Audited Statement of Accounts

for the year ended

31 March 2014

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Explanatory Foreword

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 2014 and a summary of its income and expenditure in the year to 31 March 2014. It is, in parts, a complex document which sets out to ensure that the accounts of all Government funded bodies provide comparable and consistent information and comply with International Financial Reporting Standards.

The Accounts were approved by the Audit Committee on 22 July 2014 and the Independent Auditor's Report to Members of Barnet Council confirmed that 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/info/10067/statement of accounts/62/statement of accounts

Review of the Year

The 2013/14 financial year continued to be challenging for both the council and its residents despite recent signs of an improving economic climate. For residents the economic recession continued to depress household incomes while inflationary pressures on fuel, utilities and food prices reduced household spending power. For the council, the pressures were increased by the Government's continuing need to reduce public expenditure resulting in the council having to make substantial savings across the services it delivers. At the same time, the council has faced significant demographic pressures in its services, particularly in Adult Social Care as people live longer and develop more complex needs and Children's services due to rising population and migration into the borough.

The council's response has been to protect front line service delivery, minimise further impact on household budgets by freezing Council Tax while making substantial savings by improving and transforming its back office support services and delivery of development and regulatory services. In September 2013 the Council commenced its partnership with Capita Business Services Ltd. for the Customer Support Group providing back office services and in October 2013 entered into a joint venture with Capita to form Regional Enterprise Ltd.

In spite of the on-going financial challenges, the Council continues to provide high quality services to residents. Resident satisfaction with the Council has increased by 21% since 2010. Compared to 2010, residents think the Council is doing a better job, offering better Value for Money, is working to improve the local area, listening to concerns of local residents and responding quickly when asked for help. In addition, over 90% of schools in Barnet are rated as 'good' or 'excellent' by Ofsted – the second best performance in the country - and Adults and Children's services are recognised as 'excellent' by external inspectors. The Borough remains an attractive and successful place to live.

Over the period 2011-15, the Council has worked hard to reduce costs, cut waste, and improve efficiency. Over that period, a total of £75m of annual savings have been found in Council budgets. Tough decisions have been made over this time, including outsourcing support services, setting up joint ventures and shared service arrangements to reduce costs and/or increase income, and better managing demand for social care. Importantly however, the Council is only half way through a decade of austerity, and therefore further work needs to be done to balance the budget to 2020.

The Council's future regeneration programme will see £6bn of private sector investment over the next 25 years to ensure that the Borough remains an attractive place to live and do business. This will create around 20,000 new homes and up to 30,000 new jobs across the Borough

Explanatory Foreword

The London Borough of Barnet manages **a net budget of £292.972 million** to deliver key services to the community it serves. The actual expenditure of the council is subject to regular financial and operational monitoring. The financial outturn was reported to the Performance and Contract Monitoring Committee in June 2014.

The 2013/14 revenue outturn resulted in an under spend of £120,000 as set out below:

Directorate	2013/14 Budget £'000's	2013/14 Actual £'000's	2013/14 (Under)/ Overspend £'000's
Adults and Communities	97,080	97,519	439
Assurance	4,088	4,047	(41)
Children's Education (incl. DSG)	9,567	9,389	(190)
Children's Family Service	50,526	50,515	(11)
Commissioning Group	7,687	8,005	318
Street Scene	15,044	15,068	24
Public Health	13,766	13,778	12
HB Public Law	1,932	2,139	207
Barnet Group	4,304	4,035	(269)
Re	2,178	3,035	857
Services Net Expenditure for the year	**230,869**	**232,103**	**1,222**
Central Expenses (including reserves/ funding)	62,103	60,761	(1,342)
Council's budget and Outturn for the year	**292,972**	**292,864**	**(120)**

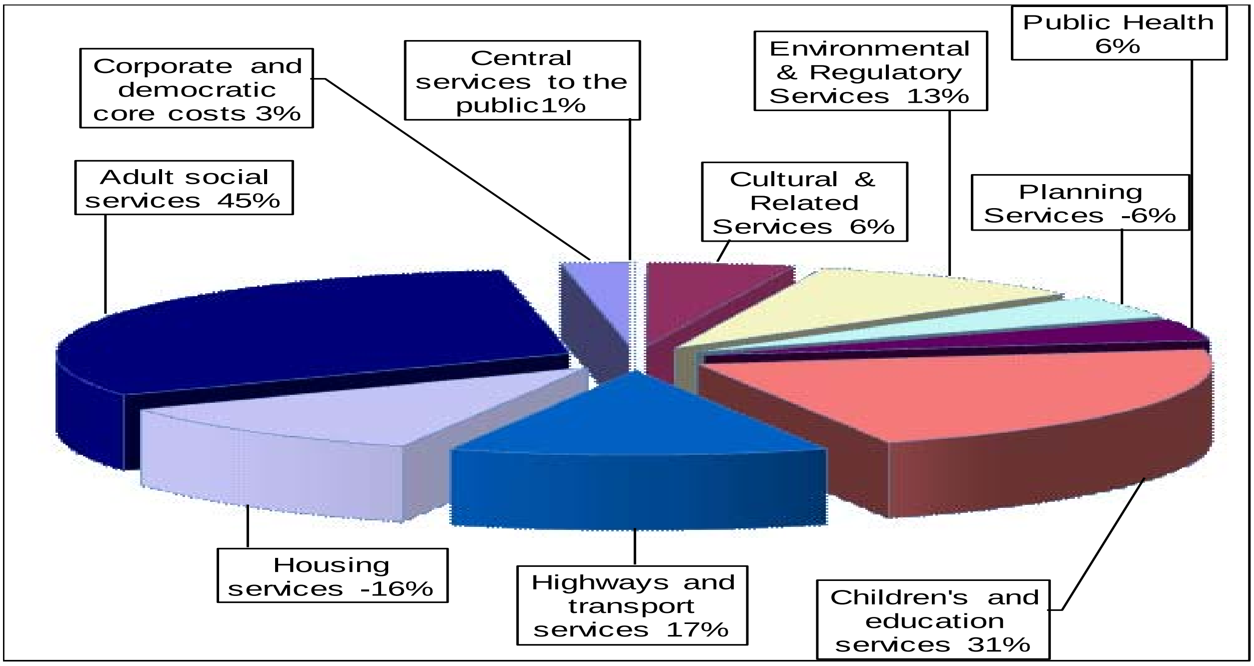
The Council's outturn illustrates the control exercised during these difficult economic conditions but is adjusted in the financial statements by a number of factors mainly due to accounting adjustments required by statute or reporting standards::

	2013/14 £000's	2012/13 £000's
Council's outturn for the year	**292,864**	**280,806**
Revaluations and Pension costs charged to services	(67,385)	(15,155)
(Surplus)/Deficit on Continuing Operations	225,479	265,651
Loss on transfer of Schools to Academies	22,702	13,655
Other operating expenditure	10,448	7,115
Net Interest received or paid on investments and loans	16,485	10,017
Council Tax, Business Rates and Grant Income	(325,690)	(320,994)
(Surplus)/Deficit on the Provision of Services	(50,576)	(24,556)
I(Surplus)/Deficit on revaluation of non-current assets	(17,610)	20,504
(Gains) or Losses on the pension fund	10,053	28,252
Comprehensive Income and Expenditure (Surplus)/Deficit	**(58,133)**	**24,200**

Explanatory Foreword

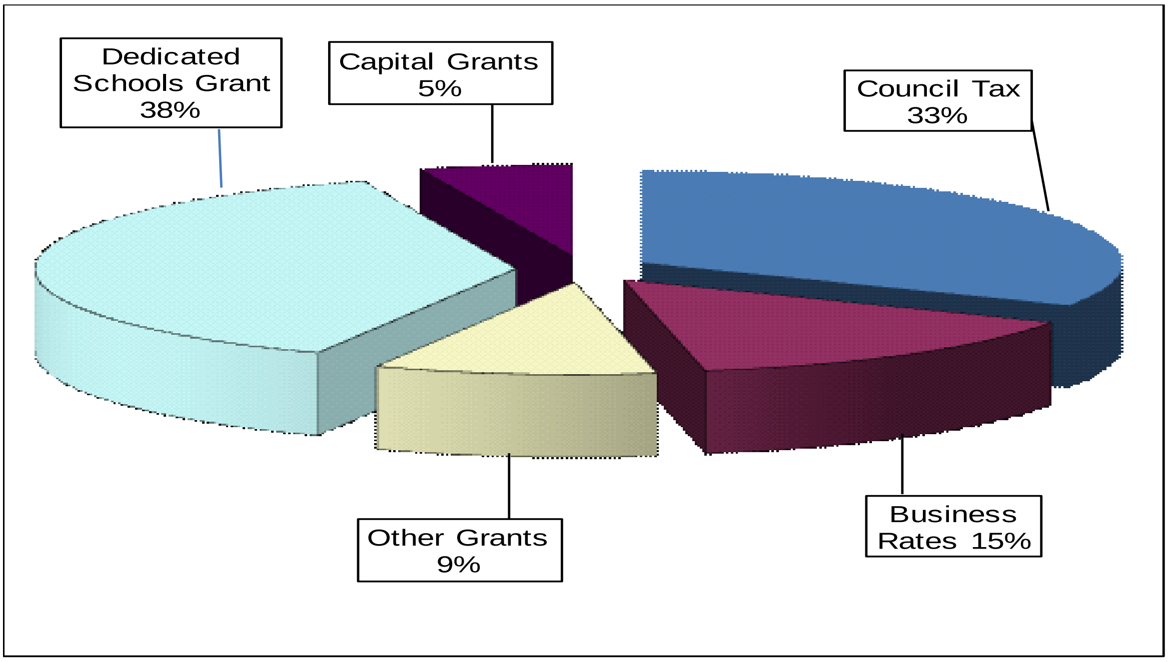
Where the money was spent

The Comprehensive Income and Expenditure Statement shows the gross expenditure for the Council and the income allocated to each service area. The chart below shows the net expenditure by service area for the total cost of services for the council in 2013/14:



Where the money came from

The Council receives income from Council Tax, Business Rates, Government grants, Capital grants and Direct Schools Grant:

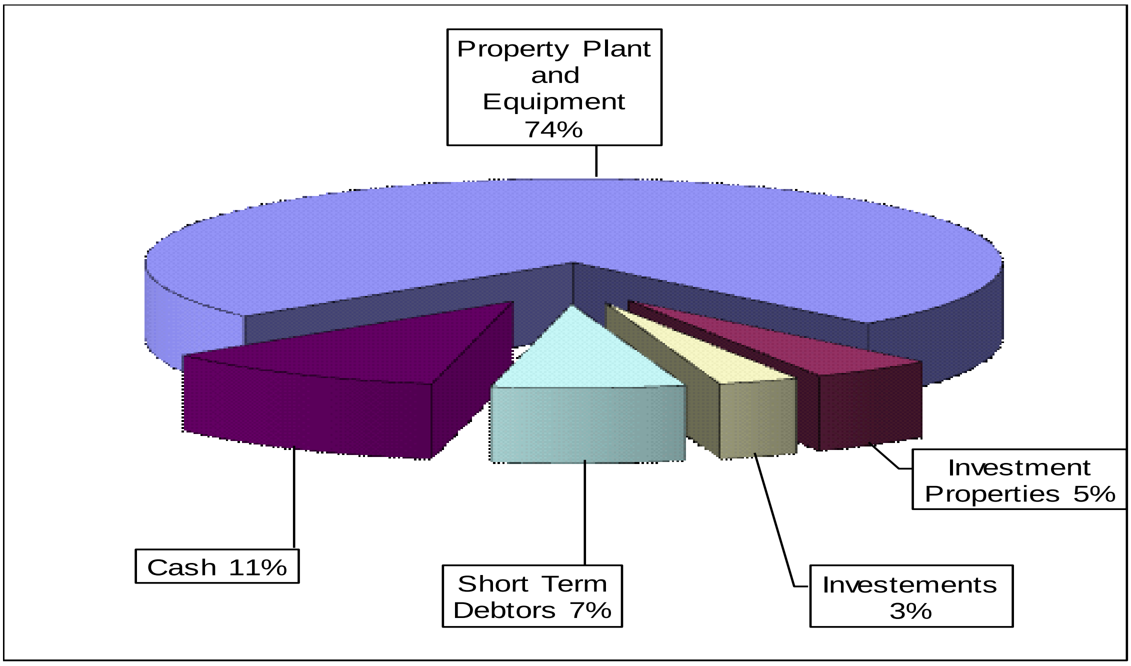


The Balance Sheet sets out the assets (what the council owns or is owed) and liabilities (what the council owes) on 31st March 2014.

Explanatory Foreword

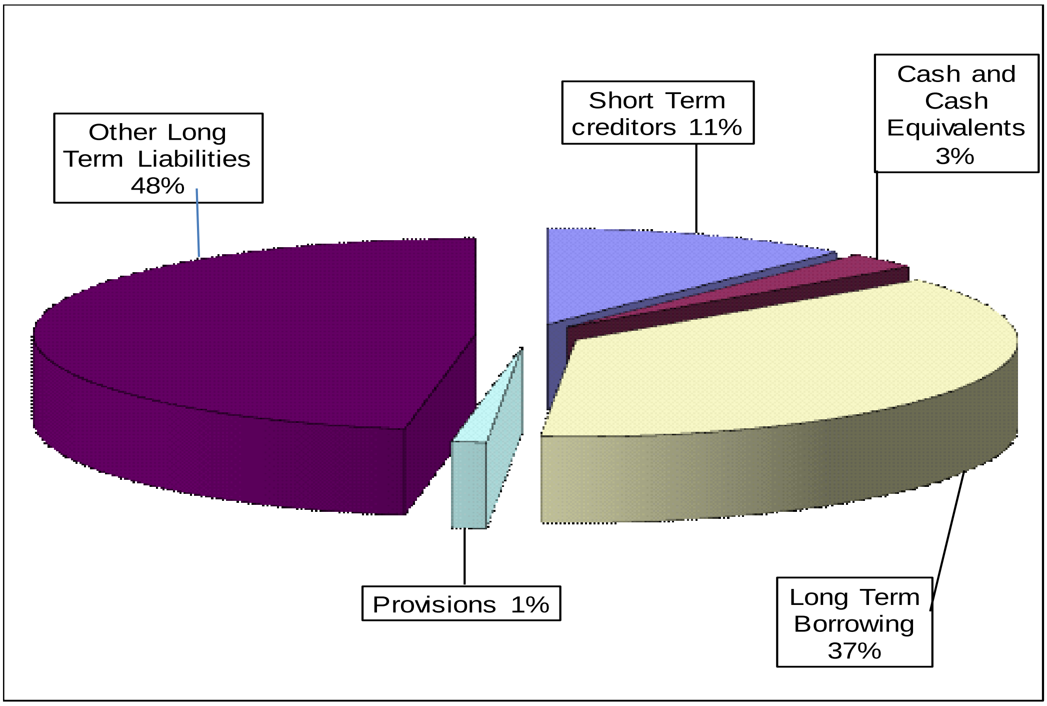
What the Council owns

The chart summarises the assets held by the council which include its property, plant and equipment together with debtors (money owed to the council) and cash adding up to £1,473 million and demonstrates the financial strength of the council:



What the Council owes

The amounts owed by the council are summarised below and add up to £824 million



The two major items are the Council's Pension Liability to pay pensions in the future (reflecting technical accounting requirements) and Long Term Borrowing. External borrowing totalled £306 million which is used to finance investment in major developments.

Explanatory Foreword

The Council's Reserves

The difference between what the Council owns and owes is £654 million and these are the Council's reserves of which £238 million the Council holds as useable reserves; the remaining reserves of £416 million are not available for the Council as they mainly arise from accounting adjustments to meet Local Authority reporting rules.

Looking forward for the Council

In the review of the year it was noted how the council continues to focus its resources on delivering services required by local residents. For the forthcoming year, the council needs to go further to ensure that residents continue to receive the quality of service that they expect and that the borough continues to prosper. The Council will need to **make savings of £39.091 million** over the next two years, while continuing to deliver the strategic objectives of:

- Creating the right environment to promote sustainable growth, development and success across the borough;
- To support families and individuals that need it – promoting independence, learning and wellbeing; and
- To improve the satisfaction of residents and businesses with the London Borough of Barnet as a place to live, work and study.

The council has also **set aside £2.428 million** to meet the cost of expected increases in services due to increasing population pressures within the borough.

Despite the financial pressures facing the Council for the year ahead, the Council has decided for 2014/15 to reduce Council Tax (frozen since 2010) by 1% for the coming year.

Conclusion

As indicated earlier, the published accounts of the Council form a complex, technical document and I therefore hope that the summary accounts also published provide a clearer view of the Council's financial position for the year ended 31 March 2014.

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

The coming year will no doubt present substantial challenges to both the council and its residents but the changes being made to the way the council operates will ensure residents need is placed at the forefront of the council's decision making to ensure Barnet remains a great place to live, work and study.

Chris Naylor
Chief Operating Officer and Director of Finance (Section 151 Officer).

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

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

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of Barnet Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the 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 of Practice on Local Authority Accounting;
- 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 2014 and its income and expenditure for the year then ended. The draft accounts were published on 31 May 2014.

Chris Naylor
Chief Operating Officer and Director of Finance (Section 151 Officer).

Approval of Accounts

In accordance with the Accounts and Audit (England) Regulations 2011, I certify that the Statement of Accounts was approved by the Audit Committee

Chair of Audit Committee

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 2013/14	Note	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 2013		**30,592**	**75,513**	**16,072**	**21,227**	**6,637**	**58,728**	**208,769**	**387,092**	**595,861**
Surplus on provision of services		**44,048**	**-**	**6,528**	**-**	**-**	**-**	**50,576**	**-**	**50,576**
Other comprehensive expenditure and income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,557**	**7,557**
Total comprehensive income and expenditure		**44,048**	**-**	**6,528**	**-**	**-**	**-**	**50,576**	**7,557**	**58,133**
Adjustments between accounting basis and funding basis under regulations	7	**(27,389)**	**-**	**(7,769)**	**3,099**	**4,284**	**6,060**	**(21,715)**	**21,715**	**-**
Net increase / (decrease) before transfers to earmarked reserves		**16,659**	**-**	**(1,241)**	**3,099**	**4,284**	**6,060**	**28,861**	**29,272**	**58,133**
Transfer to / from earmarked reserves	8	**(16,111)**	**16,111**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Increase / (decrease) in year		**548**	**16,111**	**(1,241)**	**3,099**	**4,284**	**6,060**	**28,861**	**29,272**	**58,133**
Balance at 31 March 2014		**31,140**	**91,624**	**14,831**	**24,326**	**10,921**	**64,788**	**237,630**	**416,364**	**653,994**

Movements in Reserves 2012/13	Note	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 2012		30,870	65,105	7,806	17,854	4,259	28,820	154,714	465,347	620,061
Surplus on provision of services		18,465	-	6,091	-	-	-	24,556	-	24,556
Other comprehensive expenditure and income		-	-	-	-	-	-	-	(48,756)	(48,756)
Total comprehensive income and expenditure		18,465	-	6,091	-	-	-	24,556	(48,756)	(24,200)
Adjustments between accounting basis and funding basis under regulations	7	(8,335)	-	2,175	3,373	2,378	29,908	29,499	(29,499)	-
Net increase / (decrease) before transfers to earmarked reserves		10,130	-	8,266	3,373	2,378	29,908	54,055	(78,255)	(24,200)
Transfer to / from earmarked reserves	8	(10,408)	10,408	-	-	-	-	-	-	-
Increase / (decrease) in year		(278)	10,408	8,266	3,373	2,378	29,908	54,055	(78,255)	(24,200)
Balance at 31 March 2013		30,592	75,513	16,072	21,227	6,637	58,728	208,769	387,092	595,861

Comprehensive Income and Expenditure Statement

This statement summarises the income and expenditure made by the council in providing services during 2013/14. 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	2013/14 Gross expenditure £'000	2013/14 Gross income £'000	2013/14 Net expenditure £'000	2012/13* Gross expenditure £'000	2012/13* Gross income £'000	2012/13* Net expenditure £'000
Central services to the public		3,762	(3,872)	(110)	7,633	(4,194)	3,439
Cultural & Related Services		18,266	(3,295)	14,971	21,107	(2,045)	19,062
Environmental & Regulatory Services		36,812	(7,801)	29,011	37,268	(7,063)	30,205
Planning Services		7,772	(19,914)	(12,142)	10,117	(14,550)	(4,433)
Public Health		13,160	-	13,160	-	-	-
Children's and education services		302,624	(232,389)	70,235	322,190	(226,872)	95,318
Highways and transport services		55,797	(17,591)	38,206	46,394	(15,309)	31,085
Housing services		312,215	(347,271)	(35,056)	359,417	(378,068)	(18,651)
Adult social services		126,843	(26,555)	100,288	122,541	(21,516)	101,025
Corporate and democratic core costs		9,193	(2,857)	6,336	12,238	(1,447)	10,791
Non distributed costs		964	(384)	580	1,796	(3,051)	(1,255)
Surplus on Continuing Operations		887,408	(661,929)	225,479	940,701	(674,115)	266,586
Other Operating Expenditure	9	33,150	-	33,150	20,770	-	20,770
Financing and Investment Income & Expenditure	10	20,839	(4,354)	16,485	47,373	(33,516)	13,857
Taxation and Non-Specific Grant Income	11	-	(325,690)	(325,690)	-	(320,994)	(320,994)
Surplus on Provision of Services				**(50,576)**			(19,781)
(Surplus) / Deficit on revaluation of non-current assets				(17,610)			20,504
Actuarial (gains) / losses on pension assets / liabilities	45			10,053			23,477
Other Comprehensive Income and Expenditure				**(7,557)**			43,981
Total Comprehensive Income and Expenditure				**(58,133)**			24,200

* 2012/13 restated in respect of IAS 19

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 of Reserves Statement, as at 31 March 2014. Only useable reserves are available to support the delivery of the Council's services to residents. Details of the Useable Reserves can be seen in the Movement in Reserves Statement.

		31 March 2014		31 March 2013	
	Note	£'000	£'000	£'000	£'000
Property plant & equipment	12	1,091,924		1,043,685	
Heritage Assets	12	1,100		1,057	
Investment properties	12	68,304		66,280	
Intangible assets	12	1,792		2,655	
Long term debtors	16	913		1,309	
Long term investments	16	19,888		11,559	
Total long term assets			1,183,921		1,126,545
Inventories	17	663		594	
Short term investments	16	25,034		70,045	
Short term debtors *	19	107,463		66,698	
Assets held for sale	12	398		15,332	
Cash and cash equivalents	21	160,177		140,248	
Total Current Assets			293,735		292,917
Short term creditors *	22	(93,828)		(86,267)	
Cash and cash equivalents	21	(22,423)		(24,942)	
Provisions	23	(4,765)		(5,210)	
Total Current Liabilities			(121,016)		(116,419)
Long term borrowing	16	(306,116)		(305,947)	
Provisions	23	(5,750)		(5,970)	
Pension Scheme	45	(373,665)		(377,855)	
Long term Lease	41	(17,115)		(17,410)	
Total Long Term Liabilities			(702,646)		(707,182)
Net Assets			**653,994**		595,861
Usable reserves	24	237,630		208,769	
Unusable reserves	25	416,364		387,092	
Total Reserves			**653,994**		595,861

* Debtors and Creditors 2012/13 restated.

BARNET LONDON BOROUGH

Cash Flow Statement

This shows the way 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 provide by the council. Investing activities summarises 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.

Cash Flow Statement	Note	2013/14		2012/13	
		£'000	£'000	£'000	£'000
Net surplus or (deficit) on the provision of services *		50,576		19,781	
Adjustment to surplus or deficit on the provision of services for noncash movements	26	35,160		56,714	
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(11,513)		(50,074)	
Net Cash flows from operating activities			74,223		26,421
Net Cash flows from Investing Activities	27		(50,607)		(65,116)
Net Cash flows from Financing Activities	28		(1,168)		(3,349)
Net increase or decrease in cash and cash equivalents			22,448		(42,044)
Cash and cash equivalents at the beginning of the reporting period			115,306		157,350
Cash and cash equivalents at the end of the reporting period	21		137,754		115,306

* restated 2012-13 in respect of IAS19.and NNDR

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the London Borough of Barnet's transactions for the financial year 2013/14 and its position at the year end of 31 March 2014. The London Borough of Barnet is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income and Expenditure

The accounts of the council are prepared on an accruals basis in accordance with the Code of Accounting Practice. This means that sums due to and from the council during the year are included in the accounts whether or not the cash has actually been paid or received in the year. Such amounts are included as part of the Receivables and Payables figures on the Balance Sheet.

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments made.
- Interest receivable on investments and payable on borrowings is accounted for retrospectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. 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 investments that have a maturity date of less than three months at the Balance Sheet date. 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.

iv. 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.

v. 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.

vi. 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 attributable to the 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 (England and Wales). 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.

vii. 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 for services 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 made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

The basis used to estimate the accrual is three fold:

- Employees that work 'Term Time Only', mainly teachers – a percentage based on how many holidays fall in the financial year is applied to annual salary, employer's national insurance contribution and employer's pension contribution.
- Non-teaching staff leave – holiday remaining at year end (to a maximum of 5 days, as per council's policy) is applied to annual salary, employer's national insurance contribution and employer's pension contribution.
- Non-teaching staff eligible for flexi contract – worst case scenario (+10hrs) will be assumed for all staff eligible for flexi contract and applied to their annual salary, employer's national insurance and employer's pension contribution.

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 Non Distributed Costs line in the Comprehensive Income and Expenditure Statement.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund or pensioner in year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

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

- The Teachers' Pension Scheme, administered by Department for Education (DfE)
- The Local Government Pensions Scheme (LGPS)

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pensions in the year.

Defined benefit schemes

The attributable assets of the LGPS scheme are measured at fair value and include current assets and investments. The attributable liabilities are measured on an actuarial basis using the projected unit method. Scheme liabilities are discounted at the AA corporate bond rate. The surplus or deficit in the scheme is the excess or shortfall of the value of the assets in the scheme over or below the present value of the scheme liabilities. The change in the defined benefit asset or liability is shown in the income and expenditure account and analysed into the following components:

- service cost comprising both current and past service cost and net interest on the net defined benefit liability. The increase in liabilities as a result of years of service earned this year (current service cost) and the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years (past service cost) are debited to the Comprehensive Income and Expenditure Statement. Net interest on the net defined benefit liability i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises in the passage of time charged to the Comprehensive Income and Expenditure Statement.

- re-measurements comprising the return on plan assets excluding amounts included in net interest on the net defined benefit liability charged to the Pension Reserve and actuarial gains and losses, changes in the net pensions liability that arise because

- events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pensions Reserve.

- contributions paid to the pension fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

Defined contribution schemes

The teacher's scheme, whilst being a defined benefit scheme is treated as a defined contribution scheme as explained above. This means that the pension costs reported for any year is equal to the contributions payable for the scheme for the same period. The costs are recognised within net cost of services.

Accounting for Retirement Benefits within HRA

Day to day housing management is carried out by Barnet Homes therefore Barnet's HRA employs very few staff directly. The cost of obtaining a separate HRA actuarial report, to split the notional cost of HRA staff from those employed by the general fund cannot be justified. For this reason although the HRA has been reported on an IAS19 basis, no attempt has been made to show a separate liability related to defined benefit provision.

Pension reserve

The pension reserve is the financial accounting mechanism to ensure that IAS19 has no impact on council tax; this is where the remeasurement of the net defined benefit liability is shown. The cost of providing pensions for employees is funded in accordance with the statutory requirements governing each scheme.

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

viii. 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.

ix. Financial Instruments

The accounting standards in respect of financial instruments were incorporated into the Local Authority SORP in 2007. The 2013/14 Code of Practice notes that where they continue to be relevant, the transitional provisions of the UK standards adopted by the 2007 SORP remain. The definition of the 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.

The council's financial liabilities and financial assets are carried on the balance sheet at amortised cost. The amortised cost is derived by taking the amount of the instrument at its inception, deducting the value of cash repayments made in year and adding on the interest charged / credited to the Comprehensive Income and Expenditure Statement. However, the Code requires that the fair value of these instruments is disclosed in the notes to the account. The fair value of an instrument is the amount for which it could be sold for in an open market based on the present value of the future cash flows.

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

x. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, 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 the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

The Authority has elected to charge a Community Infrastructure Levy. The levy will be charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area. The Community Infrastructure Levy is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. The Community Infrastructure Levy charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

xi. 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 accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The council's collections of heritage assets are accounted for as follows:

Property Heritage Assets

These are held on the Balance Sheet at value and 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 3 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

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.

xii. Intangible Assets

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

xiii. Interests in Subsidiaries

The council has controlling interests in The Barnet Group Ltd (which includes Your Choice Barnet Ltd and Barnet Homes Ltd), Barnet Holdings Ltd, Regional Enterprises Ltd and The Inglis Consortium. These entities have the nature of subsidiaries and / or Join Ventures and the council is therefore required to prepare group accounts, unless the overall impact on the Group Accounts is not material.

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 situation has been reviewed with a report considered by the Audit Committee in February 2014; the decision at that stage was that group accounts were not required for 2013-14. A further review will be undertaken when the final accounts for 2013-14 are available from those entities involved.

xiv. Inventories and Long Term Contracts

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

Long term contracts are accounted for on the basis of charging the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement with the value of works and services received under the contract during the financial year.

xv. Investment Property

Investment properties are those that are used solely to earn rentals and / or for capital appreciations. 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.

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. Properties are not depreciated but are revalued on a 5-year cycle according to market conditions at year end. 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 Receipts Reserve.

xvi. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings element are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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 as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority 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 Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits 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 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.

xvii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The costs are recharged through the internal recharge mechanism using various apportionment bases (e.g. headcount, time spent, area occupied, invoices processed, etc.) in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xviii. 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 accrual 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 £50k is considered non-enhancing and is treated as revenue expenditure.

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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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 – fair value, determined using the basis of existing use value for social housing (EUVSH)
- all other assets – fair 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 fair value because of the specialist nature of an asset, the valuation method of Depreciated Replacement Cost (DRC) is used as an estimate of fair 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 London Borough of Barnet, 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.

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 not treated on balance sheet. This is under constant review and is updated in line with guidance from CIPFA.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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

- 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 by:

- 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

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:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- infrastructure, vehicles, plant, furniture and equipment – straight line allocation over its useful life;
- Council dwellings – Major repairs allowance (MRA) used as a proxy for depreciation.

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.

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

Under IFRS, each asset owned or leased by the council is divided up into significant component parts. A component is considered significant when the cost of the component is 20% or greater than the total cost of the asset and has a differing useful life. Each component is depreciated separately and where there is more than one significant component of 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.

Assets less than £50k will not be considered for componentisation (on the basis of materiality). Assets will only have componentisation applied from 1 April 2010 when they have been revalued, enhanced or acquired. Until one of these events has occurred an asset will not need to be componentised. Componentisation affects all assets recognised under IAS16, IAS17 and IFRIC12.

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 to fair value less costs 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 losses recognised 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 as part of the gain or loss on 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. 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 Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves 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.

xix. 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 of 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.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council.

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

- fair value of services received during the year – debited to the relevant service in the 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 in 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 PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – 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.

xx. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential (the settlement must be probable), and a reliable estimate can be made of the amount of the obligation. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

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

A full breakdown of the council's Provisions as at Balance Sheet date is disclosed in Notes to the Core Statements.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. 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.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority 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 authority.

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.

xxi. 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 Chief Operating Officer and Director of Finance. Specific reserves are discretionary not mandatory. The council discloses a full breakdown of the council's specific reserves as at the Balance Sheet date in the Notes to the Core Statements.

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.

xxii. Revenue Expenditure Funded from Capital under Statue

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 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 & 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 from the General

Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxiii. 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.

xxiv. Collection Fund

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

From the year commencing 1 April 2009, for both billing authorities and major preceptors, the Council Tax income included in the Income and Expenditure Account for the year shall be accrued income for the year.

Local Authorities are required to show Business Rate Supplements (BRS) transactions on the face of the Collection Fund, this is in line with the 2013/14 Code of Practice.

xxv. Minimum Revenue Provision

Statute requires the authority to set money aside each year for the repayment of loans originally taken out to finance capital expenditure. This is called the minimum revenue provision (MRP). Under capital accounting arrangements, the council's services are charged depreciation to reflect the consumption of capital assets used. The depreciation charge is treated as the council's revenue provision and any variation from the statutory minimum is transferred between the capital adjustment account and the income and expenditure account.

The MRP is calculated in accordance with the 2013/14 MRP Policy Statement agreed by Council on 05 March 2013 and CLG Guidance on MRP. The Council's Policy is to:

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

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

A breakdown of MRP charged for the year is disclosed in Notes to the Core statements.

xxvi. Significant Management Judgement in Applying Accounting Policies and Estimation Uncertainty

The only significant estimations in the accounts relate to:

Bad debt

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

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

Each group has particular characteristics with regards to the debtor's propensity to pay the amount due. An assessment of impairment of debt for each group is then undertaken at the balance sheet date, based on historical loss experience but adjusted to reflect the current 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.

Useful lives of depreciable assets

Estimated useful lives and obsolescence levels are reviewed as part of the asset revaluation exercises or where, in the interim, there has been an enhancement to an asset that has extended its useful operational life

Asset Category	Maximum Years Estimated Useful Life
Land & Building Schools	50 50
PFI street lights	25
Vehicles, Plant & Equipment	20
Intangibles	10
Infrastructure	30

Fair value of financial instruments

The council's financial instruments are carried on the balance sheet at amortised cost. However, the Code requires that the fair value of these instruments is disclosed in the notes to the account. The fair value of an instrument is the amount for which it could be sold for in an open market based on the present value of the future cash flows.

Other

- Community Care Services - estimates are made in respect of clients who have received care but where the invoices from the Care Provider have not been received until after the end of the financial year.
- Pension Fund - estimates are made based on the triennial review which was undertaken in 2013.

- Property valuations - some estimates are made based on market forces.
- Special Parking Account - estimates are made over likely income recoverable from unpaid penalty charge notices issued in 2013/14.

xxvii Carbon Reduction Commitment Scheme

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the last year of its introductory phase which ends on 31 March 2014. Phase 2 of the scheme commences on 01 April 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. 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 authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

2. Accounting Standards Issued, Not Adopted

The Code of Practice 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.

These amendments relate to:

- The requirements of International Financial Reporting Standards and other pronouncements by the International Accounting Standards Board in effect for accounting periods commencing on the 1 January 2013 (as adopted by the EU) apply unless specifically adapted by the Code. This is with the exception of IFRS13 *Fair Value Measurement* as the adoption of this standard has been deferred into the 2014/15 Code.
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint arrangements
- IFRS Disclosure of Interests in other entities
- IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 Investments in Associates and Joint Adventures (as amended in 2011)
- IAS32 Financial Instruments : Presentation
- Annual Improvements to IFRSs 2009-2011 Cycle.

It is anticipated that details of the disclosure requirements for most of these changes will be included in the Code of Practice issued for 2014/15.

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:

- There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- 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.
- The council has deposits in one Icelandic bank, Glitnir, which is in administration. (It sold its entire claim in a second Icelandic bank in administration, Landsbanki on 30 January 2014). The value of these deposits being held on the council's balance sheet is determined by CIPFA's Local Authority Accounting Panel guidance and impairment calculator that was last updated in May 2013.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future 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 2014 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, charges in retirement ages, mortality rates and expected returns of pension funds.	The effect of the net pension liability due to changes in individual assumptions can be measured although the assumptions interact in complex ways. During 2013/14 the council's actuaries advised that the net pension liability has decreased by £4.190 m.
Asset Lives	Assets are depreciated over their estimated useful lives which are dependant on assumptions on the level of repairs and maintenance, technical obsolescence or unplanned failure. The reductions being experienced in central government funding may restrict the extent of investment in maintenance and repairs and so reduce asset lives or, conversely force the council to operate assets beyond their planned use so creating uncertainty in the useful lives assigned to assets.	If the assumptions around asset lives are reduced depreciation charges will need to be revised and the carrying value of the asset will fall or rise. The estimated impact of all assets having their useful lives reduced by one year would be an increase in the annual depreciation costs of £4.444m. The impact of this change would not be required to be reflected in the level of Council Tax charge.
Debts	The Council has a substantial amount of debts outstanding at the year end against which a provision for bad debt has been made. However the continuing economic climate and changes in welfare benefits could give rise to a greater level of non-payment of the council's charges.	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.

5. Material Items of Income and Expenditure

There were no material items of income or expenditure to report for 2013/14.

6. Events After the Balance Sheet Date

Since the Balance Sheet date of 31 March 2014 there have been no material events which would require an adjustment to the financial statements. A further review of post balance sheet events will be conducted prior to the approval of the accounts.

7. Adjustments between Accounting Basis and Funding Basis under Regulations 2013/14

	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 Useable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2013		30,592	75,513	16,072	21,227	6,637	58,728	208,769	387,092	595,861
Movement in reserves during 2013/14										
Surplus on provision of services		44,048	-	6,528	-	-	-	50,576	-	50,576
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	7,557	7,557
Total Comprehensive Income and Expenditure		44,048	-	6,528	-	-	-	50,576	7,557	58,133
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		25,378	-	-	-	-	-	25,378	(25,378)	-
Revaluation losses on Property Plant and Equipment (charged to SDPS)		(36,353)	-	-	-	-	-	(36,353)	36,353	-
Movements in the Market value of Investment Properties		(866)	-	-	-	-	-	(866)	866	-
Amortisation of Intangible assets		866	-	-	-	-	-	866	(866)	-
Capital Grants and contributions applied		(22,324)	-	-	-	-	-	(22,324)	22,324	-
Revenue Expenditure Funded From Capital Under Statute		28,224	-	-	-	-	-	28,224	(28,224)	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES		30,423	-	470	-	-	-	30,893	(30,893)	-
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement										
Statutory provision for the financing of capital investment		(6,978)	-	-	-	-	-	(6,978)	6,978	-
Capital expenditure charged against the General Fund and HRA balances		(11,430)	-	-	-	-	-	(11,430)	11,430	-
Adjustments involving the Capital Grants Unapplied Account:										
Capital Grants and contributions unapplied credited to CIES		(20,384)	-	-	-	-	20,384	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account		-	-	-	-	-	(14,324)	(14,324)	14,324	-
Adjustments involving the Capital Receipts Reserve:										
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES		(2,258)	-	(62)	21,014	-	-	18,694	(18,694)	-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	-	-	(16,567)	-	-	(16,567)	16,567	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		1,532	-	-	(1,532)	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-	-	-	184	-	-	184	(184)	-
Adjustments involving the Major Repairs Reserve:										
Reversal of Major Repairs Allowance credited to the HRA		-	-	(7,962)	-	7,962	-	-	-	-
Use of the Major Repairs reserve to finance new capital expenditure		-	-	-	-	(3,678)	-	(3,678)	3,678	-
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)	-	(215)	-	-	-	(217)	217	-
Adjustments involving the Pension Reserve:										
Reversal of items relating to retirement benefits debited or credited to the comprehensive Income and Expenditure Statement		6,787	-	-	-	-	-	6,787	(6,787)	-
Employer's pensions contributions and direct payments to pensioners payable in the year		(21,030)	-	-	-	-	-	(21,030)	21,030	-
Adjustments involving the Collection Fund Adjustment Account:										
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements		1,292	-	-	-	-	-	1,292	(1,292)	-
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		(266)	-	-	-	-	-	(266)	266	-
Adjustments between accounting basis & funding basis under regulations		(27,389)	-	(7,769)	3,099	4,284	6,060	(21,715)	21,715	-
Net Increase / Decrease before Transfers to Earmarked Reserves		16,659	-	(1,241)	3,099	4,284	6,060	28,861	29,272	58,133
Transfer to / from Earmarked Reserves	8	(16,111)	16,111	-	-	-	-	-	-	-
Increase / Decrease in Year		**548**	**16,111**	**(1,241)**	**3,099**	**4,284**	**6,060**	**28,861**	**29,272**	**58,133**
Balance at 31 March 2014 carried forward		**31,140**	**91,624**	**14,831**	**24,326**	**10,921**	**64,788**	**237,630**	**416,364**	**653,994**

Adjustments between Accounting Basis and Funding Basis under Regulations 2012/13

	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 Useable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2012		30,870	65,105	7,806	17,854	4,259	28,820	154,714	465,347	620,061
Movement in reserves during 2012/13										
Surplus on provision of services		18,465	-	6,091	-	-	-	24,556	-	24,556
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	(48,756)	(48,756)
Total Comprehensive Income and Expenditure		18,465	-	6,091	-	-	-	24,556	(48,756)	(24,200)
Adjustments involving the Capital Adjustment Account:										
Reversal of items debited or credited to the Comprehensive Income and										
Charges for depreciation and impairment of non current assets		42,178	-	-	-	-	-	42,178	(42,178)	-
Revaluation losses / (gains) on Property Plant and Equipment (charged to SDPS)		(26,695)	-	-	-	-	-	(26,695)	26,695	-
Movements in the Market value of Investment Properties		(2,887)	-	-	-	-	-	(2,887)	2,887	-
Amortisation of Intangible assets		1,133	-	-	-	-	-	1,133	(1,133)	-
Capital Grants and contributions applied		(9,294)	-	-	-	-	-	(9,294)	9,294	-
Revenue Expenditure Funded From Capital Under Statute		14,474	-	26	-	-	-	14,500	(14,500)	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES		14,026	-	(5)	-	-	-	14,021	(14,021)	-
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement										
Statutory provision for the financing of capital investment		(7,291)	-	-	-	-	-	(7,291)	7,291	-
Capital expenditure charged against the General Fund and HRA balances		(11,101)	-	-	-	-	-	(11,101)	11,101	-
Adjustments involving the Capital Grants Unapplied Account:										
Capital Grants and contributions unapplied credited to CIES		(34,086)	-	-	-	-	34,086	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment		-	-	-	-	-	(4,178)	(4,178)	4,178	-
Adjustments involving the Capital Receipts Reserve:										
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES		2,939	-	-	6,694	-	-	9,633	(9,633)	-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	-	-	(2,126)	-	-	(2,126)	2,126	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		1,286	-	-	(1,286)	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-	-	-	91	-	-	91	(91)	-
Adjustments involving the Major Repairs Reserve:										
Reversal of Major Repairs Allowance credited to the HRA		-	-	2,403	-	(2,403)	-	-	-	-
Use of the Major Repairs reserve to finance new capital expenditure		-	-	-	-	4,781	-	4,781	(4,781)	-
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		(14)	-	(249)	-	-	-	(263)	263	-
Adjustments involving the Pension Reserve:										
Reversal of items relating to retirement benefits debited or credited to the comprehensive Income and Expenditure Statement		29,386	-	-	-	-	-	29,386	(29,386)	-
Employer's pensions contributions and direct payments to pensioners payable in the year		(22,185)	-	-	-	-	-	(22,185)	22,185	-
Adjustments involving the Collection Fund Adjustment Account:										
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements		553	-	-	-	-	-	553	(553)	-
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		(757)	-	-	-	-	-	(757)	757	-
Adjustments between accounting basis & funding basis under regulations		(8,335)	-	2,175	3,373	2,378	29,908	29,499	(29,499)	-
Net Increase / Decrease before Transfers to Earmarked Reserves		10,130	-	8,266	3,373	2,378	29,908	54,055	(78,255)	(24,200)
Transfer to / from Earmarked Reserves	8	(10,408)	10,408	-	-	-	-	-	-	-
Increase / Decrease in Year		(278)	10,408	8,266	3,373	2,378	29,908	54,055	(78,255)	(24,200)
Balance at 31 March 2013 carried forward		**30,592**	**75,513**	**16,072**	**21,227**	**6,637**	**58,728**	**208,769**	**387,092**	**595,861**

8. 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 1/04/2012	In year related Expenditure	Written back in year	New Reserves Raised	Reserve b/fwd at 1/04/2013	In year related Expenditure	Written back in year	New Reserves Raised	Reserve c/fwd at 31/03/2014
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central - Capital (i)	191	-	-	-	191	(111)	-	-	80
Central - Financing (ii)	3,645	(920)	-	111	2,836	(244)	-	-	2,592
Central - Infrastructure (iii)	1,518	(13)	-	13,451	14,956	-	-	7,609	22,565
Central - Risk (iv)	17,100	(1,941)	-	1,108	16,267	(8,224)	-	7,457	15,500
Central - Service Development (v)	5,100	(3,583)	-	5,000	6,517	(3,251)	-	6,311	9,577
Central - Transformation (vi)	14,998	(8,173)	-	6,719	13,544	(5,156)	-	2,905	11,293
Service - Other (vii)	22,144	(7,397)	(771)	6,817	20,793	(8,645)	-	17,460	29,608
Sub Total General Fund Earmarked Reserves	64,696	(22,027)	(771)	33,206	75,104	(25,631)	-	41,742	91,215
Special Parking Account (SPA)	409	-	-	-	409	-	-	-	409
Total Earmarked Reserves	65,105	(22,027)	(771)	33,206	75,513	(25,631)	-	41,742	91,624

i) Capital - receipts not yet applied to capital expenditure

ii) Financing - financing the effective management of the medium term financial strategy

iii) Infrastructure - the new homes bonus will be set aside in this reserve to fund the cost of infrastructure in Barnet

iv) Risk – to manage litigation and other corporate risks not otherwise recognised

v) Service development - to fund new commissions and service transformation proposals

vi) Transformation – to fund the transformation programme to change, protect and improve council services

vii) Service –other. Including: Dedicated Schools grant (DSG) – balances in respect of delegated schools budgets. Changes in Benefit subsidy – to cover anticipated costs in respect of Department of Works and Pensions enforced changes to Benefits administration. Street lighting scheme – improvements to management.

9. Other Operating Expenditure

	2013/14 £'000	2012/13 £'000
Precepts and levies	1,488	1,418
Trading operations	810	1,033
Contribution to government housing pool	1,532	1,286
(Gain) / loss on disposal *	29,320	17,033
Total	**33,150**	20,770

* £22.702m relates to a loss on disposal from 4 schools transferring to Academy status in 2013/14 (2012/13 £13.655m in respect of 2 schools).

10. Financing and Investment Income and Expenditure

	2013/14 £'000	2012/13 £'000
Interest and Investment Income	(4,354)	(4,861)
Net interest on the net defined benefit liability	15,083	15,112
Interest payable and similar charges	5,343	5,396
Movement in investment property valuation	413	(1,790)
Total	**16,485**	13,857

11. Taxation and Non-Specific Grant Income

	2013/14 £'000	2012/13 £'000
Demand on Collection Fund	171,793	158,833
Non-domestic rates redistribution	-	92,724
Revenue grant support	77,121	1,797
Business Rates Related	17,435	-
Non-specific grants	18,514	38,336
Public Health Grant	13,799	-
Capital grants unapplied	8,368	22,105
Capital grants applied	18,660	7,199
Total	**325,690**	320,994

Although the total income above remains fairly consistent there have been major changes in the manner in which income from Non-domestic rates is distributed with the authority taking a more direct responsibility for the management thereof. In addition the authority has the additional responsibility for Public Health Services to the Community for which specific grant is received.

12. Movement of Property, Plant and Equipment, 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 2014. Where applicable the valuation date for all other assets was 01 April 2013. This date was used as directed by the RICS, 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 adverse changes in the statutory or regulatory environment 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 2014, the council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years, budgeted to cost £8.131m (£6.851m in 2012/13).

Movement of Property, Plant and Equipment, Heritage Assets, Investment Properties, Intangible Assets and Assets Held for Sale 2013/14

	Property, Plant and Equipment													
	Council House 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**
Value of assets at 31 March 2013	853,193	195,660	243,656	43,553	151,981	1,452	14,403	22,019	**1,525,917**	1,091	82,902	7,758	17,179	**1,634,847**
Reclassifications	-	(3,763)	-	-	-	-	10,040	-	**6,277**	-	5,152	-	(11,429)	**-**
Additions from AUC	27,134	945	2,358	12,507	9,826	-	-	(52,966)	**(196)**	-	-	196	-	**-**
Additions	-	-	-	-	405	-	-	75,217	**75,622**	-	-	-	-	**75,622**
Revaluation increases recognised in the Revaluation Reserve	17	8,043	7,208	-	-	-	100	-	**15,368**	43	-	-	605	**16,016**
Revaluation decreases recognised in the Revaluation Reserve	(3)	(9,690)	(51)	-	-	-	(103)	-	**(9,847)**	-	-	-	(480)	**(10,327)**
Revaluation increases recognised in the Surplus/Deficit on the Provision of Service	-	-	-	-	-	-	-	-	**-**	-	3,951	-	-	**3,951**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-	**-**		(3,368)	-	-	**(3,368)**
Derecognition - Disposals	(12,207)	(640)	(28,113)	(197)	-	-	(7,489)	-	**(48,646)**	-	(3,733)	-	(4,490)	**(56,869)**
Derecognition - Other	-	(357)	-	-	-	-	-	-	**(357)**	-	-	-	-	**(357)**
Other									**-**					**-**
Value of assets at 31 March 2014	868,134	190,198	225,058	55,863	162,212	1,452	16,951	44,270	**1,564,138**	1,134	84,904	7,954	1,385	**1,659,515**
Accumulated Depreciation at 31 March 2013	(291,408)	(42,611)	(45,543)	(34,218)	(67,103)	(1,083)	(266)	-	**(482,232)**	(34)	(16,622)	(5,103)	(1,847)	**(505,838)**
Reclassifications	-	(527)	-	-	-	-	(63)	-	**(590)**	-	(270)	-	860	**-**
Writeback of depreciation on revaluation	27,020	3,818	17,345	91	-	-	-	-	**48,273**	-	282	-	-	**48,555**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	(467)	-	(97)	-	(33)	(54)	-	**(651)**	-	(1,280)	(195)	-	**(2,126)**
Derecognition - Disposals	-	156	5,682	157	-	-	-	-	**5,995**	-	1,290	-	-	**7,285**
Derecognition - Other	-	357	-	-	-	-	-	-	**357**	-	-	-	-	**357**
Depreciation charge	(18,957)	(4,132)	(7,230)	(2,388)	(10,631)	-	(29)	-	**(43,367)**	-	-	(864)	-	**(44,231)**
	(283,345)	(43,407)	(29,746)	(36,455)	(77,734)	(1,116)	(412)	-	**(472,215)**	(34)	(16,600)	(6,162)	(987)	**(495,998)**
Net book value of Asset at 31 March 2013	**561,785**	**153,049**	**198,113**	**9,335**	**84,878**	**369**	**14,137**	**22,019**	**1,043,685**	**1,057**	**66,280**	**2,655**	**15,332**	**1,129,009**
Net book value of Asset at 31 March 2014	**584,789**	**146,791**	**195,312**	**19,408**	**84,478**	**336**	**16,539**	**44,270**	**1,091,923**	**1,100**	**68,304**	**1,792**	**398**	**1,163,517**

Movement of Property, Plant and Equipment, Heritage Assets, Investment Properties, Intangible Assets and Assets Held for Sale 2012/13

	Property, Plant and Equipment													
	Council House 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**
Value of assets at 31 March 2012	841,412	193,986	273,843	43,047	143,266	2,158	7,661	23,290	**1,528,663**	1,091	80,563	7,323	28,676	**1,646,316**
Reclassifications	-	(754)		-	-	(657)	6,896	-	**5,485**	-	972	-	(6,457)	**-**
Additions from AUC	16,198	2,445	6,483	559	8,329	-	-	(34,458)	**(444)**	-	-	444	-	**-**
Additions	-	-		-	386	-	-	33,187	**33,573**	-	-	(9)	-	**33,564**
Revaluation increases recognised in the Revaluation Reserve	133	4,213	238	-	-	-	180	-	**4,764**	-	-	-	-	**4,764**
Revaluation decreases recognised in the Revaluation Reserve	-	(3,876)	(22,636)	-	-	(49)	(334)	-	**- 26,895**	-	-	-	-	**(26,895)**
Revaluation increases recognised in the Surplus/Deficit on the Provision of Service	-	-	-	-	-	-	-	-	**-**	-	2,721	-	-	**2,721**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-	**-**	-	- 490	-	-	**(490)**
Derecognition - Disposals	(4,550)	(354)	(14,272)	(53)	-	-	-	-	**- 19,229**	-	- 464	-	- 5,040	**(24,733)**
Derecognition - Other	-	-		-	-	-	-	-	**-**	-	- 400	-	-	**(400)**
Other									**-**					**-**
Value of assets at 31 March 2013	853,193	195,660	243,656	43,553	151,981	1,452	14,403	22,019	**1,525,917**	1,091	82,902	7,758	17,179	**1,634,847**
Accumulated Depreciation at 31 March 2012	(296,755)	(38,114)	(28,069)	(30,247)	(56,896)	(1,060)	(171)	-	**- 451,312**	(34)	(15,473)	(3,970)	(1,602)	**(472,391)**
Reclassifications	-	1,138		-	-	-	(83)	-	**1,055**	-	(3,970)	-	(325)	**-**
Writeback of depreciation on revaluation	24,135	3,542	682	-	-	-	-	-	**28,359**	-	653	-	-	**29,012**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	(4,889)	(12,775)	-	-	(23)	-	-	**- 17,687**	-	(3,970)	-	-	**(18,781)**
Derecognition - Disposals	-	37	1,299	6	-	-	-	-	**1,342**	-	22	-	80	**1,444**
Derecognition - Other	-	-	-	-	-	-	-	-	**-**	-	-	-	-	**-**
Depreciation charge	(18,788)	(4,325)	(6,680)	(3,977)	(10,207)	-	(12)	-	**- 43,989**	-	-	(1,133)	-	**(45,122)**
Accumulated Depreciation at 31 March 2013	(291,408)	(42,611)	(45,543)	(34,218)	(67,103)	(1,083)	(266)	-	**- 482,232**	(34)	(16,622)	(5,103)	(1,847)	**(505,838)**
Net book value of Asset at 31 March 2012	**544,657**	**155,872**	**245,774**	**12,800**	**86,370**	**1,098**	**7,490**	**23,290**	**1,077,351**	**1,057**	**65,090**	**3,353**	**27,074**	**1,173,925**
Net book value of Asset at 31 March 2013	**561,785**	**153,049**	**198,113**	**9,335**	**84,878**	**369**	**14,137**	**22,019**	**1,043,685**	**1,057**	**66,280**	**2,655**	**15,332**	**1,129,009**

13. 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 12 (Movement in Property, Plant and Equipment, Investment Properties, Intangible Assets and Assets Held for Sale).

14. 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	**2013/14**	2012/13
	£'000	£'000
Rental income from investment property	(2,865)	(2,511)
Net (gain) / loss	**(2,865)**	(2,511)

Movements in the fair value of investment properties are detailed in Note 12 (Movement in Property, Plant and Equipment, Investment Properties, Intangible Assets and Assets Held for Sale).

15. 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 12 (Movement in Property, Plant and Equipment, Investment Properties, Intangible Assets and Assets Held for Sale).

16. Financial Instruments

Financial Liabilities

A Financial Liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The Council's loan portfolio at year end consisted of PWLB and market debt. Under the 2013/14 Code of Practice these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Comprehensive Income and Expenditure Statement.

Financial Assets

A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

The three classifications for financial assets under the Code of Practice are:

- Loans and Receivables;
- Available for Sale; and
- Fair Value through Profit or Loss.

The Council's portfolio of investments consists of fixed term deposits, money market funds, call/notice accounts. Term deposits and call accounts are classed as 'Loans and Receivables' and are measured at amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment. Trade Receivables (i.e. Trade Debtors) are classified as Loans and Receivables. These have been measured at cost on the Balance Sheet.

Balances in money market funds and call accounts at 31 March 2014 are shown under 'cash and cash equivalents' in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value.

The Council does not have any investments required to be measured at Fair Value through Profit or Loss.

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.

Financial Instruments - Balances

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

	Long Term 31/03/2014 £'000	Long Term 31/03/2013 £'000	Current 31/03/2014 £'000	Current 31/03/2013 £'000
Borrowing	306,116	305,947	-	-
Trade Creditors*	-	-	48,704	42,951
Bank Overdraft	-	-	22,423	24,942
PFI/Finance Lease Liabilities	17,115	17,410	295	261
Total Financial Liabilities at amortised cost	**323,231**	323,357	**71,422**	68,154
Loans and Receivables	20,801	12,868	283,910	268,080
Total Financial Assets	**20,801**	12,868	**283,910**	268,080

* Item restated for 2012/13

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

	Long Term 31/03/2014 £'000	Long Term 31/03/2013 £'000	Current 31/03/2014 £'000	Current 31/03/2013 £'000
Borrowing:				
Nominal Amount	304,080	304,080	-	-
Accrued Interest	1,419	1,222	-	-
Unamortised Discounts/(Premiums) on Modified Loan(s)	617	645	-	-
Total Borrowings as per Balance Sheet	**306,116**	305,947	**-**	**-**
Investments:				
Nominal Amount	19,799	11,445	160,100	175,000
Accrued Interest	89	114	221	141
Total Investments as per Balance Sheet	**19,888**	11,559	**160,321**	175,141

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under ‘current liabilities’ or ‘current investments’. This would include accrued interest on long term liabilities and investments that are payable/receivable in 2013/14.

Current Investments includes £135.287m which appears on the balance sheet under cash and cash equivalents being investments repayable within 90 days. The balance of £25.034m is shown as short term investments.

Soft Loans – Balances

Where loans are advanced at below market rates they are classed as ‘Soft Loans’. The Code of Practice sets out specific accounting and disclosure requirements for soft loans. The Council does not have any soft loans.

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:

	Financial Liabilities Liabilities measured at amortised cost £'000	Financial Assets Loans and receivables £'000	Total 2013/14 £'000
Interest payable and similar charges	11,709	**-**	11,709
Interest Income	-	(1,607)	(1,607)
Net gain/(loss) for the year	**11,709**	**(1,607)**	**10,102**

Financial Instruments - Fair Values

For each class of financial assets and financial liabilities, a Council is required to disclose the fair value of that class of assets and liabilities 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 loan and receivables which are carried on the Balance Sheet at amortised cost.

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 of Practice requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2013 and 31 March 2014 consisted of loans from the Public Works Loan Board (PWLB) and market loans. The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have had to pay to extinguish the loans on these dates. In the case of market loans, the Council wrote to the lender. Due to no response, the Council's Treasury Adviser 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. The maturity dates of these investments i.e. trade debtors and creditors, were all within 12 months of the Balance Sheet date. 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.

Short term instruments and deferred liabilities	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
	31/03/2014	**31/03/2014**	31/03/2013	31/03/2013
Financial Liabilities:	**£'000**	**£'000**	£'000	£'000
Long Term Borrowing	306,116	340,198	305,947	371,732
Deferred Liabilities	10,515	10,515	11,180	11,180
Trade Payables (Creditors)*	48,704	48,704	42,951	42,951
Total Financial Liabilities	**365,335**	**399,417**	360,078	425,863
Financial Assets:				
Long Term Investments	19,888	19,882	11,559	12,306
Short Term Deposits	135,287	135,287	105,096	105,096
Short Term Investments	25,034	25,050	70,045	70,045
Trade Receivables (Debtors)*	81,418	81,418	67,781	67,781
Total Financial Assets	**261,627**	**261,637**	254,481	255,228

* Items restated for 2012/13

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.

Financial Assets

The fair value for long term investments at the Balance Sheet date includes £2.789m representing the outstanding investment in Icelandic banks.

In May 2013 CIPFA's Local Authority Accounting Panel issued revised guidance on the level of impairment to be recognised by local authorities who had deposits with Icelandic banks. The value of the impairment has reduced in 2013/14 compared to previous years due to payments received during 2013/14 and from the sale by auction of the Council's interest in Landsbanki bank.

17. Inventories

The council's inventories at 31 March are shown below:

	2013/14 £'000	2012/13 £'000
Works in progress	-	7
Stock	663	587
Total	**663**	594

18. Construction Contracts

At 31 March 2014 the council had one construction contract in progress: the construction of a free school for the Department for Education (DfE). The value of work completed has been established using a stage of completion methodology based on architects' certificates obtained at year end. The amounts received from the DfE at 31 March 2014 is as follows:

	2013/14 Department of Education £'000	2012/13 Department of Education £'000
Costs incurred to date	633	1,823
Revenue recognised:		
- before 1st April 2013	(263)	-
- before 1st April 2014	(370)	(1,823)
Profit / (loss)	-	-
Advances received	(1)	(263)
Comprising- works to be carried out	**1**	263

19. Debtors

An analysis of the council's debtors as at 31 March is as follows:

	2013/14 £'000	2012/13 £'000
Central Government Bodies	28,648	25,102
Other Local Authorities	2,205	2,510
Public Corporations and Trading Funds	225	392
NHS bodies	1,659	62
Bodies External to General Government	81,418	67,781
Payments in Advance	30,114	1,940
Sub total	144,269	97,787
Less: provision for bad debts	(36,806)	(31,089)
Net total	**107,463**	66,698

*2012/13 Debtors represented

The 2012/13 debtors have been represented in respect of the Central Government Bodies to allow for the changes required in the accounting arrangements for Non-domestic Rates from 1 April 2013. Whereas previously a net debtor to Central Government was provided the new arrangements require a split between the debtor and creditor elements. The retrospective effect is the increase debtors matched by a compensating adjustment to creditors.

The following approach was taken with regards to estimating the provision for bad debts. In this context, provision for bad debts means the extent to which the original amount of debt is impaired (recovery could be doubtful). The council will still continue to pursue these debts. The council's debtors were considered collectively for impairment, as there was no individual debtor that was considered to be individually significant. Total debtors were then divided into the following subgroup:

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

Historical data shows that each of these sub-groups has different characteristics as to the debtors' propensity to pay all amounts due. An assessment of impairment of debtors of each sub group was undertaken at the balance sheet date based primarily on historical loss experience and adjusted to reflect the current economic climate and the council's debt management procedures. There are currently no debts past due which are not impaired.

20. Assets Held for Sale

Movements in the assets held for sale are detailed in Note 12 (Movement in Property, Plant and Equipment, Investment Properties, Intangible Assets and Assets Held for Sale).

21. Cash and Cash Equivalents

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

	2013/14 £'000	2012/13 £'000
Cash	24,890	35,152
Short term deposits	135,287	105,096
Amount disclosed in Current Assets	160,177	140,248
Overdraft: disclosed in Current liabilities	(22,423)	(24,942)
Total	**137,754**	115,306

22. Creditors

An analysis of the council's creditors as at 31 March is as follows:

	2013/14 £'000	2012/13 £'000
Central Government Bodies	29,353	21,506
Other Local Authorities	2,501	10,853
Public Corporations and Trading Funds	2,693	2,430
NHS bodies	1,813	1,316
Bodies External to General Government	48,704	42,951
Receipts in Advance	8,764	7,211
Total	**93,828**	86,267

* 2012/13 Creditors represented (see note 19 Debtors for explanation)

23. Provisions

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

	Note	As at 1/04/2012 £'000	In year related payments £'000	Written back in year £'000	New provisions raised £'000	As at 1/04/2013 £'000	In year related payments £'000	Written back in year £'000	New provisions raised £'000	As at 31/03/2014 £'000
Carbon Reduction Commitment	i)	387	(382)	-	378	383	(368)	-	358	**373**
Grants to Voluntary Sector	ii)	104	(81)	(2)	85	106	(80)	-	79	**105**
Housing & Property	iii)	701	(319)	(99)	36	319	(2)	(62)	1	**256**
Insurance	iv)	8,568	-	-	606	9,174	(180)	(144)	-	**8,850**
Legal	v)	230	-	-	74	304	(220)	-	-	**84**
Services Provision Related	vi)	311	(295)	(10)	396	402	(402)	-	795	**795**
Redundancy costs	vii)	-	(6)	-	498	492	(491)	(1)	52	**52**
Total		10,301	(1,083)	(111)	2,073	11,180	**(1,743)**	**(207)**	**1,285**	**10,515**
						5,210			**Short Term**	**4,765**
						5,970			**Long term**	**5,750**

i) Carbon Reduction Commitment - The provision relates to covering the costs for the 2013/14 Carbon Reduction Scheme.

ii) Grants to Voluntary Sector - Awards, or proportions of awards, to voluntary and community groups from the corporate grants budget in previous years remain outstanding pending compliance with special conditions in each case.

iii) Housing & Property - Relates predominately to the North London Business Park due to extra space taken on the ground floor in prior years.

iv) 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.

v) Legal - This provision is to cover the potential liability of an on-going legal case.

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

vii) Redundancy costs – Provision for on-going restructuring activity.

24. Usable Reserves

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

25. 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 Compensated Absences Adjustment Account	Deferred Capital Receipts	Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2013	**109,040**	**651,393**	**(753)**	**10,674**	**(377,855)**	**(5,774)**	**367**	**387,092**
Movement in reserves during 2013/14								
Surplus / (Deficit) on provision of services	-	-	-	-	-	-	-	-
Other Comprehensive Expenditure and Income	17,610	-	-	-	(10,053)	-	-	7,557
Total Comprehensive Income and Expenditure	**17,610**	**-**	**-**	**-**	**(10,053)**	**-**	**-**	**7,557**
Adjustments between accounting basis & funding basis under regulations	(23,928)	32,393	217	(1,292)	14,243	266	(184)	21,715
Net Increase / Decrease before Transfers to Earmarked Reserves	**(6,318)**	**32,393**	**217**	**(1,292)**	**4,190**	**266**	**(184)**	**29,272**
Transfer to / from Earmarked Reserves	-	-	-	-	-	-	-	-
Increase / Decrease in Year	**(6,318)**	**32,393**	**217**	**(1,292)**	**4,190**	**266**	**(184)**	**29,272**
Balance at 31 March 2014 carried forward	**102,722**	**683,786**	**(536)**	**9,382**	**(373,665)**	**(5,508)**	**183**	**416,364**

	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Accumulating Compensated Absences Adjustment	Deferred Capital Receipts	Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2012	143,269	660,342	(1,016)	11,227	(342,402)	(6,531)	458	465,347
Movement in reserves during 2012/13								
Surplus / (Deficit) on provision of services	-	-	-	-	-	-	-	-
Other Comprehensive Expenditure and Income	(20,504)	-	-	-	(23,478)	-	-	(43,982)
Total Comprehensive Income and Expenditure	(20,504)	-	-	-	(23,478)	-	-	(43,982)
Adjustments between accounting basis & funding basis under regulations	(13,725)	(8,949)	263	(553)	(11,976)	757	(91)	(34,274)
Net Increase / Decrease before Transfers to Earmarked Reserves	(34,229)	(8,949)	263	(553)	(35,454)	757	(91)	(78,256)
Transfer to / from Earmarked Reserves	-	-	-	-	-	-	-	-
Increase / Decrease in Year	(34,229)	(8,949)	263	(553)	(35,453)	757	(91)	(78,255)
Balance at 31 March 2013 carried forward	109,040	651,393	(753)	10,674	(377,855)	(5,774)	367	387,092

Revaluation Reserve

The revaluation reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets 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 finance 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 7 provides details of the source of all the transactions posted to the accounts, apart from those involving the revaluation reserve.

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

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

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 as the benefits are 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. However, statutory arrangements require that benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore 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.

Deferred Capital Receipts Reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

Collection Fund Adjustment Account

The collection fund adjustment account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rates payers compared with the statutory arrangements for paying across amounts to the general fund from the Collection Fund.

Accumulated Absences Account

The accumulated absences account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from the account.

26. Operating Activities

Net Cash Flows from Operating Activities	2013/14		2012/13*	
	£'000	£'000	£'000	£'000
Net Surplus on the Provision of Services		50,576		19,781
Adjust net surplus on the provision of services for non cash movements				
Depreciation	36,579		54,634	
Amortisation	866		1,133	
Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss a/c	(439)		(1,108)	
Adjustments for effective interest rates	(645)		47	
(Increase)/Decrease in Interest Creditors	814		(44)	
(Increase)/Decrease in Creditors	(15)		(22,807)	
(Increase)/Decrease in Interest and Dividend Debtors	129		429	
(Increase)/Decrease in Debtors	(35,870)		(4,229)	
(Increase)/Decrease in Inventories	(69)		(48)	
Movement in Pension Liability	(14,243)		11,976	
Contributions to/(from) Provisions	(665)		879	
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	49,584		18,739	
Movement in Investment Property Values	(866)		(2,887)	
		35,160		56,714
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities				
Capital Grants credited to surplus or deficit on the provision of services	(42,707)		(43,380)	
Net adjustment from the sale of short and long term investments	52,209		-	
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(21,015)		(6,694)	
		(11,513)		(50,074)
Net Cash Flows from Operating Activities		74,223		26,421

* 2012-13 restated

Operating activities within the cash flow statement include the following cash flows relating to interest	2013/14		2012/13*	
	£'000	£'000	£'000	£'000
Ordinary interest received	1,488		1,242	
Opening Debtor	129		429	
Interest Received		1,617		1,671
Interest charge for year	(5,343)		(5,396)	
Adjustments for differences between Effective Interest Rates and actual interest payable	(645)		47	
Adjustment for internal interest charged to balance sheet funds				
Opening Creditor	(1,222)		(1,266)	
Closing Creditor	2,036		1,222	
Interest Paid		(5,174)		(5,393)

* 2012-13 restated

27. Investing Activities

Cash Flows from Investing Activities	2013/14		2012/13*	
	£'000	£'000	£'000	£'000
Property, Plant and Equipment Purchased	(103,246)		(47,678)	
Opening Capital Creditors	(492)		(493)	
Closing Capital Creditors	5,271		492	
Purchase of Property, Plant and Equipment, investment property and intangible assets		(98,467)		(47,679)
Purchase of short term investments	-		(70,045)	
Purchase of long term investments	(15,088)		(2,000)	
Purchase of short and long term investments		(15,088)		(72,045)
Proceeds from the sale of property plant and equipment, investment property and intangible assets		11,612		8,242
Proceeds from long term investments	-		2,986	
Proceeds from short-term and long-term investments		-		2,986
Other capital cash receipts	8,629		-	
Capital Grants Received	42,707		43,380	
Other Receipts from Investing Activities		51,336		43,380
Total Cash Flows from Investing Activities		(50,607)		(65,116)

* 2012-13 restated

28. Financing Activities

Cash Flows from Financing Activities	2013/14		2012/13*	
	£'000	£'000	£'000	£'000
Billing Authorities - Council Tax and NNDR adjustments		(907)		(3,118)
Other receipts from financing activities				
Payments for the reduction of a PFI liability	(261)		(231)	
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		(261)		(231)
Total Cash Flows from Financing Activities		(1,168)		(3,349)

* 2012-13 restated

29. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the comprehensive income and expenditure statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the council's Cabinet Resources Committee on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation reserve and amortisations are charged to services in the comprehensive income and expenditure statement)

- The cost of retirement benefits is based on cash flows (payments of employer's pension contributions) rather than current service cost of benefits accrued in the year in directorates.

Directorate	2013/14		
	Budget	Actual	(Under)/ Overspend
	£'000	£'000	£'000
Adults and Communities	97,080	97,519	439
Assurance	4,088	4,047	(41)
Children's Education	9,567	9,377	(190)
Children's Family Service (inc DSG)	50,538	50,527	(11)
Commissioning Group	7,687	8,005	318
Streetscene	15,044	15,068	24
Public Health	13,766	13,778	12
HB Public Law	1,932	2,139	207
Barnet Group	4,304	4,035	(269)
Re	2,178	3,035	857
CSG	24,697	24,573	(124)
Services Underspend	230,881	232,103	1,222
Central Expenses (including reserves/ funding)	62,103	60,761	(1,342)
Total Expenditure	292,984	292,864	(120)
Schools Services contribution			(428)
Movement on General Fund (MiRS)			(548)

School balances at 31 March 2014 were £15.189m (£14.761m as 31 March 2013). This is an increase in the schools balances of £0.428m which combined with the outturn increase in the General Fund of £0.120m shown in the table above gives the overall increase of £0.548m seen in the Movement in reserves Statement.

Subjective Analysis by Directorate 2013/14

Directorate Income and Expenditure 2013/14	Adults and Communities	Assurance	Children's Education	Children's Family Service (inc DSG)	Commissioning Group	Streetscene	Public Health	HB Public Law	Barnet Group	Re	CSG	Central	Total
Income	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grants, Fees and Charges	28,562	221	29,829	219,583	257,524	21,127	-	939	19,519	20,195	14,427	4,203	**616,129**
	28,562	221	29,829	219,583	257,524	21,127	-	939	19,519	20,195	14,427	4,203	**616,129**
Expenditure													
Employment Costs	19,042	3,540	160,985	32,291	6,891	14,633	247	2	25	5,936	9,757	3,595	**256,944**
Other Service Costs	107,039	728	(121,779)	237,819	258,638	21,562	13,531	3,076	23,529	17,294	29,243	61,369	**652,049**
	126,081	4,268	39,206	270,110	265,529	36,195	13,778	3,078	23,554	23,230	39,000	64,964	**908,993**
Out turn reported to Management	**97,519**	**4,047**	**9,377**	**50,527**	**8,005**	**15,068**	**13,778**	**2,139**	**4,035**	**3,035**	**24,573**	**60,761**	**292,864**
Recharges	5,731	(9)	3,883	12,627	(6,284)	6,050	213	(2,139)	518	2,999	(23,607)	18	**-**
IAS 19	(3,342)	(726)	(10,366)	(7,798)	(1,276)	(2,884)	-	-	(3)	(1,279)	(1,637)	29,311	**-**
Capital charges	2,415	26	105	29,975	145	4,005	-	-	129	13,876	3,390	(54,066)	**-**
Directorate Outturn	102,323	3,338	2,999	85,331	590	22,239	13,991	-	4,679	18,631	2,719	36,024	**292,864**

Directorate Income and Expenditure 2012/13	Adults and Communities	Assurance	Children's Education	Children's Family Service (inc DSG)	Commissioning Group	Streetscene	Public Health	HB Public Law	Barnet Group	Re	CSG	Central	Total
Income	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grants, Fees and Charges	(22,601)	(784)	(219,558)	(23,186)	(272,416)	(17,772)	-	(544)	(11,397)	(10,399)	(10,705)	(3,918)	(593,280)
	(22,601)	(784)	(219,558)	(23,186)	(272,416)	(17,772)	-	(544)	(11,397)	(10,399)	(10,705)	(3,918)	(593,280)
Expenditure													
Employment Costs	17,897	3,645	167,665	27,409	4,117	13,208	-	909	144	11,754	23,214	3,203	273,164
Other Service Costs	104,069	969	80,621	31,042	266,464	27,473	-	1,693	13,926	2,276	14,978	57,261	600,772
	121,966	4,614	248,286	58,451	270,581	40,682	-	2,602	14,069	14,030	38,191	60,464	873,936
Out turn reported to Management	99,366	3,829	28,728	35,265	(1,835)	22,910	-	2,058	2,672	3,631	27,486	56,546	280,656
Recharges	5,523	(108)	8,461	4,674	(3,375)	4,197	-	(1,802)	19	5,185	(22,784)	10	-
IAS 19	(114)	(21)	(298)	(239)	(24)	(75)	-	-	(2)	(87)	(155)	1,015	-
Capital charges	2,422	26	4,283	28,161	33	3,657	-	23	420	13,972	3,806	(56,803)	-
Directorate Outturn	107,197	3,727	41,173	67,861	(5,200)	30,689	-	279	3,110	22,700	8,353	768	280,656

Reconciliation to Subjective Analysis 2013/14

Reconciliation to Subjective Analysis 2013/14	Directorate Analysis	Services not in Analysis (HRA)	Amounts not reported to Cabinet	Amounts not included in CIES	Allocation of Recharges	Deficit on Continuing Operations	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grants, Fees and Charges	616,129	67,621		-	-	683,750	-	**683,750**
Depreciation, Amortisation and Impairment	-	-	(36,991)	-	-	(36,991)	17,610	**(19,381)**
Interest and Investment Income	-	-	15,169	-	-	15,169	4,355	**19,524**
Income from Council Tax	-	-	-	-	-	-	325,690	**325,690**
Income	616,129	67,621	(21,822)	-	-	661,928	347,655	**1,009,583**
Employment Costs	256,944	500	-	-	-	257,444	10,053	**267,497**
Other Service Costs	652,049	46,977	(107,321)	-	-	591,705	20,839	**612,544**
Depreciation, Amortisation and Impairment	-	20,144	18,114	-	-	38,258	-	**38,258**
Gain/Loss on disposal of non current assets	-	-	-	-	-	-	33,151	**33,151**
Expenditure	908,993	67,621	(89,207)	-	-	887,407	64,043	**951,450**
Total comprehensive Income and Expenditure	**(292,864)**	**-**	**67,385**	**-**	**-**	**(225,479)**	**283,612**	**58,133**

Reconciliation to Subjective Analysis 2012/13	Directorate Analysis	Services not in Analysis (HRA)	Amounts not reported to Cabinet	Amounts not included in CIES	Allocation of Recharges	Deficit on Continuing Operations	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grants, Fees and Charges	593,280	69,386	-	-	-	662,666	-	**662,666**
Depreciation, Amortisation and Impairment	-	-	(3,843)	-	-	(3,843)	-	**(3,843)**
Interest and Investment Income	-	-	15,292	-	-	15,292	33,516	**48,808**
Income from Council Tax	-	-	-	-	-	-	320,994	**320,994**
Income	593,280	69,386	11,449	-	-	674,115	354,510	**1,028,625**
Employment Costs	273,314	756	19,229	-	-	293,299	28,252	**321,551**
Other Service Costs	600,772	47,764	(54,051)	-	-	594,485	43,533	**638,018**
Depreciation, Amortisation and Impairment	-	20,866	31,116	-	-	51,982	20,504	**72,486**
Gain/Loss on disposal of non current assets	-	-	-	-	-	-	20,770	**20,770**
Expenditure	874,086	69,386	(3,706)	-	-	939,766	113,059	**1,052,825**
Total comprehensive Income and Expenditure	(280,806)	-	15,155	-	-	(265,651)	241,451	**(24,200)**

Reconciliation of outturn reported to Council and the Total Comprehensive Income and Expenditure Statement

Reconciliation to CIES	2013/14 £'000	2012/13 £'000
Outturn reported to Council	**292,864**	280,806
Settlement of HRA self-financing		-
Revaluations and Pension costs charged to services	**(67,385)**	(15,155)
(Surplus)/Deficit on Continuing Operations	**225,479**	265,651
Loss on transfer of Schools to Academies	**22,702**	13,655
Other operating expenditure	**10,448**	7,115
Net Interest received or paid on investments and loans	**16,485**	10,017
Council Tax, Business Rates and Grant Income	**(325,690)**	(320,994)
(Surplus)/Deficit on the Provision of Services	**(50,576)**	(24,556)
(Surplus)/Deficit on revaluation of non-current assets	**(17,610)**	20,504
(Gains) or Losses on the pension fund	**10,053**	28,252
Total Comprehensive Income and Expenditure	**(58,133)**	24,200

30. Acquired and Discontinued Operations

The only operation acquired in 2013/14 was in respect of Public Health services to the community. This is operated as a Shared Service with the London Borough of Harrow with the London Borough of Harrow discharging Barnet's relevant functions through the Service in accordance with Section 101 of the 1972 Act and of the Local Government (arrangements for the discharge of functions) (England) Regulations 2000.

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 undertaking. 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.

2013/14	Income £'000	Internal recharges £'000	Expenditure £'000	Trading surplus/ (deficit) £'000
Catering	7,287	(1,480)	(7,267)	(1,460)
Transport	515	7,624	(8,305)	(166)
Other	-	644	(644)	-
	7,802	**6,788**	**(16,216)**	**(1,626)**

2012/13	Income £'000	Internal recharges £'000	Expenditure £'000	Trading surplus/ (deficit) £'000
Catering	6,801	(1,171)	(6,651)	(1,021)
Transport	635	7,450	(8,097)	(12)
Other	19	653	(672)	-
	7,455	6,932	(15,420)	(1,033)

32. Pooled Budgets

The Authority has five pooled budget arrangements with Barnet Clinical Commissioning Group (CCG).

The arrangements are for the provision of community equipment services; provision of 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; and to develop a approach to commissioning preventative services to reduce duplication, maximise outcomes and improve health and social care outcomes for service users and for Speach and Languagy Therapy.

As part of the changes to the NHS brought about by the Health and Social Care Act 2012, Primary Care Trusts (PCTs) and Strategic Health Authorities (SHAs) ceased to exist on 31 March 2013. The responsibilities previously held by the NHS Barnet were transferred to Barnet Clinical Commissioning Group (Barnet CCG).

Section 75 agreement in respect of Community Equipment Services

	2013/14			2012/13		
	Total	Barnet	Barnet CCG	Total	Barnet	NHS Barnet
	£'000	£'000	£'000	£'000	£'000	£'000
Equipment, servicing and repairs	2,072	1,203	869	1,559	961	598
Contract management (including delivery, collection and storage)	711	443	268	801	515	286
	2,783	**1,646**	**1,137**	2,360	1,476	884

* The S75 agreement in respect of Learning Disabilities Services was renewed in February 2013. As a result of the renewal, the CCG Contribution for financial year 2013/14 increased to £1.783k (previously £1.762k). The Council's contribution remained unchanged. The figures in the table above represent actual spend in 2013/14. The CCG spend is lower that the revised annual contribution because one of the contracts contained within their contribution did not commence until July 2013.

Section 75 agreement in respect of Learning Disabilities Services

	2013/14			2012/13		
	Total	Barnet	Barnet CCG	Total	Barnet	NHS Barnet
	£'000	£'000	£'000	£'000	£'000	£'000
Social Work Team (Staff & Non-staff budget)	2,171	872	1,299	2,546	1,049	1,497
Head of Service contribution	94	47	47	88	44	44
Transition Team (Staff & non-staff budget)	322	322	-	-	-	-
Accommodation & IT support	225		225	175	-	175
	2,812	**1,241**	**1,571**	2,809	1,093	1,716

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

	2013/14			2012/13		
	Total	Barnet	Barnet CCG	Total	Barnet	NHS Barnet
	£'000	£'000	£'000	£'000	£'000	£'000
Campus re-provision services	1,602	825	777	1,671	867	804
	1,602	**825**	**777**	**1,671**	867	804

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

	2013/14			2012/13		
	Total	Barnet	Barnet CCG	Total	Barnet	NHS Barnet
	£'000	£'000	£'000	£'000	£'000	£'000
Third Party Contract payments	2,436	1,704	732	1,845	1,098	747
	2,436	**1,704**	**732**	1,845	1,098	747

Section 75 agreement in respect of the provision of OT services in relation to Speech and Language Therapy

	2013/14			2012/13		
	Total	Barnet	Barnet CCG	Total	Barnet	NHS Barnet
	£'000	£'000	£'000	£'000	£'000	£'000
Third Party Contract payments	451	168	283	-	-	-
	451	**168**	**283**	-	-	-

33. Members' Allowances

	2013/14	2012/13
	£'000	£'000
Member Allowances	1,108	1,080
Member Expenses	34	41
	1,142	1,121

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	2013/14 Total Number of Employees	2012/13 Total Number of Employees
£50,000 - £54,999	67	149
£55,000 - £59,999	31	66
£60,000 - £64,999	35	49
£65,000 - £69,999	8	40
£70,000 - £74,999	11	37
£75,000 - £79,999	6	22
£80,000 - £84,999	3	12
£85,000 - £89,999	2	8
£90,000 - £94,999	8	13
£95,000 - £99,999	2	3
£100,000 - £104,999	4	2
£105,000 - £109,999	1	1
£110,000 - £114,999	1	-
£115,000 - £119,999	-	2
£120,000 - £124,999	1	2
£125,000 - £129,999	-	1
£130,000 - £134,999	1	3
£140,000 - £144,999	-	2
£150,000 >	3	2
Total	**184**	414

The decrease from 414 to 184 is as a direct result of the major restructuring of the Council in 2013 and the commencement of the Customer Support Group Contract and contract for Development and Regulatory services.

Senior Officers 2013/14

Post Title and Name	Note	Salary (including fees & allowances)	Expenses / Allowances	Pension Contributions	Total Remuneration
		£	£	£	£
Chief Executive - Mr Andrew Travers	(i)	187,613	-	46,528	234,141
Chief Operating Officer and Director of Finance - Mr Chris Naylor		158,586	122	39,299	198,007
Strategic Director for Growth and Environment	(ii)	134,870	-	33,448	168,318
Strategic Director for Communities - Ms Kate Kennally	(iii)	158,464	-	38,240	196,704
Adults and Communities Director		124,870	-	30,968	155,838
Education and Skills Director (from 04 September 2013)		65,461	-	16,234	81,695
Deputy Chief Operating Officer		108,846	-	27,230	136,076
Assurance Director		103,846	-	25,978	129,824
		1,042,556	**122**	**257,925**	**1,300,603**

(i) Interim Chief Executive to 15th July. Permanent from 16th July
(ii) Post designation changed as at 01 January 2014 - previously Director for Place
(iii) Post designation changed as at 01 January 2014 - previously Director for People

The Council operates a Public Health service in conjunction with the London Borough of Harrow. The Public Health Director is directly employed by the London Borough of Harrow and as such does not appear specifically in these accounts.

Senior Officers 2012/13:

Post Title and Name	Note	Salary (including fees & allowances) £	Expenses / Allowances	Pension Contributions £	Total Remuneration £
Chief Executive - Mr N Walkley	i & iii	141,244	-	34,166	175,410
Deputy Chief Executive/ Interim Chief Executive - Mr A Travers	i, ii & iv	143,529	-	14,853	158,382
Chief Operating Officer and Director of Finance- Mr C Naylor	i & v	37,060	-	8,848	45,908
Director - Children's Services - Mr R McCulloch-Graham	vi	165,504	-	40,686	206,190
Director for People/ Director Adult Services& Interim Director Children - Ms K Kennally	i & vii	150,546	-	36,357	186,903
Assistant Director Commercial Assurance - Ms L Meeks	ii	179,250	-	-	179,250
Adults & Communities Director		121,523	-	29,247	150,770
Director of Corporate Governance		132,480	-	32,568	165,048
Director of Commercial Services		132,480	-	32,568	165,048
		1,203,616	-	229,293	1,432,909

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

ii) This figure represents the fee paid in respect of interim appointments

iii) Mr N Walkley was an employee at LB Barnet until 7 December 2012.

iv) Mr A Travers was the Deputy Chief Executive from 1 April 2012 to 3 December 2012. He was then appointed as Interim Chief Executive on Barnet's payroll until 31 March 2013.

v) Mr C Naylor was appointed to the post of Chief Operating Officer and Director of Finance from January 2013.

vi) Mr R McCullock-Graham was on secondment from 22 June 2012.

vii) Ms K Kennally was the Director ADS & Interim Director Children from 1 April 2012 to 6 January 2013. She was then appointed to Director of People from 7 January until 31 March 2013.

The number of exit packages with total cost per band, are set out in the table below.

			2013/14 Exit packages by band Number	2013/14 Exit packages by band £'000	2012/13 Exit packages by band Number	2012/13 Exit packages by band £'000
£nil	to	£20,000	14	120	59	491
£20,001		£40,000	3	75	26	719
£40,001		£60,000	3	133	2	87
£60,001		£80,000	1	74	3	203
£80,001		£100,000	1	95	-	-
			22	**497**	90	1,500

35. Audit Costs

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

	2013/14 £'000	2012/13 £'000
Fees payable to Grant Thornton UK LLP, the council's appointed external auditors for:		
-Audit and inspection fee	224	224
-Certification of grant claims and returns	32	41
- Pension Fund audit	21	20
	277	285

36. Dedicated Schools Grant (DSG)

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education: 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 2008.

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. The ISB is regarded for DSG purposes as spent by the Council once it is deployed to schools' budget shares. In 2013/14, the funding was split into further blocks to now include High Needs support and Early Years support.

	2013/14 £'000	2012/13 £'000
Final DSG for year	200,684	195,348
Brought forward from previous yea	2,083	2,109
	202,767	197,457

Details of the deployment of DSG received are as follows:

	2013/14 Agreed Budget Distribution	2013/14 Actual Central Expenditure	2013/14 C-Fwd to 2014/15	2012/13 Agreed Budget Distribution	2012/13 Actual Central Expenditure	2012/13 C-Fwd to 2013/14
	£'000	£'000	£'000	£'000	£'000	£'000
Central Expenditure	3,718	(3,559)	159	24,864	(23,035)	1,829
Schools	157,849	(158,999)	(1,150)	172,593	(172,339)	254
High Needs	34,830	(33,911)	919	-	-	-
Early Years	4,299	(2,882)	1,417	-	-	-
	200,696	**(199,351)**	**1,345**	197,457	(195,374)	2,083

37. Grant Income

The grants and contributions credited to the taxation and non-specific grant income line on the CIES are disclosed in Note 11 of the Core statements. The council credited the following grants, contributions to services in the comprehensive income and expenditure statement:

	2013/14	2012/13
Credited to services	£'000	£'000
Education (excluding DSG)	17,084	18,305
DSG	200,684	195,348
Community Care and Other Social Services	736	2,037
Asylum Seekers	463	635
Other	7,532	2,002
	226,499	218,327

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

Capital Grants Unapplied	2013/14	2012/13
	£'000	£'000
S106	17,646	14,764
Grants and Contributions	47,142	43,964
Total	**64,788**	58,728

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.

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 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' interest. In addition, every year members are asked to complete a Declaration of any Related Party Transactions. In financial year 2013/14 several members declared that they had acted as Trustees for local Voluntary Organisations and as School Governors. The Council paid grants totalling £1.690m (£0.650m in 2012/13) to voluntary organisations in which nine members (twelve members in 2012/13) had positions on the governing body. The council paid £29.723m (£26.124m in 2012/13) to schools in which Seventeen members (fourteen members in 2012/13) 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 National Health Service 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 Children's and Education service line of the income and expenditure account. In 2013/14 no investments were placed with other local authorities as at the financial year end.

Every year all chief officers are required to complete a related party transactions declaration. For the financial year 2013/14 two officers were also directors for companies where transactions of £81.9m took place (Barnet Group Ltd and Inglis Consortium).

The Pension Fund accounts are set out in Section 6 of these Statements. In 2013/14 the council's employer's contributions to the Fund was £19.314m (£18.790m in 2012/13). The council's member's contributions to the Fund were £5.109m (£5.581m in 2012/13). The Council charged the Fund £0.632m (£0.633m in 2012/13) for its administration.

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

- The Barnet Group Ltd
- Barnet (Holdings) 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. 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.

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

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 Ltd. The London Borough of Barnet contracts with Regional Enterprise 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 (the reporting authority) has a 13.9% share in the Inglis Consortium Ltd 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 Ltd and the Mill Hill Depot is due to be transferred to the joint venture in 2015/16. The Chief Operating Officer and Director of Finance and Strategic Director of Growth and Environment both sit on the Board of the Inglis Consortium Ltd. The council's profit share for 2013/14 as recorded in the accounts was £2.641m (2012/13 £0.838m).

The reported losses for the subsidiaries mentioned above were:

	2013/14 £'000 (pre audit)	2012/13 £'000
Barnet Group Ltd	30	34
Barnet Homes Ltd	1,435	1,918
Your Choice (Barnet) Ltd	1,019	241

The London Borough of Barnet is required to prepare Group Accounts consolidating its subsidiaries where they have a material interest in the subsidiaries. However, the interest in the subsidiaries is not considered material as the size of the subsidiaries is relatively small compared to that of the London Borough of Barnet. Therefore group accounts have not been produced.

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	2013/14 £'000	2012/13 £'000
Adults and Communities	773	534
Children's Education	41,649	14,581
Children's Family Service	837	392
Commissioning Group	6,814	10
Streetscene	11,405	650
Barnet Group	546	54
Re	14,016	13,736
CSG	241	1,260
Housing Revenue Account	26,965	16,461
	103,246	47,678

Sources of Finance	Capital financed in 2013/14 £'000	Capital financed in 2012/13 £'000
Capital receipts	16,567	2,127
General fund revenue contributions	15,035	13,966
HRA revenue contributions/MRA	26,704	16,197
Contributions including S 106 receipts	4,922	677
Borrowing	11,233	3,184
Grants	28,785	11,527
	103,246	47,678

The total capital expenditure of £103.246m is made up of £75.427m additions (less the £0.405m of Infrastructure that relates to PFI) and the £28.224m of Revenue Expenditure Funded from Capital under Statute shown in note 7.

The Capital Financing Requirement as at the 31st March 2014 was £393.891m (at 31st March 2013 it was £368.576m)

40. Leases

Operating Leases.

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

In the year 2013/14 the council paid £6.022m in respect of Operating leases and there are commitments in place of £61.380m for future years.

Properties are leased out and in 2013/14 this produced an income of £3.915m with £127.244m contracted for future years.

Operating Lease Payments	Vehicles, plant and equipment leased in	Property leased in	Property leased out
	£'000	£'000	£'000
2013/14	1,694	4,328	(3,915)
2014/15	149	4,326	(3,827)
2015/16 - 2018/19	21	17,233	(8,212)
2019/20 to completion	-	39,651	(115,205)
Total	**1,864**	**65,538**	**(131,159)**

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 5 years followed by a post CIP Operating period of 20 years. The 25 year contract will expire in 2031/32.

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	2012/13	In Year Movement	2013/14
	£'000	£'000	£'000
Gross book value	25,091	405	25,496
Accumulated depreciation	(4,112)	(1,370)	(5,482)
Net book value	20,979	(965)	**20,014**

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

	2012/13	In Year Movement	2013/14
	£'000	£'000	£'000
Lease liability	17,671	(261)	**17,410**

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

Years	Repayment of liability	Interest	Service charges	Other charges	Total
	£'000	£'000	£'000	£'000	£'000
2014/15	295	2,340	1,460	1,022	5,117
2015/16 - 2018/19	1,624	8,909	6,306	4,726	21,565
2019/20 - 2023/24	3,565	9,571	9,038	8,084	30,258
2024/25 - 2028/29	6,586	6,458	10,519	11,452	35,015
2029/30 - 2031/32	5,340	1,141	4,872	3,018	14,371
Total Commitments	**17,410**	**28,419**	**32,195**	**28,302**	**106,326**

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 12, reconciling the movement over the year in the Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Asset balances.

The impairment reversals in 2013/14 were £36.353m and related to PPE asset class.

43. Termination Benefits

The Council terminated the contracts of a number of employees in 2013/14, incurring liabilities of £584k (£2.080m in 2012/13) of which £497k was payable to the employees and £87k related to pension strain

44. Pension Schemes Accounted for as Defined Contribution Schemes

The Council contributes to the Department for Children, School's and Families Teacher's Pension Fund at a rate of 14.1% of pensionable pay. The amount paid in the year, £17.135m is included in the education service costs (2012/13 £16.413m).

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

The Council contributions to March 2014 for the Local Government Pension Scheme (LGPS) are 24.8% and expected contributions to March 2014 are 24.8%

45. Defined Benefit Pension Schemes

The Council has its own defined benefit local government pension scheme. This means that although these benefits will not actually be payable until employees retire, the Council has an obligation to make relevant payments at the time future entitlements are earned. The Council's contributions to pensions earned by employees in the year of account are included in the net cost of services. The net pension interest cost counts against net operating expenditure. Pension interest cost is the amount that current service cost increases as members of the scheme approach retirement. The actuary calculates this using the projected unit method. These are all notional costs calculated to show the Council's true liability change for the year in line with pension regulations.

A revised IAS 19 standard applies for accounting periods beginning on or after 1 January 2013.The main changes are to the Comprehensive Income and Expenditure Statement. The new standard applies to the figures for the year to 31 March 2014.
The main changes are;

- Removal of the interest cost and expected return on assets line to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate;

- Some labelling changes to the Comprehensive Income and Expenditure Statement charge; 'Service cost' now includes what was previously described as the 'Current Service Cost' plus the 'Past Service Cost' plus any 'Curtailments' plus any 'Settlements'

- Administration expenses are now accounted for within the Comprehensive Income and Expenditure Statement charge but were previously a deduction to the actual and expected return on assets.

The actuary's calculation of the net deficit on the pension fund is shown below. The change in the net value of the pension fund includes actuarial losses of £10.053m compared to £23.477m had the revised standard applied in 2012/13(£28.252m in 2013/14). 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.

Movement of Pension Fund	2013/14		2012/13 (Re-stated)	
	£'000	£'000	£'000	£'000
Deficit at the beginning of the year		**(377,856)**		(342,402)
Net Cost of Services				
Service Cost	8,929		(18,114)	
Administration expenses	(632)		(935)	
Net interest expense	(15,083)		(15,112)	
Total Post employee Benefits charged to the Surplus or Deficit on the Provision of Services		(6,786)		(34,161)
Return on plan assets (excluding the amount included in the net interest expense	(4,776)		32,655	
Other Actuarial gain on assets	22,196		-	
Change in financial assumptions	(5,446)		(54,857)	
Change in demographic assumptions	317		(1,276)	
Experience loss on defined benefit obligation	(22,344)		-	
Total Post employee Benefits charged to the Comprehensive Income and Expenditure Statement		(10,053)		(23,478)

Pension asset and liabilities recognised in the balance sheet	2013/14		2012/13 (Re-stated)	
	£'000	£'000	£'000	£'000
Present Value of Funded Obligation	878,783		906,594	
Fair Value of Plan assets	(533,926)		(554,532)	
Net Liability		**344,857**		352,062
Present Value of Unfunded Obligation	28,808		25,793	
Net Liability in Balance Sheet		**373,665**		377,855

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

sheet				
	£'000	£'000	£'000	£'000
Present Value of Funded Obligation	878,783		906,594	
Fair Value of Plan assets	(533,926)		(554,532)	
Net Liability		**344,857**		352,062
Present Value of Unfunded Obligation	28,808		25,793	
Net Liability in Balance Sheet		**373,665**		377,855

To ensure that the net figure in the accounts is the actual amount paid to the pension fund rather than a notional sum, the IAS 19 figure is reversed out of the general fund balance reconciliation statement and replaced with the actual figure.

Barnet as the administrating authority receives administration expenses that were £0.632m in 2013/14 (£0.935m in 2012/13).

The deficit is calculated by the assets minus the present value of funded obligation (liabilities). The increase in liabilities exceeded the increase in assets. The underlying assets and liabilities for retirement benefits attributable to the Council were:

Scheme assets and liabilities	2009/10	2010/11	2011/12	2012/13	2013/14
	£'000	£'000	£'000	£'000	**£'000**
Estimated liabilities of the scheme	(886,078)	(720,595)	(849,881)	(932,387)	**(907,591)**
Estimated assets of the scheme	444,918	484,111	507,479	554,532	**533,926**
Net Liability	(441,160)	(236,484)	(342,402)	(377,855)	**(373,665)**

Reconciliation in the movements of the fair value of scheme assets	2013/14	2012/13 (Re-stated)
	£'000	£'000
Opening fair value of Scheme assets	554,532	507,479
Interest on assets	22,482	23,025
Return on assets less interest	(4,776)	32,656
Other actuarial gains/(losses)	22,196	-
Administration expenses	(632)	(935)
Contributions by employer including unfunded	21,030	22,185
Contributions by scheme participants	5,110	5,576
Estimated benefit paid plus unfunded net of transfers in	(38,125)	(32,500)
Settlement prices received/(paid)	(47,891)	(2,954)
Closing Fair Value of Scheme assets	**533,926**	554,532

A reconciliation of the fair value of the scheme assets is below:

The estimated asset allocation for London Borough of Barnet as at 31 March 2014 is as follows:

Scheme Asset and Benefit Obligation Reconciliation	2013/14	2012/13 (Re-stated)
	£'000	£'000
Opening Defined Benefit Obligation	**932,387**	849,881
Current Service cost	21,707	21,165
Interest cost	37,565	38,137
Actuarial change in financial assumptions	5,446	54,857
Actuarial change in demographic assumptions	(317)	-
Experience loss/(gain) on defined benefit obligation	22,344	1,276
Liabilties assumed/(extinguished) on settlements	(79,382)	(6,347)
Estimated benefits paid net of transfers in	(36,556)	(30,917)
Past service costs, including curtailments	855	342
Contribution by Scheme participants	5,110	5,576
Unfunded pension payments	(1,568)	(1,583)
Closing Defined Benefit Obligation	**907,591**	932,387

Employer Asset Share - Bid Value	31/03/2014		31/03/2013	
	£'000	%	£'000	%
Equities	**363,070**	**68**	377,082	68
Gilts	**-**	**-**	-	-
Other Bonds	**165,517**	**31**	171,905	31
Property	**-**	**-**	-	-
Cash	**5,339**	**1**	5,544	1
Alternative Assets	**-**	**-**	-	-
	533,926	**100**	554,531	100

Basis for estimating assets and liabilities

The liabilities have been assessed using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The actuaries have adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31 March 2010. The post retirement mortality tables adopted were the S1PA heavy tables allowing for medium cohort projection, with a minimum 1% improvement and a 90% scaling factor.

		31/03/2014	31/03/2013
Assumed life expectancy from age 65 years:		**Years**	
Retiring today	**Males**	**22.0**	20.1
	Females	**24.3**	24.1
Retiring in 20 years	**Males**	**24.1**	22.1
	Females	**26.7**	26.0

It is assumed that members will exchange half of their commutable pension for cash at retirement, and active members will retire one year later than they are first able to do so without reduction.

Financial Assumptions	31/03/2014		31/03/2013	
	% pa	Real	% pa	Real
RPI increases	**3.5**	**-**	3.3	-
CPI increases	**2.7**	**(0.8)**	2.5	(0.8)
Salary increases	**4.5**		4.7	1.4
Pension increases	**2.7**	**(0.8)**	2.5	(0.8)
Discount rate	**4.4**		4.3	1.0

The figures are from the Barnett Waddingham IAS 19 Disclosures report, and these assumptions are set with reference to market conditions at 31 March 2014.

- The discount rate is the yield on the iboxx AA rated over 15 year corporate bond index as at this date which has been chosen to meet the requirements of IAS 19.

- The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilts at the accounting date using data published by the Bank of England. This measure has historically overestimated future increases in the RPI and so we have made a deduction of 0.25% to get the RPI assumption of 3.3%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.5%.

The estimation of the defined obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on the reasonably possible changes of the assumptions occurring at the end of the reporting period.

Sensitivity Analysis

	£'000	£'000	£'000
Adjustment to discount rate	0.1%	0.0%	-0.1%
Present Value of Total Obligation	892,684	907,591	922,762
Projected Service Cost	18,199	18,599	19,007
Adjustment to long term salary increase	0.1%	0.0%	-0.1%
Present Value of Total Obligation	909,053	907,591	906,138
Projected Service Cost	18,599	18,599	18,599
Adjustment to pension increases and deferred revaluation*	0.1%	0.0%	-0.1%
Present Value of Total Obligation	921,538	907,591	893,878
Projected Service Cost	19,013	18,599	18,192
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	874,961	907,591	940,533
Projected Service Cost	17,951	18,599	19,252

*This includes the effects on both the present value of the total obligation and on the projected service cost of a change of +/- 0.1% in our CPI assumption. This analysis assumes no other assumption changes and in particular, the salary increase assumption remains the same.

Expected return on assets

For accounting years beginning on or after the 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.

	31/03/2013 % pa
Equities	6.4
Gilts	3.3
Bonds	4.6
Property	4.3
Cash	3.0
Alternative Assets	6.4

	31/03/2014 % pa
Expected return on assets (now replaced with single net interest cost equal to discount rate)	4.4

The amounts recognised in the Comprehensive Income & Expenditure Statement for the year to 31 March 2014 are as follows:

Amounts recognised in the Profit and Loss Statement	31/03/2014	31/03/2013 Re-stated
	£'000	£'000
Service cost	**(8,929)**	18,114
Net Interest on Defined Liability (Asset)	**15,083**	15,112
Admin expenses	**632**	935
	6,786	34,161
Actual return on Scheme assets	**17,706**	55,681

Amounts for the Current and Previous Periods:

Scheme history	2009/10	2010/11	2011/12	2012/13	2013/14
	£'000	£'000	£'000	£'000	£'000
Defined Benefit Obligation	(886,078)	(720,595)	(849,881)	(932,387)	**(907,591)**
Scheme assets	444,918	484,111	507,479	554,532	**533,926**
Surplus (Deficit)	(441,160)	(236,484)	(342,402)	(377,855)	**(373,665)**
Experience adjustments on Scheme liabilities	7,544	64,522	(1,000)	(1,276)	**(22,344)**
Percentage of liabilities	0.9%	9.0%	-0.1%	-0.1%	**-2.46%**
Experience adjustments on Scheme assets	80,560	7,802	(7,167)	27,881	**17,420**
Percentage of assets	18.1%	1.6%	1.4%	5.0%	**3.3%**
Cumulative Actuarial Gains and (Losses)	(138,200)	5,263	(109,589)	(137,841)	**(147,895)**

Projections for the year to 31 March 2015	£'000
Service Cost	**18,599**
Net interest on the defined liability	**16,030**
Administration expense	**609**
Total	**35,238**

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

The employer currently participates in the London Borough of Barnet pool with 9 other employers in order to share experience of risks they are exposed to in the Fund. At the 2013 valuation, the deficit for the whole pool was calculated and allocated to each employer in proportion to their active payroll. The next re-allocation will be carried out at the 2016valuation, 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.
The employers' contribution anticipated for the year to 31 March 2015 is £18.887m.

46. 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 involved in litigation relating to search fees. An adverse finding would result in a call on Council resources which would need to be managed through consideration o earmarked reserves.
- The Council has been unsuccessful in a judicial review application. Final costs have as yet not been agreed but will need to be managed through consideration of earmarked reserves.
- The Council is involved with the Trade Unions in an Employment Tribunal in relation to the agency workers regulations. The costs against the Council are uncertain and will be met from reserves.
- The outcome of the judicial review in respect of the One Barnet programme is currently subject to appeal in the high court. There is a risk that if the Council is unsuccessful, or if the delay in entering into the contracts continues, this could result in a financial loss to the authority.
- There are a number of ordinary resident disputes in relation to Adult Care. Adverse resolution may involve a charge being made on the General fund. At this stage the potential liability and timing is very uncertain.

47. Contingent Assets

There are no contingent assets as at 31 March 2014.

48. 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.

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 CLG's Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

- Credit Risk*:* The possibility that one party to a financial instrument will fail to meet 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 2 years in specified investments and £100m total in non-specified investments, with a £40m total limit for investment duration of more than 364 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 Statement for 2013/14, approved by Council on 5 March 2013.

The table below summarises the nominal value of the Council's investment portfolio at 31 March 2014, 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	Credit Rating Criteria Met When Investment Placed	Credit Rating Criteria Met on 31 March 2014	Balance Invested as at 31 March 2014					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 and <24 months	
			£'000	£'000	£'000	£'000	£'000	£'000
Other Local Authorities	Yes	Yes	-	17,530	-	10,027	17,089	**44,646**
Banks – UK	Yes	Yes	12,556	2,501	10,005	-	-	**25,062**
Banks – Non UK	Yes	Yes	-	-	-	-	-	**-**
Total Banks			**12,556**	**2,501**	**10,005**	**-**	**-**	**25,062**
Building Societies – UK	N/A	N/A	-	10,020	-	5,001	-	**15,021**
Money Market Funds	Yes	N/A	55,171	-	-	-	-	**55,171**
Call Accounts	Yes	Yes	37,509	-	-	-	-	**37,509**
Total			**105,236**	**30,051**	**10,005**	**15,028**	**17,089**	**177,409**

The above analysis shows that all deposits outstanding as at 31 March 2014 met the Council's credit rating criteria on the 31 March 2014. The above analysis excludes the estimated carrying value after impairment of the Council's Icelandic Bank investment of £2.789m.

Trade Receivables

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

Trade Receivables	Gross Debtors £'000	Average % Default based on Previous Experience 5 years to 2012/13	Average % Default based on Previous Experience for 2013/14	Bad Debt Provision for 2013/14 £'000
Sundry Debtors	81,418	5%	5%	36,806

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 2014 was as follows:

Maturity analysis	Years	31 March 2014 £'000	% of total debt portfolio
Short Term Borrowing	Less than 1 year	2,000	0.66
Long Term Borrowing	Over 1 but not over 2	-	-
	Over 2 but not over 5	-	-
	Over 5 but not over 10	2,000	0.66
	Over 10 but not over 15	20,516	6.74
	Over 15 but not over 20	70,516	23.19
	Over 20 but not over 25	42,516	13.98
	Over 25 but not over 30	65,516	21.55
	Over 30 but not over 35	20,516	6.75
	Over 35 but not over 40	-	-
	Over 40 but not over 45	27,500	9.04
	Over 45	53,000	17.43
Total Long Term Borrowing		304,080	100.00
Total Borrowing		304,080	100.00

Loans and other long term liabilities outstanding (nominal value):	31 March 2014 £'000	31 March 2013 £'000
Public Works Loans Board	241,580	241,580
Market Debt	62,500	62,500
Temporary Borrowing	-	-
Deferred Liabilities – PFI and finance leases	17,410	17,671
Other	-	-
Total	321,490	321,751

Market Risk

- Interest Rate Risk*:* The Council is exposed to risks arising from movements in March 2014, 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 2014, 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 payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	551
Increase in government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	-
Share of overall impact debited/credited to HRA	39
Decrease in fair value of fixed rate investment assets	(412)
Impact on Other Comprehensive Income and Expenditure	-
Decrease in fair value of fixed rate borrowings/liabilities*	(40,611)

*No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

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 16)

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 currently has approximately £2.6M in Icelandic Krona (ISK) remaining in escrow in Iceland. The Council is currently working with the LGA, Bevan Brittan and other affected authorities to research ways of converting the ISK element of the impaired Icelandic deposit into foreign exchange.

Unusable Reserves

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) was established on 1 April 2007 when Financial Reporting Standards 25, 26 and 29 relating to Financial Instruments were adopted into the SORP (2007 SORP). The balance in the FIAA account at the end of the financial year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice, but which Statutory Provisions allow or require to be deferred over future years.

In the case of the Housing Revenue Account premiums and discounts are applied over a maximum 10 year period in all circumstances in accordance with Statutory Requirements. The transactions reflected in the FIAA for 2013/14 are as follows:

Financial Instrument Adjustment Account	2013/14 £'000	2012/13 £'000
Balance at 1 April	753	536
Effective Interest Rate Adjustment	9	9
HRA Adjustment	(226)	(272)
Balance at 31 March	536	273

Housing Revenue Account

HRA Income and Expenditure Statement

	2013/14 £'000	2013/14 £'000	2012/13 £'000
Income			
Dwelling rents	**53,306**		53,149
Non-dwelling rents	**1,638**		1,669
Charges for service and facilities	**7,218**		6,745
Total Income		**62,162**	61,563
Expenditure			
Repairs and maintenance	**7,858**		8,116
Supervision and management	**20,328**		19,534
Rents, rates and other charges	**75**		107
Depreciation and impairment of fixed assets	**19,918**		20,595
Debt management costs	**5**		5
Increase in bad debt provision	**481**		396
Revenue expenditure funded from capital under statute	**-**		26
Total Expenditure		**48,665**	48,779
Net cost of HRA services included in the Comprehensive Income and Expenditure Account		**13,497**	12,784
Gain/(loss) on sale of HRA non-current assets		**(407)**	5
Interest payable and similar charges		**(6,689)**	(6,775)
Interest and investment income		**127**	77
Surplus/(deficit) for the year on HRA services		**6,528**	6,091

Statement of Movement on the HRA Balance

	2013/14 £'000	2012/13 £'000
Surplus/(deficit)for the year on the HRA Income and Expenditure Statement	**6,528**	6,091
EIR interest costs on stepped loans	**5**	5
Amortisation of premium on early repayment of loans	**(226)**	(272)
Difference between and other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	**-**	26
Gain/(loss) on HRA fixed assets	**407**	(5)
Transfer from Major Repairs Reserve	**(7,955)**	2,421
Balance on HRA at end of current year	**(1,241)**	8,266
Balance on the HRA at end of previous year	**16,072**	7,806
Surplus/(Deficit) for the year	**(1,241)**	8,266
Housing Revenue Account balance carried forward	**14,831**	16,072

Housing Revenue Account

Notes to the Housing Revenue Account

1, Number of Dwellings

	2013/14 units	2012/13 units
Houses	3,485	3,519
Bungalows	179	179
Flats	5,384	5,729
Maisonettes	1,311	1,311
Hostels	72	72
Bedsits	28	30
	10,459	10,840

2. Value of HRA Assets

	2013/14 £'000	2012/13 £'000
Valuation for Social Housing use		
Dwellings	584,789	561,785
Other land and buildings	49,026	49,333
	633,815	611,118
Vacant Possession Valuation	**2,310,000**	2,215,000

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

3. Major Repairs Reserve

	2013/14 £'000	2012/13 £'000
Balance as at 1 April	(6,637)	(4,259)
Capital expenditure charged to reserve	23,082	14,490
Depreciation - dwellings	(18,957)	(18,788)
- non dwellings	(447)	(484)
Transfer to HRA - dwellings	6,090	5,921
- non-dwelliings	-	-
Interest on balances	(7)	(17)
Voluntary Contribution	(14,046)	(3,500)
Balance as at 31 March	**(10,922)**	(6,637)

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.

4. Capital Expenditure and Financing

	2013/14 £'000	2012/13 £'000
Capital Expenditure		
Dwellings	27,135	16,489
other Property	-	26
	27,135	16,515

Financed by	2013/14 £'000	2012/13 £'000
Capital Receipts Reserve	360	
Borrowing	71	261
Major Repairs reserve	23,082	14,490
Other contibutions	3,622	1,764
	27,135	16,515

5. Capital Receipts from disposals

	2013/14 £'000	2012/13 £'000
Other	330	571
Dwellings	12,601	4,644
Paid over to "pool"	(1,533)	(1,286)
	11,398	3,929

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. New guidance in 2012/13 has 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.

6. Depreciation

	2013/14 £'000	2012/13 £'000
Dwellings	18,957	18,788
Other property	447	484
	19,404	19,272

The impairment charge relates to a downward valuation of shops, lease valuation and buybacks.

7. Impairments

	2013/14 £'000	2012/13 £'000
Other property	**514**	1,323

8. Debt Premium amortised in year

	2013/14 £'000	2012/13 £'000
	226	272

9 Arrears

	2013/14 £'000	2012/13 £'000
Leaseholder service charges	4,236	2,580
less bad debt provision	(740)	(573)
	3,496	2,007
Housing rents	2,596	2,462
less bad debt provision	(1,026)	(925)
	1,570	1,537
Commercial rents	260	297
less bad debt provision	(36)	(32)
	224	265
	5,290	3,809

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	2013/14 NNDR £'000	2013/14 Council Tax £'000	2013/14 Total £'000	2012/13* NNDR £'000	2012/13* Council Tax £'000	2012/13* Total £'000
Income							
Council Tax	1	-	180,244	180,244	-	175,043	175,043
Council Tax Benefits		-	-	-	-	31,674	31,674
Business Rates Receivable	2	111,712	-	111,712	108,331	-	108,331
BRS Income		2,890	-	2,890	3,035	-	3,035
		114,602	**180,244**	**294,846**	**111,366**	**206,717**	**318,083**
Disbursement							
Apportionment of Previous Years Surplus	3						
- Central Government							
- London Borough of Barnet		-	(10,674)	(10,674)	-	(11,228)	(11,228)
- Greater London Authority		-	(2,941)	(2,941)	-	(3,094)	(3,094)
		-	**(13,615)**	**(13,615)**	-	**(14,322)**	**(14,322)**
Precepts, Demands and Shares							
- Central Government		56,013	-	56,013	104,152	-	104,152
- London Borough of Barnet		33,608	139,477	173,085	-	159,386	159,386
- Greater London Authority		22,405	37,964	60,369	-	43,916	43,916
- Crossrail		2,877	-	2,877	3,020	-	3,020
		114,903	**177,441**	**292,344**	**107,172**	**203,302**	**310,474**
Charges to Collection Fund							
- Cost of collection allowance		419	-	419	423	-	423
- Cost of collection allowance BRS		13	-	13	15	-	15
- Change in bad debt provision	4	2,725	1,367	4,092	3,756	4,122	7,878
- Change in provision for appeals		4,700	-	4,700	-	-	-
- Write off of uncollectable amounts		4	-	4	-	-	-
Total disbursed		**7,861**	**1,367**	**9,228**	**4,194**	**4,122**	**8,316**
Surplus/(deficit) for year		**(8,162)**	**1,436**	**(6,726)**	-	**(707)**	**(707)**

Collection Fund Balances	£'000	£'000	£'000	£'000	£'000	£'000
London Borough of Barnet	(2,449)	11,831	9,382	-	10,674	10,674
Greater London Authority	-	3,220	3,220	-	2,941	2,941
	(2,449)	**15,051**	**12,602**	-	**13,615**	**13,615**

***2012/13 Represented to reflect the changes in responsibilities and accounting arrangements in respect of Non Domestic Rates.**

1. Council tax

The Government provides the authority with a valuation of each residential property as at 1 April 1991. Each valuation is allocated into one of eight bands on which individual council tax charges are calculated. The tax base is the total number of chargeable properties in all valuation bands converted to an equivalent number of band D dwellings, with an allowance made for discounts and exemptions.

The standard charge is found by taking the amount of income required by the collection fund's two preceptors combined and dividing this by the council tax base. The amount of council tax required from a property in any tax band is the band D charge of £1,416.20 (2012/13 £1,419.92) multiplied by the ratio specified for that band. The figures at the time of tax base calculation for the bands A to H were:

Band	Ratio	Number of Band 'D' equivalents
A	0.67	1,006
B	0.78	4,489
C	0.89	17,046
D	1.00	16,949
E	1.22	30,607
F	1.44	24,188
G	1.67	23,614
H	2.00	7,308
MOD Contribution		87
Tax Base		**125,294**

2. Non-Domestic rateable value

The total non-domestic rateable value for Barnet at the year-end was £282,693,795 (2012/13 £283,029,621) and the national non-domestic rate multiplier for the year was 47.1p (2012/13 45.8p).

3. 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.

4. Council tax written off

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

Pension Fund Account

	Note	2013/14 £'000	2013/14 £'000	2012/13 £'000	2012/13 £'000
Contributions and Benefits					
Contributions Receivable	3	**52,207**		53,999	
Transfer in	4	**2,591**		2,670	
Other income		**24**			
		54,822	**54,822**	56,669	56,669
Benefits Payable Account	5	**44,874**		43,648	
Payments to and on behalf of Leavers	6	**3,818**		2,636	
Administrative Expenses	7	**1,088**		1,023	
		49,780	**49,780**	47,307	47,307
Net additions from dealings with members			**5,042**		9,362
Return on investments					
Investment income	8	**58**		68	
Change in market value of investments	9	**27,963**		78,273	
Investment management expenses	11	**(1,620)**		(1,851)	
Net returns on investments		**26,402**	**26,402**	76,490	76,490
Net increase in the fund during the year			**31,444**		85,852

Net Assets of the Scheme	2013/14 £'000	2012/13 £'000
At 1 April	**798,337**	712,485
At 31 March	**829,782**	798,337

Net Assets Statement	Note	2013/14 £'000	2012/13 £'000
Investment assets	9	**819,561**	791,598
Current assets	12	**12,990**	13,788
Current liabilities	13	**(2,769)**	(7,049)
		829,782	798,337

Notes to the Pension Fund Accounts for the year ended 31 March 2014

1. Introduction

The London Borough of Barnet Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS). The Fund is administered by the London Borough of Barnet (LBB) and the Council is the reporting entity for the Fund.

The day to day administration of the fund and the operation of the management arrangements and investment portfolio are delegated to the Chief Operating Officer and Director of Finance of the Council.

Further details of the management, operation and investment objectives of the fund are provided in the Fund's Annual Report for 2013/14, the Actuary's report (contained in Appendix 2 to these accounts), the Superannuation Act 1972 and the LGPS regulations which provide the underlying statutory powers underpinning the scheme.

General
The Fund is operated as a funded, defined benefit occupational pension scheme which provides for the payment of benefits to former employees of LBB and those bodies admitted to the Fund referred to as "members". The benefits include not only retirement pensions, but also widows pensions, death grants and lump sum payments.

The Fund is financed by contributions form members, employees and the interest and dividends from the Fund's investments. The funding policy aims to ensure that the assets held by the scheme in the future are adequate to meet accrued liabilities allowing for future increases in pay and pensions.

The Funds accounts provide information on the financial position, investment performance and risk showing the results of the Council's stewardship in managing the resources entrusted to it. The fund is overseen by the Pension Fund Committee which is specifically set up as a committee of the London Borough of Barnet Council.

Membership
Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements (except teachers, who have a separate scheme). Organisations participating in the Fund are set out below and are classed as admitted and scheduled bodies:

Admitted Bodies – organisations that participate in the Fund under an admission agreement between the Fund and the organisation; these include organisations undertaking a local authority function following the outsourcing of that service:

BEAT (The Music Service)
Birkin Services
Birkin - St. James
Blue 9 Security
Fremantle Trust (2)
Friends Moat Mount
Capita CSG (Customer & Support Group)
Capita RE(Regional Enterprise)

Go Plant Hire
Housing 21 (2)

London Care
Mears Group
NSL Ltd

Personnel and Care Bank
Viridian Housing

(employers with deferred members and pensioners but no active members)

Barnet Voluntary Service Council
Enterprise Cleaning
Barnet MENCAP
KGB Cleaning Services Ltd.

Scheduled Bodies –local authorities and similar bodies whose staff are automatically entitled to be members of the Fund:

Alma Primary
Archer Academy
Ashmole
LB Barnet
Barnet College
Barnet Homes
Barnfield School
Bishop Douglass
Broadfields Primary
Christ Church
Christ College
Compton School (Academy)
Copthall School (Academy)
Danegrove School
Deansbrook Junior
Dollis Junior
East Barnet School
Etz Chaim Jewish Primary
Fairway School
Finchley Catholic
Friern Barnet School
Gravesnor Avenue Primary (Academy)
Hasmonean High
Hendon School
Henrietta Barnett
Independent Jewish Day School
London Academy
Mapledown School
Martin Primary School
Mathilda Marks
Menorah Foundation
Middlesex University
Mill Hill County School
Monkfrith School
Osidge School
Parkfield Primary School
Queen Elizabeth Boys
Queen Elizabeth Girls
Rimon Jewish Primary
Rosh Pinah
St. Andrew the Apostle School
St James' Catholic High School
St John's & St Mary's Primary
St Michael's Grammar
The Hyde
Totteridge Academy
Underhill Infant
Whitefield School
Woodhouse College
Wren Academy
Your Choice Barnet Ltd

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

The number of employees contributing to the fund increased during the year from 6,660 to 7,802 at 31 March 2014*. During the same period the number of pensioners decreased from 6,772 to 6,727 and the number of deferred pensioners increased from 7,977 to 8,427.

*The numbers of members have been extracted from the underlying membership records in the live system as at 31 March 2014; including the comparative figures. An analysis of membership movement in the year is provided in note 19 of these accounts.

A government scheme supplies teachers' pensions and as such they are not provided for under these arrangements.

2. Accounting Policies

Accounting Standards

Pension Fund Account

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

Basis of Preparation

Accruals Concept

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

The financial statements summarise the transactions of the scheme and the net assets of the fund. The financial statements do not take account of liabilities to pay pension and other benefits after the financial year end. The actuarial position of the scheme, which does take account of such obligations, is dealt with in note 16 and these financial statements should be read in conjunction with them.

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

a) Listed securities and securities on the Unlisted Securities Market (USM) are determined by Stock Exchange current bid prices at 31 March 2013.
b) Unit trust investments are stated at the latest prices quoted by their respective managers as at 31 March 2013.
c) Transactions in foreign currencies are taken into account at the ruling rate of exchange at the time of the transaction and in the financial statements at the rates prevailing on 31 March 2013.
d) Withholding tax reclaims received for accumulation funds and all changes in value, including reinvested income and growth in the value of the underlying securities are aggregated and shown as changes in market value of the investments in the Fund Account.

Sale and Purchase of Investments

The purchase and sale of investments is delegated to the fund managers and all settlements are accrued on the day of trading (the costs of acquiring investments are included in the value of the assets). The main fund managers are: Schroder Investment Management, Newton with the remaining funds held with Legal and General.

Investment Management are required to produce a return on investment within benchmarks set by the Authority. These restrictions and the fund managers analysis of the assets and issuing bodies, dictates the timing of sales and purchases of investments. The fund does not participate in stock lending arrangements.

Administration Expenses

Administration expenses are calculated as a percentage of the London Borough of Barnet's expenses plus the direct costs of the Pensions section within the Human Resources Department.

Benefits Payable

Benefits are provided in accordance with the provisions of the Local Government Pension Scheme. Benefits are accounted for in the period in which they fall due. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Contribution Income

Normal contributions both from the members and from the employer are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classified as a current financial asset.

Investment Income

i. Interest Income: Interest income is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of the financial instrument and its amount as at the date of acquisition or origination. Income includes the amount of any amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis
ii. Dividend Income: Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
iii. Distribution from pooled funds: Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
iv. Movement in the net market value of investments: Changes in the net market value of investments are recognised as income and comprise all realised profits/losses during the year.

Cash and cash equivalents accounting policy

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Related party disclosure

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2) – (4) of the Accounts and Audit (England) Regulations 2011) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the London Borough of Barnet Pension Fund.

Taxation

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

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

Investment Management Expenses

All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments .Broadly, these are based on the market value of the investments under their management and therefore increase or decrease as the value of these investments change. The cost of obtaining investment advice from external consultants is included in investment management expenses.

Assumptions made about the future and other major sources of uncertainty

The statement of accounts contains 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 as balances cannot be determined with certainty, actual result could be materially different as follows:

Actuarial present value of promised retirement benefits

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used ,the rte at which salaries are protected to increase changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund managers with expert advice about the assumptions to be applied

3. Contributions Receivable

	2013/14 £'000	2012/13 £'000
Employers		
Council	**22,759**	22,654
Scheduled bodies	**16,493**	16,968
Admitted bodies	**2,930**	4,729
	42,182	44,351
Members		
Council	**5,110**	5,581
Scheduled bodies	**3,988**	3,713
Admitted bodies	**927**	354
	10,025	9,648
Total Contributions	**52,207**	53,999

4. Transfers In

	2013/14 £'000	2012/13 £'000

Individual transfers in from other schemes	**2,591**	2,670

5. Benefits Payable

	2013/14 £'000	2012/13 £'000
Pensions	**38,106**	36,364
Commutations and lump sum payments	**5,783**	6,361
Lump sum death benefits	**985**	923
	44,874	43,648

6. Payments to and on Account of Leavers

	2013/14 £'000	2012/13 £'000
Refunds to members leaving service	**8**	13
Group transfers to other schemes	**-**	-
Individual transfers to other schemes	**3,810**	2,623
	3,818	2,636

7. Administrative Expenses

	2013/14 £'000	2012/13 £'000
Administration and processing	**957**	923
Actuarial fees	**100**	66
Audit fees	**31**	20
	1,088	1,009

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

8. Investment Income

	2013/14 £'000	2012/13 £'000
Income from property unit trusts	**-**	-
Interest on cash deposits	**25**	26
Other income	**33**	42
	58	68
Irrecoverable withholding tax	**-**	-
Total investment income	**58**	68

9. Investments

2013/14	Value at 1/4/2013	Purchases at Cost	Sales Proceeds	Unrealis-ed gain	Change in Market Value	Value at 31/3/2014
	£'000	£'000	£'000	£'000	£'000	£'000
Pooled investment vehicles	790,106	6,887	(6,300)	68	27,963	818,587
	790,106	6,887	(6,300)	68	27,963	818,587
Cash Deposits	1,492					974
	791,598					819,561

2012/13	Value at 1/4/2012	Purchases at Cost	Sales Proceeds	Unrealis-ed losses	Change in Market Value	Value at 31/3/2013
	£'000	£'000	£'000	£'000	£'000	£'000
Pooled investment vehicles	702,409	23,033	(13,136)	(473)	78,273	790,106
	702,409	23,033	(13,136)	(473)	78,273	790,106
Cash Deposits	1,221					1,492
	703,630					791,598

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year as any income attributed to the unitised funds are reinvested and accounted for as a change in market value as opposed to income.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. There are also transaction costs incurred on behalf of the unitised funds, but these are reflected in the unit cost. In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

All the financial instruments of the fund are classified as level 1, where their fair values are derived from unadjusted quoted prices for identical assets or liabilities. The carrying value of investments is not materially different to their fair value. The carrying amount of investments held under management by the Fund's investment managers at year end including cash deposits totalled £819.561 million. This was split as follows:

Investment Portfolio	2013/14 £'000	%
Schroder Investment Management	375,269	45.8
Newton Investment Management	383,452	46.8
Legal & General	60,840	7.40
	819,561	100.0

Major Investments

The fund investments are all held in pooled funds. The following investments represent more than 5% of the net assets of the scheme:

£000's	as % of investment assets		£'000	as % of investment assets
252,864	**31.94**	Newton Real Return Fund	**257,787**	**31.45**
118,908	**15.02**	Newton Long Corporate Bond Fund	**120,499**	**14.70**
243,716	**30.79**	Schroder Life Diversified Growth Fund	**256,539**	**31.30**
113,904	**14.39**	Schroder All Maturities Corporate Bond Fund	**118,081**	**14.41**
40,214	**5.08**	Legal and General Index Linked Tracker Fund	**43,305**	**5.28**
769,606			**796,211**	**97.14**

	2013/14	2012/13
Pooled investment Vehicles	**£'000**	£'000
UK Managed funds	**757,747**	732,734
UK Unit Trusts	**60,840**	57,372
	818,587	790,106
Cash Deposits		
Sterling	**974**	1,492
	819,561	791,598

Pooled Investment Vehicles

Both Schroders and Newton run their portfolios on a unitised or pooled basis, the underlying economic exposure to asset classes for each manager are detailed below:

Newton as at 31 March 2014	Long Corporate Bond	Long Gilt	Index-Linked Gilt	Global Dynamic Bond	Real Return
EQUITIES					
UK	-	-	-	-	14.7
North America	-	-	-	0.01	17.32
Europe ex UK	-	-	-	-	21.94
Japan	-	-	-	-	1.67
Asia ex Japan	-	-	-	0.11	2.59
Other	-	-	-	0.09	2.03
Total Equities	0	0	0	0.21	60.25
FIXED INTEREST					
UK Gilts		91.66	93.21	3.89	0.95
UK Index Linked Gilts	-	-	-	4.05	1.23
UK Corporate Bonds	59.32	2.3	3.99	18.16	1.98
Overseas Government Bonds		1.87		26.6	14.79
Overseas Corporate Bonds	37.49	2.27	1.13	40.65	9.54

Pension Fund Account

Overseas Index Linked Corporate Bonds		1.9	1.13		0.44
Total Fixed Interest	96.81	100	99.46	93.35	28.93
OTHER ASSETS					
Commodities	-	-	-	-	2.82
Derivatives	-	-	-	-9.49	0.05
Other assets	-	-	-	-	-
Cash	3.19	-	0.54	15.93	7.95
Total Other Assets	3.19	-	0.54	6.44	10.82
Total Assets	100	100	100	100	100

	Schroder Diversified Growth Fund	Schroder All Maturities Corporate Bond
Equities		
Schroder QEP Global Dynamic Blend Portfolio	17.6	-
Quality Yield Equity Basket	3.2	-
Shareholder Focus Basket	2	-
Schroder European Alpha Plus Fund	3	-
Schroder ISF Asian Equity Yield	2.3	-
Passive Equities	23.2	-
	51.3	-
Commodities		
ETF Gold	1.9	-
Schroder ISF Global Energy	1.4	-
	3.3	-
High Yield Debt		
Schroder ISF Global High Yield	4.4	-
Schroder High Yield Portfolio	2.6	-
	7	-
Emerging Market Bonds		
Stone Harbor Emerging Debt Fund	1	-
Stone Harbor Emerging Local Debt Fund	0.8	-
	1.8	-
Property		-
Schroder UK Property Fund	3	-
Absolute Return		

Schroder ISF Emerging Market Debt	5	-
Schroder GAIA Sirios US Equity	2	-
Bespoke Hedge Fund Portfolio	1.9	-
Diversified Trend Strategy	1.8	-
Gam Star Global Rates	1	-
Henderson UK Absolute Return Fund	1	-
Brevan Howard Macro	0.7	-
	13.4	-
Infrastructure		
John Laing Infrastructure Limited	1.5	-
International Public Partnerships Ltd	1.2	-
HICL Infrastructure Company Limited	0.7	-
Bilfinger Berger Global infrastructure	0.5	-
	3.9	-
Other Assets		
Private Equity	0.9	-
Asset Backed Securities Portfolio	3.9	-
RWC Global Convertibles Fund	1.9	-
M & G European Loan Fund	0.4	-
Invesco US Senior Loan Fund	0.5	-
Insurance-Linked Securities	3	-
Cash	5.7	-
Securitised	-	14.77
Government Related	-	8.64
Corporate	-	57.38
Cash	-	19.21
Total	100.00	100.00

10. AVC Investments

The Authority holds assets invested separately from the main fund in the form of individual insurance policies securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions (AVC).

Members participating in this arrangement each receive an annual statement confirming the amounts held to their account and the movements in the year.

2013/14 AVC Investments	2012/13 £'000	Contributions £'000	Income £'000	Expenditure £'000	2013/14 £'000
Aviva /Norwich Union	**681**	**15**	**21**	**-**	**717**
Prudential					
With Profits	**532**	**79**	**25**	**(77)**	**559**
Deposit	**325**	**82**	**2**	**(19)**	**390**
Unit Linked	**665**	**120**	**26**	**(48)**	**763**
Total Prudential AVCs	**1,522**	**281**	**53**	**(144)**	**1,712**
Total AVC's	**2,203**	**296**	**74**	**(144)**	**2,429**

2012/13 AVC Investments	2011/12 £'000	Contributions £'000	Income £'000	Expenditure £'000	2012/13 £'000
Aviva /Norwich Union	648	20	13	-	681
Prudential					
With Profits	507	84	26	(85)	532
Deposit	289	63	2	(29)	325
Unit Linked	448	99	131	(13)	665
Total Prudential AVCs	1,244	246	159	(127)	1,522
Total AVC's	1,892	266	172	(127)	2,203

The Aviva Additional Voluntary contributions in respect of 2013/14 are partly estimates pending the provision of final valuations by the provider based on 2012/13 actual.

11. Investment Management Expenses

	2013/14 £'000	2012/13 £'000
Administration, management and custody	**1,547**	**1,796**
Performance Measurement Services	**8**	**11**
Other advisory fees	**65**	**44**

	1,620	1,851

12. Current Assets

	2013/14 £'000	2012/13 £'000
Contributions due from employers in respect of		
Employer contributions	**1,292**	1,121
Member contributions	**354**	225
Sundry Debtors	**2,180**	2,348
Cash Balances	**9,164**	10,095
	12,990	13,789

13. Current Liabilities

	2013/14 £'000	2012/13 £'000
Unpaid Benefits	**369**	794
Unsettled Purchases	**-**	27
Accrued Expenses	**2,400**	6,214
	2,769	7,035

14. Statement of Investment Principles

The Authority is required by law to prepare and publish a Statement of Investment Principles (SIP). This Statement, approved in May 2010 and reviewed at least annually, sets out the Fund's policy on a range of matters relating to the investment and management of the Pension Fund. The Statement is published on the Borough's website at:

https://www.barnet.gov.uk/downloads/download/144/statement_of_investment_principles_oct_2010

15. Related Party Transactions

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

	2013/14 £'000	2012/13 £'000
Human Resources	**580**	451
Accountancy Administration	**352**	401
	932	852

The costs of payroll support are included in the Human Resources Recharge. Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2) – (4) of the Accounts and Audit (England) Regulations 2011) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the London Borough of Barnet Pension Fund.

16. Actuarial Valuation

Barnett Waddingham LLP undertook a formal actuarial valuation of the fund as at 31 March 2013, in accordance with the Local Government Superannuation Regulations 1986. The actuarial valuation calculates the contribution rate payable by Authority, as an employer, to meet the Administering Authority's funding objectives. The actuarial method used by the Actuary is known as the "projected unit credit method".

The key feature of this method is that in assessing the future service cost, the Actuary calculates the contribution rate, which meets the cost of benefits accruing in the year after the valuation date. This is the same method adopted at the previous valuation and is an appropriate method for a fund, which is open to new members.

Assumption	Rate
Future pension increases	2.8%
Future salary increases	4.6%
Price inflation	3.5%
Risk adjusted discount rate	6.1%

The 2013 valuation actuarially assessed the value of the Fund's assets as, being sufficient to meet 79% of the Fund's liabilities. This corresponded to a deficit of £211 million. The latest valuation as at 31st March 2014 as per the requirements of IAS26 is attached. The figures below relate to the FRS17 valuation as at 31st March 2013, and are given for comparison;

Assumption	Rate
Assumed retail price inflation (RPI)	3.5%
Assumed customer price inflation (CPI)	2.7%
Salary increases	4.5%
Pension increases	2.7%
Discount rate	4.4%

The triennial valuation was reported to the London Borough of Barnet Pension Fund Committee on 18 March 2014.

17. Classification of Financial Assets

The following table analyses the carrying amounts of financial assets and liabilities, (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

31 March 2014	Designated as fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000
Financial Assets			
Pooled Investments	818,517	-	-
Pooled Property		-	-
Cash Deposits	-	10,138	-
Investment income due	-	-	-
Debtors	-	2,180	-
Financial Liabilities			
Creditors	-	-	(2,349)
	818,517	**12,318**	**(2,349)**

31 March 2013	£'000	£'000	£'000
Financial Assets			
Pooled Investments	790,106	-	-
Pooled Property		-	-
Cash Deposits	-	11,589	-
Investment income due	-	-	-
Debtors	-	2,348	-
Financial Liabilities			
Creditors	-	-	(7,049)
	790,106	**13,937**	**(7,049)**

18. Nature and Extent of Risks Arising from Financial Instruments

The Pension Fund maintains positions in a variety of financial instruments including bank deposits, equity instruments and fixed interest securities. This exposes it to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

Overall procedures for managing risk

The principal powers to invest are contained in the Local Government Pension scheme (Management and Investment of Funds) regulations 2009 and require an Administering Authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund. These regulations require the Pension Fund to formulate a policy for the investment of its fund money.

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

The Pension Funds has prepared a Statement of Investment Principles which sets out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed. Investment performance by external Investment Managers is reported to the Pensions Committee quarterly. Performance of Pension Fund investments managed by external Investment Managers is compared to benchmark returns.

Credit and counterparty risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Pension Fund. The Pension Fund reviews its exposure to credit and counterparty risk through its external Investment Managers by review of the Managers annual internal control reports to ensure that Managers exercise reasonable care and due diligence in its activities for the Pension Fund.

The Pension Fund investment assets are held in pooled funds by Custodians who have acceptable credit ratings determined by three Credit rating agencies. As at 31 March 2014 working capital was held in the Pension Fund Bank account with the Co-operative Bank and, in a call account with the Bank of Scotland, in accordance with the Council's Treasury management strategy credit rating criteria.

	Long Term Credit Rating	Source	**Holding 31/3/2014 £'000**	**Holding 31/3/2013 £'000**
Schroder Group	AA3	Moodys		
JP Morgan (Schroder Custodian)	AA-	Standard and Poors	**375,269**	**358,204**
Newton –Bank of New York Mellon (Parent)	A+	Standard and Poors	**383,452**	**376,022**
Bank of Scotland	A1	Moodys	**8,779**	**-**
Co-operative Bank	BBB+	Fitch	**155**	**10,097**

Liquidity Risk

Liquidity risk is the risk that the Pension Fund will not be able to meets its financial obligations when they fall due.

The main risk for the Pension Fund is not having the funds available to meet its commitments to make pension payments to its members. To manage this, the Pension fund has a comprehensive cash flow management system that seeks to ensure that the cash is available when needed. The Pension Fund also manages its liquidity risk by having access to money market funds and call accounts where funds are repayable without penalty and on notice of not more than 24 hours.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument can fluctuate because of changes in market prices.

The Pension fund is exposed to the risk of financial loss from a change in the value of its investments and the risk that the Pension Fund's assets fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term. In order to manage the market value risk, the Pension Fund has set restrictions on the type of investments it can hold, subject to investment limits, in accordance with local Government Pension Scheme (Management and Investment of Funds) regulations 2009.

Details of these can be found in the Pension fund's Statement of Investment Principles.

As the Pension Fund's Multi Asset Strategy does not provide a breakdown by asset class, following analysis of historical data and in consultation with the fund adviser, sensitivity analysis is based on an assumed a 10% volatility for pooled assets and 1% for cash.

2013/14

Asset Type	Market Value 31.3.2014 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Pooled Investments	**818,587**	**10.0**	**900,445**	**736,728**
Cash Deposits	**9,164**	**1.0**	**10,239**	**10,037**

2012/13

Asset Type	Market Value 31.3.2013 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Pooled Investments	**791,598**	**10.0**	**870,758**	**712,438**
Cash Deposits	**10,095**	**1.0**	**10,196**	**9,994**

Exchange rate risk

The Pension Fund holds a number of financial assets and liabilities in overseas financial markets and therefore could be exposed to the risk of loss from exchange rate movements of foreign currencies. This risk is managed by holding the fund assets in Sterling.

Refinancing risk

The key risk is that the Pension Fund will be required to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Pension Fund does not have any financial instruments that carry a refinancing risk.

19. Membership of the Pension Fund

		2013/14
Employees		
Number of Employees at 31/03/2013		6,660
Employees joining during the year		1,916
		8,576
Members leaving during the year:		
Normal retirements	113	
Ill-health retirements	8	
Deaths in service	8	
Refunds of Contributions	47	
Deferred pensions	598	-774
Number of Employees at end of year		**7,802**
Pensioners		
Number of Pensioners at start of year		6,772
New pensioners during the year:		
Normal retirements	154	
Ill-health retirements	0	
Dependants' pensions	64	
Deferred pensions becoming payable	101	319
		7091
Deaths/dependants ceasing to be eligible		-364
Number of Pensioners at end of year		**6,727**
Deferred Pensioners		
Number of Deferred Pensioners at start of year		7,977
New deferred pensioners during the year:		637
		8,614
Deferred Pensioners leaving the fund during the year		
Normal retirements	95	
Ill-health retirements	0	
Transferred	78	
Back to active status	0	
Deaths	14	-187
Number of Deferred Pensioners at end of year		**8,427**
Total Membership at 31 March 2014		**22,956**

20. Events after the Balance Sheet date

Since the Balance Sheet date of 31 March 2014, there have been no post balance sheet events to report. The only non-adjusting event that is reported is the latest market value of the total externally managed investments of the Fund which increased slightly from £819.561 million to £822.262 million (as valued at 31 May 2014) .This represents an increase of £2.7 million.

London Borough of Barnet Pension Fund

IAS26 Disclosures as at 31 March 2014

Barnett Waddingham
Public Sector Consulting

29 May 2014

Barnett Waddingham
Public Sector Consulting

Contents

Introduction

We have been instructed by the London Borough of Barnet, the Administering Authority to the London Borough of Barnet Pension Fund ("the Fund"), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme ("the LGPS") to members of the Fund as at 31 March 2014.

This report is addressed to the Administering Authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

These figures are prepared in accordance with our understanding of IAS26. In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This advice complies with all Generic Technical Actuarial Standards (TASs) and the Pensions TAS.

Valuation Data

Data Sources

In completing our calculations for pension accounting purposes we have used the following items of data, which we received from the London Borough of Barnet.

- The results of the valuation as at 31 March 2013 which was carried out for funding purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2014.
- Estimated Fund returns based on assets used for the purpose of the funding valuation as at 31 March 2013 and a Fund asset statement as at 31 March 2014.
- Details of any new early retirements for the period to 31 March 2014 that have been paid out on an unreduced basis, which are not anticipated in the normal Employer service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. Further, we are not aware of any material changes or events since we received the data.

Fund Membership Statistics

The table below summarises the membership data, as at 31 March 2013.

Member Data Summary	Number	Salaries/Pensions £000's	Average Age
Actives	6,702	141,943	47
Deferred Pensioners	8,992	14,264	46
Pensioners	6,738	33,831	71

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2014 is estimated to be 4%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for London Borough of Barnet Pension Fund as at 31 March 2014 is as follows:

Employer Asset Share - Bid Value	31 March 2014		31 March 2013	
	£000's	%	£000's	%
Equities	563,734	68%	545,151	68%
Gilts	0	0%	0	0%
Other Bonds	256,996	31%	248,525	31%
Cash	8,290	1%	8,017	1%
Total	**829,020**	**100%**	**801,693**	**100%**

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2014 is likely to be different from that shown due to estimation techniques.

From the information we have received from the administering authority, we understand that of the total Fund at 31 March 2014;

- Of the Equities allocation above, 46% is invested in the BNY MFM Ltd Newton Real Return 'X' Acc Fund, 46% in the Schroder Pension Management Ltd SIM Life Diversified Growth Fund, and 8% in the Legal & General Index Linked Tracker Fund - (World (Ex UK) Equity Index.
- The Other Bonds allocation consists of 47% in the BNY MFM Ltd Newton Long Corp Bond 'X' (Acc) GR Fund, 1% in the BNY MFM Ltd Newton Global Dynamic Bond 'X' (Acc), 45% in the Schroder All Maturities Corp Bond Fund, and 7% in the Legal & General Active Corporate Bond - All Stock – Fund.
- A small amount of the Fund, less than 0.5% is invested in BNY MFM Ltd Newton Long Gilt Fund 'X' (Acc) GR (43%) and BNY MFM Ltd Newton Index Linked Gilt 'X' (Acc) GR Fund (57%).

We do not have any further detail on the current asset allocation of the Fund; we suggest that if further information is required the Administering Authority is contacted in the first instance.

Unfunded Benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Pension Fund.

Actuarial Methods and Assumptions

Valuation Approach

To assess the value of the Fund's liabilities at 31 March 2014, we have rolled forward the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2013, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Scheme or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2014 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2014 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

Demographic/Statistical Assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the funding valuation as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 110%. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65 are;

Life Expectancy from age 65 (years)		31 March 2014	31 March 2013
Retiring today			
	Males	22.0	20.1
	Females	24.3	24.1
Retiring in 20 years			
	Males	24.1	22.1
	Females	26.7	26.0

We have also made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

Financial Assumptions

The financial assumptions used for the purposes of the calculations are as follows:

Assumptions as at	31 March 2014		31 March 2013		31 March 2012	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI Increases	3.5%	-	3.4%	-	3.3%	-
CPI increases	2.7%	-0.8%	2.6%	-0.8%	2.5%	-0.8%
Salary Increases	4.5%	1.0%	4.8%	1.4%	4.7%	1.4%
Pension Increases	2.7%	-0.8%	2.6%	-0.8%	2.5%	-0.8%
Discount Rate	4.4%	0.9%	4.6%	1.2%	4.6%	1.3%

These assumptions are set with reference to market conditions at 31 March 2014.

Our estimate of the duration of the Fund's liabilities is 17 years.

The discount rate is the annualised yield at the 17 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Fund's liabilities. This is consistent with the approach used at the last accounting date.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 17 year point on the BoE spot inflation curve. This is consistent with the approach used at the last accounting date.

This measure has historically overestimated future increases in the RPI and so, in the past, we have made a deduction of 0.25% to get the RPI assumption. However, the evidence for this in more recent periods is weaker and so we have made no such deduction at 31 March 2014. The RPI assumption is therefore 3.5%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.7%. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are then assumed to increase at 1.8% per annum above CPI in addition to a promotional scale. However, we have allowed for a short-term overlay from 31 March 2013 to 31 March 2015 for salaries to rise in line with CPI.

Expected Return on Assets

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

Results and Disclosures

The results of our calculations for the year ended 31 March 2014 are set out in Appendix 1. We estimate that the net liability as at 31 March 2014 is a liability of £515,554,000.

In addition, Appendix 2 details a reconciliation of assets and liabilities during the year.

The figures presented in this report are prepared only for the purposes of IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

We would be pleased to answer any questions arising from this report.

Anna Short FFA
Associate

Appendix 1 Balance Sheet Disclosure as at 31 March 2014

Net Pension Asset as at	31 Mar 2014	31 Mar 2013	31 Mar 2012
	£000's	£000's	£000's
Present Value of Funded Obligation	1,344,574	1,305,450	1,212,469
Fair Value of Scheme Assets (bid value)	829,020	801,693	716,032
Net Liability	**515,554**	**503,757**	**496,437**

*Present Value of Funded Obligation consists of £1,214,083,000 in respect of Vested Obligation and £130,491,000 in respect of Non-Vested Obligation.

Appendix 2 Asset and Benefit Obligation Reconciliation for the year to 31 March 2014

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2014 £000's	Year to 31 Mar 2013 £000's (had the revised IAS19 standard applied)	Year to 31 Mar 2013 £000's disclosed
Opening Defined Benefit Obligation	**1,305,450**	**1,212,469**	**1,212,469**
Current Service cost	40,544	37,366	37,366
Interest cost	59,331	55,136	55,136
Change in financial assumptions	49,856	28,011	combined below
Change in demographic assumptions	(21,008)	-	combined below
Experience loss/(gain) on defined benefit obligation	(56,965)	-	combined below
Total Actuarial losses (gains)	separated above	separated above	28,011
Losses (gains) on curtailments	combined below	combined below	1,565
Liabilities assumed / (extinguished) on settlements	-	-	-
Estimated benefits paid net of transfers in	(44,332)	(38,759)	(38,759)
Past service cost	combined below	combined below	-
Past service costs, including curtailments	1,671	1,565	separated above
Contributions by Scheme participants	10,027	9,662	9,662
Unfunded pension payments	-	-	-
Closing Defined Benefit Obligation	**1,344,574**	**1,305,450**	**1,305,450**

Reconciliation of opening & closing balances of the fair value of Scheme assets	Year to 31 Mar 2014 £000's	Year to 31 Mar 2013 £000's (had the revised IAS19 standard applied)	Year to 31 Mar 2013 £000's disclosed
Opening fair value of Scheme assets	**801,693**	**716,032**	**716,032**
Expected return on scheme assets	n/a	n/a	38,566
Interest on assets	36,959	33,098	n/a
Return on assets less interest	(8,831)	46,824	n/a
Other actuarial gains/(losses)	(3,475)	-	n/a
Total Actuarial gains/(losses)	n/a	n/a	40,020
Administration expenses	(914)	(1,336)	n/a
Contributions by employer including unfunded	37,893	36,172	36,172
Contributions by Scheme participants	10,027	9,662	9,662
Estimated benefits paid plus unfunded net of transfers in	(44,332)	(38,759)	(38,759)
Settlement prices received / (paid)	-	-	-
Closing Fair value of Scheme assets	**829,020**	**801,693**	**801,693**

Glossary

Glossary

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

Accounting policies

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

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

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

Accounting standards

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

Accrual

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

Actuarial gains and losses

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

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

Assets

These can either be:

- 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. These include items that were previously categorised in the following categories under UK GAAP:
  - Community assets, assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks and historic buildings.
  - Council dwellings, these are owned by the council providing services to the communities. Such examples include leisure centres, libraries and museums.
  - Vehicles, these assets are used by the council for the direct delivery of services, such examples include dust carts.
  - Equipment, held by the local Authority in the delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objective of the authority.
  - Infrastructure assets, fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of such fixed assets are highways and footpaths that cannot be transferred to another owner.
- Investment property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:
  a) use in the production or supply of goods or services or for administrative purposes, or
  b) sale in the ordinary course of operations.

  If earning rentals were an outcome of a regeneration policy, for example, the properties concerned would be accounted for as property, plant and equipment rather than investment property. Social housing is delivering a service and shall be accounted for as property, plant and equipment.

- Non-operational assets, non-current assets held by an authority but not used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets include investment properties and assets that are surplus to requirements, pending their sale. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the authority and the rental income is negotiated at arm's length.
- Intangible assets, these are usually stand-alone intellectual property rights such as software licences that, although they have no physical substance are right to show on the balance sheet where they have been capitalised as being of benefit for more than the year of account. Where software is integral to the running of hardware it is properly included in the value of the hardware.

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

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

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

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

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 of a non-current asset or expenditure which adds to, and not merely maintains, the value of an existing non-current asset. It is not necessary for the asset to be owned by the authority e.g. renovation grants.

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

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

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 or revalued amount of the benefits of the non-current asset that have been consumed during the period. Consumption includes wearing out, using up or other reduction in the useful life of a non-current asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

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

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

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

Government grants

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

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

Housing revenue account (HRA)

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

Glossary

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

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

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

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

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

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

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

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

Major repairs reserve (MRR)
This reserve is for capital expenditure on HRA assets.

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

National non-domestic rates (NNDR)
The rates paid by businesses. These rates are collected by local authorities and paid over to the government. They are then redistributed to local authorities on the basis of relevant population.

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

Glossary

New Support and Customer Services Organisation (NSCSO)
The NSCSO project is part of the One Barnet programme. The project aims to reduce back office costs and improve customer service to residents.

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

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

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

Provisions
Amounts held in reserve against specific potential liabilities or losses where there is uncertainty as to amounts and/or due dates. Payment to a provision is counted as service expenditure; expenditure against a provision is therefore not charged to revenue as this would be double counting.

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

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

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

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

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 a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

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

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

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

Service Reporting Code of Practice (SeRCOP)
SeRCOP sets the financial reporting guidelines for local authorities. It supplements the principles and practice set out in the code of practice on local authority accounting, by establishing practice for consistent reporting. It provides guidance in three key areas:

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

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

Substance over form
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.

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

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