London Borough of Barnet
Statement of Accounts
For the year ended 31 March 2012
UNAUDITED

Contents

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SECTION 1

Introduction and review of the year 2011/12

Explanatory foreword

Foreword and statement of responsibilities

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

The authority is required to:

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

Internal financial control

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

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

The Chief Finance Officer's responsibilities

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

In preparing the statement of accounts, the CFO has:

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

The CFO has also:

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

The CFO is required to sign and date the statement of accounts for the year ended 31 March 2012, stating that it gives a true and fair view of the authority at the accounting date and its income and expenditure for the year.

The statement of accounts - Introduction

This details the process in place during 2011/12 for ensuring proper financial management and control. It then reviews the effectiveness and raises any major issues that have arisen in the year.

Statement of accounting policies

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

The authority's accounting statements comprise of:

(i) The core financial statements

Movement in Reserves Statement

This statement shows the movement on the different reserves held by the authority, analysed into usable and unusable reserves. It analyses the increase or decrease in net worth of the authority as a result of incurring expenses, generating income and from movements in the fair value of its assets. It also analyses the movement between reserve accounts to increase or reduce the resources available to the authority according to statutory provisions.

Comprehensive Income and Expenditure Statement (CIES)

This summarises the resources generated and consumed by the authority in providing services during 2011/12. The account also shows how the council's services are funded; the four main sources being specific income, council tax, redistributed non-domestic rates and government grants.

Balance Sheet

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

Cash Flow Statement

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

(ii) The applicable supplementary single entity financial statements

Housing revenue account (HRA)

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

Collection fund statement

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

(iii) Group accounts

The authority has only three wholly owned subsidiary companies:

1. The Barnet Group Ltd – a Local Authority Trading Company (LATC). The Barnet Group Ltd is a parent company to Barnet Homes and Your Choice (Barnet) Ltd. The Barnet Group Ltd was established on 01 February 2012 and is wholly owned by the council.
2. Barnet Homes Ltd. An arms length management organisation (ALMO), originally a local authority controlled company of the council. The primary aim in establishing this company is to remove it from public sector borrowing controls and to allow a greater commercial freedom. Barnet Homes Ltd became a subsidiary of The Barnet Group on 01 February 2012 It continues to operate in the same way as under its current structure ALMO management agreement with the council, albeit under a group structure.
3. Your Choice (Barnet) Ltd – responsible for the provision of specialist care and support to adults with a range of learning and physical disabilities. Your Choice (Barnet) Ltd was established on 01 February 2012 and is a subsidiary of The Barnet Group.

As The Barnet Group Ltd and Your Choice (Barnet) Ltd were established on 01 February 2012 and were only in operation for two months of 2011/12 they will not produce statutory accounts for 2011/12. Instead they will produce 14 month accounts at the end of 2012/13. Therefore these group accounts for 2011/12 consolidate the 2011/12 accounts of the council and Barnet Homes, but not The Barnet Group Ltd and Your Choice Barnet Ltd.

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

- group Comprehensive Income and Expenditure Statement
- group Movement in Reserves Statement
- group Balance Sheet
- group Cash Flow Statement

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

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

(iv) Pension fund accounts

The pension fund account shows the contributions to the fund during 2011/12 and the benefits paid from it. The net assets statement sets out the financial position for the fund as at 31 March 2012. The fund is separately managed by the council acting as trustee and its accounts are separate from those of the council.

Review of the financial year

Introduction

This section sets out some of the key features of the council's general and financial performance for 2011/12.

Council performance

The economic climate is extremely challenging for local government at the present time. Central government funding for local authorities is reducing by £81bn over four years and councils across the country face the challenge of providing better services with less money. It is confirmed that Barnet will have 26% less income from central government over four years from 2011 to 2015. At the same time, population growth and rising expectations makes it imperative that the council is able to adapt and change to ensure better services for our residents.

However against this backdrop, the residents of Barnet continue to receive high quality services: 91% of schools in Barnet are rated as 'good' or 'excellent' by Ofsted and Adults and Children's services are recognised as 'excellent' by external inspectors. The borough remains an attractive and successful place to live, with household incomes totalling almost £6bn last year and 86% of residents satisfied with their local area.

London wide value for money data confirms that Barnet Council has the most services rated as "high performance, low cost" in the capital.

In 2010/11 the Audit commission announced that the council would undergo a Value for Money (VfM) audit and the conclusion will be based on the following two criteria:

- The council's arrangement for securing financial resilience
- The council's arrangements for challenging how it secure economy, efficiency and effectiveness

The council's external auditors concluded that, for 2010/11, the council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The council's auditors also concluded that the council's arrangements for securing financial resilience in 2010/11 (which considers performance, financial planning, financial governance and financial control) are sound.

Financial performance

The council entered 2011/12 in a strong financial position with general balances of £15.780m. This position provided the council with some measure of flexibility to meet the financial challenges it faced in 2011/12, and provides a sound platform to meet future challenges and expected future spending cuts.

The year 2011/12 saw an underspend on services financed by the General Fund. This was forecast and reported to Members through the course of the year. The General Fund Balances as at 31 March 2012 were £15.780m. This is above the £15m target level of balances as set out in the council's Medium Term Financial Strategy.

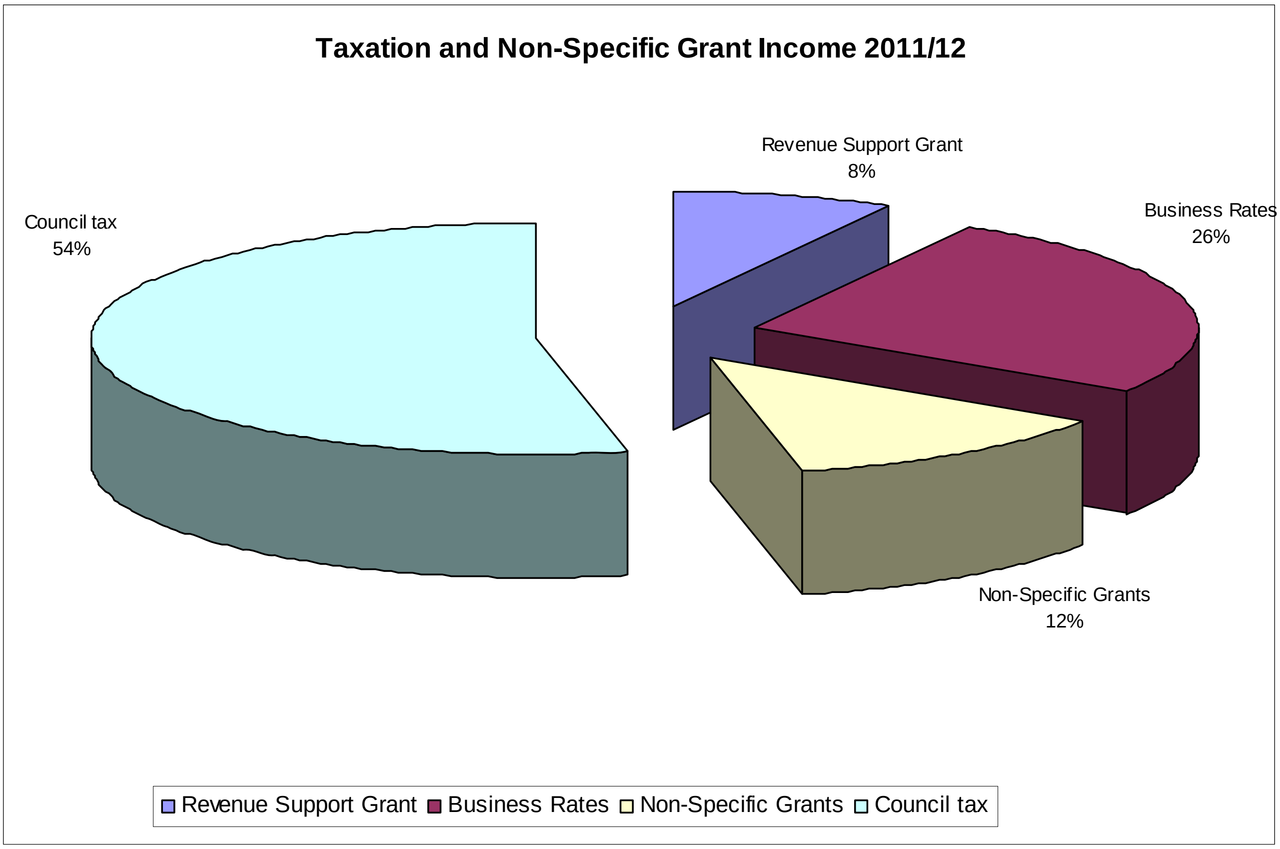
The General Fund

The General Fund acts like a 'current account' which exists to finance the council's day to day costs of providing services. All expenditure, other than that relating to capital and the Housing Revenue Account (see below) is charged to the General Fund. At the start of financial year 2011/12 the council planned in year General Fund expenditure of £284.329m (net of specific service related grants and income from fees and charges).

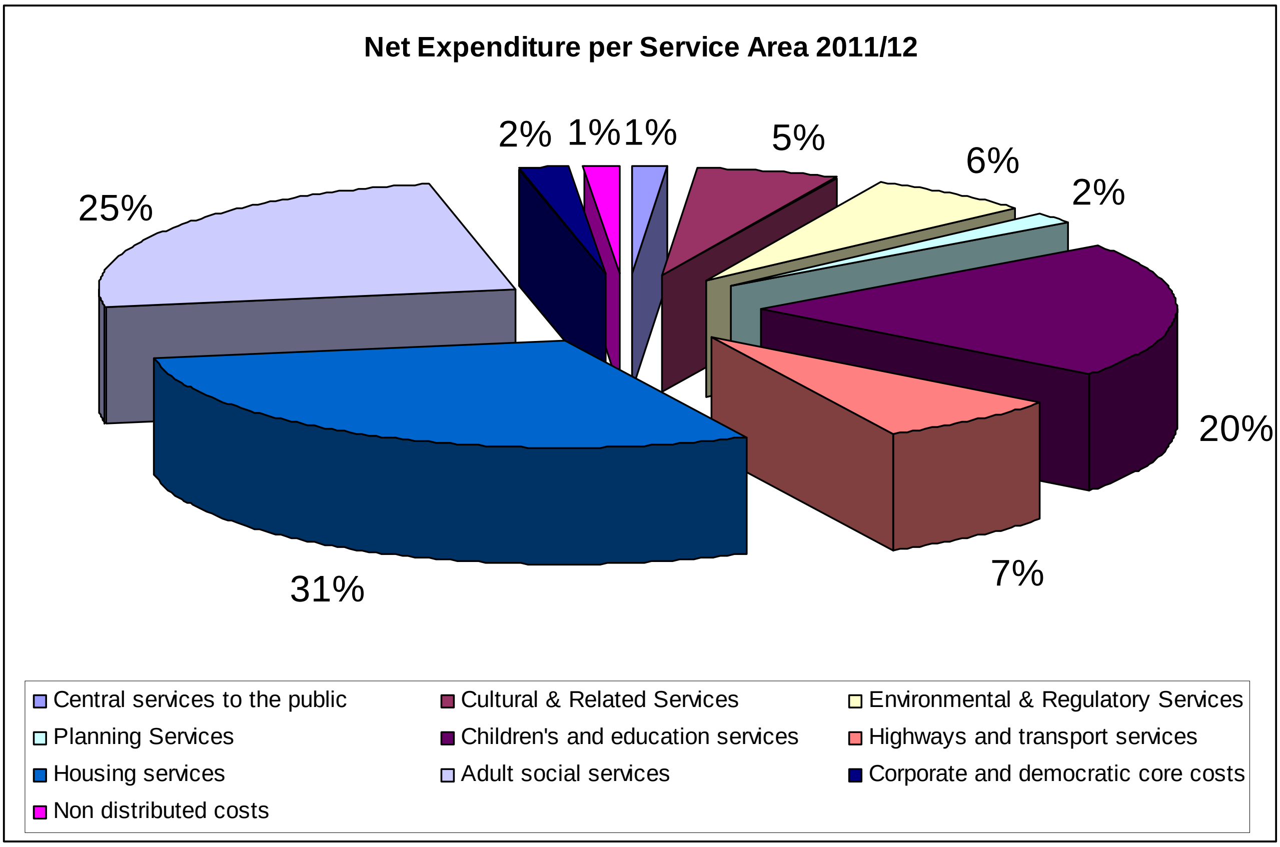
2011/12	Revised council spending plan	Actual net spend	Difference (actual - original)
	£'000	£'000	£'000
Net Service	284,329	283,689	(640)
Contribution to /(from) balances	-	-	-
Budget requirement	284,329	283,689	640

A detailed breakdown of actual expenditure in 2011/12 by Service Area is set out in the Comprehensive Income and Expenditure Statement.

46% of the net General Fund expenditure was funded by central government through the revenue Support Grant and Non-Specific Grants. Council Tax funded around 54% of the net General fund expenditure in 2011/12, as illustrated below:



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



Earmarked reserves

Earmarked reserves are amounts of money set aside to cover expenditure in future years for specific purposes. Earmarked reserves at the start of the financial year were £40.513m and increased to £65.105m as at 31 March 2012.

Housing Revenue Account

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

In 2011/12 the HRA returned a surplus (increase of in year income over in year expenditure) of £3.576m (£0.087m surplus in 2010/11). This surplus has been transferred to cumulative HRA Balances which stand at £7.806m as at 31 March 2012 (£4.230m as at 31 March 2011).

Capital Programme

Total expenditure during 2011/12 on the council’s capital programme was £57.806m, most of which was spent on Schools and other Childrens’ Services related projects (£19.942m) and Housing Revenue Account (£21.663m). This compares to a total spend of £84.353 in 2010/11.

The capital expenditure was financed by a combination of borrowing (£5.982m); government grants (£24.449m); developer contributions (£5.576m); sale of surplus assets (£5.505m); and contributions from revenue (£16.294m).

Pension fund

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

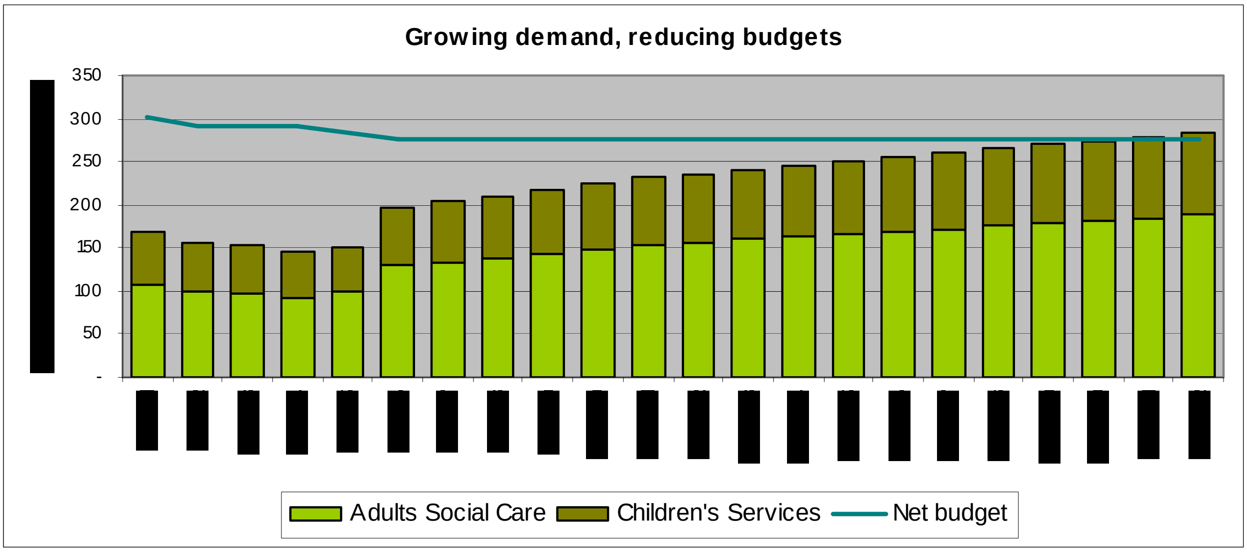
The value of the fund as at 31 March 2012 was £713.680m, the majority of which is invested in the stock market. The fund increased in value by £28.487m.

Looking Forward

The major challenges facing the borough in the immediate future including:

- A growing population, with the under-five and over-85 populations the fastest growing, pacing the biggest demand on public services;
- Ensuring Barnet remains a successful London borough despite a challenging economic climate and with reduced public funding;
- Encouraging an active borough where residents are doing things for themselves, their families and their communities, with the council and public partners enabling success and supporting the most vulnerable;
- Exploiting opportunities around technological change, and finding new ways to deliver effective services with local partners.

The challenge of a rising population, particularly of younger and older residents, coupled with reductions in funding from Central Government, provides a huge financial planning challenge over the medium to longer term. The graph below is illustrative, showing the potential increase in costs in Adults Social Care and Children's services, alongside cuts and stagnant income from central government.



Despite challenging economic conditions, the Council's finances are currently robust.

The 2012/13 Corporate Plan retains the three overarching themes of this year's Plan: ***Better Services with less money; Sharing opportunities, sharing responsibilities;*** *and* ***A successful London suburb****.* The council's strategic objectives sit below these themes. Objectives are set out below:

Better services with less money

- Safeguarding vulnerable children and adults;
- Investing in early intervention and prevention to reduce the number of children and families experiencing complex problems;
- An efficient council, with services designed to meet the changing needs of residents.

Sharing opportunities, sharing responsibilities

- Ensuring every school is a good school, and targeting support at young people at risk of not fulfilling their potential;
- Supporting residents to live healthy and independent lives;
- Offering greater personalisation for care services users, a positive experience of care for and support for carers.

A successful London suburb

- Working with our partners and residents to keep Barnet safe;
- Keeping Barnet green, protecting the natural and built environment;
- Keeping Barnet moving through efficient management of roads and pavements network;
- Sustain Barnet as a successful place through regeneration, and supporting enterprise and employment.

Good progress has been made over the last year on projects within the One Barnet programme. Key points include:

- £5.8m of savings delivered up to 2011/12;
- One Barnet business case framework agreed and over £16m base budget savings expected by 2014/15;
- Libraries review delivered;
- Three procurements in progress (Development and Regulatory Services, Customer and Support Services, parking);
- Business case agreed to set up a Local Authority Trading Company and transfer in-house adult social care.

The statement of the Chief Finance Officer

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

Andrew Travers
Deputy Chief Executive & Chief Finance Officer

Statement of the Chairman of the Audit Committee

I confirm these accounts were approved by the Audit Committee on behalf of the London Borough of Barnet at the meeting held on 13th September 2012.

Cllr Lord Monroe Palmer
Chairman of Audit Committee

SECTION 2

Annual Governance Statement

Annual Governance Statement

2011-12

1. Scope of Responsibility

- Barnet London Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.
- In discharging this overall responsibility the Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions including the management of risk.
- Barnet London Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework delivering Good Governance in Local Government. This statement explains how the Council has complied with the code and also meets the requirements of regulations 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations 2006 in relation to the publication of a statement of internal control.
- The Director of Corporate Governance completed his biennial review of the Code of Corporate Governance during 2010-11. The Code of Corporate Governance is included within Part 5 of the Constitution.

2. The Purpose of the Governance Framework

- The governance framework encompasses the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to achievement of London Borough of Barnet policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- The governance framework has been in place within Barnet London Borough Council for the year ended 31st March 2012 and up to the date of approval of the annual report and accounts.

Assurance Cycle

Understand

What are we seeking to receive assurances on?

- Delivery against the corporate plan whilst observing the governance framework
- Management of the Council's key risks
- Design and effectiveness of internal controls
- Compliance with laws, regulation, internal policies and procedures
- Key governance tools are fit for purpose, for e.g.. the performance management and risk management framework
- Value for money
- Direction of travel of previous governance issues

Plan

What sources of assurance do we require?

- Internal Audit Annual Plan
- CAFT Annual Plan
- External Audit Annual Plan
- Ofsted and Care Quality Commission
- Other external agencies
- Management assurances from active compliance frameworks
- Committees responsible for monitoring and reviewing the systems, processes and documentation

Do

How we will arrange ourselves to receive adequate assurances?

Officer and Member Structures working together

- Senior Management Teams close working with Executive Roles
- Decision-making bodies
- Statutory Officer Group
- Cabinet Resources Committee
- Scrutiny Committees
- Audit Committee
- Partnership/Delivery Boards
- Standards Committee
- Special Committee (Constitutional Review)

Review

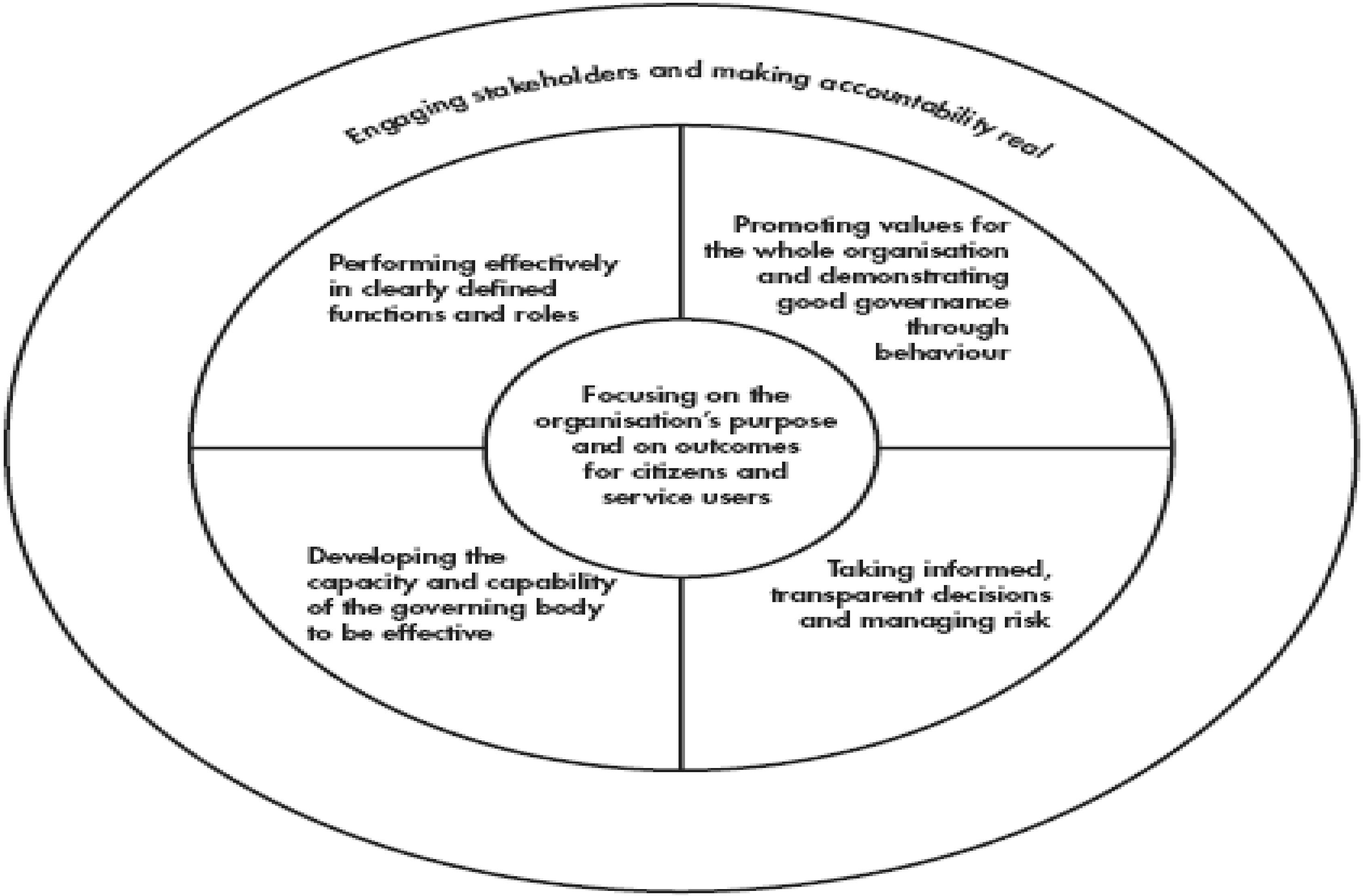
How we know that we are effective?

- Review sources of assurance identified at the Planning Phase
- Review Annual Reports that provide further insight such as: scrutiny committee report, audit committee annual report, task and finish groups
- Ensure sources of assurances have delivered against their plans at the necessary quality
- Internal and External Audit Annual Reports/Letters
- Highlight areas of weakness

Annual Governance Statement

3. The Governance Framework

- The Councils governance environment is consistent with the six core principles of the CIPFA/SOLACE framework, within each principle we have identified the sources of assurance.



BARNET LONDON BOROUGH

Principle	Description of Governance Mechanisms	Assurances received
1. Identifying and Communicating the Council's Vision and Purpose	• Members, working with officers, have developed a clear vision of their purpose and intended outcomes for citizens and service users: • The One Barnet Sustainable Community Strategy sets out the ten year vision for the borough • One Barnet Partnership Board works to the shared vision and oversees the other delivery boards that are tasked with leading on specific themes in the Strategy • The Corporate Plan expresses the vision and priorities of the council and this has been communicated to residents, service users, partners and other stakeholders • Delivery Boards: Safer Communities Board, Children's Trust Board, Health and Well Being Board continue to meet and are leading the development of integrated services around specific themes • The Council uses different performance measures (quality, outputs, value for money, customer satisfaction) to give an overview of council performance and stimulate improvement • A new governance structure around Partnerships and Partnership Boards was approved by Cabinet in February 2012.	• Performance Management Framework – information is published quarterly against the corporate priorities and targets and reported through Cabinet Resources Committee subject to call in by scrutiny committees • Externally reported data: Government Single Data List, London benchmarking and LGG Inform benchmarking available to support performance reporting • We publish strategic and service data online to enable residents to hold us to account • Internal Audit Plan linked to the overall objectives of the Council and the risks to their achievement • Employee Annual and Half-year review process linked to the Council's objectives • Governance paper on Strategic Partnerships, Cabinet February 2012

Principle	Description of Governance Mechanisms	Assurances received
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles	• Elected Members are collectively responsible for the governance of the Council. Decision making and scrutiny of these decisions has been separated through the executive arrangements introduced by the Local Government Act 2000. • The Constitution includes a statement on the roles of the Executive and clarifies the Scheme of Delegation in place. • Statutory Officers are also documented within the Constitution. The Chief Executive (Head of Paid Service) is documented in the Constitution and works with Members and Strategic Directors to deliver the council's themes. • Role of the Chief Finance Officer (s.151 officer), as documented in the constitution, has responsibility for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and maintaining an effective system of internal financial control • The Monitoring Officer is in place and, in accordance the Constitution, is responsible for ensuring agreed procedures are followed and that all applicable statutes and regulations are complied with. • Formal procedures and rules govern the Council's business: Constitution, Scheme of Delegation, Financial Regulations, Contract Procedure Rules • The Special Constitution Review Committee is in place to monitor and agree changes to the Constitution, making recommendations to full council. • Published Pay Policy 2012/13 in place in accordance with the Localism Act section 38 (1) and the Remuneration Committee has been set up for 2012/13 whose remit will be the review of pay and pay policy • General Functions Committee continues to be in place whose remit it is to review conditions of service and appointments • Arrangements exist within services and corporate performance to evaluate value for money. Benchmark information is collated and reported quarterly along with an overall corporate value for money indicator.	• Internal Audit Annual Report satisfactory assurance over the fundamental and key financial systems however limited assurance over system of internal control • Monthly Statutory Officer reporting receiving internal and external sources of assurance • Performance reporting through the Budget and Performance Overview and Scrutiny Committee on a quarterly basis provides information regarding value for money Weaknesses identified within Internal Audit Annual Report: •Contract management/compliance •Data quality •Data protection •Processes that focus on outcomes

Principle	Description of Governance Mechanisms	Assurances received
3. Values of Good Governance and Standards of Behaviour	• The Council recognises that good governance is underpinned by shared values demonstrated in the behaviours of its Members and staff. • On online staff survey assisted the Council in deciding the four core values of the Council, these were launched in 2011. The values are intended to shape the culture and define the character of the organisation now and into the future. The values are positioned at the core of all we do, guiding our decision making and informing our behaviour. • The Director of Corporate Governance is the Monitoring Officer and is responsible for ensuring that the Council acts in accordance with the Constitution • Directors have the primary responsibility for ensuring that decisions are properly made within operations of the Scheme of Delegation • Standards of conduct and behaviour expected of Members and officers exist and are communicated and training programmes were in operation during the year to support good governance • Arrangements are in place for Members and Officers to manage conflicts of interest • Performance management framework is in place to embed values with staff • Standards Committee was in place during the year • There are plans for the values to be reflected within partnerships with private, public and voluntary sector bodies. • The council has published its strategic equality objective as being ‘our commitment is that citizens will be treated equally, with understanding and respect, have equal opportunity with other citizens; and receive quality services provided to Best Value principles’. These will be delivered through three corporate priorities which will act as the Barnet Standards : reducing disadvantage, promoting community cohesion, and delivering our values.	• Values Awards Nomination Panel made decisions on who embodied the Values Awards • Monitoring Officer reports to Statutory Officer Group • Standards Committee minutes and decisions • Minutes and Decisions of all Committees observed by Monitoring/Deputy Monitoring Officer • Half-yearly and Annual Performance Review RAGG ratings for staff, explicitly linking to achievement of objectives • Equalities Impact Assessments carried out for the 2011-12 and 2012-13 budget proposals, this was achieved without legal challenge • Member training and development programme provides assurance that skill and capability is focussed on annually.

Principle	Description of Governance Mechanisms	Assurances received
4. Making transparent decisions which are subject to scrutiny and risk management	• The Council has processes in place to demonstrate that decision makers followed due process, the decisions were properly documented and was taken having regard to all relevant considerations • The Scrutiny function is in place to challenge policy development and performance and to be a 'critical friend' to the Executive. The Scrutiny function is supported by Task and Finish Groups and Scrutiny Panels, who comprise 5 elected councillors who work together to undertake in-depth reviews of a service, policy or issue of concern to local people • Decision making is supported by adequate risk management arrangements, with the Risk Management Strategy and Policy Statement reviewed annually by the Audit Committee and approved by the Cabinet Resources Committee. • Arrangements exist for the consideration of assurances from the Council's major partners/providers. • Corporate Risks are considered quarterly by the Cabinet Resources Committee, Audit Committee and officer groups. Operational day to day risk management exists at an officer level with lead member involvement at trigger points. • The Council's arrangements for providing economy, efficiency and effectiveness are reviewed by the external auditors on an annual basis. Their Annual Audit Letter provides a summary of the activity undertaken during the year. • The Council is complying with minimum requirements of the Code of Recommended Practice for Local Authorities on data transparency, a standard which aims to enable residents to hold the Council to account. The Council has future plans to become more demand led in publishing data following improvements to the Council's website.	• Overview and Scrutiny Annual Report, including the work of the 5 Task and Finish Groups - Early Intervention and Prevention - Fostering and Adoption - Contract Management - Carbon footprint - Health and Social Care Integration • Statutory Officer monthly reporting • Barnet Homes/Barnet Group Annual Internal Audit Report • External Audit Annual Audit Letter 2010-11

Principle	Description of Governance Mechanisms	Assurances received
4. Making transparent decisions which are subject to scrutiny and risk management (continued)	• An effective Audit Committee is in place whose purpose is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. The Audit Committee is chaired by a member of an opposition party and has two independent members. • The Chief Internal Auditor supports the Audit Committee and reviews its effectiveness on an annual basis • The Internal Audit function operates in line with the Code of Practice for Internal Audit on Local Government. There is a 'managed audit approach' with the Council's external auditor in place which ensures there is no duplication of effort. The internal Audit plan is based on the high risks reported within the risk registers. • The Constitution makes it clear that management have the responsibility for operating a sound system of internal control. Internal Audit collaboratively works with services to make recommendations around improvement to the control environment. • The Head of Corporate Anti Fraud Team (CAFT) supports the Audit Committee and reports to Statutory Officers. CAFT fulfils the Council's statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. The council have zero tolerance to fraud and other irregularity. • The Head of CAFT is the designated Whistle blowing officer which is accessible by officers, staff and those contracting with or appointed by the Council. There is an improved Counter Fraud Framework in place designed to prevent and detect fraud. • The system of internal financial control is based upon a framework of regular management information, financial regulations, administrative procedures and a structure of delegation and accountability. The Medium Term Financial Strategy is updated each year and includes a risk assessment of budget options, the MTFS is agreed by Full Council. • Within the year the Complaints process was revised and independently audited by internal audit and received limited assurance. In addition, the council received feedback from the local government ombudsman that required improvement in process. The Oftsed report also noted that the Children's service needed to identify complaints from children and reporting these and any trends to the safeguarding board.	• Audit Committee Annual Report 2011-12 • Audit Committee workplan and terms of reference stipulating the way in which responsibility is discharged • Internal Audit review on risk management arrangements 2011-12 • Internal Audit Annual Report 2011-12 • CAFT Annual Report • Complaints Annual Report • RIPA – Commissioner Office Surveillance control • Finance and Business Planning group reviews budget risks on a monthly basis • Ofsted report rating the Council as Good for Safeguarding and Looked after Children • Medium Term Financial Strategy and signed Statement of Accounts Weaknesses identified: •Complaints process effectiveness

Principle	Description of Governance Mechanisms	Assurances received
5. Developing the capacity of members and officers to be effective	• The Council is committed to having Leaders with the right skills to direct and control staff. In addition, a member development programme was carried forward into 2011/12 following successful induction and training in 2010/11. The Council's learning and development needs are met through training, e-learning and other methods. • Member Development sessions not only covered functional roles and responsibilities of the Council but also related to good governance and standards of behaviours such as Corporate Anti Fraud, Audit/probity, Code of Conduct for planning and Local Government Finance & Budget setting. • The Council has an Employee Performance Management Strategy to strengthen the relationship between corporate objectives and individual performance. Employees have half year and year end performance reviews and are rated under the RAGG (red, amber, green and gold) methodology. • The Council's value set have been incorporated within the Council's Leadership Framework and form the basis of individual performance reviews. • A corporate governance objective was mandatory for 2011/12 for all corporate management group members during 2011/12. • The Council had a Standards Committee in place during the year that considered complaints against the Member Code of Conduct. Whilst there were increases in the number of complaints received there were no serious governance issues noted during the year. • Full Council in May 2012 accepted changes to the Standards Committee going forward, in that there will not be a Standards Committee and that the Monitoring officer will liaise with group leaders over any complaint and any sanctions there after.	• Individual performance review rating give assurances that staff are carrying out their work in accordance with Council priorities and objectives • Member role Profile establish role and appraisal system agreed by General Functions Committee • Attendance at Member Development sessions • Standards Committee reports

Principle	Description of Governance Mechanisms	Assurances received
6. Engaging with local people and stakeholders	• The Council feels it is important to consult, involve and listen to our citizens so that we can improve our services and plan for the future. The Council is also committed to publishing the results of all our consultations and explaining how we will use the results. • A consultation hub 'Barnet Citizen Space' was set up on the web to allow residents to take part in consultations, this also includes a section on 'We Asked, You Said, We Did' feeding back the results of consultations • We also have an ongoing dialogue between community and voluntary organisations via CommUnity Barnet, the umbrella organisation for community and voluntary groups in Barnet businesses via our quarterly themed Business Breakfast meetings. • The Council has a Barnet Citizen's Panel, the panel is statistically representative of the population of Barnet, and has been invaluable to the council and its partners in researching how Barnet residents feel on issues. It also acts a sounding-board for future policies and decisions. • The budget consultation also involved the 'ideas website' which asked for suggestions from residents on budget proposals. • The website was re-launched in April 2012 and assists in ensuring transparent decision making processes take place and encourages public engagement with the council and the decision making process. • Pledge bank is also another way in which residents can interact with the Council, against the priority of 'new relationship with citizens' this initiative looked to involve citizens by making part contributions to their community. • In February 2011 the council and its partners conducted a Resident's Perception Survey with over 2000 residents from across the borough. The survey asked residents for their views on local services and various aspects of life in their local area • Public Participation rules are included within the Constitution guiding public participation at Council meetings. • Ward Walks continued into 2011-12, focusing on key officers of the council meeting with ward members in their wards for discussion around the 'Place'.	• Local Account – Adult Social Care and Health was an annual report produced a local account of what was achieved in 2010/11 and 2011/12 to date in consultation with its residents • Citizens Panel feedback newsletters and Annual Reports – highlighting the results of consultations and outcomes • Consultation feedback – for example for the Business Plan and Budget. Providing insight from residents within the decision making process for key decisions. • Review of resident's forums and area sub committees April 2011 • Residents Perception Survey, February 2011 Review of Residents Perception Survey indicated that the council scores relatively poorly on whether residents feel involved and able to influence local decisions

BARNET LONDON BOROUGH

4. Review of Effectiveness

- The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior officers of the Council who have responsibility for the governance environment, the Chief Internal Auditors annual report, any comments made by the Council's external auditors and any other review agencies and inspectorates. In addition, the Council has assessed its group relationships (The Barnet Group) as part of this review framework.
- Internal Audit has concluded overall, based on the findings of work undertaken at London Borough of Barnet that only limited assurance can be given on the systems of internal control in place, however satisfactory assurance has been provided on the fundamental financial systems in place within the Council. Areas of weakness has been included within the governance issues noted for monitoring during 2012-13.
- The Council is able to confirm that its financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework.
- A number of areas were identified in the proceeding Annual Governance Statement, an update has also been included on our progress to improve governance regarding these issues. Where they have not been sufficiently progressed they have been included within our governance issues for 2011-12.

Governance Issues – progress

The table below describes the governance issues identified during 2010-11 and the progress made against these during 2011-12:

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2011-12
An overarching Information Management Strategy to pull together the various policies and procedures relating to information governance, data processing and management	Commercial Director	The Information Management Strategy was approved by the Information Governance Council in November 2011.	Complete.
Contract Management/Procurement – work is underway to ensure that the Council has an accurate and complete contracts register and that centrally there is a process to monitor spend in accordance with the contract procedure rules (CPR).	Commercial Director	Monitoring of compliance is now a regular activity across the service areas and a centrally held contract's register is in place. Contract management and supplier relationship management will now be implemented which will lead to good procurement practice across the Council. Recommendations identified in the April audit will be closed by end of July.	Internal Audit – Limited Assurance issued in April 2012, carry forward to 2012-13.

Governance Issues – progress

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2011-12
Data Quality – all services are to review their arrangements to have reliable, accurate, timely, complete, relevant and valid data, in particular services will review their quality assurance processes and work with the Assistant Chief Executive to perform ‘spot checks’ of current arrangements.	Assistant Chief Executive	Each service has developed a Data Quality action plan following the DQ learning event in June 2011, and are responsible for improving the data quality in their services. Corporate Performance Team provide a quarterly assurance report to Statutory Officers Group, the current compliance framework, status and action required to improve data quality. Internal Audit gave limited assurance the data quality of the HR establishment data. Key challenges were change processes, sign-off, and errors/discrepancies in the establishment and sickness data. HR will deliver an action plan to respond to the limited assurance. New corporate data quality policy was approved in principle in March 2012 by the Information Governance Council. The new policy focuses on developing a consistently high level of data quality across all functions, the behaviours required to improve data standards, the application across internal and external delivery units, and the accountabilities of those working with data in different roles.	Internal Audit – limited assurance on HR data quality indicators, carry forward to 2012-13

Governance Issues – progress

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2011-12
Oversight of devolved processes – work is required to set a series of expectations for Assistant Director level and below for the level of internal controls required to 'meet the grade'.	Assistant Director of Human Resources	An Accountabilities and Leadership Framework has been completed for the new Council senior management structure. All Directorates updated their scheme of delegation in year to be clear around responsibilities and accountabilities, this will however be redesigned following the restructure to ensure it remains fit for purpose.	Complete
Measuring success of strategies – work is underway to better join business and financial planning and to ensure that strategies are reviewed from the previous period and included within forward looking plans.	All Directors	The Chief Executive commissioned an audit of strategies owned across the Council in June 2011. The outcome of that mapping exercise was that the number of strategies in place to be reduced and consolidated where possible. The review also gave assurances that we are meeting all of our statutory requirements for strategy documents.	Complete

Governance Issues – progress

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2011-12
Data protection – the Council has completed a large scale review to address concerns raised by the Information Commissioner in respects of personal data which has largely addressed major concerns, however during 2011-12 the focus will be on the security of paper documentation containing personal information.	Director of Corporate Governance	Using the 'governance group' model the Children's' Service initiated in their service the IMS project has supported other services in rolling out governance groups in their Directorates. These governance groups are playing a central role in improving information management practice by reviewing governance issues, carrying out information and business process audits to understand where there are IM weaknesses and leveraging 'local' channels of communication to disseminate information management messages. All of these efforts are intended to provide a sustained focus on improving information governance. The IMS project has also refreshed all Information Mgmt and Security policies and communicated them via first team and the dedicated information governance newsletter. In June an e-learning tool will be launched to further communicate and test people's understanding of the polices, of which the paper handling policy is one. Results will initially be analysed by the IMS project however, Governance groups and champions will again play a critical role in assessing compliance, identifying areas of weakness and devising/tailoring a response to address issues.	Internal Audit review – Limited Assurance Issued during the year, improvement from No Assurance in previous year.

Governance Issues – progress

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2011-12
IT functionality – a detailed action plan has been devised to take forward the current arrangements within the IT service, work around project management arrangements will seek to address some IT dependencies within the Services.	Commercial Director	The Investment Appraisals Board (IAB) approved the implementation of the IS Project Gateway process. The process ensures all Capital projects are considered for IT impact prior to approval. In March 2012, the IS service reorganised to provide a project management office function, with responsibility to manage all IT projects. IT projects are delivered along with principles of the Prince2 standard.	Complete.
Partnerships – work is underway to make the best use of partnerships by agreeing mutual responsibilities, accountabilities and expectations. This includes forming a better understanding of neighbouring boroughs and their fit within key decision making bodies.	Assistant Chief Executive	Partners were engaged and consulted on the proposed changes to partnership working. New arrangements were approval by Cabinet in February 2012. The first meeting of the Barnet Partnership Board has been set for 24 May 2012.	Completed.
Work is required to understand how the Localism Bill will impact upon the Council's governance arrangements and also affect our relationship with the community particularly in the context of the provision for local authorities to work with locally established Neighbourhood Forums to prepare Neighbourhood Plans. The Bill is progressing through Parliament and Royal Assent is not expected until late 2011 with the main provisions implemented in 2012.	Director of Corporate Governance	A Localism Project Board has been formed and has delivered aspects of the Localism Act required at this stage, the main provisions however require implementation in 2012. However the governance has been established to monitor the delivery of these requirements. On-going action is regarding the delivery against the Act.	On-going action required however no governance issues identified.

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Governance Issues – progress

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2011-12
As the One Barnet Programme progresses work is required to set out the principles on how the relationship between a potential provider and the Council will work in a way that clearly defines roles and responsibilities, supports good governance and openness and provides transparency in decision making.	Director of Commercial Services/Deputy Chief Executive	A senior management governance board has been formed to define accountabilities, responsibilities and decision-making alongside the Senior Management Restructure. This work will remain on-going until go-live date of the major outsourcing of the new support and customer services organisation (NSCSO) and Development and Regulatory Services (DRS).	Work on-going until go-live date

5. Governance Issues for 2011-12

The table below describes the governance issues identified during this review period 2011-12 to carry forward for monitoring within 2012-13.

Key Improvement Area	Lead Officer	Reporting through	Expected Delivery of Actions
Governance, accountabilities and decision-making – the change in organisational form to support the externalisation of elements of support services and regulatory services requires an updated governance model which clarifies accountabilities and responsibilities and provides assurance to decision-making bodies.	Assistant Chief Executive and Director of Corporate Governance	Special Constitution Committee and Full Council Leader of the Council (corporate governance)	December 2012
Operating around outcomes – whilst the council is currently progressing the implementation of different models of delivery, its own policies and procedures will need to be aligned to ensure organisational boundaries are removed and there is a shift change is designing processes that focus on operating around outcomes for local people.	Assistant Chief Executive	Deputy Leader of the Council, Resources and Performance Cabinet Resources Committee (performance)	April 2013
Devolving decision making to local people – the Localism Act requires devolving governance closer to local neighbourhoods and being cost effective in the process. Work is currently progressing to determine methods to grant communities more power to enable them to influence their local area.	Director of Corporate Governance and the Assistant Chief Executive	Member for Community Safety and Community Engagement Special Constitution Committee and Full Council	April 2013

5. Governance Issues for 2011-12

Key Improvement Area	Lead Officer	Reporting through	Expected Delivery of Actions
Complaints – there is more work to do to embed arrangements to be effective, particularly to 'close the loop' and learn from complaints.	Assistant Chief Executive	Member for Customer Access and Partners Audit Committee will monitor improvement to control environment	March 2013
Contract compliance and management post implementation of controls – continuing the progress in implementing an improved framework for contract compliance. The Procurement Controls and Monitoring Action Plan details the specific control improvements required.	Commercial Director	Deputy Leader of the Council, Resources and Performance Audit Committee will monitor improvement to control environment	July 2012
Data Quality – embedding the updated data quality policy across the authority and its delivery partners. The data quality policy contains the expected implementation plan.	Assistant Chief Executive	Deputy Leader of the Council, Resources and Performance Audit Committee will monitor improvement to control environment	May 2013
Data Protection – the Information Governance Council is progressing the Data Protection Compliance Project ensuring that areas such as records retention and management are being addressed with the roll out of Delivery Unit Governance Groups (DUGG) that sit within each service area. Third party interactions and processing are the focus of the project in the short term.	Director of Corporate Governance	Leader of the Council (Corporate Governance portfolio) Audit Committee will monitor improvement to control environment	On-going

6. Certification

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

Leader of the Council: ___________________________

Date: __________________

Chief Executive: ________________________________

Date: __________________

Appendix A: Published sources of Assurance

- Code of Corporate Governance – Part 5 of the Constitution
- Corporate Plan 2012-13, specifically the equalities page 18
- Quarterly Performance Reports 2011-12
- Internal Audit, Risk Management and CAFT Annual Plan 2011-12
- Internal Audit Annual Report 2011-12
- Pay Policy 2012-13
- CAFT Annual Report 2011-12
- External Audit Annual Audit Letter 2010-11
- Overview and Scrutiny Annual Report 2011-12
- Task and Finish Group reports
- Audit Committee Annual Report 2011-12
- Audit Committee Terms of Reference and workplan 2011-12
- Governance of Strategic Partnerships, Cabinet February 2012
- Oftsed report into Safeguarding and Looked After Children 2012
- Citizen Panel Annual Report 2012
- Local Account for Adults Social Care and Health
- Statement of Accounts and Medium Term Financial Strategy
- Residents Perception Survey 2011
- Review of residents forums and area sub committees, April 2011
- Committee minutes, agendas and reports 2011-12

SECTION 3

Core Financial statements

Movement in reserves Statement

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services lines shows the true economic cost of providing the council's service, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for council tax setting and dwellings rent settings purposes. The net increase / decrease before transfers to earmarked reserves line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	Note	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2011		**30,509**	**40,513**	**4,230**	**21,541**	**10,256**	**25,582**	**132,631**	**806,684**	**939,315**
Movement in reserves during 2011/12		-	-	-	-	-	-	-	-	-
Surplus / (Deficit) on provision of services		(188,965)	-	-	-	-	-	(188,965)	-	(188,965)
Other comprehensive expenditure and income		-	-	-	60	68	-	128	(131,046)	(130,918)
Total comprehensive income and expenditure		**(188,965)**	**-**	**-**	**60**	**68**	**-**	**(188,837)**	**(131,046)**	**(319,883)**
Adjustments between accounting basis and funding basis under regulations	7	213,918	-	3,576	(3,747)	(6,065)	3,238	210,920	(210,920)	-
Net increase / decrease before transfers to earmarked reserves		**24,953**	**-**	**3,576**	**(3,687)**	**(5,997)**	**3,238**	**22,083**	**(341,966)**	**(319,883)**
Transfer to / from earmarked reserves	8	(24,592)	24,592	-	-	-	-	-	-	-
Increase / decrease in year		**361**	**24,592**	**3,576**	**(3,687)**	**(5,997)**	**3,238**	**22,083**	**(341,966)**	**(319,883)**
Balance at 31 March 2012		**30,870**	**65,105**	**7,806**	**17,854**	**4,259**	**28,820**	**154,714**	**464,718**	**619,432**

Comprehensive Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the period 01 April 2011 to 31 March 2012. It includes all day to day expenses and related income on an accruals basis, as well as the cost of fixed assets consumed in the period and the projected value of retirement benefits earned by employees in the year.

On its services the council spent:	Note	2011/12 Gross expenditure £'000	2011/12 Gross income £'000	2011/12 Net expenditure £'000	2010/11 Gross expenditure £'000	2010/11 Gross income £'000	2010/11 Net expenditure £'000
Central services to the public		9,478	(3,472)	6,006	10,263	(3,466)	6,797
Cultural & Related services		24,548	(2,187)	22,361	23,067	(2,229)	20,838
Environmental & Regulatory services		32,399	(5,833)	26,566	40,722	(6,540)	34,182
Planning Services		13,719	(5,874)	7,845	14,470	(7,432)	7,038
Children's and education services		344,725	(259,613)	85,112	429,824	(323,130)	106,694
Highways and transport services		47,239	(17,677)	29,562	42,307	(14,058)	28,249
Housing services		359,272	(338,316)	20,956	579,048	(305,407)	273,641
Local Authority Housing - settlement payment to Government for HRA self-financing		102,580	-	102,580	-	-	-
Adult social services		120,889	(20,156)	100,733	112,064	(15,696)	96,368
Corporate and democratic core costs		9,955	(1,064)	8,891	7,626	(300)	7,326
Non distributed costs		10,377	(15,732)	(5,355)	20,312	(87,847)	(67,535)
(Surplus) / Deficit on Continuing Operations		1,075,181	(669,924)	405,257	1,279,703	(766,105)	513,598
Other Operating Expenditure	9	106,200	-	106,200	63,729	-	63,729
Financing and Investment Income & Expenditure	10	8,965	(3,879)	5,086	20,985	(6,903)	14,082
(Surplus) / Deficit of Discontinued Operations		-	-	-	-	-	-
Taxation and Non-Specific Grant Income	11	-	(327,578)	(327,578)	-	(312,167)	(312,167)
(Surplus) / Deficit on Provision of Services				**188,965**			**279,242**
(Surplus) / Deficit on revaluation of non-current assets				16,536			(126,428)
(Surplus) / Deficit on available for sale financial assets				(470)			(433)
Actuarial (gains) / losses on pension assets / liabilities				114,852			(143,463)
Other Comprehensive (Income) / Expenditure				**130,918**			**(270,324)**
Total Comprehensive (Income) / Expenditure				**319,883**			**8,918**

Balance Sheet

The Balance Sheet shows the value as at 31 March 2012 of the assets and liabilities recognised by the council. The net assets of the council (assets - liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves are useable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis under regulations'.

	Note	31 March 2012		31 March 2011 *	
		£'000	£'000	£'000	£'000
Property plant & equipment	12	1,076,722		1,241,493	
Hertiage Assets	13	1,057		1,033	
Investment properties	12	65,090		64,173	
Intangible assets	12	3,353		3,152	
Long term debtors		1,471		1,942	
Long term investments	16	11,437		24,442	
Total long term assets			**1,159,130**		**1,336,235**
Current assets					
Inventories	17	546		574	
Short term investments		57,081		37,623	
Short term Debtors	19	51,920		94,382	
Assets held for sale	12	27,074		3,040	
Cash and cash equivalents	20	124,146		96,251	
Total Current Assets			**260,767**		**231,870**
Short term creditors	22	(100,270)		(99,539)	
Short term borrowing	16	(5,001)		(6,136)	
Cash and cash equivalents	20	(23,877)		(52,599)	
Provisions	23	(1,733)		(3,465)	
Total Current Liabilities			**(130,881)**		**(161,739)**
Long term borrowing	16	(300,943)		(198,380)	
Provisions	23	(8,568)		(8,118)	
Other long term liabilities	43/48	(360,073)		(260,553)	
Total Long Term Liabilities			**(669,584)**		**(467,051)**
Net Assets			**619,432**		**939,315**
Usable reserves	24	154,714		132,631	
Unusable reserves	25	464,718		806,684	
Total Reserves			**619,432**		**939,315**

* Restated
Details of these changes are shown in note 54 to the accounts on page 93.

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the council during 2011/12. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash out flows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

		2011/12		2010/11	
	Note	£'000	£'000	£'000	£'000
Net (Surplus) or Deficit on the provision of services		188,967		279,242	
Adjustments to net surplus or deficit on the provision of services for non cash movements		(189,328)		(282,073)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		24,814		63,700	
Net cash flows from Operating Activities	26		24,453		60,869
Investing Activities	27		11,807		29,898
Financing Activities	28		(92,877)		51,476
Net (increase) or decrease in cash and cash equivalents			(56,617)		142,243
Cash and cash equivalents at the beginning of the reporting period			(43,652)		(185,895)
Cash and cash equivalents at the end of the reporting period			(100,269)		(43,652)

1. Accounting Policies

i. General Principles
The Statement of Accounts summaries the London Borough of Barnet's transactions for the financial year 2011/12 and its position at the year end of 31 March 2012. 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 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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. With regards to interest due but not paid on loans and investments (as at the Balance Sheet date) the council's policy is to add this to the carrying value of the loan or investment and not to debtors or creditors.

iii. Cash and Cash Equivalents
Cash is presented 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 fixed 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 fixed assets 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 when the council is demonstrably committed to the termination of the employment of an officer, or group of officers, or making an offer to encourage voluntary redundancy.

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

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

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 actuarial gains / losses are charged. The cost of providing pensions for employees is funded in accordance with the statutory requirements governing each scheme.

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

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 2011/12 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 payable 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 account. 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 material interests in The Barnet Group Ltd, Your Choice Barnet Ltd and Barnet Homes Ltd. These entities have the nature of subsidiaries and the council is therefore required to prepare group accounts.

The council reviews annually the extent to which other entities (over which the council has a material interest) need to be consolidated into the Group Accounts. In consolidating the accounts, all transactions and balances between the council and its subsidiaries are eliminated in full.

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 or deficit on the Provision of Services 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.

<u>The Council as Lessee</u>

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 (ie 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 fixed 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 (eg 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 2011/12* (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 £50,000 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, libraries, 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.

<u>Impairment</u>
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.

<u>Depreciation</u>
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 01 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 fixed 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 (eg 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 or 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 Finance Officer. 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, 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 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 Income on behalf of the major preceptors 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.
From 2011/12 Local Authorities are required to show Business Rate Supplements (BRS) transactions on the face of the Collection Fund, this is in line with changes in the 2011/12 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 2009/10 MRP Policy Statement agreed by Council on 03 March 2009 and CLG Guidance on MRP. The Council's Policy is to:

- Continue to charge 4% on capital expenditure incurred before 1st April 2008 and on future supported capital expenditure (Option 1 of Government guidance)
- Capital expenditure incurred on or after 01 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 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	50
PFI street lights	25
Vehicles, Plant & Equipment	20
Intangibles	5
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 2010.
- 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 2011/12.

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 its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie 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 adoption of amendments to IFRS 7 *Financial Instruments: Disclosures* (issued October 2010) by the Code of Practice on Local Authority Accounting will require a change of accounting policy from 01 April 2012. The amendments will assist the users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the authority's financial position. It is likely that this standard will not have a material impact on the financial statements of local authorities.

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 is deemed to have a subsidy relationship with Barnet Homes, Barnet Group and Your Choice Barnet by being able to control the entities through the power to govern their financial and operating policies so as to obtain benefits from the entities activities. Further details can be found in the Group Accounts.
- The council has deposits in two Icelandic banks which are in administration. 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 updated in May 2012.

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 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. During 2011/12, the council's actuaries advised that the net pensions liability had increased by £105,918.

5. Material Items of Income and Expenditure

In 2011/12 the council made a payment of £102.580m to the Secretary of State in preparation for the commencement of self-financing of the Housing Revenue Account (HRA) from 01 April 2012 as required by the Settlement Payments Determination 2012. This expenditure falls within the Housing Services category of the Comprehensive Income and Expenditure Statement, but due to its material nature it is disclosed as a separate line on the face of the statement.

6. Events After the Balance Sheet Date

There are currently no post balance sheet events to report on.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

	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 at 31 March 2011		**30,509**	**40,513**	**4,230**	**21,541**	**10,256**	**25,582**	**132,631**	**806,684**	**939,315**
Movement in reserves during 2010/11										
Surplus / (Deficit) on provision of services		(188,965)	-	-	-	-	-	(188,965)	-	(188,965)
Other Comprehensive Expenditure and Income		-	-	-	60	68	-	128	(131,046)	(130,918)
Total Comprehensive Income and Expenditure		**(188,965)**	**-**	**-**	**60**	**68**	**-**	**(188,837)**	**(131,046)**	**(319,883)**
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		45,133	-	-	-	-	-	45,133	(45,133)	-
Revaluation losses on Property Plant and Equipment (charged to SDPS)		(7,792)	-	-	-	-	-	(7,792)	7,792	-
Movements in the Market value of Investment Properties		3,600	-	-	-	-	-	3,600	(3,600)	-
Amortisation of Intangible assets		2,018	-	-	-	-	-	2,018	(2,018)	-
Capital Grants and contributions applied		(30,025)	-	-	-	-	-	(30,025)	30,025	-
Revenue Expenditure Funded From Capital Under Statute		13,910	-	-	-	-	-	13,910	(13,910)	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES		101,991	-	-	-	-	-	101,991	(101,991)	-
Settlement to Government for HRA self-financing		102,580	-	-	-	-	-	102,580	(102,580)	-
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement										
Statutory provision for the financing of capital investment		(7,036)	-	-	-	-	-	(7,036)	7,036	-
Capital expenditure charged against the General Fund and HRA balances		(914)	-	-	-	-	-	(914)	914	-
Adjustments involving the Capital Grants Unapplied Account:										
Capital Grants and contributions unapplied credited to CIES		(3,238)	-	-	-	-	3,238	-	-	-
Adjustments involving the Capital Receipts Reserve:										
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES		170	-	-	2,972	-	-	3,142	(3,142)	-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	-	-	(5,505)	-	-	(5,505)	5,505	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		1,329	-	-	(1,329)	-	-	-	-	-
Adjustments involving the Major Repairs Reserve:										
Reversal of Major Repairs Allowance credited to the HRA		9,901	-	-	-	(9,901)	-	-	-	-
Use of the Major Repairs reserve to finance new capital expenditure		-	-	-	115	3,836	-	3,951	(3,951)	-
Adjustments involving the Financial Instruments Adjustment Account:										
Amount by which finance costs charged to the CIES are different from finance coasts chargeable in the year in accordance with statutory requirements		9	-	-	-	-	-	9	(9)	-
Adjustments involving the Pension Reserve:										
Reversal of items relating to retirement benefits debited or credited to the comprehensive Income and Expenditure Statement		16,210	-	-	-	-	-	16,210	(16,210)	-
Employer's pensions contributions and direct payments to pensioners payable in the year		(25,144)	-	-	-	-	-	(25,144)	25,144	-
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		(3,506)	-	-	-	-	-	(3,506)	3,506	-
Adjustment involving the Accumulated Absences Account:										
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1,702)	-	-	-	-	-	(1,702)	1,702	-
HRA balance		(3,576)		3,576						
Adjustments between accounting basis & funding basis under regulations		213,918	-	3,576	(3,747)	(6,065)	3,238	210,920	(210,920)	-
Net Increase / Decrease before Transfers to Earmarked Reserves		**24,953**	**-**	**3,576**	**(3,687)**	**(5,997)**	**3,238**	**22,083**	**(341,966)**	**(319,883)**
Transfer to / from Earmarked Reserves		(24,592)	24,592	-	-	-	-	-	-	-
Increase / Decrease in Year		**361**	**24,592**	**3,576**	**(3,687)**	**(5,997)**	**3,238**	**22,083**	**(341,966)**	**(319,883)**
Balance at 31 March 2012 carried forward		**30,870**	**65,105**	**7,806**	**17,854**	**4,259**	**28,820**	**154,714**	**464,718**	**619,432**

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 01 April 2011 £'000	In year related expenditure £'000	Written back in year £'000	New reserves raised £'000	Reserve c/fwd 31 March 12 £'000
Central - Capital (i)	-	-	-	1,000	1,000
Central - Financing (ii)	-	(302)	-	3,138	2,836
Central - Infrastructure (iii)	-	-	-	1,518	1,518
Central - Risk (iv)	13,220	(526)	-	4,406	17,100
Central - Service Development	-	-	-	5,100	5,100
Central - Transformation (vi)	9,396	(4,398)	-	10,000	14,998
Service - DSG (vii)	2,350	(2,350)	-	2,109	2,109
Service - Housing Benefits	4,568	(660)	-	241	4,149
Service - NLSR	1,440	(193)	-	2,020	3,267
Service - Other	5,562	(3,652)	(359)	5,732	7,283
Service - PFI (viii)	3,568	(333)	-	-	3,235
Service - Street Lighting	-	-	-	2,101	2,101
Sub Total	40,104	(12,414)	(359)	37,365	64,696
Special Parking Account	409	-	-	-	409
Total	40,513	(12,414)	(359)	37,365	65,105

i) Capital - receipts not yet applied to capital expenditure
ii) Financing - to enable 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 projects to support 18-24 year olds
vi) Transformation – to fund the transformation programme to change, protect and improve council services
vii) Dedicated Schools Grant (DSG) - balances in respect of delegated school budgets
viii) PFI - to manage the profile of grants and payments in respect of PFI projects

9. Other Operating Expenditure

	2011/12 £'000	2010/11 £'000
Precepts and levies	1,499	1,487
Trading operations	1,209	1,458
Contribution to government housing pool	1,329	1,646
(Gain) / loss on disposal *	102,163	59,138
Total	**106,200**	**63,729**

*£102.052m relates to a loss on disposal from 7schools transferring to Academy status in 2011/12.

10. Financing and Investment Income and Expenditure

	2011/12 £'000	2010/11 £'000
Interest and Investment Income	(3,879)	(842)
Pension interest costs and expected return on pension assets	7,897	13,908
Interest payable and similar charges	5,260	7,168
Movement in investment property valuation	3,600	4,703
Previous impairment reversed by an upward valuation	(7,792)	(10,380)
Other	-	(475)
Total	5,086	14,082

11. Taxation and Non-Specific Grant Income

	2011/12 £'000	2010/11 £'000
Demand on Collection Fund	158,973	155,832
Non-domestic rates redistribution	76,010	81,635
Revenue grant support	23,495	12,921
Area based grant	-	20,492
Non-specific grants	35,837	-
Capital grants unapplied	3,238	(1,807)
Capital grants applied	30,025	43,094
Total	327,578	312,167

12. Movement of Property, Plant and Equipment, Investment Properties, Intangible Assets and Assets Held for Sale 2011/12

	Property, Plant and Equipment												
	Council House Dwellings £'000	Other land and Buildings £'000	Vehicles Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus assets £'000	Assets under construction £'000	**Total PPE £'000**	Heritage Assets £'000	Investment Properties £'000	Intangible assets £'000	Assets Held for Sale £'000	**Total Assets £'000**
Value of assets at 31 March 2011	821,507	610,745	38,642	134,785	2,408	26,296	30,945	**1,665,328**	1,075	69,517	5,103	3,986	**1,745,009**
Reclassifications	-	(9,001)	-	-	(171)	(18,192)	-	**(27,364)**	-	6,139	-	21,225	**-**
Additions from AUC	-	15,515	4,426	8,125	-	-	(30,386)	**(2,320)**	-	-	2,320	-	**-**
Additions	21,264	1	-	356	-	-	22,731	**44,352**	-	-	(100)	-	**44,252**
Revaluation increases recognised in the Revaluation Reserve	260	18,203	-	-	4	4,960	-	**23,427**	16	-	-	3,980	**27,423**
Revaluation decreases recognised in the Revaluation Reserve	-	(41,803)	-	-	(83)	(4,791)	-	**(46,677)**	-	-	-	-	**(46,677)**
Revaluation increases recognised in the Surplus/Deficit on the Provision of Service	-	-	-	-	-	-	-	**-**	-	5,773	-	-	**5,773**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	**-**	-	(141)	-	-	**(141)**
Derecognition - Disposals	(1,619)	(111,178)	-	-	-	(612)	-	**(113,409)**	-	(425)	-	(515)	**(114,349)**
Derecognition - Other	-	(13,404)	(21)	-	-	-	-	**(13,425)**	-	(300)	-	-	**(13,725)**
Other	-	-	-	-	-	-	-	**-**	-	-	-	-	**-**
Value of assets at 31 March 2012	841,412	469,078	43,047	143,266	2,158	7,661	23,290	**1,529,912**	1,091	80,563	7,323	28,676	**1,647,565**
Accumulated Depreciation at 31 March 2011	(284,979)	(65,615)	(25,443)	(47,531)	(8)	(259)	-	**(423,835)**	(42)	(5,344)	(1,951)	(946)	**(432,118)**
Reclassifications	-	1,609	-	-	-	57	-	**1,666**	-	(1,024)	-	(642)	**-**
Writeback of depreciation on revaluation	6,972	3,201	-	-	-	-	-	**10,173**	8	659	-	-	**10,840**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	(14,185)	-	-	(1,052)	-	-	**(15,237)**	-	(9,824)	-	(14)	**(25,075)**
Derecognition - Disposals	-	9,051	-	-	-	47	-	**9,098**	-	60	-	-	**9,158**
Derecognition - Other	-	13,404	21	-	-	-	-	**13,425**	-	-	-	-	**13,425**
Depreciation charge	(18,748)	(15,526)	(4,825)	(9,365)	-	(16)	-	**(48,480)**	-	-	(2,019)	-	**(50,499)**
Accumulated Depreciation at 31 March 2012	(296,755)	(68,061)	(30,247)	(56,896)	(1,060)	(171)	-	**(453,190)**	(34)	(15,473)	(3,970)	(1,602)	**(474,269)**
Net book value of Asset at 31 March 2011	**536,528**	**545,130**	**13,199**	**87,254**	**2,400**	**26,037**	**30,945**	**1,241,493**	**1,033**	**64,173**	**3,152**	**3,040**	**1,312,891**
Net book value of Asset at 31 March 2012	**544,657**	**401,017**	**12,800**	**86,370**	**1,098**	**7,490**	**23,290**	**1,076,722**	**1,057**	**65,090**	**3,353**	**27,074**	**1,173,296**

The council's Valuation Manager, Judith Ellis MRICS, values the authority's freehold property portfolio in accordance with the statements of asset valuation practice and the guidance notes of the Royal 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 2012. The valuation date for all other assets was 01 April 2011. This date was used as directed by the RICS, to allow sufficient time to collect and assess valuation information.

13. Heritage Assets

A reconciliation of the carrying value of heritage assets held by the council is shown below:

	Property Assets £'000	Mayoral Regalia £'000	TOTAL £'000
Cost or Valuation			
01 April 2010	775	258	1,033
Movements in Year	-	-	-
31 March 2011	775	258	1,033
01 April 2011	775	258	1,033
Revaluations	24	-	24
Other Movements in Year	-	-	-
31 March 2012	799	258	1,057

A narrative description of the heritage assets including details of valuation methods can be found in note 53 to the accounts on page xx.

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:

	2011/12 £'000	2010/11 £'000
Rental income from investment property	(2,394)	(2,046)
Direct operating expenses arising from investment property	-	16
Net (gain) / loss	(2,394)	(2,030)

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 Instruments - Classifications

The accounting standards in respect of financial instruments were incorporated into the Local Authority SORP in 2007. The 2011/12 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 a financial instrument is: *'Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity'.*

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing, service concession arrangements (PFI and finance leases), and investment transactions are also classified as 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 2011/12 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.

At the end of 2011/12 the council took on new debt of £102.58million to "buy itself" out of the HRA Subsidy System.

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 2012 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 in 2011/12.*

Financial Instruments - Balances

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

	Long Term 31 March 2012 £000	Long Term 31 March 2011 £000	Current 31 March 2012 £000	Current 31 March 2011 £000
Borrowing *	300,943	198,380	5,001	6,136
Trade Creditors	-	-	99,659	109,629
Bank Overdraft	-	-	23,877	52,599
PFI/Finance Lease Liabilities	17,671	18,244	611	634
Total Financial Liabilities	**318,614**	**216,624**	**129,148**	**168,998**
Loans and Receivables	12,908	26,384	230,051	154,349
Total Financial Assets	**12,908**	**26,384**	**230,051**	**154,349**

Includes £102.580m for HRA self- financing borrowed on 28 March 2012.

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

	Long Term 31 March 2012 £'000	Long Term 31 March 2011 £'000	Current 31 March 2012 £'000	Current 31 March 2011 £'000
Borrowing:				
Nominal Amount	299,080	196,500	5,000	6,000
Accrued Interest	1,265	1,291	1	135
Unamortised Discounts/(Premiums)on Modified Loan(s)	598	589	-	1
Total Borrowings as per Balance Sheet	300,943	198,380	5,001	6,136
Investments:				
Nominal Amount	11,437	24,442	148,700	107,950
Accrued Interest	-	-	146	155
Total Investments as per Balance Sheet	**11,437**	**24,442**	**148,846**	**108,105**

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 2011/12.

Soft Loans – Balances

Where loans are advanced at below market rates they are classed as 'Soft Loans'. The 2011/12 Code of Practice sets out specific accounting and disclosure requirements for soft loans. The Council does not have any soft loan.

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	Financial Assets		
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	2011/12 Total
	£'000	£'000	£'000	£'000
Interest expense	-	-	-	-
Losses on de-recognition				
Impairment losses				
Interest payable and similar charges	8,136	**-**	**-**	**8,136**
Interest Income	-	-	(1,245)	**(1,245)**
Interest and investment income	**-**	**-**	**-**	**-**
Gains on revaluation Losses on revaluation	-	-	-	-
Amounts recycled to I&E Account after impairment				
Surplus arising on revaluation of financial assets	-	-	-	-
Net gain/(loss) for the year	**8,136**	-	(1,245)	**6,891**

Financial Instruments - Fair Values

For each class of financial assets and financial liabilities, an authority 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, available for sale, and fair value through profit and loss investments. Loans and receivables are carried on the Balance Sheet at amortised cost, whereas the other two categories of investment are carried at fair value. The portion of debt and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under short term liabilities or short term investments. This also includes accrued interest for long term investments and borrowings, as well as accrued interest for cash and cash equivalents.

The 2011/12 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 2011 and 31 March 2012 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 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 authority deems the carrying amount to be a reasonable approximation of the fair value.

Carrying Amount 31 March 2012 £'000	Fair Value 31 March 2012 £'000		Carrying Amount 31 March 2011 £'000	Fair Value 31 March 2011 £'000
		Financial Liabilities:		
5,001	6,447	Short Term Borrowing	6,136	6,571
300,943	337,211	Long Term Borrowing	198,380	195,045
10,301	10,301	Deferred Liabilities	11,739	11,739
99,659	99,659	Trade Payables (Creditors)	107,295	107,295
415,904	**453,618**	**Total Financial Liabilities**	**323,550**	**320,650**
		Financial Assets		
11,437	11,437	Long Term Investments	24,442	24,442
148,846	148,846	Short Term Investments	108,757	108,757
81,205	81,205	Trade Receivables (Debtors)	83,867	83,867
241,488	**241,488**	**Total Financial Assets**	**217,066**	**217,066**

Financial Liabilities

The fair value of long-term liabilities is higher than the carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is lower 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 £11.4m represents the outstanding investment in Icelandic banks.

In May 2012 CIPFA's Local Authority Accounting Panel issued revised guidance on the level of impairment to be recognised on the 2011/12 accounts by local authorities who had deposits with Icelandic banks. The value of the impairment of the Icelandic investments that had previously been recognised in the accounts was £5.969m. In the 2011/12 Accounts this impairment has been reduced by £2.825m to £3.144m. The value of the impairment has reduced in 2011/12 compared to previous years due to payments received by local authorities during 2011/12 and payments expected to be received in the future, as projected by CIPFA's impairment calculator.

17. Inventories

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

	31 March 2012 £'000	31 March 2011 £'000
Works in progress	7	7
Stock	539	567
Total	546	574

18. Construction Contracts

At 31 March 2012 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. The amounts received from the DfE at 31 March 2012 are as follows:

	Department of Education £'000
Costs incurred to date	415
Revenue recognised:	
- before 01 April 2011	(3)
- before 01 April 2012	(412)
Profit / (loss)	-
Advances received	(365)
Total	(365)
Comprising:	
- works to be carried out	365

19. Debtors

An analysis of the council's debtors as at 31 March 2012 is as follows:

Debtors	31 March 2012 £'000	31 March 2011 £'000
Other local authorities	2,054	2,178
Government departments	8,222	14,018
Taxpayers	19,860	17,456
Tenants (including temporary accommodation)	10,145	12,012
Other public bodies	584	984
Payment in advance	3,096	34,384
Utilities	32	-
Sundry	28,867	31,694
Sub total	72,860	112,726
Less: provision for bad debts	(20,940)	(18,344)
Net debtor total	51,920	94,382

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 have different characteristics as to the debtors' propensity to pay all amounts due. An assessment of impairment of debtors of each sub group was undertaken at the balance sheet date based primarily on historical loss experience but adjusted to reflect current economical climate and the council's improved debt management. There are currently no debts past due which are not impaired.

Total estimated impairment of debt came to £20.940m and the level of debtors carried on the balance sheet as a current asset was reduced from £72.860m by this amount to £51.920m, as the latter figure represents the amount of total debt that is deemed to be reasonably recoverable.

20. Cash and Cash Equivalents

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

	31 March 2012	31 March 2011
	£'000	£'000
Cash	32,381	25,769
Short term deposits	91,765	70,482
Overdraft	(23,877)	(52,599)
Total cash & cash equivalents	100,269	43,652

21. 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).

22. Creditors

An analysis of the council's creditors as at 31 March 2012 is as follows:

	31 March 2012	31 March 2011
Creditors	£000	£000
Other local authorities	13,979	16,113
Government departments	6,381	4,136
Taxpayers	3,378	3,778
Other public bodies	6,516	931
Utilities	1,494	1,351
Accumulated Absences	6,531	8,233
Sundry	54,547	52,905
Receipts in advance	7,444	12,092
Creditor total	100,270	99,539

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 income and expenditure account and are split between current and long term on the balance sheet.

	Note	01 April 2011	In year related payments	Written back in year	New Provisions raised	31 March 2012
		£000	£000	£000	£000	£000
Carbon Reduction Commitment	i	-	-	-	387	387
Central Expenses		1,609	(1,205)	(404)	-	-
Grants to Voluntary Sector	ii	137	(110)	(4)	81	104
Housing & Property	iii	1,473	(1,234)	(50)	512	701
Insurance	iv	8,068	-	-	500	8,568
Legal	v	35	-	(25)	220	230
Services Provision Related	vi	261	(239)	(22)	311	311
Total		11,583	(2,788)	(505)	2,011	10,301

i) Carbon Reduction Commitment - The provision relates to covering the costs for 2011/12 Carbon Reduction Scheme.

ii) Grants to Voluntary Sector - Awards, or proportions of awards, to voluntary and community groups from the corporate grants budget in 2010/11 and 2011/12 remain outstanding pending compliance with special conditions in each case.

iii) Housing & Property - Relates predominately to NNDR bills with regards to part of the ground floor at North London Business Park, the bills are higher than had been expected 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 ongoing legal case.

vi) Service Provision - The majority relates to Hospital Recoupment for 2011/12, which cannot be claimed until 2012/13 as the calculation cannot occur until the accounts are closed.

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:

	Note	Revaluation Reserve	Capital Adjustment Account	Available for Sale Financial Instrument	Financial Instruments Adjustment	Collection Fund Adjustment account	Pension Reserve	Accumulating Compensated Absences	Deferred Capital Receipts	Total Unusable Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2010 *		**183,938**	**860,518**	**-**	**(1,349)**	**7,721**	**(236,484)**	**(8,233)**	**573**	**806,684**
Movement in reserves during 2010/11										
Surplus / (Deficit) on provision of services		-	-	-	-	-	-	-	-	-
Other Comprehensive Expenditure and Income		(16,536)	-	-	342	-	(114,852)	-	-	(131,046)
Total Comprehensive Income and Expenditure		**(16,536)**	**-**	**-**	**342**	**-**	**(114,852)**	**-**	**-**	**(131,046)**
Adjustments between accounting basis & funding basis under regulations		(23,154)	(201,784)	-	(9)	3,506	8,934	1,702	(115)	(210,920)
Net Increase / Decrease before Transfers to Earmarked Reserves		**(39,690)**	**(201,784)**	**-**	**333**	**3,506**	**(105,918)**	**1,702**	**(115)**	**(341,966)**
Transfer to / from Earmarked Reserves		-	-	-	-	-	-	-	-	-
Increase / Decrease in Year		**(39,690)**	**(201,784)**	**-**	**333**	**3,506**	**(105,918)**	**1,702**	**(115)**	**(341,966)**
Balance at 31 March 2011 carried forward		**144,248**	**658,734**	**-**	**(1,016)**	**11,227**	**(342,402)**	**(6,531)**	**458**	**464,718**

* Restated

<u>Revaluation Reserve</u>

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.

<u>Capital Adjustment Account</u>

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 penalty, or premium is to be written down to revenue over a number of financial years equal to the unexpired term of the original loan instrument.

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 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 income in the comprehensive income and expenditure statement as it falls due from council tax 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 balances is neutralised by transfers to or from the account.

26. Operating Activities

The cash flows for operating activities include the following items:

	2011/12 £'000	2010/11 £'000
Net (Surplus) or Deficit on the provision of services	188,965	279,242
Adjustments to net surplus or deficit on the provision of services for non cash movements	(189,326)	(282,073)
Cash outflows		
Interest paid	2,871	5,074
Interest element of finance lease rental payment	2,589	2,036
HRA Self-financing	102,580	-
Cash inflows		
Interest received	(4,331)	(3,558)
Management of liquid resources	3,093	2,148
Housing revenue account	(3,576)	(87)
MRP & other capital related adjustments	(16,522)	(24,847)
Other revenue adjustments	668	3,359
Contributions to/(from) reserves and provisions	(23,310)	(3,434)
Items that appear elsewhere in the cash flow statement	(1,381)	(6,325)
Working capital		
(Increase)/decrease in creditors	5,094	52,980
Increase/(decrease) in payments in advance	(31,288)	30,238
Increase/(decrease) in stock and work in progress	(28)	195
Increase/(decrease) in debtors	(11,645)	5,921
	24,453	60,869

27. Investing Activities

	2011/12 £'000	2010/11 £'000
Capital activities		
Cash outflows		
Purchase of fixed assets	45,281	86,380
Cash inflows		
Sale of fixed assets	(2,971)	(16,000)
Capital grants received	(24,927)	(37,784)
Other capital cash receipts	(5,576)	(2,698)
	11,807	29,898

28. Financing Activities

	2011/12 £'000	2010/11 £'000
Net increase / (decrease) in short term deposits	19,458	37,623
Net increase / (decrease) of long term investments	(13,005)	-
Capital element of finance lease rental payment	1,525	1,729
(Receipt) / Repayment long term lease	573	-
(Receipt) / Repayment short term loans	1,135	6,103
(Receipt) / Repayment long term loans	(102,563)	6,021
	(92,877)	51,476

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 pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to directorates.

Description	Revised Budget £'000	Final Outturn 2011/12 £'000	Final Outturn Variation £'000
Adult Social Care	98,897	98,896	(1)
Central Expenses	59,345	59,345	-
Chief Executive	11,047	10,819	(228)
Childrens Services (incl. DSG)	54,595	54,512	(83)
Commercial Services	15,958	15,851	(107)
Corporate Governance	5,873	5,678	(195)
Deputy Chief Executive	13,096	12,987	(109)
Environment, Planning & Regeneration	25,514	25,601	87
2011/12 General Fund Outturn	**284,325**	**283,689**	**(636)**
Housing Revenue Account	4	-	(4)
Total 2011/12 Outturn	**284,329**	**283,689**	**(640)**
Non Specific Grant	(99,505)	(99,505)	-
Aggregate External Finance	(35,905)	(35,837)	68
Collection Fund Surplus	-	-	-
Council Tax (Collection Fund Transfers	(155,466)	(155,466)	-
Reserves	6,547	7,119	572
Use of Balances	-	-	-
General Fund Balances as at 01/04/11	**(15,780)**	**(15,780)**	-
General Fund Balances as at 31/03/12	**(15,780)**	**(15,780)**	-

Balances held by Schools under delegated schemes	**As at 31/03/2011 £'000**	**As at 31/03/2012 £'000**	**Increase/ (Decrease) £'000**
Nursery	540	474	(66)
Primary	8,674	10,793	2,119
Secondary	5,121	3,375	(1,746)
Special	609	891	282
Total	**14,944**	**15,533**	**589**
Less outstanding General Fund advances to Schools	(216)	(444)	(228)
Net Position	**14,728**	**15,089**	**361**

Reconciliation of Outturn Report to deficit of provision of services in the Comprehensive Income and Expenditure Statement can be seen in Note 7 of the Core Statements.

30. Acquired and Discontinued Operations

No operations have been acquired or discontinued in 2011/12.

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 authority and the accounts of those undertakings are shown below.

	2011/12				2010/11
	Income	Internal recharges	Expenditure	Trading (surplus)/ deficit	Trading (surplus)/ deficit
	£000	£000	£000	£000	£000
Catering	(6,424)	1,099	6,260	935	688
Transport	(319)	(7,540)	8,133	274	760
Other	(269)	(709)	978	-	10
Total	(7,012)	(7,150)	15,371	1,209	1,458

32. Agency Services

No agency services were provided by the Council in 2011/12.

33. Schemes under the Transport Act

No road charging schemes or workplace charge levies were operational within the council in 2011/12.

34. Pooled Budgets

The Authority has two pooled budget arrangement for the provision of community equipment services and learning disability services to meet the needs of people living in the London Borough of Barnet, the services being provided by the Authority or the NHS depending upon the mix required by clients. The Authority and the NHS have an agreement in place for funding these services, with the partners contributing funds to the agreed budget. The agreement details the proportions used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

	2011/12			2010/11		
	Total	Barnet	NHS Barnet	Total	Barnet	NHS Barnet
	£'000	£'000	£'000	£'000	£'000	£'000
Equipment, servicing and repairs	1,362	741	621	1,387	860	527
Contract management (including delivery, collection and storage)	732	475	257	709	457	252
	2,094	1,216	878	2,096	1,317	779

Section 75 agreement in respect of Learning Disabilities Services

	2011/12		
	Total	Barnet	NHS Barnet
	£'000	£'000	£'000
Social Work Team (Staff & Non-staff budget)	410	161	249
Head of Service contribution	54	27	27
Transition Team (Staff & non-staff budget)	34	34	-
Accommodation & IT support	121	-	121
	619	222	397

* The S75 agreement in respect of Learning Disabilities Services began in February 2012, therefore there are no prior year comparatives and the figures shown above are for the 2 months the agreement was in place and do not represent the full year arrangement.

35. Members' Allowances

The total expenses and allowances paid to members in financial year 2011/12 was £1.116m (£1.154m in 2010/11).

	2011/12	2010/11
	£'000	£'000
Member Allowances	1,087	1,107
Member Expenses	29	47
Total	1,116	1,154

36. Officers' Remuneration

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

Remuneration band	2011/12 Total - Number of Employees	2010/11 Total - Number of Employees
£50,000 - £54,999	181	195
£55,000 - £59,999	94	123
£60,000 - £64,999	54	61
£65,000 - £69,999	61	66
£70,000 - £74,999	43	40
£75,000 - £79,999	13	20
£80,000 - £84,999	7	11
£85,000 - £89,999	8	16
£90,000 - £94,999	14	10
£95,000 - £99,999	6	10
£100,000 - £104,999	1	5
£105,000 - £109,999	2	3
£110,000 - £114,999	1	3
£115,000 - £119,999	1	2
£120,000 - £124,999	2	3
£125,000 - £129,999	-	2
£130,000 - £134,999	4	3
£135,000 - £139,999	-	3
£140,000 - £144,999	-	-
£145,000 - £149,999	1	2
£150,000 ≥	5	9
	498	**587**

The following table sets out the remuneration disclosures for Senior Officers whose salary is equal to or more than £150,000

Post Title and Name	Note	Salary (including fees & allowances)	Expenses allowances	Compensation for loss of office	Total Remuneration excluding pension contributions 2011/12	Pension Contributions	Total Remuneration including pension contributions 2011/12
		£	£	£	£	£	£
Chief Executive - Mr N Walkley		200,976	-	-	200,976	49,842	250,818
Director of Children's Services - Mr R McCulloch-Graham		165,504	-	-	165,504	41,045	206,549
Deputy Chief Executive and Chief Financial Officer - Mr A Travers	iii	192,500	-	-	192,500	-	192,500
		558,980	-	-	558,980	90,887	649,867

Senior Oficers - salary is £150,000 or more per year - 2010/11

Post Title and Name	Note	Salary (including fees & allowances)	Expenses allowances	Compensation for loss of office	Total Remuneration excluding pension contributions 2010/11	Pension Contributions	Total Remuneration including pension contributions 2010/11
		£	£	£	£	£	£
Chief Executive - Mr N Walkley		200,976	-	-	200,976	49,842	250,818
Executive Director for Environment & Development - Mr B Reynolds	i	86,922	-	280,485	367,407	21,541	388,948
Director of Children's Services - Mr R McCulloch-Graham		165,504	-	-	165,504	41,045	206,549
Acting Director of Health Integration - Ms I Findlay	ii	165,504	-	106,685	272,189	41,045	313,234
Deputy Chief Executive and Chief Financial Officer - Mr A Travers*	iii	205,000	-	-	205,000	-	205,000
		823,906	-	387,170	1,211,076	153,473	1,364,549

i) Mr Brian Reynolds was an employee at Barnet until 17 September 2010. His annualised salary was £187,239 for 2010/11

ii) Ms Irene Findlay was the Director of Adult Social Services from 01 April 2010 to 26th May 2010. She was then appointed to Acting Director of Health Integration until 31 March 2011.

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

*Restated

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year. The disclosure shows Directors, Assistant Directors and Heads of Service reporting to Directors in 2011/12.

Post Title	Note	Salary (including fees & allowances)	Expenses allowances	Compensation for loss of office	Total Remuneration excluding pension contributions 2011/12	Pension Contributions	Total Remuneration including pension contributions 2011/12
		£	£	£	£	£	£
Director of Planning Housing & Regeneration	i	29,773	-	167,018	196,791	7,384	204,175
Assistant Director - Legal	i	102,039	66	61,295	163,400	25,306	188,706
Director of Adult Social Care & Health		145,966	-	-	145,966	36,271	182,237
Interim Director Environment Planning & Regeneration		132,480	-	-	132,480	32,855	165,335
Director of Commercial Services		132,480	-	-	132,480	32,855	165,335
Director of Corporate Governance		132,480	-	-	132,480	32,855	165,335
Deputy Director of Adult Social Services	i	28,104	-	123,474	151,578	6,970	158,548
Head of Revenues and Benefits	i	71,889	-	59,491	131,380	17,810	149,190
Deputy Director - Children's Services		116,069	-	-	116,069	28,768	144,837
Assistant Director Strategic Finance		104,534	-	-	104,534	25,924	130,458
Assistant Director Human Resources	ii	121,325	-	-	121,325	-	121,325
Assistant Director Social Care	i	15,203	-	95,030	110,233	3,770	114,003
Assistant Director Schools and Learning		91,287	135	-	91,422	22,529	113,951
Assistant Director Transformation & Resources		91,215	-	-	91,215	22,621	113,836
Assistant Director Strategy & Regeneration		91,215	-	-	91,215	22,621	113,836
Assistant Director Operations		91,215	-	-	91,215	22,621	113,836
Assistant Director - Financial Services		90,648	-	-	90,648	22,481	113,129
Assistant Director Planning & Building Control		88,986	-	-	88,986	22,068	111,054
Assistant Director Policy, Planning & Performance		88,986	-	-	88,986	22,068	111,054
Assistant Director Communication	ii	108,108	-	-	108,108	-	108,108
Assistant Director Audit & Risk		86,760	-	-	86,760	21,516	108,276
Assistant Director - Highways		85,940	-	-	85,940	21,313	107,253
Assistant Chief Executive	i&ii	104,400	-	-	104,400	-	104,400
Head of Governance & Service Development	i	12,373	-	85,767	98,140	3,068	101,208
Assistant Director Assurance	i&ii	100,200	-	-	100,200	-	100,200
Assistant Director Strategy & Policy	i&ii	97,812	-	-	97,812	-	97,812
Assistant Director Commercial Services Transformation		77,888	-	-	77,888	18,035	95,923
Assistant Director Social Care	i	76,258	-	-	76,258	18,912	95,170
NS&CSO Service Lead		74,210	-	-	74,210	18,404	92,614
Head of Corporate Anti Fraud Team		66,903	-	-	66,903	16,592	83,495
Deputy Director Adult Social Services	i&ii	81,449	-	-	81,449	-	81,449
Assistant Director Planning & Building Control		64,768	-	-	64,768	15,855	80,623
Head of Information Systems		61,073	-	-	61,073	15,160	76,233
Assistant Director Regulation & Community Safety		54,150	19	-	54,169	13,429	67,598
Assistant Director Estates	i&ii	55,334	-	-	55,334	-	55,334
Head of Information Systems	i	8,589	-	43,548	52,137	2,130	54,267
Assistant Director Estates	i&ii	54,000	-	-	54,000	-	54,000
Assistant Director Planning & Partnerships	ii	53,066	-	-	53,066	-	53,066
Head of Corporate Anti Fraud Team	i	39,690	-	-	39,690	8,920	48,610
Deputy Director of Adult Social Services	i	37,134	-	-	37,134	9,209	46,343
Assistant Director Housing & Environmental Health	i	32,069	-	-	32,069	7,814	39,883
Assistant Director Housing & Environmental Health	i	31,880	-	-	31,880	7,755	39,635
Assistant Director Customer Services (Libraries & Revenue)	i&ii	29,000	-	-	29,000	-	29,000
Head of Housing	i&ii	31,250	-	-	31,250	-	31,250
Assistant Director Assurance	i&ii	13,500	-	-	13,500	-	13,500
Interim Transactions Manager	i&ii	9,825	-	-	9,825	-	9,825
Head of Govenance		72,048	-	-	72,048	17,868	89,916
Head of Corporate Programmes		55,332	97	-	55,429	13,722	69,151
Emergency Planning Manager		55,009	-	-	55,009	13,113	68,122
		3,495,912	**317**	**635,623**	**4,131,852**	**650,592**	**4,782,444**

i) These personnel were not in post for the full financial year
ii) This figure represents the fee paid in respect of interim appointments

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year. The disclosure shows Directors, Assistant Directors and Heads of Service reporting to Directors in 2010/11.

Post Title	Note	Salary (Including fees & allowances)	Expenses Allowances	Compensation for Loss of Office	Total Remuneration excluding pension contributions 2010/11	Pension Contributions	Total Remuneration including pension contributions 2010/11
		£	£	£	£	£	£
Director of Environment and Transport	i	67,480	209	143,832	211,521	16,685	228,206
Assistant Director of Building Control & Structures		95,389	-	96,692	192,081	23,268	215,349
Assistant Director Inclusion	i	65,201	-	103,955	169,156	15,952	185,108
Principle Inspector - Challenge Intervention	i	69,459	-	95,661	165,120	16,190	181,310
Director of Planning Housing & Regeneration		139,200	-	-	139,200	34,522	173,722
Director of Adult Social Care & Health		138,964	-	-	138,964	34,463	173,427
Director of Commercial Services		132,480	-	-	132,480	32,855	165,335
Director of Corporate Governance		132,480	-	-	132,480	32,855	165,335
Director of Corporate Services	i	80,000	-	58,923	138,923	22,568	161,491
Director of Environment and Operations		122,014	-	-	122,014	30,259	152,273
Assistant Director Regeneration		93,495	-	20,511	114,006	23,187	137,193
Deputy Director of Adult Social Services		107,907	-	-	107,907	26,761	134,668
Director of Strategy	i	53,586	-	67,793	121,379	13,289	134,668
Assistant Director Human Resources	ii	133,975	-	-	133,975	-	133,975
Assistant Director Customer Services & Libraries		104,673	-	-	104,673	25,959	130,632
Assistant Director - Legal		99,555	-	-	99,555	24,690	124,245
Assistant Director - Corporate Programs & Estates		95,467	-	-	95,467	23,676	119,143
Assistant Director - Social Care		95,091	-	-	95,091	23,483	118,574
Assistant Director Barnet Communications	ii	114,912	-	-	114,912	-	114,912
Assistant Director Environment		90,986	-	-	90,986	22,068	113,054
Assistant Director - Transformation & Resources		89,763	-	-	89,763	22,224	111,987
Assistant Director Planning & Development		86,823	-	-	86,823	21,532	108,355
Assistant Director Strategy		86,823	-	-	86,823	21,532	108,355
Assistant Director Policy, Planning & Performance		86,539	-	-	86,539	21,243	107,782
Acting Assistant Director of Community Safety		85,737	-	-	85,737	20,967	106,704
Acting Assistant Director of Schools and Learning	i	86,186	-	-	86,186	20,515	106,701
Assistant Director Commerical Assurance	i&ii	105,204	-	-	105,204	-	105,204
Head of Revenues and Benefits		82,871	-	-	82,871	20,456	103,327
Assistant Director - Financial Services	i	83,289	-	-	83,289	19,692	102,981
Head of Information Systems		75,749	-	-	75,749	18,786	94,535
Democratic Services Manager		72,048	-	-	72,048	17,868	89,916
Head of Governance & Service Development		72,048	-	-	72,048	17,868	89,916
Head of Business Partnering & Change		70,287	-	-	70,287	17,431	87,718
Regeneration and Transport Manager		68,574	-	-	68,574	17,006	85,580
Head of Corporate Procurement		68,574	-	-	68,574	17,006	85,580
Assistant Director Environment & Operations	i&ii	84,123	-	-	84,123	-	84,123
Head of Performance		66,903	-	-	66,903	16,592	83,495
Acting Corporate Anti Fraud Team Manager		65,277	-	-	65,277	16,189	81,466
Head of Strategic Commissioning		65,277	-	-	65,277	16,189	81,466
Head of Human Resources Service Delivery	i	63,863	-	-	63,863	15,838	79,701
Deputy Director - Children's Services	i	58,000	-	-	58,000	14,384	72,384
Assistant Director Finance Support	i&ii	68,278	-	-	68,278	-	68,278
Assistant Director - Housing & Enviromental Health	i&iii	53,209	277	-	53,486	13,268	66,754
Assistant Director Highways	i&ii	66,163	-	-	66,163	-	66,163
Assistant Director - Shared Services	i	13,827	-	42,675	56,502	3,429	59,931
Assistant Director Strategic Finance	i&ii	58,200	-	-	58,200	-	58,200
Assistant Director Strategic Finance	i	45,808	-	-	45,808	11,360	57,168
Assistant Director Audit & Risk Management	i	39,999	-	-	39,999	9,920	49,919
Assistant Director - Environment & Operations	i	9,058	-	-	9,058	2,246	11,304
		4,010,814	486	630,042	4,641,342	836,271	5,477,613

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) This post is filled on a job share basis.

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

Exit package cost band	2011/12 Exit packages by cost band	2011/12 Total cost of exit packages in each band £'000	2010/11 Exit packages by cost band	2010/11 Total cost of exit packages in each band £'000
£0 - £20,000	67	593	119	958
£20,001 - £40,000	25	710	38	1,099
£40,001 - £60,000	12	613	21	1,016
£60,001 - £80,000	4	251	8	544
£80,001 - £100,000	2	181	2	192
£100,001 - £150,000	1	123	5	575
£150,001 - £200,000	1	167	-	-
Over £200,000	-	-	1	280
Total	**112**	**2,638**	**194**	**4,664**

37. Audit Costs

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

	2011/12 £'000	2010/11 £'000
Fees payable to Grant Thornton UK LLP, the council's appointed external auditors for:		
-external audit service	366	415
-the certification of grant claims and returns	108	85
Fees payable to the Audit Commission in respect of statutory inspection	2	5
Total	476	505

The figures shown above are included in the 2011/12 net cost of services on the income and expenditure account.

38. Dedicated Schools Grant (DSG)

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

Details of the deployment of DSG receivable for 2011/12 is as follows:

	Central Expenditure £'000	ISB £'000	Total £'000
Final DSG for 2011/12			212,026
Brought Forward from 2010/11			2,350
Carry forward to 2012/13 agreed in advance			-
			214,376
	Central Expenditure £'000	**ISB £'000**	**Total £'000**
Agreed budgeted distribution in 2011/12	23,221	191,155	214,376
Actual Central Expenditure	(22,708)	-	(22,708)
Actual ISB Deployed to Schools	-	(189,347)	(189,347)
Local Authority Contribution for 2011/12	-	-	-
Carry forward to 2012/13	513	1,808	2,321

39. 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 in 2011/12:

	2011/12	2010/11
Credited to services	£'000	£'000
Education (excluding DSG)	25,510	59,101
DSG	212,026	207,628
Community Care and Other Social Services	434	2,412
Asylum Seekers	395	751
Other	313	1,787
Total	238,678	271,679

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. The balance at 31 March 2012 is:

	2011/12	2010/11
Capital Grants Unapplied	£'000	£'000
S106	6,818	7,703
Grants and Contributions	22,002	17,879
Total	28,820	25,582

40. 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 39.

Members of the council have direct control over the authority's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in note 35. By virtue of their office, through their residence in the borough and/or as active members of the community, members of the council participate in and are members of a variety of other public bodies and community groups. The council has well established mechanisms and procedures for preventing undue influence. Part of these mechanisms is the disclosure of interests in the register of members' interest. In addition, every year members asked to complete a Declaration of any Related Party Transactions. In financial year 2011/12 several members declared that they had acted as Trustees for local Voluntary Organisations and as School Governors. The Council paid grants totalling £0.782m to voluntary organisations in which nine members had positions on the governing body. The council paid £13.160m to Schools in which eight members had positions on the governing body.

The Council has a pooled budget arrangement details of which are in note 34.

The council has a number of significant transactions with other local authorities and local health authorities. In particular the authority places pupils into neighbouring authorities' schools, the expenditure for which is included within the children's and education services line of the income and expenditure account. In 2011/12 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 2011/12 two officers were also directors for a company where transactions of £0.436m took place.

The Pension Fund accounts are set out in Section 6 of these Statements. In 2011/12 the council's employer's contributions to the Fund were £23.343m. The council's member's contributions to the Fund were £6.173m. The Council charged the Fund £0.842m for administering the Fund.

The council has full control and influence over its subsidiary company, Barnet Homes Ltd. Accordingly, Group Accounts have been prepared under the requirements of IAS 27, accounting for subsidiaries, and are set out in the notes to Section 5 of these statements.

The total of in year transactions payable to Barnet Homes was £50.320m (including capital transactions), and the total of in year receivables was £3.044m.

	31 March 2012 £'000
Amounts owing to Barnet Homes	(512)
Amounts due from Barnet Homes	439
Net Position	(73)

41. 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:

	2011/12 £'000	2010/11 £'000
Adult Social Care & Health	838	1,052
Central Expenses	410	912
Chief Executive Services	990	110
Children's Services	19,942	43,563
Commercial Services	1,193	2,360
Corporate Governance	2	94
Deputy Chief Executive Services	37	314
Environment,Planning and Regeneration *	12,731	18,202
Housing Revenue Account	21,663	17,746
Total	57,806	84,353

* Environment and Operation services reported separately in 2010/11

Sources of Finance:

	Total capital financed in 2011/12 £'000	Total capital financed in 2010/11 £'000
Capital receipts	5,505	9,975
General fund revenue contributions	914	51
HRA revenue contributions/MRA	15,380	5,854
Contributions including S 106 receipts	5,576	2,698
Borrowing	5,982	25,379
Grants	24,449	40,396
Total	57,806	84,353

42. 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 2011/12 the council paid £6.594m in respect of Operating leases and there are commitments in place of £50.687m for future years.

Properties are leased out and in 2011/12 this produced an income of £3.816m with £126.420m contracted for future years.

Years	Vehicles, plant and equipment leased in £'000	Property leased in £'000	Property leased out £'000
2011/12	2,089	4,505	(3,816)
2012/13	899	4,498	(3,550)
2013/14-2015/16	624	11,797	(6,366)
2017 to completion	-	32,869	(116,504)
Total	3,612	53,669	(130,236)

Finance Leases

The Council has acquired vehicles under its Recycling contract as a finance lease.

The assets acquired under this contract are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2012	31 March 2011
	£'000	£'000
Vehicles	310	620
	310	620

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicles acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2012	31 March 2011
	£'000	£'000
Finance Lease liabilities (net present value of minimum lease payments):	-	-
Current	380	380
Non-current	-	380
Finance costs payable in future years	-	(39)
Minimum Lease payments	380	721

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£'000	£'000	£'000	£'000
Not later than one year	380	341	-	341
Later than one year and not later than five years	-	380	-	-
later than five years	-	-	-	-
	380	721	-	341

43. Private Finance Initiatives (PFI) and Similar Contracts

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

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

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

	2011/12	Additions in year	2010/11
PFI Street Lights	£'000	£'000	£'000
Gross book value	24,705	356	24,349
Accumulated depreciation	(2,780)	(1,063)	(1,717)
Net book value	21,925	(707)	22,632

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

	2011/12	Decrease in year	2010/11
Liabilities	£'000	£'000	£'000
Lease liability	17,902	(254)	18,156
	17,902	(254)	18,156

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
2012/13	231	2,407	1,417	946	5,001
2013/14 - 2016/17	1,269	9,272	6,119	4,356	21,016
2017/18 - 2021/22	2,783	10,369	8,770	7,215	29,137
2022/23 - 2026/27	5,159	7,935	10,206	10,641	33,941
2027/28 - 2031/32	8,460	3,219	9,561	8,193	29,433
Total Commitments	17,902	33,202	36,073	31,351	118,528

44. 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 Notes 12,13,14 and 15 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

The impairment reversals in 2011/12 were £7.792m and related to PPE asset class.

45. Capitalisation of Borrowing Costs

They were no capitalisation of borrowing costs in 2011/12.

46. Termination Benefits

The authority terminated the contracts of a number of employees in 2011/12, incurring liabilities of £2.845m (£5.060m in 2010/11) of which £2.638m was payable to the employees and £0.207m related to pension strain. Of the £2.638m payable to employees, £0.639m was payable to senior officers as disclosed in note 36. The remaining £1.999m was payable to other officers who were made redundant as part of the authority's rationalisation of the service.

47. Pension Schemes Accounted for as Defined Contribution Schemes

The authority also contributes to the Department for Children, School's and Families Teacher's Pension Fund at a rate of 14.1% of pensionable pay. The amount paid in the year, £12.02m is included in the education service costs (2010/11 £11.6m).
Although this is a defined benefit scheme the nature of it is that the authority is unable to identify its share of the underlying assets and liabilities and so cannot report these. Contributions are set in relation to the current service period only.

The authority contributions to March 2012 for the Local Government Pension Scheme (LGPS) are 24.8% and expected contributions to March 2013 are 24.8%.

48. Defined Benefit Pension Schemes

The authority has its own defined benefit local government pension scheme. This means that although these benefits will not actually be payable until employees retire, the authority has an obligation to make relevant payments at the time future entitlements are earned. The authority's contributions to pensions earned by employees in the year of account are included in the net cost of services. The net pension interest cost less expected return on assets counts against net operating expenditure. Pension interest cost is the amount that current service cost increases as members of the scheme approach retirement. The actuary calculates this using the projected unit method. These are all notional costs calculated to show the authority's true liability change for the year in line with pension regulations. The actuary's calculation of the net deficit on the pension fund is shown below. The change in the net value of the pension fund includes actuarial losses of £105,918m. 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.

	2011/12		2010/11	
	£'000	£'000	£'000	£'000
Deficit at the beginning of the year		(236,484)		(441,160)
Net cost of services				
Current cost of services	(18,428)		(25,154)	
Curtailment and settlements	10,115		3,137	
		(8,313)		(22,017)
Net operating expenditure				
Interest cost	(39,308)		(43,622)	
Expected return on assets in the scheme	31,411		29,714	
		(7,897)		(13,908)
Amount charged for pensions in the year		25,144		27,099
Past Service Costs		-		70,039
Net actuarial gain/(loss)		(114,852)		143,463
Fund deficit at end of the year		(342,402)		(236,484)

The deficit is calculated by the assets minus the present value of funded obligation (liabilities). The assets have increased whilst the liabilities have more so, these are shown below.

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 £0.842m in 2011/12 (£1.000m in 2010/11).
The underlying assets and liabilities for retirement benefits attributable to the authority were:

	2011/12	2010/11	2009/10	2008/09	2007/08
	£'000	£'000	£'000	£'000	£'000
Estimated liabilities of the scheme	(849,881)	(720,595)	(886,078)	(561,260)	(594,456)
Estimated assets of the scheme	507,479	484,111	444,918	339,224	398,965
Net liability	(342,402)	(236,484)	(441,160)	(222,036)	(195,491)

Reconciliation of present value of the scheme liabilities

	31 March 2012	31 March 2011
	£'000	£'000
Opening defined benefit obligation	720,595	886,078
Service cost	18,428	25,154
Interest cost	39,308	43,622
Actuarial loss/(gain)	107,685	(135,661)
Losses on curtailments	212	343
Liabilties extinguished on settlements	(11,654)	(3,394)
Estimated benefits paid (net of transfers in)	(29,557)	(31,051)
Past service cost	-	(70,039)
Contributions by scheme participants	6,398	7,002
Unfunded pension payments	(1,534)	(1,459)
Closing defined benefit obligation	849,881	720,595

Reconciliation of fair value of the scheme assets

	31 March 2012	31 March 2011
	£'000	£'000
Opening fair value of scheme assets	484,111	444,918
Expected return on scheme assets	31,411	29,714
Actuarial gain/(loss)	(7,167)	7,802
Contributions by employer	25,144	27,099
Contributions by scheme participants	6,398	7,002
Estimated benefits paid (net of transfers in)	(31,091)	(32,510)
Receipt of bulk transfer	(1,327)	86
Fair value of scheme assets at end of period	507,479	484,111

The estimated asset allocation for London Borough of Barnet as at 31 March 2012 is as follows:

Employer Asset Share - Bid Value	31 March 2012		31 March 2011	
	£'000	%	£'000	%
Equities	263,889	52	271,102	56
Gilts	50,748	10	9,682	2
Other Bonds	167,468	33	159,757	33
Property	-	-	19,364	4
Cash	20,299	4	24,206	5
Alternative Assets	5,075	1	-	-
Total	507,479	100	484,111	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.

Assumed life expectancy from age 65 years		
Retiring today	Males	20.00
	Females	24.00
Retiring in 20 years	Males	22.00
	Females	25.90

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.

	31 March 2012		31 March 2011	
	% pa	Real	% pa	Real
Price increases	3.3	-	3.5	-
CPI increases	2.5	(0.8)	2.7	(0.8)
Salary increases	4.7	1.4	5.0	1.5
Pension increases	2.5	(0.8)	2.7	(0.8)
Discount rate	4.6	1.3	5.5	1.9

The figures are from the Barnett Waddingham IAS 19 Disclosures report, and these assumptions are set with reference to market conditions at 31 March 2012. The discount rate is the yield on the ibox 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 ie. 2.5%.
Expected return on assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2011 for the year to 31 March 2012). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

The following expected returns were adopted:

Expected return on assets

	31 March 2012	31 March 2011
	% pa	% pa
Equities	6.4	7.5
Gilts	3.3	4.4
Bonds	4.6	5.5
Property	4.3	5.4
Cash	3.0	3.0
Alternative Assets	6.4	-

Comprehensive Income & Expenditure Statement cost for the year to 31 March 2012

The amounts recognised in the Comprehensive Income & Expenditure Statement are:	31 March 2012	31 March 2011
	£'000	£'000
Current service cost	18,428	25,154
Interest on Obligation	39,308	43,622
Expected return on Scheme assets	(31,411)	(29,714)
Past service costs	-	(70,039)
Losses (gains) on curtailments and settlements	(10,115)	(3,137)
Total	16,210	(34,114)
Actual return on Scheme assets	24,244	19,811

Amounts for the Current and Previous Periods

Amounts for the current and previous four periods	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008
	£'000	£'000	£'000	£'000	£'000
Defined Benefit Obligation	(849,881)	(720,595)	(886,078)	(561,260)	(594,456)
Scheme assets	507,479	484,111	444,918	339,224	398,965
Surplus (Deficit)	(342,402)	(236,484)	(441,160)	(222,036)	(195,491)
Experience adjustments on Scheme liabilities	(1,000)	64,522	7,544	-	(9,709)
Percentage of liabilities	-0.1%	9.0%	0.9%	0.0%	1.6%
Experience adjustments on Scheme assets	(7,167)	7,802	80,560	(93,735)	(33,879)
Percentage of assets	-1.4%	1.6%	18.1%	-27.6%	-8.5%
Cumulative Actuarial Gains and Losses	(109,589)	5,263	(138,200)	76,987	101,455

Project Pension Expense for the year to 31 March 2013

Projections for the year to 31 March 2013	31 March 2013
	£'000
Service Cost	23,808
Interest Cost	39,109
Return on assets	(27,213)
Total	35,704
Employer Contributions	23,587

49. 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.

- Learning Disabilities have a case currently going through the Court of Protection. An adverse finding would result in a call on Council resources which would need to be managed through consideration of earmarked reserves.
- On-going court case with Brent PCT regarding continuing health care. An adverse finding would result in a call on Council resources which would need to be managed through consideration of earmarked reserves.

50. Contingent Assets

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

In the financial year 2011/12 the Council had no Contingent Assets at the balance sheet date.

51. 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 Authorities (both revised in November 2011).

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 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 2011/12, approved by Council on 1 March 2011.

As conditions in the financial sector had begun to show signs of gradual improvement in the second half of 2009/10, albeit with substantial intervention by government authorities, the Authority decided it would be appropriate to diversify the counterparty list in 2011/12, through the inclusion of comparable non-UK Banks for investments. The sovereign states whose banks were included were Australia, Canada, Finland, France, Germany, Netherlands, Switzerland and the US. These countries, and the Banks within them, were selected after analysis and careful monitoring of credit ratings, Credit Default Swaps, GDP, net debt as a percentage of GDP, sovereign support mechanisms / potential support from a well-resourced parent institution, and share prices. During the year, deposits with European Banks (excluding UK) were subsequently suspended as a result of market conditions and the Eurozone debt crisis.

Until November 2011 the *minimum* credit rating criteria for new investments in 2011/12 was a long term rating of A+/A1/A+ (Fitch/Moody's/S&P). Following downgrades to a number of systemically important financial institutions in Autumn 2011, a lower minimum credit rating criteria of A-/A3/A- (Fitch/Moody's/S&P) was used by the authority and formalised when the revised Treasury Strategy was approved by Council on 6 March 2012.

The table below summarises the nominal value of the Council's investment portfolio at 31 March 2012, 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 2012	Balance Invested as at 31 March 2012				Total
	Yes/No	Yes/No	Up to 1 month	>1 month and <3 months	>3 months and <6 months	>6 months and <12 months	
			£'000	£'000	£'000	£'000	£'000
Other Local Authorities	N/A	N/A	-	-	-	-	-
Banks – UK	Yes	Yes	-	1,700	-	-	1,700
Banks – Non UK	Yes	Yes	57,000	-	-	-	57,000
Total Banks			**57,000**	**1,700**	**-**	**-**	**58,700**
Building Societies – UK	N/A	N/A	-	-	-	-	-
Money Market Funds	Yes	Yes	40,000	-	-	-	40,000
Call Accounts	Yes	Yes	50,000	-	-	-	50,000
Total			**147,000**	**1,700**	**-**	**-**	**148,700**

The above analysis shows that all deposits outstanding as at 31 March 2012 met the Council's credit rating criteria on the 31 March 2012.

The above analysis excludes the estimated carrying value after impairment of the Council's Icelandic Bank investment of £11.4m.

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.

	Gross Debtors	Average % Default based on Previous Experience 5 years to 2008/09	Average % Default based on Previous Experience for 2011/12	Bad Debt Provision for 201112
Sundry Debtors	19,490	5%	5%	7,686

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 2012 was as follows:

	Years	31 March 2012 £'000	% of total debt portfolio
Short Term Borrowing	**Less than 1 year**	5,000	1.64
Long Term Borrowing	Over 1 but not over 2	-	-
	Over 2 but not over 5	2,000	0.66
	Over 5 but not over 10	-	-
	Over 10 but not over 15	2,000	0.66
	Over 15 but not over 20	91,032	29.94
	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	-	-
	Over 45	75,500	24.83
Total Long Term Borrowing		299,080	98.36
Total Borrowing		304,080	100

*Please note that the authority has £5m of LOBO loans that are currently in their call period. It is unlikely that the lender will revise the terms of the loan in the next year, but if terms are changed the Council will repay these loans.

Loans and other long term liabilities outstanding (nominal value):	31 March 2012 £'000	31 March 2011 £'000
Public Works Loans Board	241,580	140,000
Market Debt	62,500	62,500
Temporary Borrowing	-	-
Deferred Liabilities – PFI and finance leases	18,893	18,878

Other	-	-
Total	**322,973**	**221,378**

Market Risk

- Interest Rate Risk*:* The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 30% on external debt that can be subject to variable interest rates. At 31 March 2012, 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	1,365
Increase in government grant receivable for financing costs	306
Impact on Surplus or Deficit on the Provision of Services	**1,671**
Share of overall impact debited/credited to HRA	856
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	-
Decrease in fair value of fixed rate borrowings/liabilities*	54,777

*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 2011/12 are as follows:

	2011/12 £'000	2010/11 £'000
Balance at 1 April	1,349	1,718
Effective Interest Rate Adjustment	9	9
HRA Adjustment	(342)	(378)
Balance at 31 March	1,016	1,349

The unamortised debt premium relates to a penalty imposed as per 2010/11 accounts narrative.

52. Heritage Assets: Five year summary of Transactions

There have been no acquisitions, donations, disposals or impairments of heritage assets in the financial years 2011/12 or 2010/11. Equivalent information on heritage asset transactions is not given for any period before 01 April 2010 as it is not considered practicable to do so.

53. Heritage Assets: Further Information

Property Heritage Assets

The council's property heritage assets are made up of the following assets:

- Friary Park statue – Statue of Peace erected to the memory of Edward VII, dedicated on 07 May 1910. Located on Friary Road, N11.
- Various war memorials located around the borough.
- The Physic Well – a timber framed, cruciform well cover circa 1937, covering the spring discovered circa 1650. Beneath the well house is the original 17th century vaulted brick well chamber with brick floor and two shallow pools and associated pipe work. Located on Wellhouse Lane, EN5.
- Hendon cemetery tomb of Charles Atkin Swan – funerary monument to Charles Atkin Swan, died 1923, founder of the first hospital in London for members of the Royal Flying Corps. Carrara marble, mason unknown, probably Italian.

- Ravenscroft Gardens boundary Stone – 19th century Portland stone inscribed "This stone stands on the pre-historic landmark Grimsdyke, which forms part of the boundary of the Parish of Chipping Barnet". Located in Ravenscroft Gardens.

The council's property heritage assets are reported in the Balance Sheet at value and are revalued every five years as part of the five year rolling programme of revaluations.

Mayoral Regalia and Silverware

The council's Mayoral Regalia and Silverware includes the Mayor's badge and chain; the Mayoress's badge; the Deputy Mayor and Mayoress's badges; Barnet UDC Chairman and Lady's badge and collar; Friern Barnet Chairman and Lady's badge and gilt; Hendon BC Mayor and Mayoress's badge and chain; Finchley and Hendon maces; Finchley BC badge and collar for Mayor and Mayoress; and the East Barnet UDC Chairman and Lady's badge and chain.

The council's Mayoral Regalia and silverware are reported in the Balance Sheet at insurance valuation. These insurance valuations are updated every three years.

Barnet Archive and Local Studies

The council has a collection of local studies materials, which are held in support of the primary objectives of preserving and presenting local information and increasing the knowledge, understanding and appreciation of the Authority's history and local area. This collection includes historic documents, photographs, maps, pictures, civic objects, films, sound recordings and ephemera. The collection is arranged and catalogued by local/historical association rather than by item type.

The council does not recognise this collection of heritage assets on the Balance Sheet as cost information is not readily available and the collection is catalogued in such a manner that identification of individual strands of material types is not practicable. The council considers that the benefits of obtaining a valuation for these items would not justify the cost. Nearly all the items in the collection are believed to have a value of less than £50 and as far as the Authority is aware no individual item is worth more than £500. The majority of the collection is the legacy property of the council and its former constituent district councils and other local bodies or was acquired by donation.

Civic Items

The council retains a small collection of civic armorial items. These are historic items representing former district councils and are the historic property of the Authority. The council does not recognise this collection of heritage assets on the Balance Sheet as cost information is not readily available.

The council considers that the benefits of obtaining the valuation for these items would not justify the cost. As far as the council is aware no individual item is worth more than £500. The entire collection is the legacy property of the council and its former constituent district councils.

Mayor's Parlour

The council holds a collection of items such as pictures, vases, ornaments, shields, pottery and books in the Mayor's Parlour, Ante Room and Attics at Hendon Town Hall. This collection includes the following:-

- A collection of seals and parchments stored at Hendon Town Hall. The most significant of which are the Royal Charter of incorporation of the Borough's of Finchley and Hendon.
- Numerous paintings, pictures, prints and drawings in the Mayor's parlour and Ante-room at Hendon Town Hall. Of the artwork, many are unnamed and those pieces that are signed are by artists whose work sells for under £1000. The council believes the remaining items are not worth more than £500.
- A number of figurines busts and silverware. These Items have been presented to the Borough over the last 50 years. The individual items are not thought to be worth more than £500.
- A large collection of plates and plaques presented to the Borough in the main over the last 30 years. The most significant of these are the porcelain plates produced by the Imperial Porcelain

Manufactory between 1912 and 1945. The collection is not thought to be of value with individual items being worth less than £500.
- Glass and tableware and a number of vases. All the items are considered to be worth less than £500 and have not been valued as the authority believes that the benefits of obtaining the valuation for these items would not justify the cost.
- A large collection of cups, trophies and shields depicting sporting achievements within the borough since 1919. The collection is not considered valuable in monetary terms with individual items believed to be worth less than £500.
- Various ad-hoc items presented to the borough over the last 30 years by visiting dignitaries and twinning towns. The items include films, books, photographs, paperweights, desk sets and visitors books. The items are not considered valuable with individual items believed to be worth less than £500.

These items have not been recognised on the Balance Sheet as cost information is not readily available and the council considers that the benefits of obtaining the valuation for these items would not justify the cost. Nearly all the items are believed to have a value of less than £50 and as far as the council is aware no individual item is worth more than £500. The majority of the collection was acquired by donation over the last 90 - 100 years.

54. Heritage Assets: Change in Accounting Policy 2011/12

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in the summary of significant accounting policies, the council now requires heritage assets to be carried in the Balance Sheet at valuation.

<u>Heritage Assets</u>
For 2011/12 the council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The council's accounting policies for recognition and measurement of heritage assets are set out in the council's summary of significant accounting policies (see Note xiii on page xx).

In applying the new accounting policy, the council has identified that the assets that were previously held as property, plant and equipment at £0.775 million should now be recognised as heritage assets. These assets relate to various property asserts that were previously recognised in the community assets classification of property, plant and equipment. The council will also recognise an additional £0.258 million for the recognition of heritage assets that were not previously recognised in the Balance Sheet. This increase is also recognised in the Revaluation Reserve.
This results in some lines of the 01 April 2010 and 31 March 2011 Balance Sheets requiring restatement in the 2011/12 Statement of Accounts to apply the new policy. The effects of the restatement are as follows:
- At 1 April 2010 the carrying amount of the heritage assets is presented at its valuation at £1.033 million. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £0.775 million. The Revaluation Reserve has increased by £0.258 million.

Effect on Opening Balance Sheet 1 April 2010

	Opening Balances as at 01 April 2010 £'000	Restatement £'000	Restated opening balances as at 01 April 2010 £'000
Property, Plant & Equipment	1,454,870	(775)	1,454,095
Heritage Assets	-	1,033	1,033
Long Term Assets	**1,539,591**	**258**	**1,539,849**
Total Net Assets	**947,975**	**258**	**948,233**
Unusable Reserves	835,387	258	835,645
Net Worth/Total Reserves	**947,975**	**258**	**948,233**

Comprehensive Income and Expenditure Statement

The change in accounting policy had no effect on the Comprehensive Income and Expenditure Statement in 2010/11. There has thus been no restatement of any of the lines of the Comprehensive Income and Expenditure Statement.

Movement in Reserves Statement – Unusable Reserves 2010/11

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below.

	As previously stated 31 March 2011	Restatement	Restated 31 March 2011
Balance ast 31 March 2010	947,975	258	948,233
Surplus / (Deficit) on provision of services	(279,242)	-	(279,242)
Other Comprehensive Expenditure and Income	270,324	-	270,324
Adjustments between accounting basis & funding basis under regulations	-	-	-
Increase / (Decrease) in Year	(8,918)	-	(8,918)
Balance at 31 March 2011 carried forward	939,057	258	939,315

Effect on Balance Sheet 31 March 2011

The effect of the change in accounting policy in 2010/11 has been that Heritage Assets are recognised at £1.033 million on the Balance Sheet resulting in an increase to the Revaluation Reserve of £0.258 million and property, plant and equipment being restated by the amount of heritage assets previously recognised at cost in community assets (a sub-classification of property, plant and equipment) of £0.775 million.

	As previously stated 31 March 2011 £'000	Restatement £'000	Restated 31 March 2011 £'000
Property, Plant & Equipment	1,242,268	(775)	1,241,493
Heritage Assets	-	1,033	1,033
Long Term Assets	**1,335,977**	**258**	**1,336,235**
Total Net Assets	**939,057**	**258**	**939,315**
Unusable Reserves	806,426	258	806,684
Net Worth/Total Reserves	**939,057**	**258**	**939,315**

SECTION 4

Supplementary financial statements

Housing Revenue Account

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

	Note	2011/12 £'000	2011/12 £'000	2010/11 £'000
Income				
Dwelling rents		(49,762)		(46,812)
Non-dwelling rents		(1,463)		(1,460)
Charges for services and facilities		(6,245)		(6,562)
Total Income			(57,470)	(54,834)
Expenditure				
Repairs and maintenance		8,337		8,305
Supervision and management		20,358		22,486
Rents, rates, taxes and other charges		101		85
Negative Housing Revenue Account subsidy payable	9	11,827		12,152
Settlement payment to Government for HRA self-financing		102,580		
Depreciation and impairment of fixed assets	6,7	23,054		269,570
Debt Management Costs		39		3
Increase in bad debt provision		436		647
Revenue Expenditure funded from capital under statute (REFCUS)		721		-
Total Expenditure			167,453	313,248
Net Cost of HRA Services per Authority Income and Expenditure Account			109,983	258,414
HRA services share of Corporate and Democratic Core			-	-
HRA share of other amounts included in the whole authority Net Cost of services but not allocated to specific services			-	-
Net Cost of HRA Services			109,983	258,414
Gain / (Loss) on Sale of HRA fixed assets			346	112
Interest payable and similar charges			3,231	3,124
Interest and investment income			(89)	(89)
Impairment loss on investment			-	-
(Surplus) / deficit for the year on HRA services			**113,471**	**261,561**

Statement of Movement on the Housing Revenue Account Balance

(Surplus)Deficit for the year on the HRA Income and Expenditure Account		113,471	261,561
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the SORP and those determined in accordance with statute			
EIR interest cost on stepped loans		(3)	(3)
Amortisation of premium on early repayment of debt	8	342	378
HRA movement on HRA subsidy		(102,580)	
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements - Impairment reversal, REFCUS reversal		(4,558)	(249,362)
(Gain) / Loss on sale of HRA fixed assets		(346)	(111)
Transfer to/(from) Major Repairs Reserve	3	(9,901)	(12,550)
		(3,576)	**(87)**

Housing Revenue Account Balances

Housing Revenue Account Balance brought forward	(4,230)	(4,143)
(Surplus)Deficit for the year	(3,576)	(87)
Housing Revenue Account Balance carried forward	**(7,806)**	**(4,230)**

Housing Revenue Account notes

1. Dwelling stock

The authority's dwelling stock was, at 31 March	2011/12	2010/11
	£000	£000
Houses	3,532	3,536
Bungalows	181	181
Flats	5,753	5,786
Maisonettes	1,320	1,356
Hostels	72	72
Bed sits	30	30
Total	10,888	10,961

2. Value of HRA assets

Values as at 31 March	2011/12	2010/11
	£000	£000
Balance sheet value - dwellings	544,657	536,528
Balance sheet value -other land and buildings	50,781	52,675
Vacant possession value -dwellings	2,148,000	2,102,000

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

3. Major Repairs Reserve

		2011/12	2010/11
		£000	£000
Balance as at 1 April		(10,256)	(3,798)
Capital expenditure charged to reserve (dwellings)		15,380	1,248
Depreciation	- dwellings	(18,748)	(19,459)
	- non-dwellings	(469)	(749)
Transfer to HRA	- dwellings	9,432	11,801
	- non-dwellings	469	749
Interest on balances		(68)	(48)
Balance as at 31 March		(4,259)	(10,256)

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

4. HRA capital expenditure

The HRA capital transactions were:-	2011/12	2010/11
Expenditure	£000	£000
Dwellings	21,264	16,482
Other property	399	322
Total	21,663	16,804
Financed from		
Borrowing	-	10,404
Capital receipts reserve	-	-
Major repairs reserve	15,380	1,248
Other contributions	6,283	5,152
Total	21,663	16,804

5. Capital receipts

Capital receipts from disposals within the HRA were:-	2011/12	2010/11
	£000	£000
Land	611	598
Dwellings	1,792	948
Paid over to pool	(1,329)	(1,646)
Total	1,074	(100)

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

6. Depreciation

	2011/12	2010/11
The depreciation charged to the HRA was:-	£000	£000
Dwellings	18,747	19,459
Other property	469	749
Total	19,216	20,208

7. Impairment

	2011/12	2010/11
Impairment charged to the HRA was:-	£000	£000
Dwellings	-	249,041
Other property	3,838	321
Investments	-	-
Total	3,838	249,362

8. Debt premium amortised in year

	2011/12	2010/11
	£000	£000
	342	378

9. HRA Subsidy

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

	2011/12	2010/11
	£000	£000
Management and maintenance	22,797	21,681
Major repairs allowance	9,315	7,659
Charges for capital	5,131	5,013
Other items of reckonable expenditure	27	26
Interest on receipts	(16)	(19)
Rent	(49,191)	(46,512)
Rent constraint allowance	-	-
Total for year	(11,937)	(12,152)
Prior year adjustments	110	-
Total payable	(11,827)	(12,152)

10. Arrears

HRA arrears outstanding at the year end:	2011/12		2010/11
	£000	£000	£000
Leaseholder service charges	2,650		3,720
less bad debt provision	(718)		(610)
		1,932	3,110
Housing rents	2,496		2,979
less bad debt provision	(1,008)		(1,186)
		1,488	1,793
Commercial rents	235		208
less bad debt provision	(32)		(27)
		203	181
Net arrears		3,623	5,084

11. ALMO – Barnet Homes LTD

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

12. Accounting for pensions in the HRA

As day to day housing management is carried out by Barnet Homes Ltd, the HRA employs very few staff directly. Because of this the cost of obtaining a separate HRA actuarial report, to split the notional cost of HRA staff from those employed by the general fund, cannot be justified. Therefore although the HRA has been reported on an IAS 19 basis, no attempt has been made to show a separate liability related to the defined benefit position.

Collection fund

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

The income and disbursement account of the collection fund for 2011/12 is:

	Note	2011/12		2010/11	
		£000	£000	£000	£000
Income					
Council Tax	1		174,440		170,541
Council Tax Benefits			31,546		30,510
Collectable business rates	2		102,158		98,264
BRS Income			3,146		-
			311,290		299,315
Disbursement					
Precepts:					
- London Borough of Barnet		155,466		153,005	
- Greater London Authority		43,269	198,735	42,584	195,589
Estimated surplus on collection fund:	3				
- London Borough of Barnet		-		1,998	
- Greater London Authority		-	-	556	2,554
Non-domestic rates					
- Payment to national pool		101,735		97,836	
- Cost of collection allowance		423		428	
- Payment to BRS Crossrail		3,032		-	
- Cost of collection allowance BRS		17		-	
- BRS (Debtor)/Creditor		97	105,304	-	98,264
Total disbursed			304,039		296,407
Council tax					
Change in bad debt provision		2799		(2,718)	
Written off	4	-	2,799	4,565	1,847
Fund surplus / (deficit) for year			4,452		1,061
			311,290		299,315
Fund balance brought forward		9,870		8,809	
Fund surplus / (deficit) for year		4,452		1,061	
Fund balance carried forward		14,322		9,870	

Notes to collection fund

1. Council tax

The Government provides the authority with a valuation of each residential property as at 1 April 1991. Each valuation is allocated into one of eight bands on which individual council tax charges are calculated. The tax base is the total number of chargeable properties in all valuation bands converted to an equivalent number of band D dwellings, with an allowance made for discounts and exemptions. The standard charge is found by taking the amount of income required by the collection fund's two preceptors combined and dividing this by the council tax base. The amount of council tax required from a property in any tax band is the band D charge (£1423.02 for 2011/12) multiplied by the ratio specified for that band. The figures at the time of tax base calculation for the bands A to H were:

Band	Ratio	No. of Band D equivalents
A	0.67	1,030
B	0.78	5,679
C	0.89	19,801
D	1.00	25,805
E	1.22	32,162
F	1.44	24,602
G	1.67	23,497
H	2.00	6,921
MOD contribution		160
Tax base		139,657

2. Non-Domestic rateable value

The total non-domestic rateable value for Barnet at the year-end was £286,006,858 and the national non-domestic rate multiplier for the year was 43.4p (0.433).

3. Collection fund surplus or deficit

The billing authority and preceptors share any council tax 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.

5. Collection Fund Balances

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

	2011/12	2010/11
	£'000	£'000
Barnet	11,229	7,721
Greater London Authority	3,093	2,149
Total	14,322	9,870

SECTION 5

Group accounts

Movement in Reserves Statement

	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 2011		**31,812**	**40,513**	**4,230**	**21,541**	**10,256**	**25,582**	**133,934**	**787,864**	**921,798**
Movement in reserves during 2011/12		-	-	-	-	-	-	-	-	-
Surplus / (Deficit) on provision of services		(188,580)	-	-	-	-	-	(188,580)	-	(188,580)
Other comprehensive expenditure and income		-	-	-	60	68	-	128	(139,624)	(139,496)
Total comprehensive income and expenditure		**(188,580)**	**-**	**-**	**60**	**68**	**-**	**(188,452)**	**(139,624)**	**(328,076)**
Adjustments between accounting basis and funding basis under regulations		214,266	-	3,576	(3,747)	(6,065)	3,238	211,268	(211,268)	-
Net increase / decrease before transfers to earmarked reserves		**25,686**	**-**	**3,576**	**(3,687)**	**(5,997)**	**3,238**	**22,816**	**(350,892)**	**(328,076)**
Transfer to / from earmarked reserves		(24,592)	24,592	-	-	-	-	-	-	-
Increase / decrease in year		**1,094**	**24,592**	**3,576**	**(3,687)**	**(5,997)**	**3,238**	**22,816**	**(350,892)**	**(328,076)**
Balance at 31 March 2012		**32,906**	**65,105**	**7,806**	**17,854**	**4,259**	**28,820**	**156,750**	**436,972**	**593,722**

Group Comprehensive Income and Expenditure Account

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

	2011/12			2010/11		
On provision of services the group spent:	Consolidated gross expenditure	Consolidated gross income	Consolidated net expenditure	Consolidated gross expenditure	Consolidated gross income	Consolidated net expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Central services to the public	9,478	(3,472)	6,006	10,263	(3,466)	6,797
Cultural & Related Services	24,548	(2,187)	22,361	23,067	(2,229)	20,838
Environment & Regulatory Services	32,399	(5,833)	26,566	40,722	(6,540)	34,182
Planning Services	13,719	(5,874)	7,845	14,470	(7,432)	7,038
Children's & Education Service	344,725	(259,613)	85,112	429,824	(323,130)	106,694
Highways and Transport Services	47,239	(17,677)	29,562	42,307	(14,058)	28,249
Housing services	355,664	(338,889)	16,775	571,259	(301,714)	269,545
Local Authority Housing - settlement payment to Government for HRA self-financing	102,580	-	102,580	-	-	-
Adult social services	120,889	(20,156)	100,733	112,064	(15,696)	96,368
Corporate and democratic core	9,955	(1,064)	8,891	7,626	(300)	7,326
Non distributed costs	10,377	(12,693)	(2,316)	20,312	(84,528)	(64,216)
(Surplus) / Deficit on Continuing Operations	1,071,573	(667,458)	404,115	1,271,914	(759,093)	512,821
Other Operating Expenditure	106,200	-	106,200	63,728	-	63,728
Financing and Investment Income & Expenditure	9,694	(3,879)	5,815	22,124	(6,903)	15,221
(Surplus) / Deficit of Discontinued Operations	-	-	-	-	-	-
Taxation and Non-Specific Grant Income	28	(327,578)	(327,550)	18	(312,167)	(312,149)
(Surplus) / Deficit on Provision of Services			188,580			279,621
(Surplus) / Deficit on revaluation of fixed assets			16,536			(126,428)
(Surplus) / Deficit on available for sale financial assets			(470)			(433)
Actuarial (gains) / losses on pension assets / liabilities			123,430			(143,949)
Other Comprehensive Income and Expenditure			139,496			(270,810)
Total Comprehensive Income and Expenditure			328,076			8,811

Group Balance Sheet

This statement summaries the assets and liabilities of the Reporting Group as at 31 March 2012

	31 March 2012		31 March 2011	
	£'000	£'000	£'000	£'000
Property, Plant and Equipment	1,077,144		1,241,906	
Hertiage Assets	1,057		1,033	
Investment Properties	65,090		64,173	
Intangible assets - Software	3,353		3,152	
Long term debtors	1,471		1,942	
Long term investments	11,478		24,483	
Total long term assets		1,159,593		1,336,689
Inventories	546		574	
Short term investments	57,081		37,623	
Short term debtors	57,784		91,656	
Assets held for sale	27,074		3,040	
Cash and cash equivalents	129,490		107,687	
Total Current Assets		271,975		240,580
Short term Creditors	(109,598)		(107,110)	
Short term Borrowing	(5,001)		(6,136)	
Cash and cash equivalents	(23,877)		(52,599)	
Provisions	(1,733)		(3,465)	
Total Current Liabilities		(140,209)		(169,310)
Long term borrowing	(300,943)		(198,380)	
Provisions	(8,875)		(8,408)	
Other Long Term Liabilities	(387,819)		(279,373)	
Total Long Term Liabilities		(697,637)		(486,161)
Net Assets		593,722		921,798
Usable reserves:	156,750		133,934	
Unusable reserves:	436,972		787,864	
Total equity		593,722		921,798

*Restated

Group Cashflow Statement

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

	Group 2011/12		Group 2010/11	
	£'000	£'000	£'000	£'000
Net (surplus) or deficit on the provision of services	188,580		279,621	
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(189,674)		(282,150)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	18,002		61,812	
Net cash flows from operating activities		16,908		59,283
Investing activities		25,444		30,031
Financing activities		(92,877)		51,476
Net increase or decrease in cash and cash equivalents		(50,525)		140,790
Cash and cash equivalents at the beginning of the reporting period		(55,088)		(195,878)
Cash and cash equivalents at the end of the reporting period		(105,613)		(55,088)

Notes to group accounts

1. Introduction

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

- The Barnet Group Ltd. The council has full control and influence over The Barnet Group therefore they are part of the Group for which group accounts are required, however, as they have only been trading for two months of the 2011/12 financial year, they have not produced accounts that are consolidated into the group accounts on the grounds of materiality.
- Barnet Homes Ltd. The council has full control and influence over Barnet Homes Ltd as they are a subsidiary of The Barnet Group. Therefore they are part of the Group for which group accounts are required and therefore group accounts have been prepared.
- Your Choice (Barnet) Ltd. The council has full control and influence over Your Choice (Barnet) as they are a subsidiary of The Barnet Group. Therefore they are part of the Group for which group accounts are required, however, as they have only been trading for two months of the 2011/12 financial year, they have not produced accounts that are consolidated into the group accounts on the grounds of materiality.

2. Basis of consolidation

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

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

i) Nature of the business

Barnet Homes Ltd (Companies House Registration No. 4948659) was created by Barnet Council to manage and improve its housing stock. The primary aim in establishing the company was to remove it from onerous public sector borrowing controls in order to allow greater commercial freedom. Barnet Homes Ltd, a not for profit company, took over responsibility for managing approximately 11,000 council homes from Barnet Council in April 2004. It also took responsibility for almost 400 staff from the council's housing services department. Barnet Homes Ltd is managed by a Board of 12 members made up of 4 council nominees, 3 tenants, 1 lease holder and 4 independent persons with professional skills and experience to help run the services. Board members are volunteers and only receive out of pocket expenses. Barnet Homes Ltd became a subsidiary of The Barnet Group on 01 February 2012 It continues to operate in the same way as under its current structure ALMO management agreement with the council, albeit under a group structure.

ii) Relationship with the authority

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

iii) Financial performance

In 2011/12 the company made an operating surplus of £0.385 million (£1.780m surplus in 2010/11).

iv) Transactions with the company

The authority paid the company £31.636m in 2011/12 for the provision of housing management services and repair and maintenance works to housing stock (£31.534m in 2010/11). The authority provides the following services to the company:

The authority leases premises to the company and also provides various support services e.g. payroll. Total charges from the authority to the company in 2011/12 were £2.2m (£2.6m in 2010/11).

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

i) Nature of the business

The Barnet Group Ltd (Companies House Registration No. 07873964) was created by Barnet Council as an overarching trading company. Barnet Homes Ltd and Your Choice (Barnet) are subsidiaries of The Barnet Group Ltd.

ii) Relationship with the authority

Under the Code of Practise, The Barnet Group Ltd is deemed a wholly owned subsidiary of Barnet Council. As such, the council is required to consolidate the financial statements of The Barnet Group Ltd with its own (single entity) accounts in order to form group accounts. However, as they have only been trading for two months of the 2011/12 financial year, they have not produced accounts that are consolidated into the group accounts on the grounds of materiality.

5. Your Choice (Barnet) Ltd, a trading company for learning and disability services

i) Nature of the business

Your Choice (Barnet) Ltd (Companies House Registration No. 07873969) is responsible for the provision of specialist care and support to adults with a range of learning and physical disabilities. Your Choice (Barnet) Ltd was established on 01 February 2012 and is a subsidiary of The Barnet Group.

ii) Relationship with the authority

Under the Code of Practise, Your Choice (Barnet) Ltd is deemed a wholly owned subsidiary of Barnet Council. As such, the council is required to consolidate the financial statements of Your Choice (Barnet) Ltd with its own (single entity) accounts in order to form group accounts. How ever, as they have only been trading for two months of the 2011/12 financial year, they have not produced accounts that are consolidated into the group accounts on the grounds of materiality.

6. Group cash flow statement

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

7. Accounts

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

The Head of Financial Services
Barnet Homes Ltd
9th Floor
Barnet House
1255 High Street
Whetstone
London N20 OEJ

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

SECTION 6

Pension Fund

Pension Fund Account

Contributions and Benefits	Note	2011/12		2010/11		2009/10	
		£'000	£'000	£'000	£'000	£'000	£'000
Contributions Receivable	3	47,421		50,195		48,676	
Transfers in	4	5,294		4,249		4,660	
Other income		2,639		10		7	
		55,353		54,454		53,343	
Benefits Payable Account	5	(38,280)		(37,228)		(35,696)	
Payments to and on behalf of Leavers	6	(4,810)		(5,452)		(6,431)	
Administrative Expenses	7	(1,106)		(3,432)		(1,030)	
		(44,196)		(46,112)		(43,157)	
Net additions from dealings with members			11,156		8,342		10,186
Return on investments							
Investment income	8	1,273		8,743		14,799	
Change in market value of investments	9	17,717		39,652		126,404	
Investment management expenses	10	(1,660)		(2,945)		(2,127)	
Net returns on investments		17,330		45,450		139,076	
Net increase in the fund during the year			28,487		53,792		149,262
Net assets of the scheme							
At 1 April			685,193		631,401		482,139
At 31 March			**713,680**		685,193		631,401

Net Assets Statement

	Note	2010/11		2010/11		2009/10	
		£'000	£'000	£'000	£'000	£'000	£'000
Investment assets	9	703,630		662,278		627,342	
Current assets	11	12,766		27,967		5,177	
Current liabilities	12	(2,716)		(5,052)		(1,118)	
			713,680		685,193		631,401

NOTES TO THE DRAFT PENSION FUND ACCOUNTS 2011-2012

1. Introduction

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

Admitted Bodies

Birkin Services
Fremantle Trust
Friends Moat Mount
Go Plant Hire
Greenwich Leisure
Housing 21
Open Learning Partnership
Viridian Housing
Turners Cleaning
Y-Gen
Allied Healthcare
Amonet Ltd
Goldsborough Homecare
Mears Group
NSL Ltd
RR Donnelley

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

Barnet MENCAP
Barnet Voluntary Service Council
Enterprise Cleaning
KGB

Scheduled Bodies

LB Barnet
Barnet Homes
Your Choice Barnet

Ashmole Academy
Barnet & Southgate College
Bishop Douglas
Christ College (Academy)
Compton Academy
Dollis Junior
East Barnet Academy
ETZ Chaim Jewish Primary
Finchley Catholic
Hasmonean High (Academy)
Hendon School (Academy)
Henrietta Barnet School (Academy)
Independent Jewish Day School (Academy)
London Academy
Menorah Foundation
Middlesex University
Mill Hill GM High (Academy)
Osidge School
Queen Elizabeth Boys (Academy)
Queen Elizabeth Girls (Academy)
St James RC School
St Mary's CE High
St Michael's Grammar
The Totteridge Academy
Whitefield Trust School (Academy)
Woodhouse College
Wren Academy

The Fund is financed by member and employer contributions, interest, dividends and realised profits from investments. The Fund provides retirement grants, death grants, member pensions and widows' pensions. The funding policy aims to ensure that the assets held by the scheme in the future are adequate to meet accrued liabilities allowing for future increases in pay and pensions.

Connaught Partnership, previously an Admitted Body, went into administration with effect from 31/08/2010. A pension fund deficit of £1,492,000 has been calculated by the fund actuaries. The Council's legal team are currently liaising with Connaught's Administrators (KPMG) for the recovery of these monies. KPMG have confirmed the pension deficit is classed as unsecured, non-preferential debt.
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 decreased during the year from 7005 at 31 March 2011 to 6793 at 31 March 2012. During the same period the number of pensioners increased from 6,329 to 6,583 and the number of deferred pensioners increased from 6,571 to 6,739. A government scheme supplies teachers' pensions; they are not provided for under these arrangements.

2. Accounting Policies

Accounting Standards

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

Transition to International Financial Reporting Standards

The Pension Fund Accounts for 2011/12 are prepared on an IFRS basis. As a result of the adoption of the IFRS Code, there are no material differences between the amounts presented in the 2009/10 statements and the equivalent amounts presented in 2010/11.

Basis of Preparation

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

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

Investments

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

a) Listed securities and securities on the Unlisted Securities Market (USM) are determined by Stock Exchange current bid prices at 31 March 2012.
b) Unit trust investments are stated at the latest prices quoted by their respective managers as at 31 March 2012.
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 2012.

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 (7%) 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. Approximately

During the year all property units trusts were sold and the £23.9 million realised was re-invested equally with the Schroder Investment Management and Newton.

Administration Expenses

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

Benefits

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

Cash Balances and Interest on Cash

A cash balance of £5.2 million (nil in 10/11) was held by the Authority at 31 March 2012. Interest on cash held by the Borough on behalf of the Pension Fund was calculated on a rate equivalent to the Borough's average rate of return until March 2011 when the cash was completely separated from the London Borough of Barnet. Amounts exceeding £500 are invested in a call account yielding 0.56% as at 31 March 2012.

Taxation

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

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

3. Contributions Receivable

	2011/12	2010/11	2009/10
Employers	£'000	£'000	£'000
LB Barnet	23,343	25,373	24,988
Scheduled bodies	11,318	11,204	10,321
Admitted bodies	2,816	3,026	2,907
Members			
LB Barnet	6,321	6,929	6,929
Scheduled bodies	2,892	2,883	2,732
Admitted bodies	731	780	799
	47,421	50,195	48,676

4. Transfers In

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
Individual transfers in from other schemes	5,294	4,249	4,660

5. Benefits Payable

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
Pensions	30,391	28,224	27,234
Commutations and lump sum payments	1,160	8,296	7,939
Lump sum death benefits	6,729	708	523
	38,280	37,228	35,696

6. Payments to and on Account of Leavers

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
Refunds to members leaving service	6	6	5
Group transfers to other schemes	1	-	-
Individual transfers to other schemes	4,803	5,446	6,426
	4,810	5,452	6,431

7. Administrative Expenses

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
Administration and processing	960	3,331	979
Actuarial fees	109	60	14
Audit fees	36	41	37
Legal and other professional fees	-	-	-
	1,106	3,432	1,030

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

8. Investment Income

	2011/12 £'000	2010/11 £'000	2009/10 £'000
Income from fixed interest securities	788	964	2,576
Dividends from equities	-	6,557	10,280
Income from index linked securities	-	208	375
Income from pooled investments	-	100	142
Income from property unit trusts	-	1,246	1,295
Interest on cash deposits	86	248	448
Other income	399	102	489
	1,273	9,425	15,605
Irrecoverable withholding tax	-	(682)	(806)
Total investment income	1,273	8,743	14,799

9. Investments

2011/12

	Value at 1 April 2011 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31 March 2012 £'000
Fixed interest securities					-
Equities					-
Index-linked securities					-
Pooled investment vehicles	638,391	57,102	(9,350)	16,266	702,409
Properties	23,160	-	(23,972)	812	-
	661,551	57,102	(33,322)	17,078	702,409
Cash Deposits	727				1,221
	662,278				703,630

During the year £48 million cash in contributions, dividend income and the proceeds of the sale of property unit trusts were transferred to the fund managers, Schroder Investment Management and Newton. 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. Any income attributed to the unitised funds are reinvested and accounted for as a change in market value as apposed to income. Thus the investment income for 2011/12 has dropped significantly and 2010/11 is lower than the 2009/10 financial year.

2010/11

	Value at 1 April 2010 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Value at 31 March 2011 £'000
Fixed interest securities	39,875	115,637	(157,989)	2,477	-
Equities	336,525	121,399	(469,209)	11,284	-
Index-linked securities	23,808	10,953	(35,852)	1,091	-
Pooled investment vehicles	133,053	565,339	(83,905)	23,904	638,391
Properties	22,264	-	-	896	23,160
	555,525	813,328	(746,955)	39,652	661,551
Cash Deposits	71,817				727
	627,342				662,278

In November and December 2010 Newton and Schroders undertook a transition from their balanced segregated portfolios to unitised diversified growth and bond portfolios. Any income attributed to the unitised funds are reinvested and accounted for as a change in market value as apposed to income.

2009/10

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

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.

The market value of investments held under management by the Fund's investment managers at year end including cash deposits totalled £703,630,000. This was split as follows:

	£000	%
Schroder Investment Management	321,516	45.7
Newton Investment Management	332,715	47.3
Legal & General	49,399	7.0
Total	703,630	100.0

	2011/12 £'000	**2010/11** £'000	**2009/10** £'000
Fixed interest securities			
UK – Government	-	-	28,245
UK - Corporate Bonds	-	-	3,829
Overseas Corporate	-	-	4,130
Overseas Government	-	-	3,671
	-	-	39,875
Equities			
UK quoted	-	-	188,408
Overseas quoted	-	-	148,117
	-	-	336,525
Index-linked securities			
UK public sector quoted	-	-	20,523
Overseas public sector quoted	-	-	3,285
	-	-	23,808
Pooled investment Vehicles			
UK Managed funds	653,010	593,755	35,881
UK Unit Trusts	49,399	44,636	97,172
	702,409	638,391	133,053
Property			
UK property unit trusts	-	23,160	22,264
Cash Deposits			
Sterling	1,221	727	71,817

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's Portfolio

	Long Corporate Bonds %	Global High Yield Bonds %	Long Gilt %	Newton's Real Return %
Equities				
UK	-	-	-	13.05
North America	-	0.14	-	11.41
Europe Ex UK	-	-	-	18.82
Japan	-	-	-	2.89
Pacific Ex Japan	-	-	-	2.44
Other	-	-	-	2.54
Fixed Interest				
UK Gilts	-	-	93.02	9.51
UK Index Linked Gilts	-	-	1.68	-
UK Corporate Bonds	97.18	18.44	5.14	2.40
Overseas Government Bonds	-	1.06	-	13.16
Overseas Corporate Bonds	-	71.76	-	8.61
Overseas Index Linked Corporate Bonds	-	-	-	2.37
Other Assets				
Commodities	-	-	-	3.93
Derivatives	-	-	-	-0.34
Other Assets				
Cash	2.82	8.60	0.16	9.21
Total	100.00	100.00	100.00	100.00

Schroder's Portfolio

	Diversified Growth Fund	**Schroder All Maturities Corporate Bond**
	%	**%**
Equities		
Schroder QEP Global Dynamic Blend Portfolio	17.00	-
Schroder UK Alpha Plus Fund	5.00	-
Schroder European Alpha Plus Fund	3.00	-
Schroder ISF Asian Equity Yield	3.00	-
Schroder ISF US Small & Mid Cap	2.00	-
Schroder US Mid Cap Fund	2.00	-
Schroder Income Fund	1.00	-
Schroder Global Emerging Markets Fund	1.00	-
Passive Equities	10.00	-
Commodities		
UBS Bloomberg CMCI Composite	7.00	-
UBS Bloomberg CMCI Energy	4.00	-
ETF Gold	3.00	-

Schroder ISF Global Energy	3.00	-
		-
High Yield Debt		-
Schroder ISF Global High Yield	6.00	-
Neuberger Berman High Yield Bond Fund	6.00	-
T Rowe Price Global High Yield Bond Fund	3.00	-
Emerging Market Bonds		
Schroder ISF Emerging Market Debt Absolute Return	5.00	-
Mellon Emerging Market Debt Local Currency Fund	3.00	-
PIMCO Emerging Local Bond Fund	1.00	-
Property		
Passive Property	2.00	-
Schroder ISF Asia Pacific Property Securities	1.00	-
Absolute Return		
JPMorgan Highbridge Statistical Market Neutral Fund	1.00	-
Opus Multi-Strategy Fund Note	1.00	-
Opus Macro Fund Note	1.00	-
Infrastructure		
International Public Partnerships Limited	1.00	-
HSBC Infrastructure Company Limited	1.00	-
John Laing Infrastructure Limited	1.00	-
Other Assets		
Private Equity	1.00	-
Asset Backed Securities Portfolio	2.00	-
Cash	3.00	-
Corporate Bonds		
Sovereign	-	6.20
Securitised	-	11.50
Government Related	-	79.30
Corporate	-	3.00
Total	**100.00**	**100.00**

AVC Investments

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

(*The aggregate amounts of AVC investments are incomplete pending receipt of 2011 -12 reports from all the AVC providers*

AVC Investments	2011/12 £'000	Contributions £'000	Income £'000	Expenditure £'000	2010/11 £'000
Norwich Union	719	-	-	-	719
Prudential					
With Profits	444	-	-	-	444
Deposit	359	-	-	-	359
Unit Linked	319	-	-	-	319
Total Prudential AVCs	1,122	-	-	-	1,122

AVC Investments	2010/11 £'000	Contributions £'000	Income £'000	Expenditure £'000	2009/10 £'000
Norwich Union	719	23	-	(57)	753
Prudential					
With Profits	444	53	35	(121)	477
Deposit	359	82	2	(16)	291
Unit Linked	319	100	-	(2)	221
Total Prudential AVCs	1,122	235	37	(139)	989

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

The fund does not participate in stock lending arrangements.

10. Investment Management Expenses

	2011/12 £'000	2010/11 £'000	2009/10 £'000
Administration, management and custody	1,575	2,017	2,805
Performance Measurement Services	7	12	12
Other advisory fees	78	128	98
	1,660	2,945	2,127

11. Current Assets

	2011/12 £'000	2010/11 £'000	2009/10 £'000
Contributions due from employers in respect of			
Employer contributions	999	1,141	1,060
Member contributions	260	291	279
Accrued income	-	344	3,814
Overpayment of Benefits	-	-	4
Sundry Debtors	4,310	906	-
Cash Balances	7,197	25,285	20
	12,766	27,967	5,177

12. Current Liabilities

	2011/12 £'000	2010/11 £'000	2009/10 £'000
Unpaid Benefits	2,175	4,543	344
Unsettled Purchases	32	22	257
Accrued Expenses	509	487	517
	2,716	5,052	1,118

13. Statement of Investment Principles

The Authority is required by law to prepare and publish a Statement of Investment Principles (SIP). This Statement, approved in May 2000 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 www.barnetpensions.org.

14. Related Party Transactions

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

	2011/12 £'000	2010/11 £'000	2009/10 £'000
Human Resources	417	462	581
Accountancy Administration	455	140	143
Payroll Support	-	398	232
	872	1,000	956

The costs of payroll support are included in the Human Resources Recharge.

15. Actuarial Valuation

Barnett Waddingham LLP undertook a formal actuarial valuation of the fund as at 31 March 2010, 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.
The actuary adopted a market value approach whereby assets were valued initially on a market value basis and liability assumptions were derived from gilt yields. The assumptions, which have the most significant effect on the result so the valuation, are:

Assumption	**Rate**
Future pension increases	3.0%
Future pay increases	5.0%
Price inflation	3.5%
Equities/absolute refund funds	7.4%
Gilts	4.5%
Bonds & Property	5.6%
Risk adjusted discount rate	6.7%

The 2010 valuation actuarially assessed the value of the Fund's assets as £609.68 million, being sufficient to meet 76% of the Fund's liabilities.
The latest valuation as at 31st March 2012 as per the requirements of IAS26 is attached. The figures below relate to the FRS17 valuation as at 31st March 2010, and are given for comparison;

Assumption	**Rate**
Assumed retail price inflation (RPI)	3.9%
Assumed customer price inflation (CPI)	n/a
Salary increases	5.4%
Pension increases	3.9%
Discount rate	5.5%

The triennial valuation was reported to the London Borough of Barnet Pension Fund Committee on 21 December 2010 and is available to view at www.barnet.gov.uk/pensions.

16. 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.

a) 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.

b) 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 it's 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.

c) 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 cashflow 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.

16. Nature and Extent of Risks Arising from Financial Instruments (continued)

d) Market risk

Market risk is the risk that the fair value or future cashflows 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.

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e) Exchange rate risk

The Pension Fund holds a number of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss from exchange rate movements of foreign currencies.

External Investment managers manage the risk through the use of forward foreign exchange contracts and futures, to hedge currency exposures back to the base currency.

London Borough of Barnet Pension Fund

IAS26 Disclosures as at 31 March 2012

Barnett Waddingham
Public Sector Consulting

18 May 2012

1. Introduction

We have been instructed by London Borough of Barnet, the Administering Authority to the London Borough of Barnet Pension fund (“the Fund”), to provide pension disclosures in respect of pension benefits provided by the Local Government Pension Scheme (“the LGPS”) to members of London Borough of Barnet Pension Fund (“the Fund”) as at 31 March 2012.

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 have been prepared in accordance with 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.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2007/08, as amended. It is contracted out of the State Second Pension.

2. Valuation Data

Data Sources

In completing our calculations for IAS26 purposes we have used the following items of data, which we received from London Borough of Barnet:

- The results of the Triennial Actuarial Valuation as at 31 March 2010 which was carried out for funding purposes;
- Estimated whole fund income and expenditure items for the period to 31 March 2012;
- Estimated whole fund returns for the period to 31 March 2012 based on assets used for the purpose of the Triennial valuation as at 31 March 2011, actual fund returns for the period to 31 January 2012 and then market returns (estimated where necessary) for the period to 31 March 2012;
- Details of any new early retirements for the period to 31 March 2012 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, especially in the context of the roll-forward approach we have taken (as described in the next section). Further, we are not aware of any material changes or events since we received the data.

Employer Membership Statistics

The table below summarises the membership data as at 31 March 2010.

Member Data Summary	Number	Salaries/Pensions £000's	Average Age
Actives	7,048	153,939	46
Deferred Pensioners	7,371	10,045	45
Pensioners	6,261	28,171	70

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2012 is estimated to be 5%. This is based on the estimated Fund value used at the previous accounting date and the estimated Fund value used at this accounting date. 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 2012 is as follows:

Employer Asset Share - Bid Value	31 March 2012		31 March 2011	
	£000's	%	£000's	%
Equities	372,337	52%	376,043	56%
Gilts	71,603	10%	13,430	2%
Other Bonds	236,291	33%	221,597	33%
Property	-	-	26,860	4%
Cash	28,641	4%	33,575	5%
Alternative Assets	7,160	1%	-	-
Total	**716,032**	**100%**	**671,505**	**100%**

The final asset allocation of the Fund assets as at 31 March 2012 is likely to be different from that shown due to estimation techniques.

Unfunded Benefits

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

3. Actuarial Methods and Assumptions

Roll-Forward Approach

To assess the value of the Employer's liabilities as at 31 March 2012, we have rolled forward the value of the Employer's liabilities calculated for the Triennial valuation as 31 March 2010 allowing for the different financial assumptions required under 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 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.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2012 without completing a full valuation. However we are satisfied that the approach of rolling forward the previous valuation results to 31 March 2012 should not introduce any material distortions in the results provided that the actual experience of the Employer and 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 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 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.

The assumed life expectations from age 65 are:

Life Expectancy from age 65 (years)		31 March 2012
Retiring Today		
	Males	20.0
	Females	24.0
Retiring in 20 years		
	Males	22.0
	Females	25.9

We have also made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement
- Active members will retire one year later than they are first able to do so without reduction

Financial Assumptions

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

Assumptions as at	31 March 2012		31 March 2011		31 March 2010	
	%p.a.	Real	%p.a.	Real	%p.a.	Real
RPI Increases	3.3%	-	3.5%	-	3.9%	-
CPI increases	2.5%	-0.8%	2.7%	-0.8%	n/a	
Salary Increases	4.7%	1.4%	5.0%	1.5%	5.4%	1.5%
Pension Increases	2.5%	-0.8%	2.7%	-0.8%	3.9%	-
Discount Rate	4.6%	1.3%	5.5%	1.9%	5.5%	1.5%

These assumptions are set with reference to market conditions at 31 March 2012. 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 IAS19. 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. 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%.

Salary increases are then assumed to be 1.4% above RPI in addition to a promotional scale. This is a slightly lower long-term assumption than last year to reflect the continuing climate of low salary increases.

4. Results and Disclosures

The results of our calculations for the year ended 31 March 2012 are set out in Appendix 1. We estimate that the net liability as at 31 March 2012 is a liability of £496,437,000.

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

The figures in this report are presented only for the purposes of IAS 19. 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.

Graeme Muir FFA
Partner

Alison Hamilton FFA
Partner

Appendix 1. Balance Sheet Disclosure as at 31 March 2012

Net Pension Asset as at	31 Mar 2012 £000's	31 Mar 2011 £000's	31 Mar 2010 £000's
Present Value of Funded Obligation	1,212,469	989,896	1,115,978
Fair Value of Scheme Assets (bid value)	716,032	671,505	631,401
Net Liability	**496,437**	**318,391**	**484,577**

*Present Value of Funded Obligation consists of £1,004,212,000 in respect of Vested Obligation and £208,257,000 in respect of Non-Vested Obligation.

Appendix 2. Asset and Benefit Obligation Reconciliation for the Year to 31 March 2012

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 March 2012 £000's	Year to 31 March 2011 £000's
Opening Defined Benefit Obligation	**989,896**	**1,115,978**
Service cost	35,286	37,356
Interest cost	54,528	61,703
Actuarial losses (gains)	163,238	(102,208)
Losses (gains) on curtailments	1,730	1,021
Liabilities extinguished on settlements	-	-
Liabilities assumed in a business combination	-	-
Estimated benefits paid net of transfers in	(44,242)	(35,669)
Past service cost	-	(98,564)
Contributions by Scheme participants	12,033	10,279
Unfunded pension payments	-	-
Closing Defined Benefit Obligation	**1,212,469**	**989,896**

Reconciliation of opening & closing balances of the fair value of Scheme assets	Year to 31 March 2012 £000's	Year to 31 March 2011 £000's
Opening fair value of Scheme assets	**671,505**	**631,401**
Expected return on Scheme assets	43,845	40,891
Actuarial gains (losses)	(12,064)	(13,653)
Contributions by employer including unfunded	44,955	38,256
Contributions by Scheme participants	12,033	10,279
Assets acquired in a business combination	-	-
Estimated benefits paid net of transfers in and including unfunded	(44,242)	(35,669)
Receipt / (Payment) of bulk transfer value	-	-
Fair value of Scheme assets at end of period	**716,032**	**671,505**

Reconciliation of opening & closing surplus	Year to 31 March 2012 £000's	Year to 31 March 2011 £000's
Surplus (Deficit) at beginning of the year	**(318,391)**	**(484,577)**
Current Service Cost	(35,286)	(37,356)
Employer Contributions	44,955	38,256
Unfunded pension payments	-	-
Past Service Costs	-	98,564
Other Finance Income	(10,683)	(20,812)
Settlements and Curtailments	(1,730)	(1,021)
Actuarial gains (losses)	(175,302)	88,555
Surplus (Deficit) at end of the year	**(496,437)**	**(318,391)**

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 passed on to central government for distribution to local authorities.

Community assets
Assets that a local authority intends to hold in perpetuity, that have no determinable useful life, and may have restrictions on their disposal. Examples of community assets are parks and 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 y ear 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, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

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

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

Inventories

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

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.

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 in 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.

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.

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.