(1,032,360)**	**(89,766)**

Movement in Reserves Statement (MIRS)

This statement shows the movement on the different reserves held by the authority, analysed into usable and unusable reserves, and shows the increase or decrease in the net worth of the council. It provides an explanation of the changes in, and movements between, reserve accounts to increase or reduce the resources available to the council. It shows how the council’s total Comprehensive Income and Expenditure is allocated to the council’s reserves. The Surplus or (Deficit) on the Provision of Services, Other Comprehensive Income and Expenditure and Total Comprehensive Income and Expenditure are shown in more detail on the face of the Comprehensive Income and Expenditure Statement.

Movements in Reserves 2016/17

	Note	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2016		**24,179**	**112,000**	**8,820**	**40,175**	**23,213**	**75,243**	**283,630**	**472,421**	**756,051**
(Deficit)/Surplus on provision of services		(25,885)	-	29,727	-	-	-	**3,842**	**-**	**3,842**
Other comprehensive income and expenditure		-	-	-	-	-	-	**-**	**44,534**	**44,534**
Total comprehensive income and expenditure		**(25,885)**	**-**	**29,727**	**-**	**-**	**-**	**3,842**	**44,534**	**48,376**
Adjustments between accounting basis and funding basis under regulations	8	7,371	-	(26,058)	(4,687)	(5,138)	(1,360)	**(29,872)**	**29,872**	**-**
Net increase / (decrease) in year		**(18,514)**	**-**	**3,669**	**(4,687)**	**(5,138)**	**(1,360)**	**(26,030)**	**74,406**	**48,376**
Transfer to/(from) earmarked reserves	9	15,201	(15,201)	-	-	-	-	**-**	**-**	**-**
Balance as at 31 March 2017		**20,866**	**96,799**	**12,489**	**35,488**	**18,075**	**73,883**	**257,600**	**546,827**	**804,427**

Movements in Reserves 2015/16

	Note	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2015		**27,951**	**116,155**	**14,942**	**45,602**	**17,930**	**75,532**	**298,112**	**368,173**	**666,285**
(Deficit)/Surplus on provision of services		(19,169)	-	51,549	-	-	-	**32,380**	**-**	**32,380**
Other comprehensive income and expenditure		-	-	-	-	-	-	**-**	**57,386**	**57,386**
Total comprehensive income and expenditure		**(19,169)**	**-**	**51,549**	**-**	**-**	**-**	**32,380**	**57,386**	**89,766**
Adjustments between accounting basis and funding basis under regulations	8	11,242	-	(57,671)	(5,427)	5,283	(289)	**(46,862)**	**46,862**	**-**
Net increase / (decrease) in year		**(7,927)**	**-**	**(6,122)**	**(5,427)**	**5,283**	**(289)**	**(14,482)**	**104,248**	**89,766**
Transfer to/(from) earmarked reserves	9	4,155	(4,155)	-	-	-	-	**-**	**-**	**-**
Balance as at 31 March 2016		**24,179**	**112,000**	**8,820**	**40,175**	**23,213**	**75,243**	**283,630**	**472,421**	**756,051**

Balance Sheet

The Balance Sheet provides a summary of what the council owns and owes together with the council's reserves, as set out in the Movement in Reserves Statement, as at 31 March 2017. Only usable reserves are available to support the delivery of the council's services to residents. Details of the Usable Reserves can be seen in the Movement in Reserves Statement.

	Note	31 March 2017 £'000	£'000	31 March 2016 £'000	£'000
Property plant and equipment	13	1,296,938		1,225,733	
Heritage assets	13	1,567		1,567	
Investment properties	13	123,371		117,124	
Intangible assets	13	5,477		6,650	
Long term debtors	17	1,212		830	
Long term investments	17	5,011		12,973	
Total Long Term Assets			1,433,576		1,364,877
Inventories	18	314		608	
Short term investments	17	52,167		126,418	
Short term debtors	20	178,050		123,954	
Cash and cash equivalents	22	48,615		47,212	
Total Current Assets			279,146		298,192
Short term borrowing	17	(1,434)		(1,433)	
Short term creditors	23	(121,225)		(102,446)	
Provisions	24	(7,920)		(6,340)	
Total Current Liabilities			(130,579)		(110,219)
Long term borrowing	17	(304,699)		(304,704)	
Provisions	24	(6,750)		(6,557)	
Pension scheme	44	(450,293)		(469,137)	
Long term lease	41	(15,974)		(16,401)	
Total Long Term Liabilities			(777,716)		(796,799)
Net Assets			**804,427**		**756,051**
Usable reserves	25	257,600		283,630	
Unusable reserves	26	546,827		472,421	
Total Reserves			**804,427**		**756,051**

These financial statements replace the unaudited financial statements published on 31st May 2017. These statements are certified by the Statutory S151 Officer on

Cash Flow Statement

This shows how cash has been generated or spent through capital and revenue transactions during the year and classifies the council's cash inflows and outflows between operating, investing and financing activities. Operating activities reflect the day to day income from grants and taxation together with expenditure on services provided by the council. Investing activities summarise the expenditure made to support future activities, for example capital expenditure on housing and schools. Financing activities demonstrate how the council has managed its borrowings to fund its operating and investing activities.

	Note	2016/17		2015/16	
		£'000	£'000	£'000	£'000
Net surplus on the provision of services		3,842		32,380	
Adjustment to the surplus on the provision of services for non-cash movements	27	34,220		14,537	
Adjustment for items included in the net surplus on the provision of services that are investing and financing activities	27	(53,804)		(54,176)	
Net cash flows from operating activities			(15,742)		(7,259)
Net cash flows from Investing activities	28		18,004		(47,799)
Net cash flows from Financing activities	29		(859)		(2,616)
Net (decrease)/ increase in cash and cash equivalents			1,403		(57,674)
Cash and cash equivalents at the beginning of the reporting period			47,212		104,886
Cash and cash equivalents at the end of the reporting period	22		48,615		47,212

1. Accounting Policies

1.1 Introduction

The Statement of Accounts summarises the London Borough of Barnet's transactions for the financial year 2016/17 and its financial position at 31 March 2017. The accounting policies adopted, that are material to the context of the council's accounts for 2016/17, are set out within the following pages. The accounting policies explain the basis for the recognition, measurement and disclosure of transactions and other events within the Statement of Accounts.

1.2 General Principles

The council's Statement of Accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory regulations.

The Statement of Accounts has been prepared using the going concern and accruals bases. The historical cost convention has been applied, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.3 Accruals of Income and Expenditure

The council accounts for income and expenditure in the year that the effects of the transaction are experienced; not simply when the cash payments are made or received.

1.4 Income Recognition (Fees and Charges, Rents, etc.)

Income is measured in the council's accounts at the fair value of the consideration received or receivable. For the majority of the income, the payment is received in the form of cash or cash equivalent receivable. Where the council acts as agent for another body, the income collected is not included in the council's accounts.

Income from the sale of goods and services is recognised in the council's accounts when the amount of income can be measured accurately and it is probable that the income will be received.

1.5. Fair Value measurement

The council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability

The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the council can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

1.6. Provisions

Provisions are charged as an expense to the appropriate service expenditure line in the Comprehensive Income and Expenditure Statement (CIES), where an event has taken place that gives the council a legal obligation that has a high probability of being settled by the transfer of economic benefit or service potential; and a reliable estimate can be made of the amount of the obligation. Provisions are held on the balance sheet at the best estimate of expenditure required to settle the obligation, taking into account the relevant risks and uncertainties.

1.7. Government Grants and Contributions

1.7.1 General Grants and Contributions

Government grants and third party contributions and donations are recognised as due to the council when there is reasonable assurance that the council will comply with any conditions attached to them, and the grants and contributions are likely to be received.

Once the conditions are satisfied, the grants and contributions are credited to the Comprehensive Income and Expenditure Statement as follows:

- Ring-fenced revenue grants and contributions - credited to the relevant service line in the CIES.
- Ring-fenced capital grants and contributions - credited to Taxation and Non-Specific Grant income in the CIES
- Non Ring-fenced Grants - credited to Taxation and Non-Specific Grants income in the CIES.

Where specific revenue grants and contributions are credited to the CIES, but the associated expenditure has not yet been incurred, the grant is set aside in an earmarked reserve, so that it can be matched with the expenditure when it is incurred in a subsequent year.

Capital grants and contributions are reversed out of the General Fund Balance through the Movement in Reserves Statement and are either transferred to the Capital Adjustment Account if the eligible expenditure has been incurred or to the Capital Grants Unapplied Account. Grants are subsequently released into the Capital Adjustment Account when the eligible expenditure is incurred.

1.8. Council tax and Non-Domestic Rates

The council as billing authority is required by statute to maintain a separate 'Collection Fund' account, for the collection and distribution of council tax and business rates. Billing authorities, major preceptors and central government share proportionately the risks and rewards for council tax and business rates. The council collects and distributes council tax and non-domestic rates income on behalf of major preceptors and itself.

In line with agency accounting arrangements, the council tax and non-domestic rates income included in the CIES is the total of:

- the council tax precept;
- the council's share of the estimated non-domestic rates income;
- the council's share of the actual surplus/deficit for council tax and non-domestic rates on the Collection Fund at the end of the year, adjusted for the council’s share of the surplus/defect on the Collection Fund at the preceding year end that has not been distributed or recovered in the current year.

The income credited at the end of year differs from statutory requirements for income credited to the General Fund; therefore a reconciling adjustment is required through the Movement in Reserves Statement, which is taken to the Collection Fund Adjustment Account.

The council's Balance Sheet includes the council's share of council tax and non-domestic arrears, prepayments, allowances for bad debts, non-domestic rates appeals and the council's portion of any surplus or deficit on the Collection Fund Account. Amounts due to precepting authorities are recorded as debtors or creditors on the council's Balance Sheet.

1.9. Employee Benefits

Benefits Payable during Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is then reversed through the Movement in Reserves Statement and held as a balance on the Accumulating Compensated Absences Adjustment Account.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These costs are charged on an accruals basis to the appropriate service line in the CIES at the earlier of when the council can no longer withdraw the offer of the benefit or when the Council recognises the costs of restructuring.

Post-Employment (Retirement) Benefits

Employees of the council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE), and
- The Local Government Pension Scheme (LGPS).

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

Local Government Pension Scheme (LGPS)

The scheme is accounted for as a defined benefits scheme. Hence:

- the liabilities of the LGPS attributable to the council are included in the council's balance sheet on an actuarial basis, using the projected unit cost method.
- the Fund's liabilities are discounted to their value at current prices, using a discount rate that is based upon the indicative rate of return on a high quality corporate bond of equivalent currency and term to the scheme's liabilities.
- the Fund's assets attributable to the council are included on the Balance Sheet at fair value.
- Changes in the net pension liability are analysed into the following components:
- Service costs comprising: Current service and past service costs are charged to the service lines of the CIES. Net interest on the net defined benefit liability is charged or credited to the 'Financing and Investment Income and Expenditure' line of the CIES.
- Re - measurements of the net pension liability (comprising return on assets and actuarial gains and losses) are charged to the Pension Reserve as part of 'Other Comprehensive Income and Expenditure' line.
- Employer contributions paid to the Fund are not accounted for as an expenses within the CIES.

Teachers' Pension Scheme

The teachers' pension scheme, whilst being a defined benefit scheme, is treated as a defined contribution scheme, as under the scheme arrangements the liabilities of the scheme cannot be identified specifically to the council. This means that the pension costs reported for any year are equal to the contributions payable for the scheme for the same period. The costs are recognised within Surplus or Deficit on Provision of Services. The council's Balance Sheet does not include a liability for future payments under the scheme.

Discretionary Benefits

The council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for in line with the accounting arrangement for the LGPS.

1.10. Minimum Revenue Provision

Statute requires the council 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).

The MRP Provision is calculated in line with the 2016/17 MRP Policy agreed by Council on the 1 March 2016 and the Local Government Guidance on MRP.

The Council's policy is to:

- Apply the Capital Financing Requirement (CFR) MRP calculation method for supported capital expenditure; and
- Apply, for unsupported capital expenditure incurred on or after 1 April 2008, the calculation based on the useful asset life of the asset using equal annual instalments.

MRP in respect of leases and Public Finance Initiatives (PFI) brought onto the Balance Sheet under the Code will match the annual principal repayment for the associated deferred liability.

There is no requirement on the Housing Revenue Account (HRA) to make a minimum revenue provision, but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

1.11. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.12. Support Services

Where support services are a department in their own right, the Comprehensive Income and Expenditure Statement (CIES) will report them in line with the council's operating and decision making reporting structure e.g. Customer and Support Group.

1.13. Earmarked Revenue Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by apportioning amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement, so that there is no net charge against council tax for the expenditure. All applications for specific reserves are subject to approval by the Director of Resources. Specific reserves are discretionary not mandatory. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies.

1.14. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

1.15. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition
Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. Any expenditure on an asset that is under £50,000 is considered non enhancing and is treated as revenue expenditure.

The council has schools in the following categories: community schools, foundation schools, voluntary aided schools and academies. Community and foundation schools are treated on Balance Sheet based on the risks and rewards the council is deemed to have, and voluntary aided schools and academies are excluded from the council's Balance Sheet. This is under constant review and is updated in line with guidance from CIPFA. This means that the Council recognises the Property, Plant and Equipment of the following categories of locally maintained schools in the financial statements:

- Community and community special schools; and Foundation and Foundation Trust schools (other than those owned by religious bodies)

The Property, Plant and Equipment of voluntary aided and voluntary controlled schools are not recognised in the council's financial statements. In the majority of cases, the council has ownership of the playing fields for these categories of schools, which are recognised on the council's balance sheet.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council. Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure (including street lighting PFI), community assets and assets under construction – depreciated historical cost

- Dwellings – current value, determined using the basis of existing use value for social housing (EUVSH)

- Surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

- Assets under Construction- historic cost.

- All other assets (For example schools, leisure centres, crematorium, etc. – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of current value because of the specialist nature of an asset, the valuation method of Depreciated Replacement Cost (DRC) is used as an estimate of current value. Examples of specialist assets include: schools, leisure centres, crematorium and cemeteries prior to their being run on a more commercial basis. The DRC method of valuation provides the current cost of replacing an asset with its Modern Equivalent Asset (MEA) less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. The council, where possible, has used direct evidence from its own capital programmes to determine the MEA cost basis for specialist assets. Where this evidence is not available, Building Cost Information Service construction cost figures have been used.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost is used as a proxy for current value. The freehold and leasehold properties that comprise the council's property portfolio are subject to a five year rolling programme of revaluation, although the top ten properties, shops and industrial sites, all schools and all assets valued on a DRC basis are valued every year, which is 90% (by value) of the Council's property portfolio. This ensures that where market conditions or rebuilding costs alter, all affected assets are considered over a reasonable period of time.

Accounting for property value gains and losses

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.
Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment
Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the

recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation and useful lives

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:

Asset Category	Depreciation Base	Estimated useful life
Land	n/a	n/a
Buildings, Council Dwellings and Schools	Straight line	50 years
Vehicles Plant and Equipment	Straight line	5 to 20 years
Infrastructure	Straight line	10 to 30 years
PFI street lighting	Straight line	25 years

Assets under construction are re-categorised upon completion, from which point depreciation will be charged in accordance with the relevant depreciation policy.

Depreciation charges commence in the first full year after the asset is purchased or becomes operational.
Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. A component is considered significant when the cost of the component is 20% or greater of the total cost of the asset and has a differing useful life. Each component is depreciated separately except where there is more than one significant component within the same asset which has the same useful life and depreciation method; such components may be grouped in determining the depreciation charge.

Any component parts of an asset are de-recognised when the component is replaced, even if the original component had not been recognised separately for depreciation purposes. If it is not practical to determine the carrying amount of the replaced components, the cost of the new component is indexed back and then adjusted for depreciation. This is used as a reasonable proxy.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease in fair value less cost to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.
If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Receipts from Disposal

Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts.

Receipts from sale of Council Houses

A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement).

Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

1.16 Heritage Assets

The council's heritage assets are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the council's history and local area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The council's collections of heritage assets are accounted for as follows:

Property Heritage Assets

These are held on the Balance Sheet based on the following valuation methods as appropriate for each asset:

- current value based on a Depreciated Replacement Cost (DRC), fair value, or insurance valuation.

The assets are revalued every five years as part of the council's rolling programme of revaluations.

Mayor's Regalia and Silverware

These assets are held at insurance valuation and are valued every three years.

Heritage Assets not held on the Balance Sheet

The remaining heritage assets are not recognised on the Balance Sheet because cost information is not readily available and the council considers that obtaining valuations for these items would involve a disproportionate cost in comparison to the benefits to the users of the financial statements.

General Accounting Policy

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, for example where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment. The council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment. The collection of heritage assets is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation. The heritage assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

1.17 Investment Properties

Investment properties are those that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Measurement

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued on a five-year cycle according to market conditions at year end.

Accounting Arrangements

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

1.18 Private Finance Initiative (PFI)

PFI and similar contracts are agreements to receive services where the responsibility for making available the property, plant and equipment needed to provide the services, are passed to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the council at the end of the contract for no additional charge, the council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The council has one PFI contract for the maintenance of street lighting in the borough.

Once the arrangement is recognised in the council's Balance Sheet, assets are accounted for in accordance with the accounting policy for Property, Plant and Equipment. A PFI liability is also recognised on the council's Balance Sheet for amounts due to the scheme operator for capital investment.

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

- Services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line on the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.19 Intangible Assets

These are assets that do not have a physical form but which are identifiable and provide the council with rights to future economic benefits. The council carries just two types of intangible assets on its Balance Sheet; the purchase of software licences and the capitalisation of redundancy costs. The policy is to amortise the cost of the asset to revenue over its economic life, to reflect the pattern of consumption or benefits.

An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Impairment losses are not permitted under statute to be charged to the General Fund Balance and therefore the impairment is reversed through the Movement in Reserves Statement and posted to the Capital Adjustment Account.

1.20 Leases

The council does not utilise or lease out any property, plant, equipment or vehicles under finance lease arrangements.

Operating Leases
Council as Lessee
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.21 Revenue Expenditure Funded form Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset for the council has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Examples include home improvement grants and expenditure on voluntary aided school land and buildings. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement to the General Fund Balance from the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.22 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service

- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

- Amortisation of intangible assets attributable to the relevant service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.23 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that have a maturity date of less than three months and are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

1.24 Financial Instruments

The definition of a financial instrument is: "Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity". The term "financial instrument" covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing, service concession arrangements (PFI and finance leases) and investment transactions are classified as financial instruments.

Financial Liabilities

Financial liabilities are recognised on the council's Balance Sheet when the council becomes party to the contractual provisions of the financial instrument. Financial liabilities are initially measured at fair value and are carried at their amortised cost.

Interest is charged to the Financing and Investment income and Expenditure line of the CIES, based on the carrying amount of the liabilities, multiplied by the effective interest rate for the instrument. This means that:

- the amount included in the Balance Sheet is the outstanding principal repayable, plus the accrued interest; and

- interest charged to the CIES is the amount payable for the year in accordance with the loan agreement.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expired.

Financial Assets

Financial Assets are recognised on the Balance Sheet when the council becomes party to the contractual provision of the instrument.

There are two categories of Financial Asset:

- Loans and receivables which are initially measured at fair value, and subsequently at their amortised cost. Interest receivable is credited to the Financing and Investment Income and Expenditure line of the CIES, based on the carrying amount of the assets, multiplied by the effective interest rate for the instrument. This means that the amount included in the Balance Sheet is the outstanding principal receivable, plus the accrued interest; and interest credited to the CIES is the amount receivable for the year according to the loan arrangement.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and investment Income and Expenditure line of the CIES.

Transaction Costs

Measurement at amortised cost permits transaction costs relating to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred. The Council has adopted this latter approach.

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

The inputs to the measurement techniques are categorised in accordance with the three levels as described in 1.5.

The council does not hold any financial assets classified as 'fair value through profit and loss' for example financial derivatives.

1.25 Contingent Assets and Liabilities

Contingent Assets

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent assets are not recognised in the Balance

Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

1.26 Carbon Reduction Commitment Scheme

The council is required to participate in the mandatory Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the third financial year of Phase 2 which commenced on 1 April 2014 and ends on 31 March 2019. The council is required to purchase and surrender allowances retrospectively, on the basis of emissions i.e. carbon dioxide produced as a result of its energy usage as defined under the terms of CRC scheme. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by purchasing and surrendering allowances to cover its annual emissions.

The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

1.27 Interests in Companies and Other Organisations

The council reviews annually the extent to which other entities (over which the council has a controlling interest) need to be consolidated into group accounts. The council has controlling interests in :

- The Barnet Group Ltd (which includes Your Choice Barnet Ltd, Barnet Homes Ltd, The Barnet Group Flex Ltd and Open door Ltd),
- Barnet Holdings Ltd, Regional Enterprise Ltd
- The Inglis Consortium.
- BX Holdings Ltd (which includes BXS GP Ltd and BXS Ltd Partnership)
- Hill Green Homes Ltd

These entities have the nature of subsidiaries and / or joint ventures and the council is therefore required to prepare group accounts, unless the overall impact on the group accounts is not material.

All locally maintained schools (i.e. community, foundation, voluntary aided, voluntary controlled, community special and foundation special schools) are deemed to be under the council's control. For this reason, schools' transactions and balances attributable to the governing bodies are consolidated into the council's financial statements, applying accounting policies for recognition and measurement consistent with those applied by the council to its own income, expenditure, cash flows, assets and liabilities. Transactions and balances between the council and the schools have been eliminated. Assets provided to a school without the right to continuing use, such that they can be taken back by the owners at some point, are not recognised in the council's financial statements.

Academy and free schools are independently managed. None of these schools' income and expenditure, assets, liabilities or reserves are included within the council's financial statements.

1.28 Events after the Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.29 Exceptional Items

When items of income and expense are material their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the council’s financial performance.

1.30 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council’s financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

2. Accounting Standards Issued Not Yet Adopted

The Code requires that the authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This

requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question.
There are no standards that will be introduced by the 2017/18 Code include that have not been adopted.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The council is deemed to control the services provided under the agreement for street lighting and also to control the residual value of the assets at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the street lights are recognised as Property, Plant and Equipment on the council's Balance Sheet.

4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The financial statements contain estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differs from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effect on the net pension liability due to changes in individual assumptions can be measured although the assumptions interact in complex ways. The impact of changes in assumptions is shown in note 44.

Fair Value Measurement	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data (Level 2), but where this is not possible judgement is required in establishing fair values (Level 3). These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the principal valuation manager). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 15 and 17.	The authority uses Level 2 observable inputs for valuing its investment properties and surplus assets. The inputs are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. Significant changes in any of the observable inputs would result in significantly lower or higher fair values.
Debts	The council has debts outstanding at the year-end against which a provision for bad debt has been made. However, the continuing economic climate and the effect of changes in welfare benefits could give rise to a greater level of non-payment of the council's charges. See note 20 for the bad debt provision	To mitigate the risk of increasing non-payment and subsequent bad debt additional reserves have been set aside to protect the council against this risk.

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

- Tenants
- Council tax
- Business rates
- Other local authorities
- Sundry (trade) receivables

Each group has particular characteristics with regard 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 economic climate. The provision for bad debt is then estimated on this basis and the amount is reflected in the Balance Sheet carrying figure for receivables. A movement on the outstanding debt of 1-2% has been considered and deemed to not materially affect the provision.

5. Material Items of Income and Expenditure

There were no material items of income or expenditure which are not separately disclosed within the Statement of Accounts for 2016/17.

6. Events After the Balance Sheet Date

Since the Balance Sheet date of 31 March 2017 there have been no material events which would require an adjustment to the financial statements.

The accounts were authorised for issue by Ms Anisa Darr – Director of Finance and Section 151 Officer on xx xxx 2017

7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how the council's annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's delivery units. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The Expenditure and Funding Analysis shows the main adjustments to the Net Expenditure reported to the council's decision makers to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

- Adjustments for Capital Purposes – The council's accounts report depreciation, impairment charges and revaluation gains and losses under generally accepted accounting practices, however under statutory arrangements for local government financing, these charges are not included in the calculation of the Council Tax Requirement and rents to be levied and so do not form part of in-year reporting.

- Other adjustments between funding and accounting – these include various resourcing and expenditure adjustments such as pension cost accruals, gains and losses on disposal of non-current assets and adjustments for accumulated leave which under local government financing arrangements are not included in the calculation of the Council Tax Requirement and rents to be levied.

Expenditure and Funding Analysis 2016/17	Net Expenditure Chargeable to General Fund and Housing Revenue Account Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Adults and Communities	92,161	(1,252)	90,909
Central Expenses	41,298	(65,996)	(24,698)
Commissioning Group	20,200	12,491	32,691
Customer Support Group	22,586	11,837	34,423
Education and Skills	7,257	34,572	41,829
Family Services	55,289	2,301	57,590
Housing Needs and Resources	7,365	(56)	7,309
Local Authority Housing (HRA)	-	(33,062)	(33,062)
Parking and Infrastructure	(1,838)	2,402	564
Public Health	18,055	(17,590)	465
Regional Enterprise	1,364	14,624	15,988
Street Scene	13,527	21,151	34,678
Other	6,034	(1,441)	4,593
Deficit on Continuing Operations	**283,298**	**(20,019)**	**263,279**
Other Income and Expenditure	-	(267,121)	(267,121)
(Surplus) or Deficit on Provision of Services	**283,298**	**(287,140)**	**(3,842)**

Expenditure and Funding Analysis

2015/16	Net Expenditure Chargeable to General Fund and Housing Revenue Account Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000
Adults and Communities	90,591	3,936	94,527
Central Expenses	47,216	(45,844)	1,372
Commissioning Group	21,156	15,877	37,032
Customer Support Group	22,607	4,332	26,939
Education and Skills	5,320	27,148	32,469
Family Services	48,466	3,558	52,024
Housing Needs and Resources	5,772	242	6,014
Local Authority Housing (HRA)	-	(52,108)	(52,108)
Parking and Infrastructure	(752)	2,400	1,648
Public Health	15,835	(16,280)	(445)
Regional Enterprise	1,712	5,310	7,022
Street Scene	15,895	10,351	26,246
Other	6,474	236	6,710
Deficit on Continuing Operations	**280,293**	**(40,843)**	**239,450**
Other Income and Expenditure	-	(271,830)	(271,830)
(Surplus) or Deficit on Provision of Services	**280,293**	**(312,673)**	**(32,380)**

The table below reconciles between the opening and closing balances of the General Fund, Earmarked Reserve and Housing Revenue Account. Additional information on the movements in General Fund and HRA balances can be found on the movement in Reserves statement and note 8.

	2016/17 £'000	2015/16 £'000
Opening General Fund, Schools, Earmarked and HRA Balance as at 1 April	144,999	159,048
Less Movement on MiRs re HRAand General Fund including Earmarked Reserves	(14,845)	(14,049)
Closing General Fund, Schools, Earmarked and HRA Balance as at 31 March	**130,154**	**144,999**

Note to the Expenditure and Funding analysis – adjustments between funding and accounting basis

2016/17	Net Expenditure Chargeable to General Fund and Housing Revenue Account Balances £'000	Adjustments for Capital Purposes £'000	Net change for Pension Adjustments £'000	Other Differences £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Adults and Communities	92,161	102	(38)	(1,317)	90,909
Central Expenses	41,298	(39,053)	(7)	(26,936)	(24,698)
Commissioning Group	20,200	1,403	324	10,763	32,691
Customer Support Group	22,586	5,900	(138)	6,075	34,423
Education and Skills	7,257	32,109	(68)	2,531	41,829
Family Services	55,289	470	(26)	1,857	57,590
Housing Needs and Resources	7,365	179	-	(236)	7,309
Local Authority Housing (HRA)	-	(2,815)	-	(30,247)	(33,062)
Parking and Infrastructure	(1,838)	1,466	-	936	564
Public Health	18,055	-	-	(17,590)	465
Regional Enterprise	1,364	8,419	(5)	6,210	15,988
Street Scene	13,527	1,278	-	19,874	34,678
Other	6,034	(1,341)	-	(100)	4,593
Deficit on Continuing Operations	**283,298**	**8,119**	**41**	**(28,180)**	**263,279**
Other Income and Expenditure	-	-	15,543	(282,664)	(267,121)
(Surplus) or Deficit on Provision of Services	**283,298**	**8,119**	**15,584**	**(310,844)**	**(3,842)**

2015/16	Net Expenditure Chargeable to General Fund and Housing Revenue Account Balances	Adjustments for Capital Purposes	Net change for Pension Adjustments	Other Differences	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Adults and Communities	90,591	74	198	3,663	94,527
Central Expenses	47,216	(41,460)	(1,585)	(2,800)	1,371
Commissioning Group	21,156	330	142	15,405	37,032
Customer Support Group	22,607	(4,632)	-	8,964	26,939
Education and Skills	7,443	24,491	563	(29)	32,469
Family Services	46,341	1,837	381	3,465	52,024
Housing Needs and Resources	5,772	128	-	114	6,014
Local Authority Housing (HRA)	-	(20,719)	-	(31,389)	(52,108)
Parking and Infrastructure	(752)	2,087	24	289	1,648
Public Health	15,835	-	-	(16,280)	(445)
Regional Enterprise	1,712	14,316	-	(9,006)	7,022
Street Scene	15,895	2,881	235	7,235	26,246
Other	6,474	67	42	127	6,710
Deficit on Continuing Operations	**280,291**	**(20,599)**	**-**	**(20,241)**	**239,450**
Other Income and Expenditure	-	-	14,890	(286,720)	(271,830)
(Surplus) or Deficit on Provision of Services	**280,293**	**(20,599)**	**14,890**	**(306,961)**	**(32,380)**

8. Adjustments between Accounting Basis and Funding Basis under Regulations 2016/17

	Note	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance as at 31 March 2016		24,179	112,000	8,820	40,175	23,213	75,243	283,630	472,421	756,051
Movement in reserves during 2016/17										
(Deficit)/Surplus on provision of services		(25,885)	-	29,727	-	-	-	3,842	-	3,842
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	44,534	44,534
Total Comprehensive Income and Expenditure		(25,885)	-	29,727	-	-	-	3,842	44,534	48,376
Adjustments involving the Capital Adjustment Account:										
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:										
Charges for depreciation and impairment of non-current assets		34,545	-	22,604	-	-	-	57,149	(57,149)	-
Revaluation losses on Property Plant and Equipment		(10,447)	-	(24,680)	-	-	-	(35,127)	35,127	-
Movements in the market value' of Investment Properties		(409)	-	-	-	-	-	(409)	409	-
Amortisation of Intangible Assets		1,173	-	-	-	-	-	1,173	(1,173)	-
Capital Grants and Contributions applied		(14,802)	-	(2,416)	-	-	-	(17,218)	17,218	-
Revenue Expenditure Funded From Capital Under Statute		25,124	-	-	-	-	-	25,124	(25,124)	-
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement										
Statutory provision for the financing of capital investment		(9,617)	-	-	-	-	-	(9,617)	9,617	-
Capital expenditure charged against the General Fund and HRA balances		(20,749)	-	-	-	-	-	(20,749)	20,749	-
Adjustments involving the Capital Grants Unapplied Account:										
Capital Grants and Contributions unapplied credited to CIES		(17,250)	-	-	-	-	17,250	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account		-	-	-	-	-	(18,610)	(18,610)	18,610	-
Adjustments involving the Capital Receipts Reserve:										
Net gain/loss on the sale or de-recognition of non-current assets		5,750	-	131	18,892	-	-	24,773	(24,773)	-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	-	-	(21,004)	-	-	(21,004)	21,004	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		2,659	-	-	(2,659)	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-	-	-	84	-	-	84	(84)	-
Adjustments involving the Major Repairs Reserve (MRR):										
Transfer to the MRR from the HRA including depreciation		-	-	(21,693)	-	21,693	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure		-	-	-	-	(26,831)	-	(26,831)	26,831	-
Adjustments involving the Financial Instruments Adjustment Account:										
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements		(2)	-	(4)	-	-	-	(6)	6	-
Adjustments involving the Pension Reserve:										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		37,864	-	-	-	-	-	37,864	(37,864)	-
Employer's pension contributions and direct payments to pensioners payable in the year		(22,645)	-	-	-	-	-	(22,645)	22,645	-
Adjustments involving the Collection Fund Adjustment Account:										
Amount by which council tax and NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements		(5,520)	-	-	-	-	-	(5,520)	5,520	-
Adjustment involving the Accumulated Absences Account:										
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		1,697	-	-	-	-	-	1,697	(1,697)	-
Adjustments between accounting basis and funding basis under regulations		7,371	-	(26,058)	(4,687)	(5,138)	(1,360)	(29,872)	29,872	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves		(18,514)	-	3,669	(4,687)	(5,138)	(1,360)	(26,030)	74,406	48,376
Transfer to/(from) earmarked reserves	9	15,201	(15,201)	-	-	-	-	-	-	-
(Decrease) /Increase in Year		**(3,313)**	**(15,201)**	**3,669**	**(4,687)**	**(5,138)**	**(1,360)**	**(26,030)**	**74,406**	**48,376**
Balance as at 31 March 2017 carried forward		**20,866**	**96,799**	**12,489**	**35,488**	**18,075**	**73,883**	**257,600**	**546,827**	**804,427**

Adjustments between Accounting Basis and Funding Basis under Regulations 2015/16

	Note	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance as at 31 March 2015		27,951	116,155	14,942	45,602	17,930	75,532	298,112	368,173	666,285
Movement in reserves during 2015/16										
(Deficit)/Surplus on provision of services		(19,169)	-	51,549	-	-	-	32,380	-	32,380
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	57,386	57,386
Total Comprehensive Income and Expenditure		(19,169)	-	51,549	-	-	-	32,380	57,386	89,766
Adjustments involving the Capital Adjustment Account:										
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:										
Charges for depreciation and impairment of non-current assets		30,671	-	22,146	-	-	-	52,817	(52,817)	-
Revaluation losses on Property Plant and Equipment		(6,572)	-	(43,475)	-	-	-	(50,047)	50,047	-
Movements in the market value' of Investment Properties		(6,957)	-	-	-	-	-	(6,957)	6,957	-
Amortisation of Intangible Assets		1,265	-	-	-	-	-	1,265	(1,265)	-
Capital Grants and Contributions applied		(10,591)	-	(3,368)	-	-	-	(13,959)	13,959	-
Revenue Expenditure Funded From Capital Under Statute		23,380	-	-	-	-	-	23,380	(23,380)	-
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement										
Statutory provision for the financing of capital investment		(5,460)	-	-	-	-	-	(5,460)	5,460	-
Capital expenditure charged against the General Fund and HRA balances		(18,728)	-	-	-	-	-	(18,728)	18,728	-
Adjustments involving the Capital Grants Unapplied Account:										
Capital Grants and Contributions unapplied credited to CIES		(17,987)	-	-	-	-	17,987	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account		-	-	-	-	-	(18,276)	(18,276)	18,276	-
Adjustments involving the Capital Receipts Reserve:										
Net gain/loss on the sale or de-recognition of non-current assets		2,986	-	(253)	22,230	-	-	24,963	(24,963)	-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	-	-	(25,137)	-	-	(25,137)	25,137	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		2,585	-	-	(2,585)	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-	-	-	65	-	-	65	(65)	-
Adjustments involving the Major Repairs Reserve(MRR):										
Transfer to the MRR from the HRA including depreciation		(88)	-	(32,720)	-	32,808	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure		-	-	-	-	(27,525)	-	(27,525)	27,525	-
Adjustments involving the Financial Instruments Adjustment Account:										
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements		(1)	-	(1)	-	-	-	(2)	2	-
Adjustments involving the Pension Reserve:										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		38,679	-	-	-	-	-	38,679	(38,679)	-
Employer's pension contributions and direct payments to pensioners payable in the year		(22,204)	-	-	-	-	-	(22,204)	22,204	-
Adjustments involving the Collection Fund Adjustment Account:										
Amount by which council taxand NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements		27	-	-	-	-	-	27	(27)	-
Adjustment involving the Accumulated Absences Account:										
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		237	-	-	-	-	-	237	(237)	-
Adjustments between accounting basis and funding basis under regulations		11,242	-	(57,671)	(5,427)	5,283	(289)	(46,862)	46,862	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves		(7,927)	-	(6,122)	(5,427)	5,283	(289)	(14,482)	104,248	89,766
Transfer to/(from) earmarked reserves	9	4,155	(4,155)	-	-	-	-	-	-	-
(Decrease) /Increase in Year		**(3,772)**	**(4,155)**	**(6,122)**	**(5,427)**	**5,283**	**(289)**	**(14,482)**	**104,248**	**89,766**
Balance as at 31 March 2016 carried forward		**24,179**	**112,000**	**8,820**	**40,175**	**23,213**	**75,243**	**283,630**	**472,421**	**756,051**

9. Transfers to / from Earmarked Reserves

Earmarked reserves are amounts of money set aside to cover expenditure in future years on specified projects or major initiatives that would not be able to proceed unless money had previously been set aside.
The movement on the council's earmarked reserves during the year is shown below:

	Reserve b/fwd at 31 March 2015	In year Expenditure	New Reserves Raised	Reserve c/fwd at 31 March 2016	In year Expenditure	Reserve transfers	New Reserves Raised	Reserve c/fwd at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central - Capital Financing (i)	4,048	(2,119)	1,261	3,190	(1,616)	-	-	1,574
Central - Infrastructure (ii)	34,539	(16,923)	17,842	35,458	(19,463)	-	20,578	36,573
Central - Risk (vii)	12,268	(2,936)	-	9,332	(6,212)	(3,120)	-	-
Central - Balancing the MTFS (iii)	-	-	-	-	(157)	15,582	-	15,425
Central - Service Development (iv)	7,944	(11,144)	13,782	10,582	(10,154)	(1,483)	7,363	6,308
Central - Transformation (v)	15,080	(6,727)	4,300	12,653	(6,280)	381	-	6,754
Service - Other (vi)	40,340	(15,122)	13,653	38,871	(6,256)	(11,360)	7,073	28,328
Sub Total General Fund	114,219	(54,971)	50,838	110,086	(50,138)	-	35,014	94,962
Special Parking Account (SPA)	1,936	(22)	-	1,914	(1,986)	-	1,909	1,837
Total Earmarked Reserves	116,155	(54,993)	50,838	112,000	(52,124)	-	36,923	96,799

i) Capital financing - receipts not yet applied to capital expenditure to enable the effective management of the medium term financial strategy
ii) Infrastructure - the new homes bonus and CIL is set aside in this reserve to fund the cost of infrastructure in Barnet
iii) Balancing the MTFS – to fund future pressures
iv) Service development - to fund new commissions and service transformation proposals
v) Transformation – to fund the transformation programme to change, protect and improve council services
vi) Other - Including: Dedicated Schools Grant (DSG) – balances in respect of delegated schools budgets (£4.225m). Changes in Benefit subsidy – to cover anticipated costs in respect of Department for Work and Pensions enforced changes to benefits administration (£1.900m), Street lighting scheme – improvements to management (£4.495m).
vii) Risk – to manage litigation and other corporate risks not otherwise recognised.

10. Other Operating Expenditure

	2016/17	2015/16*
	£'000	£'000
Precepts and levies	1,430	1,454
Contribution to government housing pool	2,659	2,585
(Gain) / loss on disposal *	5,881	2,733
Total	**9,970**	6,772

*re-stated

***** £5.656m relates to one school that has transferred to academy status in 2016/17 (in 2015/16 two schools transferred £5.280m)

11. Financing and Investment Income and Expenditure

	2016/17 £'000	2015/16* £'000
Interest and investment income	(3,963)	(4,267)
Net Interest on the Net Defined Benefit Liability	15,543	14,891
Interest payable and similar charges	11,892	12,769
Movement in Investment property valuation	(408)	(8,235)
Trading operations	(259)	1,061
	22,805	16,219

* re-stated

12. Taxation and Non-Specific Grant Income

Demand on Collection Fund
Revenue support grant
Business Rates Top-up
Non-specific grants
Capital grants unapplied
Capital grants applied
Total

* re-stated

13. Movement in Property, Plant and Equipment, Heritage Assets, Investment Properties, Intangible Assets and Assets Held for Sale

The Principal Valuation Manager, Judith Ellis MRICS, values the council's freehold property portfolio in accordance with the statements of asset valuation practice and the guidance notes of the Royal Institute of Chartered Surveyors (RICS). The valuation basis for each of the asset categories included in the council's Balance Sheet is detailed in the accounting policies.

The valuation date for council dwellings was 31 March 2017. Where applicable the valuation date for all other assets due for re-valuation in the year was 1 April 2016. This date was used as directed by the valuer, to allow sufficient time to collect and assess valuation information.

Consideration has been given by the Principal Valuation Manager as to whether there have been any significant changes in the market, statutory or regulatory environments during the accounting period which could have affected the above valuations with the conclusion that there has not been any such change.

At 31 March 2017, the council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years, budgeted to cost £55.625m (£32.917m in 2016/17).

All surplus assets are valued using level 2 observable inputs. In estimating the fair value of the authority's Surplus assets, the highest and best use of the properties has been applied. There has been no change in the valuation techniques used during the year for surplus assets.

Property, Plant and Equipment, Heritage Assets, Investment Properties, Intangible Assets and Assets Held for Sale 2016/17

	Property, Plant and Equipment (PPE)													
	Council Dwellings	Other Land and Buildings	Schools	Vehicles Plant and Equipment	Infrastructure	Community Assets	Surplus Assets	Assets under Construction	Total PPE	Heritage Assets	Investment Properties	Intangible Assets	Assets Held for Sale	**Total Assets**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation of Assets at 31 March 2016	685,946	160,221	238,070	61,195	194,271	340	24,915	26,061	**1,391,019**	1,567	117,126	13,220	-	**1,522,932**
Reclassifications	330	(3,472)	(149)	-	-	-	730	-	**(2,561)**	-	2,561	-	-	**-**
Additions from Assets under Construction	34,061	8,880	8,646	1,577	19,090	-	-	(83,948)	**(11,694)**	-	11,694	-	-	**-**
Additions	-	-	-	-	443	-	-	112,187	**112,630**	-	-	-	-	**112,630**
Revaluation increases recognised in the Revaluation Reserve	1,284	9,431	3,059	-	-	-	4,880	-	**18,654**	-	-	-	-	**18,654**
Revaluation decreases recognised in the Revaluation Reserve	(224)	(5,367)	(15,092)	-	-	-	-	-	**(20,683)**	-	-	-	-	**(20,683)**
Revaluation increases recognised in the Surplus/Deficit on the Provision of Service	25,657	2,633	3,316	-	-	15	4,173	-	**35,794**	-	6,893	-	-	**42,687**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(21,643)	(8,597)	(4,732)	-	-	-	-	-	**(34,972)**	-	(7,692)	-	-	**(42,664)**
Derecognition - Disposals	(11,845)	-	(6,275)	-	-	-	-	-	**(18,120)**	-	(7,166)	-	-	**(25,286)**
Derecognition - Other	-	(1,424)	-	(6,356)	(61,047)	-	-	-	**(68,827)**	-	-	-	-	**(68,827)**
Value of Assets at 31 March 2017	713,566	162,305	226,843	56,416	152,757	355	34,698	54,300	**1,401,240**	1,567	123,416	13,220	-	**1,539,443**
Accumulated Depreciation at 31 March 2016	-	(14,154)	(8,212)	(43,107)	(99,700)	-	(113)	-	**(165,286)**	-	(2)	(6,570)	-	**(171,858)**
Reclassifications	(28)	1,534	-	-	-	-	(256)	-	**1,250**	-	(1,250)	-	-	**-**
Write back of depreciation on revaluation recognised in the Surplus/Deficit on the Provision of Services	21,643	406	1,069	-	-	-	-	-	**23,118**	-	1,207	-	-	**24,325**
Write back of depreciation on revaluation recognised in the Revaluation Reserve	447	4,904	6,849				300		**12,500**	-	-	-	-	**12,500**
Derecognition - Disposals	-	-	513	-	-	-	-	-	**513**	-	-	-	-	**513**
Derecognition - Other	-	1,424	-	6,356	61,047	-	-	-	**68,827**	-	-	-	-	**68,827**
Depreciation charge	(22,062)	(4,665)	(7,987)	(2,973)	(7,521)	-	(16)	-	**(45,224)**	-	-	(1,173)	-	**(46,397)**
Accumulated Depreciation 31 March 2017	-	(10,551)	(7,768)	(39,724)	(46,174)	-	(85)	-	**(104,302)**	-	(45)	(7,743)	-	**(112,090)**
Net book value of Assets at 31 March 2016	**685,946**	**146,067**	**229,858**	**18,088**	**94,571**	**340**	**24,802**	**26,061**	**1,225,733**	**1,567**	**117,124**	**6,650**	**-**	**1,351,074**
Net book value of Assets at 31 March 2017	**713,566**	**151,754**	**219,075**	**16,692**	**106,583**	**355**	**34,613**	**54,300**	**1,296,938**	**1,567**	**123,371**	**5,477**	**-**	**1,427,353**

Property, Plant and Equipment, Heritage Assets, Investment Properties, Intangible Assets and Assets Held for Sale 2015/16

	Property, Plant and Equipment (PPE)													
	Council Dwellings	Other Land and Buildings	Schools	Vehicles Plant and Equipment	Infrastructure	Community Assets	Surplus Assets	Assets under Construction	Total PPE	Heritage Assets	Investment Properties	Intangible Assets	Assets Held for Sale	**Total Assets**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation of Assets at 31 March 2015	659,097	142,124	227,335	58,991	168,045	316	18,320	15,362	**1,289,590**	1,084	101,266	13,825	350	**1,406,115**
Reclassifications	1,170	48	(1,890)	-	-	39	665	-	**32**	-	(32)	-	-	**-**
Additions from Assets under Construction	33,384	15,502	4,981	2,204	25,929	-	-	(98,244)	**(16,244)**	-	15,527	717	-	**-**
Additions	-	-	-	-	430	-	-	108,943	**109,373**	-	-	-	-	**109,373**
Revaluation increases recognised in the Revaluation Reserve	1,219	5,208	10,122	-	-	-	5,930	-	**22,479**	577	-	-	-	**23,056**
Revaluation decreases recognised in the Revaluation Reserve	-	(2,276)	(801)	-	-	(5)	-	-	**(3,082)**	(3)	-	-	-	**(3,085)**
Revaluation increases recognised in the Surplus/Deficit on the Provision of Service	2,559	2,411	4,004	-	-	-	-	-	**8,974**	12	9,244	-	-	**18,230**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	(2,701)	-	-	-	(10)	-	-	**(2,711)**	(103)	(1,028)	-	-	**(3,842)**
Derecognition - Disposals	(11,483)	(72)	(5,681)	-	-	-	-	-	**(17,236)**	-	(7,851)	-	(350)	**(25,437)**
Derecognition - Other	-	(23)	-	-	(133)	-	-	-	**(156)**	-	-	(1,322)	-	**(1,478)**
Value of Assets at 31 March 2016	685,946	160,221	238,070	61,195	194,271	340	24,915	26,061	**1,391,019**	1,567	117,126	13,220	-	**1,522,932**
Accumulated Depreciation at 31 March 2015	(19,003)	(15,654)	(7,368)	(39,694)	(88,593)	-	(85)	-	**(170,397)**	(4)	(2)	(6,625)	-	**(177,028)**
Reclassifications	(16)	(51)	93	-	-	(7)	-	-	**19**	-	(19)	-	-	**-**
Write back of depreciation on revaluation recognised in the Surplus/Deficit on the Provision of Services	40,303	-	-	-	-	-	-	-	**40,303**	-	19	-	-	**40,322**
Write back of depreciation on revaluation recognised in the Revaluation Reserve	193	6,743	6,877	-	-	7	-	-	**13,820**	4	-	-	-	**13,824**
Derecognition - Disposals	-	6	466	-	-	-	-	-	**472**	-	-	-	-	**472**
Derecognition - Other	-	23	-	-	133	-	-	-	**156**	-	-	1,322	-	**1,478**
Depreciation charge	(21,477)	(5,221)	(8,280)	(3,413)	(11,240)	-	(28)	-	**(49,659)**	-	-	(1,267)	-	**(50,926)**
Accumulated Depreciation 31 March 2016	-	(14,154)	(8,212)	(43,107)	(99,700)	-	(113)	-	**(165,286)**	-	(2)	(6,570)	-	**(171,858)**
Net book value of Assets at 31 March 2015	**640,094**	**126,470**	**219,967**	**19,297**	**79,452**	**316**	**18,235**	**15,362**	**1,119,193**	**1,080**	**101,264**	**7,200**	**350**	**1,229,087**
Net book value of Assets at 31 March 2016	**685,946**	**146,067**	**229,858**	**18,088**	**94,571**	**340**	**24,802**	**26,061**	**1,225,733**	**1,567**	**117,124**	**6,650**	**-**	**1,351,074**

14. Heritage Assets

The council's heritage assets are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the council's history and local area.

Movement on heritage asset balances are detailed in Note 13 (Property, Plant and Equipment, Investment Properties, Intangible Assets and Assets Held for Sale).

15. Investment Properties

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

Investment Properties	2016/17 £'000	2015/16 £'000
Rental income from investment property	(3,315)	(2,746)
Direct operating expenses arising from investment property	-	-
Net gain	(3,315)	(2,746)

Movements in the fair value of investment properties are detailed in Note 13 (Movement in Property, Plant and Equipment, Investment Properties, Intangible Assets and Assets Held for Sale).
Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

All investment properties are valued using level 2 observable inputs

Highest and Best Use of Investment Properties

The highest and best use of the properties is used in estimating the fair value of the authority's investment properties.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

16. Intangible Assets

The Council accounts for its software as intangible assets, unless the software is an integral part of a particular IT system in which case it is accounted for as part of the hardware item of Property, Plant and Equipment. None of the intangible assets have been internally generated. Movements on Intangible Asset balances are detailed in Note 13 (Property, Plant and Equipment, Investment Properties, Intangible Assets and Assets Held for Sale)

17. Financial Instruments

A financial instrument is a contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity, Non exchange transactions such as those related to taxes and government grants do not give rise to a financial instrument.

Financial Instruments - Gains and Losses

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

2016/17	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost	Loans and receivables	Total
	£'000	£'000	£'000
Interest payable and similar charges	(11,892)	-	(11,892)
Interest income	-	892	892
Net (loss)/gain for the year	**(11,892)**	**892**	**(11,000)**

2015/16	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost	Loans and receivables	Total
	£'000	£'000	£'000
Interest payable and similar charges	(11,747)	-	(11,747)
Interest income	-	1,535	1,535
Net (loss)/gain for the year	(11,747)	1,535	(10,212)

Financial Instruments - Balances

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

	Long Term 31 March 2017 £'000	Long Term 31 March 2016 £'000	Current 31 March 2017 £'000	Current 31 March 2016 £'000
Borrowing	304,699	304,704	1,434	1,433
PFI/Finance Lease Liabilities	15,974	16,401	428	378
Trade Creditors	-	-	72,670	62,333
Total Financial Liabilities at amortised cost	**320,673**	321,105	**74,532**	64,144
Loans	1,212	830	-	-
Investments	5,011	12,973	52,167	126,418
Cash and Cash Equivalents	-	-	24,915	25,900
Trade Debtors	-	-	76,686	95,852
Total Financial Assets - Loans and Receivables	**6,223**	13,803	**153,768**	248,170
Cash and cash equivalent	-	-	23,700	21,312
Total Financial Assets available for sale	-	-	**23,700**	21,312

The following table reflects the composition of investments and debt recorded on the Balance Sheet:

Borrowing:	Long Term 31 March 2017 £'000	Long Term 31 March 2016 £'000	Current 31 March 2017 £'000	Current 31 March 2016 £'000
Nominal Amount	304,080	304,080	-	-
Accrued Interest	-	-	1,434	1,433
Unamortised Discounts/(Premiums) on Modified Loan(s)	619	624	-	-
Total Borrowings as per Balance Sheet	**304,699**	304,704	**1,434**	**1,433**
Investments and cash and cash equivalents:				
Nominal Amount	5,011	12,952	100,615	152,318
Accrued Interest	-	21	167	641
Total Investments and cash and cash equivalents as per Balance Sheet	**5,011**	12,973	**100,782**	152,959

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date is presented in the Balance Sheet under 'current liabilities' or 'current assets'. This includes accrued interest on long term liabilities and investments that are payable/receivable in 2017/18.

Financial Instruments - Fair Values

For each class of financial asset and financial liability, a council is required to disclose the fair value of that class of asset and liability in such a way that a comparison with the carrying amount is possible.

The council's long term loans are carried in the Balance Sheet at amortised cost. Investments consist of loans and receivables which are carried on the Balance Sheet at amortised cost and available for sale which are held at their value.

The portion of debt and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under short term liabilities or short term investments. This also includes accrued interest for long term investments and borrowings, as well as accrued interest for cash and cash equivalents.

The Code requires the fair values of these assets and liabilities to be disclosed for comparison purposes.

The fair value of an instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Code sets out the fair value valuation hierarchy that should be followed to increase consistency and comparability in fair value measurements and related disclosures.

The valuation basis adopted in this report uses Level 2 inputs – i.e. inputs other than quoted prices that are observable for the financial asset/liability. These have been independently measured and provided by the council's treasury advisor Capita Asset Services. There has been no change in the valuation method used during the year for Financial Instruments.

The following valuation basis has been used:

- Valuation of fixed term deposits (maturity investments): The valuation is made by comparing the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit.
- Valuation of loans receivable: For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- Valuation of PWLB loans: For loans from the PWLB, fair value estimates using both redemption and new borrowing (certainty rate) discount rates have been used. As the Debt Management Office provides a transparent approach to allow the exit cost of PWLB loans to be calculated this can be used for disclosure purposes.
- Valuation of non-PWLB loans payable: For non-PWLB loans, fair value estimates using both PWLB redemption and new loan discount rates have been used.

Inclusion of accrued interest

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the Balance Sheet date, accrued interest is included in the fair value calculation.

Discount rates used in NPV calculation

The rates quoted in this valuation were obtained by Capita Asset Services from the market on 31 March 2017, using bid prices where applicable.

The fair value of a financial instrument on initial recognition is generally the transaction price. The council’s debt outstanding at 31 March 2016 and 31 March 2017 consisted of loans from PWLB and market loans. The PWLB has provided the council with fair value amounts in relation to its debt portfolio. The PWLB has assessed the fair values by calculating the amounts the council would have had to pay to extinguish the loans on these dates. In the case of market loans, the council’s treasury advisor has calculated the fair value based on equivalent swap rates at the Balance Sheet date.

The council’s investment portfolio at the Balance Sheet date consisted almost entirely of term deposits with banks and building societies, call/notice account deposits and Money Market Fund (MMF) investments. In the case of short term instruments and deferred liabilities (PFI, finance leases, etc) the Council deems the carrying amount to be a reasonable approximation of the fair value.

Financial instruments	**Carrying Amount (Long term & current)**	**Fair Value**	Carrying Amount (Long term & current)	Fair Value
	31 March 2017	**31 March 2017**	31 March 2016	31 March 2016
Financial Liabilities:	**£'000**	**£'000**	£'000	£'000
Borrowing	306,133	388,263	306,137	352,670
PFI/Finance Lease Liabilities	16,401	16,401	16,780	16,780
Trade Creditors	72,670	72,670	62,333	62,333
Total Financial Liabilities	**395,204**	**477,334**	385,250	431,783
Financial Assets:				
Long term debtors	1,212	1,212	830	830
Long Term Investments	5,011	5,011	12,973	12,973
Cash and cash equivalents	48,615	48,615	35,823	35,823
Short Term Investments	52,167	52,167	126,418	126,418
Trade Debtors	76,686	76,686	95,852	95,852
Total Financial Assets	**183,691**	**183,691**	271,896	271,896

The fair value for financial assets and financial liabilities in the table above is measured as Level 2 inputs (other significant observable inputs).

Financial Liabilities

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

18. Inventories

As at the 31 March 2017, the council held inventories totalling £0.314m (£0.608m as at 31 March 2016). There has been no material change in year in respect of the nature of the inventories held.

19. Construction Contracts

At 31 March 2017 the council had no construction contracts in progress.

20. Debtors

	2016/17 £'000	2015/16 £'000
Central Government Bodies	23,521	16,738
Other Local Authorities	9,042	1,421
Public Corporations and Trading Funds	666	726
NHS bodies	255	3,888
Other Bodies	105,950	95,852
Payments in Advance (other bodies)	70,872	39,202
	210,306	157,827
Less: provision for bad and doubtful debts	(32,256)	(33,873)
Net Total	**178,050**	123,954

21. Assets Held for Sale

Movements in the assets held for sale are detailed in Note 13 (Property, Plant and Equipment, Investment Properties, Intangible Assets and Assets Held for Sale).

22. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	31 March 2017 £'000	31 March 2016 £'000
Cash	20,415	11,389
Short term deposits	28,200	35,823
Total	**48,615**	47,212

23. Creditors

	2016/17 £'000	2015/16 £'000
Central Government Bodies	26,376	12,041
Other Local Authorities	14,342	10,555
Public Corporations and Trading Funds	5,624	5,970
NHS bodies	237	1,297
Other Bodies	62,893	62,333
Receipts in Advance (other bodies)	11,753	10,250
Total	**121,225**	102,446

24. Provisions

Provisions are included as expenditure within the Deficit/Surplus on Continuing Operations within the Comprehensive Income and Expenditure Statement and are split between current and long term on the Balance Sheet.

	Note	As at 1 April 2015 £'000	In year related payments £'000	Written back in year £'000	New provisions raised £'000	As at 1 April 2016 £'000	In year related payments £'000	Written back in year £'000	New provisions raised £'000	As at 31 March 2017 £'000
Grants to Voluntary Sector		83	(102)	-	19	-	-	-	-	**-**
Housing & Property		256	(256)	-	117	117	(117)	-	-	**-**
Insurance	i)	8,850	-	-	-	8,850	-	-	-	**8,850**
Legal	ii)	849	(744)	-	136	241	(75)	(50)	70	**186**
Service Related Provision	iii)	766	(540)	-	261	487	(249)	-	2,243	**2,481**
Redundancy Costs		-	-	-	120	120	(24)	-	-	**96**
Business Rates Appeals	iv)	2,640	-	-	442	3,082	-	(25)	-	**3,057**
Total		13,444	(1,642)	-	1,095	12,897	**(465)**	**(75)**	**2,313**	**14,670**
					Short Tern	6,340			**Short Term**	**7,920**
					Long term	6,557			**Long term**	**6,750**

i) 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) Legal - This provision is to cover the potential liability of an ongoing legal case.

iii) Service Provision – The majority of items relate to residential care ordinary residents cases.

iv) Business Rates Appeals - Provision is to cover the council's share of the settlement of previous and potential appeals by rate payers.

Insurance Provision

- The Insurance provision covers all historic legal liability claims including personal accident, risk to employees whilst carrying out their duties, public and other liability claims, the losses from the inability of contractors to fulfill obligations, fire and all other past claims under the policy excess which have not been settled to date. The adequacy of the provision has been reviewed in March 2017 by an independent advisor.

- The Council's insurance provision is based on an assessment as at 31st March 2017 of the potential financial impact of outstanding insurance claims, by independent actuaries, HJC Actuarial Consulting Limited; in line with national actuarial guidelines.

- The council's insurance provision includes £0.859m (£0.704m for 2015/16) in relation to Municipal Mutual Insurance. In January 1994, the council's then insurer, Municipal Mutual Insurance (MMI), made a Scheme of Arrangement with its creditors. Under the Scheme, claims are initially paid out in full, but if the eventual wind up of the company results in insufficient assets to meet liabilities, a clawback clause will be triggered, which could affect claims already paid. As at September 2016, the council's qualifying gross claims paid under the scheme are £1.28m, with £289k of claims outstanding. The council has been advised by the actuary that an ultimate levy of 75% would be a fair assumption at this time. Accordingly for the council's MMI exposure; a provision of 50% has been made (75% as directed by the actuary less 25% levy already paid) plus 75% of outstanding claims.

Business Rate appeals

- The total business rates appeals provision is based on the success rate of settled appeals and withdrawn appeals for income generated up to the 31 March 2017. The provision in the table above is the council's share of the total appeals provision.

25. Usable Reserves

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement.

26. Unusable Reserves

Movements in the council's unusable reserves are detailed below:

	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Accumulating Absences Adjustment Account	Deferred Capital Receipts	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2016	**160,775**	**779,202**	**(544)**	**6,892**	**(469,137)**	**(4,813)**	**46**	**472,421**	**756,051**
Movement in reserves during 2016/17									
Surplus on provision of services	-	-	-	-	-	-	-	-	**3,842**
Other Comprehensive Income	10,471	-	-	-	34,063	-	-	44,534	**44,534**
Total Comprehensive Income and Expenditure	**10,471**	**-**	**-**	**-**	**34,063**	**-**	**-**	**44,534**	**48,376**
Adjustments between accounting basis and funding basis under regulations	(8,733)	49,649	6	5,520	(15,219)	(1,697)	346	29,872	**-**
Increase / (Decrease) in Year	**1,738**	**49,649**	**6**	**5,520**	**18,844**	**(1,697)**	**346**	**74,406**	**48,376**
Balance as at 31 March 2017	**162,513**	**828,851**	**(538)**	**12,412**	**(450,293)**	**(6,510)**	**392**	**546,827**	**804,427**

	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Accumulating Absences Adjustment Account	Deferred Capital Receipts	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2015	134,414	708,105	(546)	6,919	(476,254)	(4,576)	111	368,173	666,285
Movement in reserves during 2015/16									
Surplus on provision of services	-	-	-	-	-	-	-	-	32,380
Other Comprehensive Income and Expenditure	33,794	-	-	-	23,592	-	-	57,386	57,386
Total Comprehensive Income and Expenditure	33,794	-	-	-	23,592	-	-	57,386	89,766
Adjustments between accounting basis and funding basis under regulations	(7,433)	71,097	2	(27)	(16,475)	(237)	(65)	46,862	-
Increase / (Decrease) in Year	26,361	71,097	2	(27)	7,117	(237)	(65)	104,248	89,766
Balance as at 31 March 2016	**160,775**	**779,202**	**(544)**	**6,892**	**(469,137)**	**(4,813)**	**46**	**472,421**	**756,051**

Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as financing for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains. Note 8 provides details of the source of all the transactions posted to the accounts, apart from those involving the Revaluation Reserve.

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in the Comprehensive Income and Expenditure Statement. This will include the benefits earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. The debit balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

27. Operating Activities

Net Cash Flows from Operating Activities	2016/17		2015/16	
	£'000	£'000	£'000	£'000
Net Surplus on the Provision of Services		3,842		32,380
Adjust net Surplus on the Provision of Services for non-cash movements				
Depreciation	45,224		52,816	
Impairment and downward valuations	(24,678)		(49,502)	
Amortisation	1,173		1,265	
Increase in Creditors	23,929		7,084	
Increase in Debtors	(54,072)		(28,739)	
Decrease in Inventories	294		4	
Increase in Pension Liability	15,043		16,097	
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	24,773		23,016	
Other non-cash items charged to the net Surplus on the Provision of Services	2,534		(7,504)	
		34,220		14,537
Adjust for items included in the net Surplus on the Provision of Services that are investing or financing activities				
Proceeds from short-term and long-term investments	358		-	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(19,323)		(22,230)	
Any other item of which the cash effects are investing or financing cashflow *	(34,839)		(31,946)	
		(53,804)		(54,176)
Net Cash Flows from Operating Activities		(15,742)		(7,259)

* capital grants

Operating activities within the cash flow statement include the following cash flows relating to interest	2016/17		2015/16	
	£'000	£'000	£'000	£'000
Ordinary interest received	552		1,364	
Interest charge for year	(4,353)		(4,696)	
Net Interest		(3,801)		(3,332)

28. Investing Activities

Cash Flows from Investing Activities	2016/17 £'000	2016/17 £'000	2015/16 £'000	2015/16 £'000
Property, Plant and Equipment purchased	(117,603)		(103,681)	
Purchase of investments	(47,147)		(126,405)	
Other payments for Investing Activities	(466)		(71)	
Proceeds from the sale of Property Plant and Equipment, Investment Property and Intangible Assets	19,375		22,296	
Proceeds from investments	129,002		128,116	
Other Receipts from Investing Activities *	34,843		31,946	
Total Cash Flows from Investing Activities		18,004		(47,799)

29. Financing Activities

Cash Flows from Financing Activities	2016/17 £'000	2016/17 £'000	2015/16 £'000	2015/16 £'000
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	(377)		(335)	
Other payments for financing activities	(482)		(2,281)	
Total Cash Flows from Financing Activities		(859)		(2,616)

30. Acquired and Discontinued Operations

There are no discontinued operations

31. Trading Operations

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

2016/17	Income	Internal recharges	Expenditure	Trading (surplus) /deficit
	£000	£000	£000	£000
Catering *	(35)	2	196	163
Transport	(1,899)	(3,413)	5,409	97
Other	-	-	-	-
Total	**(1,934)**	**(3,411)**	**5,605**	**260**

2015/16	Income	Internal recharges	Expenditure	Trading (surplus) /deficit
	£000	£000	£000	£000
Catering	(9,378)	49	9,183	(146)
Transport	(414)	(7,372)	7,636	(150)
Other	-	209	-	209
Total	(9,792)	(7,114)	16,819	(87)

* The Catering Operation was transferred to Cambridge Education on 1 April 2016

32. Pooled Budgets

The authority has eight pooled budget arrangements with Barnet Clinical Commissioning Group (CCG).
The arrangements are for the provision of the following:

- community equipment services
- learning disability services
- to support people with learning disabilities who have been living in long stay NHS accommodation to be re-settled to live within the local community
- to develop an approach to commissioning preventative services
- to reduce duplication, maximise outcomes and improve health and social care outcomes for service users of speech and language therapy, occupational therapy and looked after children.
- Agreements in respect of the Better Care Fund.

From 1 April 2015 the council entered into an aligned budget arrangement with the CCG for the Better Care Fund, identifying spend and jointly reporting on income and expenditure. The fund is used for continued delivery of services in the Better Care Fund plan under the existing integrated health and social care section 75 agreement.

Section 75 agreement in respect of Community Equipment Services

	2016/17			2015/16		
	Total	Barnet	Barnet CCG	Total	Barnet	Barnet CCG
	£'000	£'000	£'000	£'000	£'000	£'000
Equipment, servicing and repairs	2,065	1,327	738	1,900	665	1,235
Contract management (including delivery, collection and storage)	636	336	300	622	397	225
	2,701	**1,663**	**1,038**	2,522	1,062	1,460

Section 75 agreement in respect of Learning Disability Services

	2016/17			2015/16		
	Total	Barnet	Barnet CCG	Total	Barnet	Barnet CCG
	£'000	£'000	£'000	£'000	£'000	£'000
Social Work Team (staff & Non-staff budget)	2,556	934	1,622	2,639	1,017	1,622
Head of Service contribution	80	40	40	80	40	40
Transition Team (staff & non-staff budget)	425	425	-	234	234	-
Accommodation & IT support	227	-	227	227	-	227
	3,288	**1,399**	**1,889**	3,180	1,291	1,889

Section 75 agreement in respect of Learning Disability Services for the campus re-provision programme.

	2016/17			2015/16		
	Total	Barnet	Barnet CCG	Total	Barnet	Barnet CCG
	£'000	£'000	£'000	£'000	£'000	£'000
Campus re-provision services	1,658	840	818	1,707	870	837
	1,658	**840**	**818**	1,707	870	837

Section 75 agreement in respect of Voluntary Services Commissioning within a Prevention Framework

	2016/17			2015/16		
	Total	Barnet	Barnet CCG	Total	Barnet	Barnet CCG
	£'000	£'000	£'000	£'000	£'000	£'000
Third party contract payments	2,437	1,705	732	2,504	1,772	732
	2,437	**1,705**	**732**	2,504	1,772	732

Section 75 agreement in respect of Better Care Funding

	2016/17 Total £'000	2016/17 Barnet £'000	2016/17 Barnet CCG £'000	2015/16 Total £'000	2015/16 Barnet £'000	2015/16 Barnet CCG £'000
Carers Support	1,952	1,952	-	300	300	-
Integrated Care	1,044	1,044	-	1,159	1,159	-
Personalised Support	1,281	1,281	-	993	993	-
Reablement	237	237	-	238	238	-
Social Care	3,157	3,157	-	2,373	2,373	-
Care Act	-	-	-	846	846	-
Disabled Facilites Grant	1,970	1,970	-	1,066	1,066	-
Social Care Capital Grant	-	-	-	806	806	-
Community Equipment (see note above)						
Frail Elderly	196	-	196	508	-	508
Community Services	10,728	-	10,728	10,125	-	10,125
Enablement	97	-	97	377	-	377
Hospice Contracts	1,239	-	1,239	1,245	-	1,245
Memory Assessment	215	-	215	215	-	215
Additional Enablement	845	-	845	845	-	845
	22,961	**9,641**	**13,320**	21,096	7,781	13,315

Section 75 agreement in respect to Children's Services

	2016/17 Total £'000	2016/17 Barnet £'000	2016/17 Barnet CCG £'000	2015/16 Total £'000	2015/16 Barnet £'000	2015/16 Barnet CCG £'000
Funding provided to the pooled budget						
Speech and language therapy	2,054	404	1,650	1,999	349	1,650
Occupational therapy	401	60	341	401	60	341
Looked after children	132	41	91	132	41	91
	2,587	**505**	**2,082**	2,532	450	2,082
Expenditure met from the pooled budget						
Speech and language therapy	2,473	459	2,014	1,999	349	1,650
Occupational therapy	401	60	341	401	60	341
Looked after children	132	41	91	132	41	91
	3,006	**560**	**2,446**	2,532	450	2,082
Net deficit	**(419)**	**(55)**	**(364)**	-	-	-

33. Members' Allowances

	2016/17	2015/16*
	£'000	£'000
Member Allowances	1,106	1,098
Member Expenses	1	1
	1,107	1,099

* Re-stated. The 2015/16 members' expenses have been changed to exclude the costs associated with member's support.

34. Officers' Remuneration

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

Remuneration band	2016/17 Total Number of Employees	2015/16 Total Number of Employees
£50,000 - £54,999	147	156
£55,000 - £59,999	63	75
£60,000 - £64,999	40	45
£65,000 - £69,999	40	36
£70,000 - £74,999	27	24
£75,000 - £79,999	22	15
£80,000 - £84,999	9	11
£85,000 - £89,999	7	10
£90,000 - £94,999	6	6
£95,000 - £99,999	1	5
£100,000 - £104,999	3	3
£105,000 - £109,999	2	5
£110,000 - £114,999	1	4
£115,000 - £119,999	1	-
£120,000 - £124,999	1	1
£125,000 - £129,999	1	2
£130,000 - £134,999	2	-
£135,000 - £139,999	1	-
£140,000 - £144,999	-	-
£145,000 - £149,999	-	-
>£150,000	1	2
Total	**375**	400

Senior Officers

Senior officers are defined as all those whose remuneration (including employers pension contributions) is £150,000 or above, the following statutory posts: Head of Paid Service, Director of Children's Services, Director of Adult Social Services, Chief Education Officer, Monitoring Officer and Section 151 officer, and any officer who reports directly to the Head of Paid Service whose salary is more than £50,000.

The table includes individuals whose annual equivalent salary exceeds £150,000.

2016/17

Post Title and Name	Note	Salary (including fees & allowances)	Expenses / Allowances	Compensation for loss of office	Pension Contributions	Total Remuneration
		£	£	£	£	£
Chief Executive (Head of Paid Service) - Andrew Travers	(i)	69,219	-	76,903	12,148	158,270
Chief Executive (Head of Paid Service and Section 151 Officer) - John Hooton	(ii)	158,992	-	-	41,178	200,170
Chief Operating Officer (Section 151 Officer) - John Hooton	(iii)	15,565	-	-	4,031	19,596
Interim Deputy Chief Executive and Commissioning Director (Growth and Development) - Cath Shaw	(iv)	117,926	-	-	30,543	148,469
Interim Chief Operating Officer - Stephen Evans	(v)	106,744	-	-	27,647	134,391
Commissioning Director (Adults and Health) and Director of Adult Social Services - Dawn Wakeling		129,870	-	-	33,636	163,506
Director of Adults and Communities - Mathew Kendal		113,846	-	-	29,486	143,332
Commissioning Director (Children and Young People) and Director of Children's Services - Christopher Munday		134,342	-	-	34,795	169,137
Commissioning Director (Environment) - Jamie Blake		132,626	1,154	-	34,649	168,429
Assurance Director (Monitoring Officer) - Davina Fiore	(vi)	44,800	-	-	11,603	56,403
Interim Assurance Director (Monitoring Officer) - David Tatlow	(vii)	69,656	-	-	-	69,656
Director of Public Health - Mr Andrew Howe	(viii)	150,825	-	-	21,658	172,483

i) Andrew Travers left 30 June 2016

ii) John Hooton Chief Executive and S151 officer from 24 May 2016 (including part of the year on an Interim basis)

iii) John Hooton was Chief Operating Officer and Section 151 officer until taking on the role of Chief Executive

iv) Cath Shaw became the Interim Deputy Chief Executive and Commissioning Director for Growth and Development from 24 May 2016

v) Stephen Evans became the Interim Chief Operating Officer from 24 May 2016

vi) Davina Fiore left 2 September 2016

vii) David Tatlow was appointed as the council's Monitoring Officer following the departure of Davina Fiore. He was employed through an employment agency and it is his agency costs that are shown in the note. Normal recruitment procedures apply to the appointment and the council did not undertake any other material transactions with the third party in the year.

viii) Andrew Howe is employed by the London Borough of Harrow and funded 50% by London Borough of Barnet. The element showing is the full salary paid to him.

2015/16

Post Title and Name	Note	Salary (including fees & allowances)	Expenses / allowances	Pension contributions	Total Remuneration
		£	£	£	£
Chief Executive (Head of Paid Service) - Andrew Travers		187,613	-	48,592	236,205
Chief Operating Officer (Section 151 Officer) - John Hooton		145,548	-	39,796	185,344
Strategic Director for Commissioning - Kate Kennally	(i)	123,178	70	31,885	155,133
Commissioning Director (Adults and Health), (Director of Adults Social Service) - Dawn Wakeling		129,870	-	33,636	163,506
Commissioning Director (Environment) - Jamie Blake	(ii)	102,325	1,027	26,502	129,854
Interim Commissioning Director (Environment)	(iii)	41,974	-	-	41,974
Education and Skills Director (Chief Education Officer) - Ian Harrison		113,846	-	29,486	143,332
Assurance Director (Monitoring Officer) - Davina Fiore	(iv)	82,387	147	21,300	103,834
Interim Assurance Director	(v)	22,800	-	-	22,800
Commissioning Director (Children and Young People) (Director of Children's Services) - Christopher Munday		111,107	-	28,777	139,884

i) Kate Kennally was an employee at LB Barnet until 10 January 2016.
ii) Jamie Blake began employment at LB Barnet on 11 May 2015.
iii) This figure represents the fees paid in respect of an interim director appointed until 22 May 2015.
iv) This employee was appointed as Assurance Director for LB Barnet on 29 June 2015.
v) This figure represents the fees paid in respect of an interim appointed until 28 June 2015.

The number of exit packages, all compulsory redundancies, with total cost per band, is set out in the table below.

	2016/17 Exit Packages by Band Number	**2016/17 Exit Packages by Band £'000**	2015/16 Exit Packages by Band Number	2015/16 Exit Packages by Band £'000
£nil to £20,000	153	909	70	586
£20,001 - £40,000	7	198	14	391
£40,001 - £60,000	1	51	-	-
£60,001 - £80,000	1	77	-	-
£80,001 - £100,000	1	87	-	-
	163	**1,322**	84	977

35. Audit Costs

The cost to the council of external audit and inspection fees is as follows:

	2016/17 £'000	2015/16 £'000
Fees payable to the council's appointed external auditors for:		
Audit and inspection	170	170
Certification of grant claims and returns	28	29
	198	199

36. Dedicated Schools Grant (DSG)

The council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency: the Dedicated Schools Grant (DSG). The DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School Finance (England) Regulations 2012.

The Schools' Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2016/17 are as follows:-

	2016/17			2015/16		
	Central Expenditure £'000	Individual Schools' Budget £'000	Total £'000	Central Expenditure £'000	Individual Schools' Budget £'000	Total £'000
Final DSG before Academy recoupment	-	-	302,378	-	-	295,446
Academy figure recouped	-	-	(98,308)	-	-	(90,407)
Total DSG after academy recoupment	**-**	**-**	**204,070**	**-**	**-**	**205,039**
Plus: Brought forward from prior year	-	-	5,019	-	-	4,856
Less: Carry-forward to following year agreed in advance	-	-	(5,019)	-	-	(4,856)
Agreed initial budget distribution	**65,085**	**138,985**	**204,070**	**64,693**	**140,346**	**205,039**
In-year adjustments	1,379	(37)	1,342	3,131	(493)	2,638
Final budget distribution	**66,464**	**138,948**	**205,412**	**67,824**	**139,853**	**207,677**
Less: Actual central expenditure	(65,916)	-	(65,916)	(65,022)	-	(65,022)
Less: Actual ISB deployed to schools	-	(138,948)	(138,948)	-	(139,853)	(139,853)
Plus: Local authority contribution	-	-	-	-	-	-
Carry-forward from in year grant received	**548**	**-**	**548**	**2,802**	**-**	**2,802**
Carry-forward from prior years			3,676			2,217
Total DSG Carried forward			**4,224**			**5,019**

37. Grant Income

The following table analyses the grant income included in the Taxation and Non- Specific Grant income line of the Comprehensive Income and Expenditure Statement. (Excluding demand on the collection fund and as detailed in Note 12)

	2016/17 £'000	2015/16* £'000
Business Rates Related	(19,249)	(20,390)
Revenue Support Grant	(36,849)	(50,240)
Education Funding	(2,650)	(3,912)
New Homes Bonus	(12,431)	(7,416)
Housing Benefit	(1,724)	(2,470)
Private Finance Initiative Grant	(1,676)	(2,235)
Other Grants	(3,227)	(8,546)
Capital grants and Contributions	(30,557)	(19,306)
	(108,363)	(114,515)

*restated

The table below analyses the revenue grants credited to the service income lines in the Comprehensive Income and Expenditure Statement.

	2016/17 £'000	2015/16 £'000
Dedicated Schools Grant *	(203,787)	(205,039)
Education Related Grants	(23,472)	(23,661)
Housing Benefit Grant Support	(270,195)	(267,748)
Council tax Administration	(537)	(462)
Independent Living Grant	(1,739)	(1,166)
Public Health Grant	(18,054)	(15,079)
Elections Funding	(1,254)	(677)
Asylum Seekers Grant	(1,322)	(1,216)
Other Grants	(3,837)	(3,716)
S106 Contributions	(2,063)	(9,174)
	(526,260)	(527,938)

*Includes a claw back of £0.283m for 2015/16.

The council has received a number of grants and contributions that have conditions attached to them. As long as the council has reasonable assurance the capital grant conditions will be met, the income is to be shown in the CIES and then moved to the Capital Grants Unapplied Account via the Movement in Reserves Statement.

38. Related Parties

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. Grant income is shown in note 37 and note 12.

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in note 33. 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' interests. In addition, every year members are asked to complete a declaration of any related party transactions. In financial year 2016/17 several members declared that they had acted as trustees for local voluntary organisations and as school governors. The Council paid grants totalling £1.654m (£1.981m in 2015/16) to voluntary organisations in which eighteen members (seventeen members in 2015/16) had positions on the governing body. The council paid £25.020m (£30.510m in 2015/16) to schools in which 28 members (26 members in 2015/16) had positions on the governing body.

The council has a number of significant transactions with other local authorities and local health authorities. The council has pooled budget arrangements in place with the Barnet Clinical Commissioning Group (CCG) details of which are in note 32. In addition the council places pupils into neighbouring authorities' schools, the expenditure for which is included within the Education and Skills line of the Comprehensive Income and Expenditure Account. In 2016/17 investments in line with the council's Treasury Management Strategy were placed with other local authorities and totalled £5.0m (£30.3m in 2015/16) as at the financial year end.

The London Borough of Barnet (the reporting authority) has four subsidiary companies:

- The Barnet Group Ltd
- Barnet (Holdings) Ltd
- BX Holdings Ltd
- Hill Green Homes Ltd

The London Borough of Barnet owns 100% of the share capital of The Barnet Group Ltd. The Barnet Group Ltd owns 100% of the share capital of Your Choice (Barnet) Ltd, The Barnet Group Flex Ltd, Open Door Ltd and is the sole member and guarantor of Barnet Homes Ltd, a company limited by guarantee. The London Borough of Barnet contracts with The Barnet Group Ltd for the provision of Adult Social Care Services and Housing Management Services. The Barnet Group Ltd then contracts on a back to back basis with Your Choice (Barnet) Ltd and Barnet Homes Ltd in respect of Adult Social Care Services and Housing Management Services respectively. As a result, The Barnet Group Ltd receives a management fee from The London Borough of Barnet on behalf of Barnet Homes Ltd and Your Choice (Barnet) Limited. It also invoices for ad hoc services on behalf of the two companies. Invoices to the value of £123.786m (£115.193m 2015/16) were paid to the Barnet Group and Income of £3.476m (£5.676m 2015/16) was received from the Barnet Group. The outstanding balances owed to and from The Barnet Group Ltd at 31 March 2017 were £5.077m (£9.305m in 2015/16) and £12.974m (£11.743m in 2015/16) respectively.

The Barnet Group Ltd had a board consisting of six members, of which two are members of the council.

The reported (profits)/losses for the subsidiaries mentioned above were:

	2016/17	2015/16
	£'000	£'000
Barnet Group Ltd	31	9
Barnet Homes Ltd	(2,940)	(2,456)
Your Choice (Barnet) Ltd	(2,370)	(701)
The Barnet Group Flex Ltd	(7)	-
Open Door Ltd	9	-

The London Borough of Barnet owns 100% of the share capital of Barnet (Holdings) Ltd. which own 49% of the share capital in the joint venture in Regional Enterprise Ltd (RE Ltd). The joint venture is owned with Capita plc. The London Borough of Barnet contracts with RE Ltd for the provision of development and regulatory services in the borough. The council's Chief Executive and Leader are company directors of Barnet Holdings Ltd and Regional Enterprise Ltd.

The London Borough of Barnet owns 100% of the shares of BX Holdings Ltd and Hill Green Homes Ltd. Neither subsidiary traded in 2016/17.

The London Borough of Barnet (the reporting authority) has a 13.9% share in the Inglis Consortium LLP which is a joint venture with VSM Estates Ltd and Annington Property Ltd. The London Borough of Barnet is in receipt of income from the Inglis Consortium LLP and the council's profit share for 2016/17 as recorded in the accounts was £5.660m (2015/16 £6.859m). The Chief Executive and the Interim Chief Operating Officer sit on the Board of the Inglis Consortium LLP.

Every year all senior officers are required to complete a related party transactions declaration. For the financial year 2016/17 three officers were directors for companies with which net transactions of £27.2m (£22.5m in 2015/16) took place.

- Barnet Holdings Ltd - expenditure £33.5m and income of £0.4m (£29.3m and £0.5m respectively in 2015/16)
- Inglis Consortium - income of £5.9m (£6.3m in 2015/16)

The council is the administering authority for the London Borough of Barnet Pension Fund. In 2016/17 the council's employer's contributions to the Fund were £22.645m (£20.239m in 2015/16). The council charged the Fund £0.717m (£0.663m in 2015/16) for its administration.

39. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

Capital Investment	2016/17 £'000	2015/16 £'000
Adults and Communities	1,968	3,977
Commissioning Group	18,852	18,445
Education and Skills	28,030	24,430
Family Services	1,649	961
Housing Needs and Resources	4,072	-
Parking and Infrastructure	1,121	364
Regional Enterprise (Re)	42,708	44,629
Street Scene	1,085	743
Housing Revenue Account	37,826	38,787
	137,311	**132,336**

Sources of Finance	Capital financed in 2016/17 £'000	Capital financed in 2015/16 £'000
Capital receipts	21,004	25,137
General fund revenue contributions	938	657
Reserves	20,749	18,302
HRA revenue contributions/MRA	26,831	27,525
Contributions including S 106 receipts	5,431	3,868
Borrowing	32,899	28,709
Grants	29,459	28,138
	137,311	**132,336**

The total capital expenditure of £137.311m (£132.336m 2015/16) is made up of £112.630m (£109.373m 2015/16) additions as shown in note 13 (less the £0.443m of infrastructure that relates to PFI) and the £25.124m of Revenue Expenditure Funded from Capital under Statute shown in note 8.
The Capital Financing Requirement as at 31 March 2017 was £433.896m (31 March 2016 £383.087m).

40. Leases

Operating Leases

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

In 2016/17 the council paid £2.579m in respect of operating leases (£3.655m in 2015/16) and there were commitments representing the total of future minimum lease payments in place of £29.136m (£25.890m in 2015/16) for future years.

Properties were leased out and in 2016/17 this produced an income of £4.498m (£4.006m in 2015/16) with £132.238m (£125.976m in 2015/16) contracted for future years.

Future Operating Lease Payments 2016/17	Vehicles, plant and equipment leased in £'000	Property leased in £'000	Property leased out £'000
less than one year	-	2,857	(4,545)
one to five years	-	9,251	(9,709)
greater than five years	-	17,028	(117,984)
Total	**-**	**29,136**	**(132,238)**

Future Operating Lease Payments 2015/16	Vehicles, plant and equipment leased in £'000	Property leased in £'000	Property leased out £'000
less than one year	14	2,326	(3,648)
one to five years	-	8,440	(7,732)
greater than five years	-	15,124	(114,596)
Total	**14**	**25,890**	**(125,976)**

41. Private Finance Initiatives (PFI) and Similar Contracts

In April 2006 the council entered into a PFI contract to provide street lighting. This consisted of a Core Investment Programme (CIP) for five years followed by a post CIP operating period of 20 years. The 25 year contract will expire in 2031.

At year end street lights that have been erected are recognised on the council's Balance Sheet as infrastructure assets. Each year the CIP assets and corresponding liabilities are to be acknowledged.
Below is the movement in the carrying value of the assets recognised under the PFI arrangement:

PFI Street Lights	2015/16 £'000	In Year Movement £'000	2016/17 £'000
Gross book value	26,344	443	26,787
Accumulated depreciation	(8,259)	(1,407)	(9,666)
Net book value	18,085	(964)	**17,121**

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

	2015/16	In Year Movement	2016/17
	£'000	£'000	£'000
Lease liability	16,780	(378)	**16,402**

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

	Repayment of liability	Interest	Service charges	Other charges	Total
	£'000	£'000	£'000	£'000	£'000
2017/18	428	2,205	1,600	1,212	5,445
2018/19 - 2021/22	2,355	8,164	6,906	5,740	23,165
2022/23 - 2026/27	5,158	7,935	9,898	10,232	33,223
2027/28 - 2031/32	8,461	3,219	9,273	7,874	28,827
Total Commitments	**16,402**	**21,523**	**27,677**	**25,058**	**90,660**

If the assumptions around inflation were to vary by 2% it would result in a £1.3m increase/decrease in payments over the life of the arrangement.

42. Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Note 13, reconciling the movement over the year in the Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Asset balances.

43. Termination Benefits

The Council terminated the contracts of a number of employees in 2016/17, incurring unreduced early retirement benefits of £0.151m (£0.200m in 2015/16) of which £0.151m (£0.200m in 2015/16) was payable to the employees and there was no effect on the pension strain.

44. Pension Schemes Accounted for as Defined Contribution Schemes

The council offers membership to all employees of a pension scheme with defined benefits, as part of their employment terms and conditions. The benefits of the scheme are not payable until the employee retires.

The Local Government Pension Scheme (LGPS)

The LGPS is a defined benefit statutory scheme, which means that the council and employees pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investments assets in the long term.

The council currently participates in the London Borough of Barnet pool with ten other employers in order to share experience of risks they are exposed to in the Fund. At the

2016 valuation, the deficit for the whole pool was calculated and allocated to each employer in proportion to their active payroll. The next reallocation will be carried out at the 2019 valuation, should the employer remain in the pool. Each employer within the pool pays a contribution rate based on the cost of benefits of the combined membership of the pool.

Barnet as the administrating authority receives administration expenses that were £0.717m in 2016/17 (£0.663m in 2015/16).

The council's contributions to the Local Government Pension Scheme (LGPS) for the year to 31 March 2017 are 25.8% and expected contributions to March 2018 are 25.8%.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by regulations. The actuarial valuation as at 31 March 2016 set the contributions for the period 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS, but contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

Award of Discretionary Post Retirement Benefits upon Early Retirement in Relation to the Teachers' Pension Scheme

This is an unfunded defined benefits arrangement, under which the liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet the actual pension payments as they eventually fall due. The council is therefore 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 council contributes to the Department for Education's Teachers' Pension Fund at a rate of 16.4% of pensionable pay. The rate changed from 14.1% in September 2015. The amount paid in the year, £16.600m (£16.933m 2015/16) is included in the Education and Skills service costs.

The actuary's calculation of the net deficit on the pension fund is shown below. The change in the net value of the pension fund includes net gains of £34.063m in 2016/17, compared to £23.592m in 2015/16. 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

Transactions relating to Post-Employment Benefits

The council recognise the cost of retirement benefits in the Comprehensive Income and Expenditure Statement (Cost of Services) when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge the council is required to make against the council tax is based under regulations on cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and expenditure Statement and the Movement tin Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	2016/17		2015/16	
	£'000	£'000	£'000	£'000
Cost of Services				
Service Cost	(21,604)		(23,126)	
Administration expenses	(717)		(663)	
Funding and Investment		(22,321)		(23,789)
Net interest expense		(15,543)		(14,890)
Total Post-Employment Benefits charged to the Surplus or Deficit on the Provision of Services		**(37,864)**		**(38,679)**
Remeasurement of the net defined benefit liability				
Return on plan assets (excluding the amount included in the net interest expense)	154,696		(28,849)	
Change in financial assumptions	(120,633)		52,509	
Experience loss on defined benefit obligation	-		(68)	
		34,063		23,592
Total Charged to CIES for the year		**(3,801)**		**(15,087)**

Movement in Reserves Statement

Pension Reserve	2016/17		2015/16	
	£'000	£'000	£'000	£'000
Reversal of Net Charges made to the Surplu/Defict on the Provision of Services	(37,864)		(38,679)	
Actual amount charged against the General Fund Balance for pensions in year	22,645		22,204	
Balance at the end of the year		**(15,219)**		**(16,475)**

Pension Assets and Liabilities recognised in the Balance Sheet

The amount included in the balance sheet arising from the council's obligation in respect of its defined benefit plan is as follows:

Pension assets and liabilities recognised in the Balance Sheet	2016/17		2015/16	
	£'000	£'000	£'000	£'000
Present Value of Funded Obligation	1,147,759		1,005,676	
Fair Value of Plan Assets	(726,741)		(561,449)	
Net Liability		**421,018**		444,227
Present Value of Unfunded Obligation		29,275		24,910
Net Liability in Balance Sheet		**450,293**		**469,137**

The Net liability shows the underlying commitments that the council has in the long term to pay retirement benefits. The total net deficit of £450.293m (2015/16 £469.137m), including the liability for the LGPS unfunded scheme has a substantial impact on the net worth of the council, as recorded in the Balance Sheet.

However the financial position of the council remains healthy as there are arrangements for funding the net pension liabilities, governed by statute, as follows:

- the net liability on the funded LGPS scheme will be made good by increased contributions over the next 20 years;
- the liability on the unfunded LGPS scheme will be paid by the council as pensions are actually paid;
- the council is only required to cover the teachers' unfunded added years when pensions are actually paid.

The movements in the funded and unfunded obligation are explained in the Scheme Asset and Benefit Obligation table on the following page.

Reconciliation of Scheme Assets and Benefit Obligations

Reconciliation in the movements in the fair value of scheme assets	2016/17	2015/16
	£'000	£'000
Opening Fair Value of Scheme Assets	**561,449**	**581,710**
Interest on assets	19,496	18,469
Return on assets less interest	154,695	(28,849)
Administration expenses	(717)	(663)
Contributions by employer including unfunded	23,362	22,204
Contributions by scheme participants	5,414	5,188
Estimated benefit paid plus unfunded net of transfers in	(36,959)	(36,508)
Settlement prices paid	-	(102)
Closing Fair Value of Scheme assets	**726,740**	**561,449**

Scheme Asset and Benefit Obligation Reconciliation	2016/17	2015/16
	£'000	£'000
Opening Defined Benefit Obligation	**1,030,586**	**1,057,964**
Current service cost	22,054	23,011
Interest cost	35,039	33,359
Actuarial change in financial assumptions	150,001	(52,509)
Actuarial change in demographic assumptions	5,183	-
Experience loss/(gain) on defined benefit obligation	(34,551)	68
Liabilties extinguished	-	(187)
Estimated benefits paid net of transfers in	(36,959)	(34,921)
Past service costs, including curtailments	267	200
Contributions by scheme participants	5,414	5,188
Unfunded pension payments	-	(1,587)
Closing Defined Benefit Obligation	**1,177,034**	**1,030,586**

Scheme Assets

Local Government Pension Scheme Assets comprised:

Employer Asset Share - Bid Value	31 March 2017		31 March 2016	
	£'000	%	£'000	%
Equities	269,583	37	267,599	48
Gilts	186,021	25	55,431	10
Other Bonds	252,819	35	234,458	41
Cash	18,317	3	3,961	1
	726,740	**100**	561,449	100

Basis for Estimating Assets and Liabilities

To assess the value of the employer's liabilities at 31 March 2017, the council's actuary (Hymans Robertson LLP) rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2016, using the financial assumptions that comply with IAS 19.

The significant assumptions used by the actuary in its calculation for the Local Government Pension Scheme have been:

	31 March 2017		31 March 2016	
Assumed life expectancy from age 65 years:		Years		Years
Retiring today	**Males**	21.9	Males	22.1
	Females	24.3	Females	24.5
Retiring in 20 years	**Males**	23.9	Males	24.4
	Females	26.5	Females	26.9

Financial Assumptions	31 March 2017		31 March 2016	
	% pa	Real	% pa	Real
RPI increases	3.4	**-**	**3.2**	**-**
CPI increases	2.4	**(0.9)**	**2.3**	**(0.9)**
Salary increases	2.7	**0.9**	**4.1**	**0.9**
Pension increases	2.4	**(0.9)**	**2.3**	**(0.9)**
Discount rate	2.5	**0.3**	**3.5**	**0.3**

The actuarial assumptions used in the calculation of the year-end balance sheet liabilities for the teachers' additional unfunded pensions are based on the above assumptions with the following exceptions:

Sensitivity Analysis

The estimate of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. Sensitivity analysis has been undertaken, based on reasonably possible changes of assumptions occurring at the end of the reporting period. This assumes, for each change, that the assumption analysed changes, whilst all other assumptions remain constant. In practice changes in some of the assumptions may be inter-related. The estimation in the sensitivity analysis has followed the accounting policies for the scheme. The method and types of assumption used in preparing the sensitivity analysis below have not changed from those reported in the prior financial year.

Sensitivity Analysis	2016/17	2015/16
	£'000	£'000
Adjustment to discount rate	0.5%	0.5%
Present Value of Total Obligation	5,282	5,068
Projected Service Cost	107	104
Adjustment to long term salary increase	0.5%	0.5%
Present Value of Total Obligation	5,160	5,160
Projected Service Cost	95	106
Adjustment to pension increases and deferred revaluation	0.50%	0.5%
Present Value of Total Obligation	5,233	5,233
Projected Service Cost	97	109
Adjustment to mortality age rating assumption	+1 Year	+1 Year
Present Value of Total Obligation	1,194	1,063
Projected Service Cost	122	109

The approximate impact of a 0.5% reduction in the above assumptions would be as above but with the impact being reversed.

Expected Return on Assets

Expected return on assets	31 March 2017	31 March 2016
	% pa	% pa
Expected return on assets	**29.9**	(2.0)

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return equal to the discount rate.

Impact on the Council's Cashflows

The objective of the LGPS is to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. A triennial valuation was undertaken as at March 2016 and set contributions for the period 1 April 2017 to 31 March 2020.

The total contributions expected to be made to the LGPS by the council in the year to 31 March 2018 is £20.114m (£19.079m for 31 March 2017).

Award of Discretionary Post Retirement Benefits upon Early Retirement in Relation to the Teachers' Pension Scheme

This is an unfunded defined benefits arrangement, under which the liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet the actual pension payments as they eventually fall due. The council is therefore 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 council contributes to the Department for Education's Teachers' Pension Fund at a rate of 16.4% of pensionable pay. The rate changed from 14.1% in September 2015. The amount paid in the year, £16.600m (£16.933m 2015/16) is included in the Education and Skills service costs.

45. 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.

- The council is in dispute over the receipt of a capital payment from a developer, the outcome of which will not be known for a number of years.

- The council has received appeals from various NHS trusts and limited companies seeking charitable relief for business rates. This is an ongoing issue and the outcome of these appeals will not be known until future years.

- The council is a partner in the Inglis Consortium LLP. As part of the contract with the consortium the council was to deliver the vacant land to the consortium by January 2017, however due to unforeseen circumstances the council was not in a position to meet the January 2017 deadline. As a consequence, there is a risk that the consortium could seek financial compensation, however mitigating action has been taken which means that this is unlikely.

46. Nature and Extent of Risks Arising from Financial Instruments

Financial Instruments - Risks

The council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Government.

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

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the DCLG's guidance on local government investments. This guidance emphasises that priority is to be given to security and liquidity, rather than yield. The council's Treasury Management Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.
The main risks covered are:

- Credit Risk: The possibility that one party to a financial instrument will fail to meet its contractual obligations, causing a loss for the other party.
- Liquidity Risk*:* The possibility that a party will be unable to raise funds to meet the commitments associated with financial instruments.
- Market Risk*:* The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

Credit Risk

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, AAA-rated money market funds and banks and building societies of sufficiently high credit quality as set out in the Treasury Management Strategy. A limit of £25m is placed on the amount of money that can be invested with a single counterparty. The council also sets a total group investment limit for institutions that are part of the same banking group. The council's current Treasury Management Strategy allows deposits to be placed for a maximum period of ten years and £100m total in non-specified investments. In 2016/17 investments were placed for less than 365 days.

It must also be noted that although credit ratings remain a key source of information, the council recognises that they have limitations and investment decisions are based on a range of credit indicators. All investments have been made in line with the Council's Treasury Management Strategy for 2016/17, approved by Council on 1 March 2016.

The table below summarises the nominal value of the council's investment portfolio at 31 March 2017, and confirms that all investments were made in line with the council's approved credit rating criteria at the time of placing the investment:

Counterparty	Criteria Rating Criteria Met When Investment Placed	Criteria Rating Criteria Met on 31 March 2017	Balance Invested as at 31 Match 2017					Total
	Yes/No	Yes/No	Up to 1 month	>1 month and <3 months	>3 months and <6 months	>6 months and <12 months	>12 months <24 months	
			£'000	£'000	£'000	£'000	£'000	£'000
Other Local Authorities	Yes	Yes				5,053		5,053
Banks - UK	Yes	Yes	25,057	22,057	-	-	-	47,114
Banks - Non UK	Yes	Yes	-	-	-	-	-	-
Total Banks			25,057	22,057	-	-	-	47,114
Building Societies - UK	Yes	Yes	-	-	-	-	-	-
Money Market Funds	Yes	Yes	23,700	-	-	-	-	23,700
Call Accounts	Yes	Yes	4,500	-	-	-	-	4,500
Total			**53,257**	**22,057**	**-**	**5,053**	**-**	**80,367**

The above analysis shows that all deposits outstanding as at 31 March 2017 met the council's credit rating criteria on 31 March 2017.

Trade Receivables

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

Trade Receivables	Gross Debtors	Bad Debt Provision
	£'000	£'000
2016/17 Sundry Debtors	76,686	13,172
2015/16 Sundry Debtors	95,852	12,999

Liquidity Risk

The council has access to borrowing facilities via the Public Works Loan Board, commercial banks, bond issues, medium term notes, tax increment financing, the European Investment Bank and other local authorities. There is no perceived risk that the council will be unable to raise finance to meet its commitments. The council also has to manage the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates.

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

The maturity analysis of the nominal value of the council's debt at 31 March 2017 was as follows:

Maturity analysis	Years	31 March 2017 £'000	% of total debt	31 March 2016 £'000	% of total debt
Long Term Borrowing	Over 5 but not over 10	2,000	0.66	2,000	0.66
	Over 10 but not over 15	91,032	29.94	48,516	15.96
	Over 15 but not over 20	42,516	13.98	85,032	27.96
	Over 20 but not over 25	65,516	21.54	20,516	6.75
	Over 25 but not over 30	20,516	6.75	65,516	21.55
	Over 35 but not over 40	29,500	9.70	29,500	9.70
	Over 40	53,000	17.43	53,000	17.43
Total Borrowing		304,080	100.00	304,080	100.00

Loans and other long term liabilities outstanding (nominal value)	31 March 2017	31 March 2016
	£'000	£'000
Public Works Loan Board	241,580	241,580
Market Debt	62,500	62,500
Deferred Liabilities - PFI and Finance leases	15,973	16,401
TOTAL (excluding discounts and premiums)	**320,053**	320,481

Market Risk

Interest Rate Risk: The council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 30% on external debt that can be subject to variable interest rates. At 31 March 2017, 100% of the debt portfolio was held in fixed rate instruments.

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

	£'000
Increase in interest receivable on variable rate investments	237
Impact on Surplus or Deficit on the Provision of Services	**237**
Share of overall impact debited/credited to HRA	14
Increase in fair value of fixed rate investment assets	567
Impact on Other Comprehensive Income and Expenditure	
Decrease in fair value of fixed rate borrowings/liabilities*	(3,883)

*No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure as these are carried at amortised cost.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the ‘Fair Value’ disclosure note. (Note 17)

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

Price Risk

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

Foreign Exchange risk

The council has no financial assets or liabilities denominated in foreign currencies, and thus had no exposure to loss arising from movements in exchange rates.

Housing Revenue Account

The HRA reflects a statutory obligation to account separately for council housing provision. The HRA Income and Expenditure Statement shows the major elements of HRA expenditure and how they are met from rents, grants and other income. The account does not reflect all of the transactions required by statute to be charged or credited to the HRA for the year. The movement on the HRA Statement gives details of the additional transactions which are required by statute.

HRA Income and Expenditure Statement	2016/17 £'000	2016/17 £'000	2015/16 £'000
Income			
Dwelling rents	52,028		52,878
Non-dwelling rents	698		825
Charges for service and facilities	10,519		7,449
Total Income		**63,245**	61,152
Expenditure			
Repairs and maintenance	7,550		7,550
Supervision and management	24,454		21,035
Rents, rates and other charges	94		36
Depreciation and impairment of fixed assets	(2,076)		(20,719)
Debt management costs	-		(1)
Increase in bad debt provision	161		1,143
Total Expenditure		**30,183**	9,044
Net income on HRA services included in the Comprehensive Income and Expenditure Account		33,062	52,108
Gain/(loss) on sale of HRA non-current assets		(131)	253
Interest payable and similar charges		(7,346)	(6,698)
Interest and investment income		986	1,046
Movement in Investment Property valuation		739	1,472
Capital grants and contributions receivable		2,417	3,367
Surplus for the year on HRA services		**29,727**	51,548

Movement on the HRA Statement	2016/17 £'000	2015/16 £'000
Surplus for the year on the HRA Income and Expenditure Statement	29,727	51,548
EIR interest costs on stepped loans	(4)	(1)
(Gain)/loss on HRA fixed assets	131	(253)
Transfer from Major Repairs Reserve	(21,693)	(32,720)
Transfer to Capital Adjustment Account (Dwellings)	(4,492)	(24,696)
Increase/(decrease) in year on the HRA	**3,669**	(6,122)

Movement on the HRA Statement		
Balance on the HRA at the end of the previous year	**8,820**	**14,942**
Surplus or (deficit) for the year on the HRA Income and expenditure statement	29,727	51,548
Adjustments between accounting basis and funding basis under statute	(26,058)	(57,670)
Net increase or (decrease) before transfers to or from reserves	3,669	(6,122)
Transfers to or from reserves	-	-
Increase/(decrease) in year on the HRA	3,669	(6,122)
Housing Revenue Account balance carried forward	**12,489**	**8,820**

Notes to the Housing Revenue Account

1	Adjustments between accounting basis and funding basis under statute	2016/17	2015/16
		£'000	£'000
	EIR interest costs on stepped loan	(4)	(1)
	(Gain)/Loss on HRA fixed assets	131	(253)
	Transfer to Major Repairs Reserve	(21,693)	(32,720)
	Transfer to Capital Adjustment Account (Dwellings)	(4,492)	(24,696)
		(26,058)	**(57,670)**

2	Number of Dwellings	As at 31 March 2017 Units	As at 31 March 2016 Units
	Houses	3,398	3,413
	Bungalows	176	180
	Flats	5,081	5,139
	Maisonettes	1,097	1,137
	Hostels	61	61
	Bedsits	34	34
		9,847	9,964

3	Value of HRA Assets	31 March 2017 £'000	31 March 2016 £'000
	Valuation for Social Housing use - Operational Assets		
	Dwellings	713,566	685,946
	Other land and buildings	55,066	53,159
		768,632	739,105
	Vacant Possession Valuation	**2,808,000**	2,698,000

The difference between vacant possession value (£2,808m) and the balance sheet value (£768.632m) represents the economic cost of providing council housing at less than market rent.

4	Major Repairs Reserve	2016/17	2015/16
		£'000	£'000
	Balance as at 1 April	(23,213)	(17,930)
	Capital expenditure charged to reserve	26,831	27,525
	Depreciation - dwellings	(22,062)	(21,479)
	- non dwellings	(542)	(667)
	Transfer to HRA - dwellings	9,224	8,611
	Interest on balances	-	(88)
	Voluntary Contribution	(8,313)	(19,185)
	Balance as at 31 March	**(18,075)**	**(23,213)**

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 or repayment of debt. The Major Repairs Reserve (MRR) represents balances carried forward. Under the item 8 determination, local authorities have a five year transitional period to use the MRA, after which traditional depreciation methods are required.

5	Capital Expenditure and Financing	2016/17 £'000	2015/16 £'000
	Capital Expenditure		
	Dwellings	37,826	38,787
		37,826	38,787
	Financed by	**2016/17 £'000**	2015/16 £'000
	Capital Receipts Reserve	5,864	7,490
	Borrowing	-	314
	Major Repairs Reserve	26,831	27,525
	Other Contributions	5,131	3,458
		37,826	38,787

6	Capital Receipts from Disposals	2016/17 £'000	2015/16 £'000
	Other	1,241	1,803
	Dwellings	12,033	11,611
	Paid over to pool	(1,779)	(2,585)
		11,495	10,829

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. Guidance in 2012/13 enabled local authorities to retain further amounts of right to buy receipts upon agreement with Department of Communities and Local Government (DCLG). These funds must be spent on the provision of new build dwellings.

7	Depreciation	2016/17 £'000	2015/16 £'000
	Council Dwellings	22,062	21,479
	Other Land and Buildings	542	667
		22,604	22,146

8 Impairments

	2016/17 £'000	2015/16 £'000
Council Dwellings	(24,680)	(43,474)
Other Property	279	544
Investment Properties	(1,018)	(1,407)
	(25,419)	(44,337)

9 Arrears

	2016/17 £'000	2015/16 £'000
Leaseholder service charges	6,279	6,395
less bad debt provision	(1,405)	(1,178)
	4,874	5,217
Housing rents	3,908	3,911
less bad debt provision	(1,779)	(1,607)
	2,129	2,304
Commercial rents	350	240
less bad debt provision	(45)	(28)
	305	212
	7,308	7,733

10 Barnet Homes Limited

The management of the council's housing stock is undertaken by Barnet Homes Limited, a subsidiary of Barnet Group Limited that is wholly owned by the authority.

11 Accounting for Pensions in the HRA

As day to day housing management is carried out by Barnet Homes Limited, 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 IAS19 basis, no attempt has been made to show a separate liability related to the defined benefit position.

Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

	Note	2016/17			2015/16		
		NNDR	Council Tax	Total	NNDR	Council Tax	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Income							
Council Tax	2	-	194,014	194,014	-	191,069	191,069
Business Rates Receivable	3	110,182	-	110,182	108,281	-	108,281
Buisness Rate Supplement Income		2,771	-	2,771	2,609	-	2,609
Contributions to previous year estimated deficit							
- Central Government		7,604	-	7,604	4,213	-	4,213
- London Borough of Barnet		4,562	-	4,562	2,528	-	2,528
- Greater London Authority		3,042	-	3,042	1,685	-	1,685
		128,161	**194,014**	**322,175**	**119,316**	**191,069**	**310,385**
Disbursement							
Apportionment of previous year's surplus							
- Central Government		-	-	-	-	-	-
- London Borough of Barnet		-	5,781	5,781	-	3,899	3,899
- Greater London Authority		-	1,568	1,568	-	1,057	1,057
		-	**7,349**	**7,349**	**-**	**4,956**	**4,956**
Precepts, Demands and Shares							
- Central Government		55,145	-	55,145	55,536	-	55,536
- London Borough of Barnet		33,087	151,708	184,795	33,322	145,640	178,962
- Greater London Authority		22,058	37,349	59,407	22,214	38,985	61,199
- Crossrail		2,764	-	2,764	2,600	-	2,600
		113,054	**189,057**	**302,111**	**113,672**	**184,625**	**298,297**
Charges to Collection Fund							
- Cost of collection allowance		416	-	416	418	-	418
- Cost of collection allowance BRS		7	-	7	9	-	9
- Increase/(reduction) in bad debt provision		1,762	(2,927)	(1,165)	1,543	3,344	4,887
- Increase/(reduction)in provision for appeals		(81)		(81)	1,473	-	1,473
- Write off of uncollectable amounts			(869)	(869)	-	(971)	(971)
- Transitional protection due to Central Governement		243	-	243	-	-	-
- Interest on refunds		14	-	14	-	-	-
Total disbursed		**2,361**	**(3,796)**	**(1,435)**	**3,443**	**2,373**	**5,816**
Surplus/(Deficit) for year		**12,746**	**1,404**	**14,150**	**2,201**	**(885)**	**1,316**

Collection Fund Balances	4	£'000	£'000	£'000	£'000	£'000	£'000
London Borough of Barnet		(239)	12,651	12,412	(4,064)	10,956	6,892
Greater London Authority		(160)	3,086	2,926	(2,709)	3,378	669
Central Government		(398)	-	(398)	(6,771)	-	(6,771)
Cumulative Surplus/(Deficit)		**(797)**	**15,737**	**14,940**	**(13,544)**	**14,334**	**790**

1. General
The Council is required to maintain a separate agency Collection Fund Account. The Collection Fund account includes all transactions relating to the collection of business rates and council tax from taxpayers and their distribution to other local authorities and central government. This is a separate account from the General Fund account.

2. Council Tax
Council tax derives from charges raised according to the value of residential properties, which are classified into eight valuation bands (A to H). Individual charges are calculated by taking the total income required to be taken from the Collection Fund by the various precepting authorities and dividing this by the council tax base (the equivalent numbers of band D properties).

The Council tax base for 2016/17 at the end of March 2017 was 148,244 (146,082 31 March 2016), being a 9.5% increase on the estimated council tax base of 135,325 agreed by council on 1 March 2016.

3. Business Rates
The Council collects business rates for its area on local rateable commercial property values provided by the Valuation Office Agency (VOA), multiplied by the uniform business rates multiplier set nationally by central government.

The total non-domestic rateable value for Barnet at 31 March 2017 was £270,977,412 (31 March 2016 £272,678,661) and the national non-domestic rate multiplier for the year was 49.7p (2015/16: 49.3p).

4. Collection Fund surplus or deficit
The billing authority and preceptors share any council tax and NNDR surpluses or deficits in proportion to the precept requirement or regulatory shares.

5. Business Rates Supplement

Business Rates Supplement (BRS) is levied by the Greater London Authority on non-domestic properties with a rateable value higher than £50,000, subject to certain allowances and exemptions, to finance the Cross Rail Development.

The aggregate rateable value of properties liable for BRS at 31 March 2017 was £169,555,650 (the equivalent figure at 31st March 2016 being £119,238,465). The multiplier has remained at 2.0p / £ since the BRS was introduced.

Group Comprehensive Income and Expenditure Statement

	2016/17			2015/16		
	Consolidated Gross Expenditure £'000	Consolidated Gross Income £'000	Consolidated Net Expenditure £'000	Consolidated Gross expenditure £'000	Consolidated Gross income £'000	Net expenditure £'000
Adults and Communities	125,239	(34,330)	**90,909**	127,997	(33,470)	**94,527**
Central Expenses	4,383	(29,081)	**(24,698)**	24,935	(23,564)	**1,371**
Commissioning Group	297,260	(264,569)	**32,691**	324,964	(287,932)	**37,032**
Customer and Support Group	41,259	(6,836)	**34,423**	28,549	(1,610)	**26,939**
Education and Skills	310,410	(268,581)	**41,829**	269,740	(237,271)	**32,469**
Family Services	61,949	(4,359)	**57,590**	57,210	(5,186)	**52,024**
Housing Needs and Resources	28,530	(21,214)	**7,316**	22,169	(16,363)	**5,806**
Local Authority Housing (HRA)	30,183	(63,245)	**(33,062)**	9,044	(61,152)	**(52,108)**
Parking and Infrastructure	24,962	(24,398)	**564**	7,403	(5,755)	**1,648**
Public Health	18,656	(18,191)	**465**	15,746	(16,191)	**(445)**
Regional Enterprise	39,018	(23,030)	**15,988**	33,049	(26,027)	**7,022**
Street Scene	41,040	(6,362)	**34,678**	30,353	(4,107)	**26,246**
Other	7,881	(3,288)	**4,593**	9,318	(2,608)	**6,710**
Deficit on Continuing Operations	**1,030,770**	**(767,484)**	**263,286**	960,477	(721,236)	**239,241**
Other Operating Expenditure	9,970		**9,970**	7,833	-	**7,833**
Financing and Investment Income and Expenditure	30,640	(6,508)	**24,132**	30,601	(14,201)	**16,400**
Taxation and Non-Specific Grant Income	-	(299,896)	**(299,896)**	-	(294,821)	**(294,821)**
Surplus on Provision of Services			**(2,508)**			**(31,347)**
Surplus on revaluation of non-current assets			**(10,471)**			**(33,794)**
Remeasurement of the net defined benefit liability			**(40,929)**			**(27,821)**
Corporate taxation			**24**			**45**
Other Comprehensive Income and Expenditure			**(51,376)**			**(61,570)**
Total Comprehensive Income and Expenditure			**(53,884)**			**(92,917)**

Group Movement in Reserves Statement

Consolidated Movement in Reserves Statement 2016/17

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2016	**26,170**	**112,000**	**8,820**	**40,175**	**23,213**	**75,243**	**285,621**	**435,909**	**721,530**
Surplus / (deficit) on provision of services	(27,219)	-	29,727	-	-	-	2,508	-	2,508
Other comprehensive expenditure and income	(24)	-	-	-	-	-	(24)	51,400	51,376
Total comprehensive income and expenditure	**(27,243)**	**-**	**29,727**	**-**	**-**	**-**	**2,484**	**51,400**	**53,884**
Adjustments between accounting basis and funding basis under regulations	8,860	-	(26,058)	(4,687)	(5,138)	(1,360)	(28,383)	28,383	-
Net increase / (decrease) before transfers to earmarked reserves	**(18,383)**	**-**	**3,669**	**(4,687)**	**(5,138)**	**(1,360)**	**(25,899)**	**79,783**	**53,884**
Transfer to / (from) earmarked reserves	15,201	(15,201)	-	-	-	-	-	-	-
Increase / (decrease) in year	**(3,182)**	**(15,201)**	**3,669**	**(4,687)**	**(5,138)**	**(1,360)**	**(25,899)**	**79,783**	**53,884**
Balance as at 31 March 2017	**22,988**	**96,799**	**12,489**	**35,488**	**18,075**	**73,883**	**259,722**	**515,692**	**775,414**

Consolidated Movement in Reserves Statement 2015/16

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2015	**29,280**	**116,155**	**14,942**	**45,602**	**17,930**	**75,532**	**299,441**	**329,172**	**628,613**
Surplus / (deficit) on provision of services	(20,202)	-	51,549	-	-	-	31,347	-	31,347
Other comprehensive expenditure and income	-	-	-	-	-	-	-	61,570	61,570
Total comprehensive income and expenditure	**(20,202)**	**-**	**51,549**	**-**	**-**	**-**	**31,347**	**61,570**	**92,917**
Adjustments between accounting basis and funding basis under regulations	(5,365)	-	(57,671)	(5,427)	5,283	(289)	(63,469)	63,469	-
Net increase / (decrease) before transfers to earmarked reserves	**(25,567)**	**-**	**(6,122)**	**(5,427)**	**5,283**	**(289)**	**(32,122)**	**125,039**	**92,917**
Transfer to / (from) earmarked reserves	22,457	(4,155)	-	-	-	-	18,302	(18,302)	-
Increase / (decrease) in year	**(3,110)**	**(4,155)**	**(6,122)**	**(5,427)**	**5,283**	**(289)**	**(13,820)**	**106,737**	**92,917**
Balance as at 31 March 2016	**26,170**	**112,000**	**8,820**	**40,175**	**23,213**	**75,243**	**285,621**	**435,909**	**721,530**

Group Balance Sheet

	31 March 2017		31 March 2016*	
	£'000	£'000	£'000	£'000
Property, plant and equipment	1,297,469		1,226,356	
Hertiage assets	1,567		1,567	
Investment properties	123,372		117,124	
Intangible assets	7,228		8,084	
Long term debtors	1,212		830	
Long term investments	5,011		12,973	
Total Long Term Assets		1,435,859		1,366,934
Inventories	314		608	
Short term investments	52,167		126,418	
Short term debtors	175,627		121,208	
Assets held for sale	-		-	
Cash and cash equivalents	62,904		61,873	
Total Current Assets		291,012		310,107
Short term creditors	(132,912)		(114,367)	
Short term borrowing	(1,434)		(1,433)	
Cash and cash equivalents				
Provisions	(7,920)		(6,340)	
Total Current Liabilities		(142,266)		(122,140)
Long term borrowing	(304,699)		(304,704)	
Provisions	(7,088)		(6,616)	
Pensions Scheme	(481,429)		(505,650)	
Long term lease	(15,974)		(16,401)	
Total Long Term Liabilities		(809,190)		(833,371)
Net Assets		**775,414**		**721,530**
Usable reserves	259,722		285,621	
Unsusable reserves	515,692		435,909	
Total Equity		**775,414**		**721,530**

Group Cash flow Statement

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

	2016/17		2015/16*	
	£'000	£'000	£'000	£'000
Net surplus on the provision of services	2,508		31,347	
Adjustment to surplus or deficit on the provision of services for non-cash movements	36,201		22,041	
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(53,804)		(54,176)	
Net cash flows from operating activities		(15,095)		(788)
Net cash flows from investing activities		16,985		(48,541)
Net cash flows from financing activities		(859)		(2,616)
Net increase or decrease in cash and cash equivalents		(859)		(51,945)
Cash and cash equivalents at the beginning of the reporting period		61,873		113,818
Cash and cash equivalents at the end of the reporting period		62,904		61,873

*re-stated

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 their 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 Code requires a local authority to prepare group accounts if it has a control 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 two subsidiary companies:

- The Barnet Group Ltd. The London Borough of Barnet owns 100% of the share capital of The Barnet Group Ltd. The Barnet Group Ltd owns 100% of the share capital of Your Choice (Barnet) Ltd. The Barnet Group Ltd is the sole member and guarantor of Barnet Homes Ltd, a company limited by guarantee. Two subsidiaries were added to the Barnet Group in 2016/17, Open Door Homes Ltd which is a company limited by shares, 100% of which are owned by The Barnet Group Ltd, and TBG Flex Ltd a company also limited by shares and 100% owned by The Barnet Group Ltd. The Barnet Group Ltd has a board consisting of six members, of which two are members of the council.

- Barnet Holdings Ltd. The London Borough of Barnet owns 100% of the share capital of Barnet Holdings Ltd. who own 49% of the share capital in the joint venture in Regional Enterprise Ltd. The joint venture is owned with Capita plc. The council's Chief Executive and Leader are company directors of Barnet Holdings Ltd and Regional Enterprise Ltd.

2. Basis of Consolidation

The group income and expenditure account, group balance sheet, group movement in reserves statement and group cash flow statement have been prepared by consolidating the accounts of the reporting authority (London Borough of Barnet) and its subsidiaries (the Barnet Group Ltd and Barnet Holdings) on a line by line basis. The accounts of the Barnet Group Ltd have been prepared using similar accounting policies and practices to that of the reporting authority. However some accounting policies and practices do differ in some respects from the authority's due to legislative requirements. The accounts of Barnet Holdings have been prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The accounts have been prepared under FRS 102. Any material differences are highlighted within the accounts themselves.

The detailed accounting policies are disclosed in note 1 of the notes to the London Borough of Barnet single entity accounts.

3. The Barnet Group Ltd, a Local Authority Trading Company

i) Nature of the business

The London Borough of Barnet contracts with The Barnet Group Ltd for the provision of adult social care services and housing management services. The Barnet Group Ltd then contracts on a back to back basis with Your Choice (Barnet) Ltd and Barnet Homes Ltd in respect of adult social care services and housing management services respectively. As a result, The Barnet Group Ltd receives the management fee from The London Borough of Barnet on behalf of Barnet Homes Ltd and Your Choice (Barnet) Limited. It also invoices for ad hoc services on behalf of the two companies.

ii) Relationship with the authority

Under the Code, The Barnet Group Ltd is deemed a wholly owned subsidiary of Barnet Council. As such, the council is required to consolidate the financial statements of the Barnet Group Ltd with its own (single entity) accounts in order to form group accounts.

iii) Financial performance

In 2016/17 the company made an operating loss of £0.007m (£0.207m profit in 2015/16).

iv) Transactions with the company

The authority paid and received from the company £66.128m and £7.410m in 2016/17 for the provision of housing management services and repair and maintenance works to housing stock (£60.001m and £5.676m in 2015/16) respectively. The outstanding balances owed to and from The Barnet Group Ltd at 31 March 2017 were £5.077m and £12.974m (£9.305m and £11.743m in 2015/16) respectively.

4. Barnet Holdings Ltd

i) Nature of the business

The London Borough of Barnet contracts with Regional Enterprise Ltd for the provision of development and regulatory services in the borough.

ii) Relationship with the authority

Under the Code, Barnet Holdings Ltd, (Company Registration No. 08632530), is deemed a wholly owned subsidiary of Barnet Council. As such, the council is required to consolidate the financial statements of Barnet Holdings Ltd with its own (single entity) accounts in order to form group accounts. Barnet Holdings Ltd's single entity accounts have been prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The accounts have been prepared under FRS 102. Barnet Holdings is exercising the subsidiaries exemption, where the entity is exempt from the requirements of this Act relating to the audit of accounts under section 479A of the Companies Act 2006.

iii) Financial performance

The company has not traded during the financial year. During the current and prior year, the company received no income and incurred no expenditure and therefore made neither profit nor loss.

iv) Transactions with the company

The outstanding balance owed from Barnet Holdings Ltd at 31 March 2017 was £48 (£48 in 2015/16).

5. Group Cash Flow Statement

The group cash flow statement, prepared in accordance with the Code, forms part of the group accounts. 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.

6. Pension Reserve and Creditors

The London Borough of Barnet is required to prepare group accounts consolidating its subsidiaries where they have a material interest in the subsidiaries. The interest in the subsidiaries is considered material due to the respective pension scheme/reserve of the subsidiaries and the creditor balances. As such, the relative single entity pension funds, creditors and the consolidated group pension fund and creditors are highlighted below.

Pension scheme

	2016/17	2015/16
	£'000	£'000
Single entity accounts		
London Borough of Barnet	450,293	469,137
The Barnet Group Ltd	31,136	36,513
Barnet Holdings Ltd	-	-
Total	**481,429**	505,650
Group Accounts		
Group	**481,429**	505,650

The assumptions used and the detailed breakdown of the London Borough of Barnet Pension balance of £450.293m can be seen in note 44 to the single entity accounts.

The Barnet Group Pension Liability

Net pension liability as at	**31 March 2017**	31 March 2016
	£'000	£'000
Present Value of Funded Obligation	(95,767)	(84,769)
Fair Value of Scheme Assets (bid value)	65,246	48,822
Net liability	**(30,521)**	(35,947)
Present Value of Unfunded Obligation	(615)	(566)
Net liability in statement of financial position	**(31,136)**	(36,513)

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	2016/17	2015/16
	£'000	£'000
Opening Defined Benefit Obligation	85,335	86,885
Current service cost	2,853	3,056
Interest cost	3,205	2,941
Change in financial assumptions	12,213	(6,758)
Change in demographic assumptions	914	-
Experience gain on defined benefit obligation	(7,148)	(8)
Estimated benefits paid (net of transfers in)	(1,699)	(1,495)
Past service cost	-	25
Contributions by Scheme participants	734	714
Unfunded pension payments	(24)	(25)
Closing Defined Benefit Obligation	**96,383**	85,335

Reconciliation of opening and closing balances of the fair value of scheme assets	2016/17	2015/16
	£'000	£'000
Opening fair value of scheme assets	48,822	47,884
Interest on assets	1,847	1,660
Return on assets less interest	12,849	(2,537)
Administration expenses	24	(54)
Contributions by employer including unfunded benefits	2,669	2,675
Contributions by scheme participants	734	714
Estimated benefits paid (net of transfers in)	(1,699)	(1,520)
Fair value of scheme assets at end of period	**65,246**	48,822

7. Creditors

	2016/17	2015/16
	£'000	£'000
Central government bodies	26,376	12,041
Other local authorities	14,342	10,555
Public corporations and trading funds	5,626	5,970
NHS bodies	237	1,297
Bodies external to general government	57,815	54,047
Receipts in advance	11,753	10,250
Barnet group creditors	16,763	20,207
Creditor total	**132,912**	114,367

8. Cash and Cash Equivalents

	31 March 2017 £'000	31 March 2016 £'000
Cash	33,180	24,708
Short term deposits	29,724	37,165
Total	**62,904**	61,873

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 Acts 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

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

Assets

These can either be:

- Long term (non-current), tangible assets that give benefits to the authority for more than one year.
- Property, plant and equipment assets which are held for use in the production or supply or goods and services, for rental to other, or for administrative purposes.
    - 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.
    - Council dwellings - these are residential properties owned by the council providing homes for social rent.
    - Operational land and buildings – these are owned by the council to provide services to the community. Examples include leisure centres, libraries and museums.
    - Vehicles - these assets are used by the council for the direct delivery of services, for example waste disposal vehicles.
    - 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.
    - Surplus assets - no longer used by the council and held pending sale or regeneration.
- Investment property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.
- Intangible assets - these are usually stand-alone intellectual property rights such as software licences that, although they have no physical substance, but provide a benefit for more than the year.

Glossary

Amortisation
A measure of the cost of economic benefits derived from intangible assets that are consumed during the period.

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

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

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

Business Rate Supplement (BRS)
The Business Rate Supplements Act 2009 enables levying authorities – county councils, unitary district councils and, in London, the Greater London Authority - to levy a supplement on the business rate to support additional projects aimed at economic development of the area.

Capital expenditure
Expenditure on the acquisition, construction, enhancement or replacement of a non-current asset, for example schools

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

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

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

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

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

Depreciation
The measure of the cost of the economic benefit of the tangible fixed asset consumed during the period.

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.

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

General fund
The account that revenue expenditure and income is charged for the council's services (excluding the HRA).

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

Heritage assets
A heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. Heritage assets are those assets that are intended to be preserved in trust for future generations. Examples of heritage assets are historical buildings, archaeological sites, civic regalia, orders and decorations (medals), museum and gallery collections and works of art.

Historic cost
The original cost of the asset when it was first acquired.

Housing revenue account (HRA)
The account which is charged with the income and expenditure for the provision of council housing.

Impairment
A reduction in the value of a non-current asset, greater than normal depreciation, below its carrying amount on the balance sheet.

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.

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 debt.

Non-domestic rates (NDR)
Rates are payable on business premises based on their rateable value and a national rate poundage multiplier. Barnet acts as the “billing authority” for its area and under the localised business rates regime retains 30% of the net yield from business rates with the Greater London Authority receiving 20% and central government the other 50%.

Net book value (NBV)
The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

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

Outturn
Actual income and expenditure in a financial year.

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

Prior period adjustments
Material adjustments, applicable to prior years, arising from changes in accounting policies, or from the correction of material errors. 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, the Greater London Authority and the Government.

Provisions
Amounts held against specific potential liabilities or losses where there is uncertainty as to amounts and/or due dates.

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

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

Public Works Loan Board (PWLB)
A Government body that lends money to local authorities for periods in excess of one year, often at preferential interest rates.

Rateable value
Assessment of a property’s value from which rates payable are calculated.

Glossary

Revenue expenditure funded from capital under statute (REFCUS)

REFCUS represents expenditure that may be classified under legislation as capital, but does not result in the creation of a fixed asset on the balance sheet.

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 into 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 future financing commitments. Payments to reserves are not counted as service expenditure. Payments from reserves are passed through service revenue accounts unlike provisions which are not. Earmarked reserves are allocated for a specific purpose. Unallocated reserves are described as balances.

Revenue support grant

The main Government grant paid to local authorities. It is intended to adjust for differences in needs between areas so that, if all local authorities were to spend at the level which the Government assess that they need to spend, the council tax would be the same across the whole country.

Substance over form

There is a requirement 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.

The Code

The Code includes guidance in line with IFRS, IPSAS and UK GAAP Accounting standards, it sets out the accounting practice to adopt for the Statement of Accounts.

Useful life

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