BARNET
LONDON BOROUGH

Draft Statement of Accounts

for the year ended

31 March 2019

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Narrative Report

Introduction

This Narrative Report provides the context upon which to understand the financial performance of the council. The report covers both a summary of the financial performance for the financial year 2018/19 coupled with a narrative of the non financial performance over the past 12 months.

Annual Governance Statement

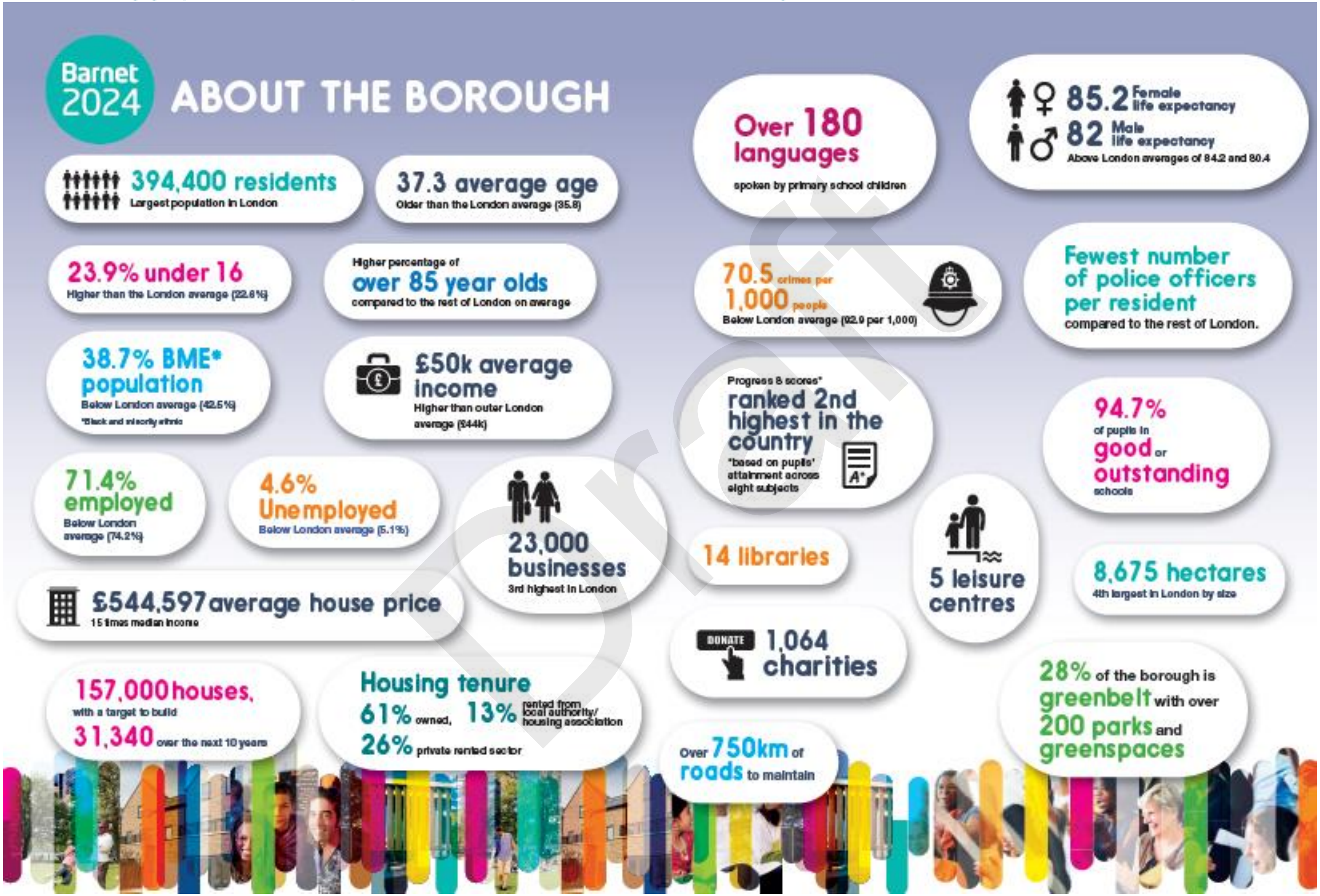
The Annual Governance Statement sets out the council's governance framework, how it has reviewed governance arrangements as well as any actions proposed or taken to deal with any significant governance issues arising during 2018/19. The statement is included within the Statement of Accounts (pages 118 to 131).

Key achievements in 2018/19

We continued to make progress towards the delivery of our corporate priorities. Later in this section of the accounts, there is further detail on the targets which were achieved and missed. The table below has shows the highlights for the year.

Our Corporate Prioritise 2018/19	What we've achieved
A pleasant, well maintained borough that we protect and invest in	• Built 425 new homes, including social rent, affordable and shared ownership • Continued construction works for two new leisure centres in Copthall and New Barnet – opening summer 2019 • Filled in 2,918 potholes and resurfaced and improved 47 roads and 23 pavements
Our residents live, happy, healthy, independent lives with the most vulnerable protected	• Introduced a Council Tax relief for care leavers up to the age of 25 • Supported 7,000+ adults through social care services • Our secondary schools ranked second in England, after the Isles of Scilly, for the new Progress 8 scores, and fifth for Attainment 8
Safe and strong communities where people get along well	• Removed 1,853 fly tips and issued 1,200+ fixed penalty notices • Launched our first Public Spaces Protection Order, controlling street drinking in Burnt Oak • Recruited 250 volunteer Hate Crime Reporting Champions, working in partnership with the police

The following graphic contains key characteristics about the London Borough of Barnet.



Strategy and Resource Allocation

The recent trend of decreased central government funding and an increase in demand of service has continued during 2018/19. This was the fourth year of a five year MTFS, led by the council's Priorities and Spending Review. During 2018/19 the Medium Term Financial Strategy (MTFS) was refreshed to plan for savings from 2019/20 through to 2023/24. With demand for services set to increase further, and central government contributions expected to continue their decline, the financial pressure is expected to continue.

The council budgeted to achieve savings of £11.287m in 2018/19 and was successful in achieving all but £1m of those. Looking forward the council requires savings of £76m by 2024. This is in addition to the £150m that has been successfully saved since 2010. The future savings are to be achieved by early intervention, networks within the community offering support and encouraging behavioural change of residents.

The MTFS acknowledges a number of different financial pressures which will impact the council over the coming years. These include inflation on pay and contracts, existing budget pressures, increases in the demand for services, as well as additional funding for service areas. The Council has recognised that there are pressures on budgets, especially in Children's and Adults, and has increased the budget to prioritise:

- Investment in Children's services improvement has been protected so that the services for our children and young people can reach the standard they deserve
- Protecting weekly bin collections and investing in road and pavement improvements as we know these services are priorities for our residents
- Continuing to invest in infrastructure and community facilities that help our borough to grow and thrive such as; leisure centres, community facilities and enhancements to schools
- Looking at how we can take more creative approaches to support vulnerable adults to stay independent for as long as possible, while also reducing costs. For example, utilising innovations in technology such as; sensors, pendent alarms, GPS tracking and the piloting of Amazon Alexa
- Investing in initiatives to help residents look after their physical and mental wellbeing

To ensure growth in the future, the council's capital expenditure was £241m in 2018/19 with a further budget of £432m in 2019/20. Major projects included in this include the Thames Link Station at Brent Cross, the new council offices at Colindale and investment in housing and infrastructure. This investment is key for ensuring the service delivery and financial stability in future years.

Financial Performance

General Fund

The Council managed a General Fund revenue budget of £295m during 2018/19. The net budget variance was an overspend of £0.822m however this was after the council contributed £1.333m to its reserves. The tables below sets out how the Service Areas performed in 2018/19 and accounting adjustments made to get to the Comprehensive Income and Expenditure Statement.

The expenditure of the council is monitored and reported on quarterly to Financial Performance and Contracts Committee and quarterly via the Strategic Performance Report to Policy and Resources Committee.

Service Area	Budget	Actual as per Outturn	(Under)/ Overspend as per Outturn	Reserve and Non-specific grant Adjustments	Expenditure and Funding Analysis Note 7	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	2018/19						
	(a)	(b)	(c)	(d)	(e)=(d)+(b)	(f)	(g)=(e)+(f)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adults and Communities	95,493	94,910	**(583)**	672	**95,582**	1,697	**97,279**
Assurance	6,348	6,615	**267**	277	**6,892**	136	**7,028**
Central Expenses	44,790	41,939	**(2,851)**	(7,575)	**34,364**	(15,686)	**18,678**
Children's Services	66,718	67,462	**744**	(47,256)	**20,206**	571	**20,777**
Commissioning Group	19,510	18,067	**(1,443)**	6,492	**24,559**	5,360	**29,919**
Customer and Support Group	25,062	27,874	**2,812**	38,801	**66,675**	28,513	**95,188**
Housing Needs and Resources	6,926	7,036	**110**	418	**7,454**	8,605	**16,059**
Local Authority Housing (HRA)	-	-	**-**	(4,588)	**(4,588)**	2,166	**(2,422)**
Public Health	17,160	17,160	**-**	930	**18,090**	(17,105)	**985**
Regional Enterprise	684	1,491	**807**	(9,553)	**(8,062)**	37,493	**29,431**
Street Scene	12,053	13,012	**959**	(75)	**12,937**	4,445	**17,382**
Net Expenditure on Services	**294,744**	**295,566**	**822**	(21,457)	**274,109**	**56,195**	**330,304**
Other Income and Expenditure	-	-	**-**	(260,655)	(260,655)	(76,284)	(336,939)
(Surplus) or Deficit on Provision of Services	**294,744**	**295,566**	**822**	**(282,112)**	**13,454**	**(20,089)**	**(6,635)**

The main reasons for the variance in 2018/19 of £0.822m are highlighted below.

- **Adults and Communitie**s – the main reason for the underspend is as a result of holding 38 posts vacant. There are also underspends in integrated care as a result of residential and nursing.
- **Assurance** – the overspend is driven by the HB Public Law contract. This is a demand-led service, with this year's demand exceeding the available budget.
- **Commissioning Group** – a key reasons for this underspend was the overachievement of the Special Parking accounts income generation. Lower than expected volumes of household waste were processed in 2018/19, resulting in an adjustment to the NLAW levy to produce an underspend in environment. There was however an overspend in information management as a result of Office 365 licensing costs and an overspend in the confidential waste contract.
- **CSG and Council Managed Budgets** – the overspend was largely as a result of ongoing structural pressures and an income shortfall.
- **Children's Services** – the majority of pressures in the service area have been mitigated and savings achieved. An element of the mitigation has been a reduction in agency costs due to the new contract, and one-off funding.
- **Housing General Fund** – the overspend was a result of temporary accommodation costs incurred in tackling homelessness.
- **Development and Regulatory Services (Including Re)** – overspend is due to a shortfall in income.
- **Street Scene** – overspend resulting from the delays in the starts of, and difficulty embedding, the recycling and waste service change.

Capital Outturn

For 2018/19 the capital programme included a budget of £296.42m. the outturn of £241.08m included slippage of £54.52m and deletions of £0.81m. The table below shows how each service area spent capital funds in the year.

Service	2018/19 Budget £'000	Additions/ (Deletions) £'000	(Slippage)/ Accelerated Spend £'000	2018/19 Outturn £'000	Variance from Approved Budget £'000	Variance from Approved Budget %
Adults and Communities	2,400	(481)	(388)	1,531	(869)	(36.2)
Commissioning Group	53,856	(128)	(4,954)	48,774	(5,082)	(9.4)
Children's Services - Education and Skills	21,361	-	(1,401)	19,961	(1,401)	(6.6)
Children's Services - Family Services	6,046	(170)	(421)	5,445	(591)	(9.8)
Housing Needs and Resources (Barnet Homes)	44,246	-	5,208	49,454	5,208	11.8
Parking and Infrastructure	1,517	-	(461)	1,056	(461)	(30.4)
Regional Enterprise (Re)	129,603	187	(50,093)	79,697	(49,908)	(38.5)
Street Scene	3,825	(225)	(1,493)	2,107	(1,718)	(44.9)
General Fund	**262,855**	**(816)**	**(54,003)**	**208,035**	**(54,820)**	**(20.9)**
HRA (Barnet Homes)	33,564		(517)	33,047	(517)	(1.5)
Total Capital Programme	**296,419**	**(816)**	**(54,521)**	**241,082**	**(55,337)**	**(18.7)**

All but one of the service areas are forecasting slippage. The reasons for the variances in budget are highlighted below.

- **Adults and Communities –** slippage and deletion on the Mosaic project.
- **Commissioning –** slippage and deletion relates primarily to the Office build where construction will not be completed until 2019/20.
- **Children's Services (Education)** – slippage is largely due to rephrasing works within the Schools Modernisation Programme and the Blessed Dominic School build.
- **Children's services (Family Services) –** slippage is primarily due to delays to Meadow Close, re-profiling of Early Education and Childcare place sufficiency works into 2019/20 and delays in Foster Carers adaptions.
- **Housing General Fund (Tackling Homelessness) –** the accelerated spend is as a result of direct acquisitions completing quicker than planned and the Open Door project where further funds were required to be drawdown to facilitate the new build.
- **Parking and Infrastructure –** the slippage is as a result of expenditure on the lines and signs project, the upgrade of pay and display machines and the Highways permanent re-instatements, which will now be completed in 2019/20.
- **Development & Regulatory Services (including Re) –** the slippage is primarily related to the Thames Link station where there has been a delay in signing the Implementation Agreement and securing HMG funding following Brent Cross North's deferral. There has also been slippage on the Strategic Infrastructure fund is due to a delay in the Legal Agreement. Both documents have now been signed and the projects are expected to spend in 2019/20.
- **Street Scene –** slippage mainly relating to vehicles where further purchases will take place in 2019/20; the procurement of the Data Management System which completed in April 2019 and the next stage of the Green spaces development project will commence in 2019/20

Housing Revenue Account

The Housing Revenue Account (HRA) has a budgeted contribution from balances of £0.754m in 2018/19. The outturn shows a deficit of £2.681m which is £1.9m worse than expected resulting in a year-end balance of £12.321m as at 31 March 2019.

	Revised Budget £000	Outturn £000	Variance from Budget Adv/(Fav) £000
Dwelling rents	(49,810)	(49,902)	(92)
Service and other charges	(9,133)	(7,832)	1,301
Housing management	20,375	21,717	1,343
Repairs and maintenance	7,570	7,553	(17)
Provision for bad debts	250	325	75
Regeneration	837	116	(720)
Capital charges	30,760	30,863	103
Interest on balances	(95)	(159)	(65)
Total	**754**	**2,681**	**1,927**

The main reasons for the variances from budget are highlighted below.

- **Income -** Dwelling rents over achieved compared with the revised budget, whilst the outturn for Service and Other Charges shows that this under recovered. Garage and

- commercial rental income underachieved due to a higher level of voids and lower numbers of relets.
- **Expenditure** - Housing management costs mainly reflect the core management fee of £17m paid to Barnet Homes to manage the housing stock in addition to £3m for Insurance and other service costs. This budget is overspent due mainly to: increase in the insurance premiums on the housing stock for fire and leaseholder insurance and fees relating to commissioned services for wardens on the regeneration estates.
- The repairs and maintenance budget relates to the management fee paid to Barnet Homes for the repair and maintenance of housing stock and refurbishment of properties when they become void.
- The housing regeneration shows increased income this year for cost recovery from developers on several regeneration schemes.

The **HRA** capital programme is £33.047m against a revised budget of £33.564m, resulting in a forecast variance of £0.517m. The most significant movements are:

- The HRA fire and safety programme has accelerate spend following a review of the plans for delivery of all the various improvements to the tower blocks.
- The Upper and Lower Fosters project has slipped following a review of the profile of the spend and the phasing of the project.
- The extra care pipeline project slipped following delays in the purchase of leaseholder properties
- Ansell Court (formerly Moreton Close) slippage relates mainly to the retention payment which is due in 2019/20.
- The main housing programme has accelerated expenditure due to increased works across the programme.

Non-Financial Performance in Barnet

The Council has made significant progress in delivering our prioritises to ensure that Barnet remains a thriving and vibrant borough to live and work in, despite budget cuts continuing in recent years. The Corporate Plan sets out the prioritise which will assist in the monitoring of performance.

Set out below are the key indicators from each of the areas of the council and how each of these performed this year compared to the previous. An overall status for each of the corporate priorities is given below. This reflects end of year positions for performance on key indicators, progress on activities, budget forecasting and high-level risks.

Table 10: Overall status for priorities (EOY 2018/19)

Corporate priority	Overall status
Children, Education and Safeguarding	
Children’s Services Improvement Action Plan	Amber
Delivering the family-friendly Barnet vision	Amber
Adults and Safeguarding	
Embedding strength-based practice	Amber
Integrating local health and social care	Amber
Assets, Regeneration and Growth	

Regenerating Brent Cross Cricklewood	Amber
Increasing the housing supply	Amber
Helping people into work	Green
Housing	
Building compliance and fire safety	Green
Environment	
Modernising environmental services	Amber
Delivering highways improvements	Amber
Community Leadership and Libraries	
Safer communities	Amber
Tackling issues with domestic violence, mental health and substance misuse	Amber
Policy and Resources	
Implementing The Way We Work programme	Amber
Continuing to improve customer services	Amber
Medium and long term strategic planning	Amber

The following sections provides a summary narrative of performance against each Committee's key objectives. Further details can be found in the council's End of Year Strategic Performance Report.

Children's Services and Safeguarding (CES) Committee

Improvement Action Plan

Barnet's Children's Services were found to be inadequate by Ofsted in the 2017 Single Inspection Framework. Under the Inspection of Local Authorities Children's Services (ILACS) Framework, authorities found to be inadequate are subject to monitoring visits to ensure satisfactory progress is being made.

Barnet has been subject to six of these monitoring visits. These have found that, in line with the improvement plan, there has been steady focus on improving the service and quality of social work practice. These findings and the changes that resulted in them are positive, but there is still a further work required to ensure that the Barnet is found to be of 'Good' or 'Outstanding' rating.

There are two key indicators linked to this priority in the Corporate Plan. The overall performance of these is shown in the table below.

Indicator	Polarity	Annual Target	EOY 18/19		EOY 17/18
			Result	DOT	Result
Overall progress against Children's Services Improvement Action Plan	Monitor	Monitor	Pace of change begun to establish improved social work practice	New for 18/19	New for 18/19
Findings of Ofsted Monitoring Visits	Monitor	Monitor		New for 18/19	New for 18/19

Adults & Safeguarding (A&S) Committee

Embedding Strength-Based Policies

Throughout the year, A&S has continued to embed strength-based social care policies via training programmes and assessed by internal and external auditing processes. A service user survey completed in the previous year showed that performance for key indicators had been maintained or improved, with Barnet performing strongly in comparison to other local authorities. There are 11 key Corporate Plan indicators for embedding strength-based policies. Of these; five met their target, three did not meet targets and a further there could not be reported upon as a result of reporting issues in the case management system.

Integrating Local Health and Social Care

Close working with partners in the NHS and a commitment to support timely discharges, has meant that there is a low number of delays in hospital discharges that are attributed to social care. Despite this the two key priorities in the Corporate Plan for this area did not meet their annual target. These were 'Reducing Delayed Transfers if Care' and the 'improved Better Care Fund'.

Assets, Regeneration and Growth (ARG) Committee

Increasing the Housing Supply

In May 2018, the first of the council's regeneration schemes was completed at Stonegrove Spur Road. Here 999 mixed tenure homes were constructed and a purpose-built community centre. In addition to these, Opendoor Homes completed 37 affordable homes across the affordable housing delivery programme. Work continued to progress on extra care schemes which Barnet Homes is delivering. Ansell Count was completed in January 2019. However, the programme to obtain vacant possessions in Stag House was delayed until May 2019.

Helping People into Work

The Council and partners supports a wide range of schemes and initiatives to support residents into work. In Q4, £0.260m of Section 106 funding was secured for the BOOST Project for each of the next three years. This covers 43% of the projects total budget and will be used to cover core costs. As part of the Brent Cross Cricklewood regeneration the council and partners will work with the Thameslink development to ensure that the Employment and Skills Action plan meets the council's expectations. Some focused work on supporting care leavers into education, employment and training also commenced, with a re-engagement programme run by the local organisation, Bridging the Gap, to work on confidence and motivation. The young people will be supported into apprenticeships or other employment or training.

Housing Committee

Building Compliance and Fire Safety

The replacement of the cladding systems to three council owned blocks of flats was completed in October 2018 and work is progressing at the Shoelands and Whitefield and Silk estates. Further fire safety proposals were approved in January 2019 by Housing Committee to install sprinklers in all high-rise buildings 10 or more floors and other proposals on medium and low-rise buildings. With these further provisions, the provision for fire safety improvements rose to £52m.

Environment Committee

Modernising Environmental Services

As part of achieving the MTFS savings for Street Cleansing, changes were made to the service, including a reduction in staffing levels. To mitigate against the impact of these staffing changes, capital funding was invested into new mechanised cleansing equipment namely small "Hako" mechanical sweepers and "Glutton" pavement vacuums. This equipment was to increase productivity of the town centre cleansing; enable mechanised pavement sweeping; and increase the speed and dexterity with which residential roads could be swept. The implementation of this plan was disappointing. The changes within the main town centres both to the shift pattern of the town keepers and the use of the “Glutton” pavement vacuums made improvements to these areas. The pavements were clearer of litter and litter bins were emptied more regularly through the day. The smaller elements of detritus, including cigarette butts, were also significantly reduced. However, the deployment of small “Hako” mechanical sweepers was not to the level expected. This was in part due to the level of sickness absence within the service and management focus on the changes to the recycling and waste collection rounds. Steps are in place to increase deployment of the “Hako” mechanical sweepers in 2019/20. Changes to the recycling and waste collection rounds were introduced in November 2018 to:

- Bring the recycling and waste service costs to within the budget envelope of the service,
- Balance the rounds using both data and local knowledge to ensure a more equitable work load between staff,
- Create an easier system for residents with all bins collected in one day,
- Create more productive rounds,
- Create a more resilient service by area based working mirroring of recycling and refuse rounds,
- Move garden waste collections into the week.

Temporary service disruption and the associated issues that are expected with a change of this sort were experienced across the borough, however the service had by February 2019 settled and reported missed collections returned to around the pre- change level. Work is still needed to balance some collections and this will continue into 2019/20 as agreed by Environment Committee on 14 March 2019.

Delivering Highway Improvements
There have been significant challenges impacting the delivery of improvements to highways. Issues affecting the transfer of information, instructions and photographs between the Re and third-party contractor, Conway Aecom, IT systems impacted on performance for highways reactive repairs. An interface to address the issues was implemented in October 2018 but there remains a backlog of interventions.

The planned repairs programme under the Network Recovery Plan (NRP) for 2018/19 saw the completion of 19 carriageway surfacing schemes, 33 micro asphalt schemes and 31 footway relay schemes. Post works residents’ satisfaction surveys showed that residents were satisfied with the NRP and informed prior to works commencing. The NRP for 2019/20 was approved at Environment Committee on 14 March 2019, with an additional £6million secured for the following two years.

Community Leadership and Libraries (CLL) Committee

Safer Communities
Barnet remains one of the safest boroughs in the capital, with statistics earlier in the report showing just 70.7 crimes per 1,000 residents. However, there was a 7% increase in notifiable offences in Barnet in the 12 months prior to February 2019. This compares to a 3% increase in London as a whole.

During the year, the Barnet Safer Communities Partnership:

- increased engagement with local communities, informing residents of actions being taken to tackle crime and anti-social behaviour – over 12,500 residents signed up to the OWL (Online Watch Link) app, which provides the latest crime prevention advice and updates from the Neighbourhood Policing Teams and Neighbourhood Watch;
- worked with local community groups to respond to Hate Crime through joint working with Barnet Mencap to deliver the Barnet Zero Tolerance to Hate Crime project, with 250 residents signing up to become Hate Crime Reporting Champions;

- delivered a multi-agency response to areas subject to persistent crime and anti-social behaviour, including co-ordinating multi-agency weeks of action and increasing enforcement against environmental crimes such as littering and fly-tipping.

Tackling Issues with Domestic Violence, Mental Health and Substance Misuse
longside Public Health, the Community Safety teams undertook a piece of work to produce in-depth analysis of domestic abuse, mental health and substance misuse. The key findings of this were;

- The rate of domestic abuse (DA) in Barnet was 12 per 1,000 population (measured in the 12 months prior to February 2019). This is the 3rd lowest level in London,
- There was a decrease of 3% compared to the previous year (769 compared to 806),
- The Sanction Detections for DA Violence with injury offences was 17.4%, a reduction from 27.1% the year before.

Policy and Resources (P&R) Committee

Continuing to Improve Customer Services
A new website was launched in February 2019, following resident testing engagement to ensure that the website addressed concerns and any feedback that testers had. There are three key indicators linked to this priority in the Corporate Plan. Two indicators did not meet the annual target.

Medium and Long-Term Strategy Planning
Significant work has been undertaken to resolve the budget gap of £75m. The Corporate Plan (Barnet 2024), the MTFS and the budget for 2019/20 were approved in March 2019, with each committee setting out how the corporate priorities will be delivered in year one.

Risks

The council has a Risk Strategy and a Corporate Risk Register to identify, evaluate and manage risks. All risks are held by the relevant theme committees and any high level (scoring 15+) strategic risks from the Corporate Risk Register are noted in this report with accompanying narrative.

- Children, Education and Safeguarding (CES) Committee
  - **STR021 - Delivery of Ofsted Improvement Action Plan and strengthening safeguarding (residual score 16).** Ofsted undertook a sixth and final monitoring visit on 14 to 15 February 2019, which focused on the quality of practice in the care leavers service. Inspectors found the quality of social work practice is improving steadily and changes to the service are making a positive difference with appropriate support offered to care leavers. Inspectors noted high levels of consistent, regular and skilled planning was helping to achieve positive outcomes for young people but acknowledged that some challenges remain.
- Adults and Safeguarding (A&S) Committee
  - **STR007 - Significant adults safeguarding incident (residual score 15)**. The safeguarding risk in Adult Social Care is being managed by various policies and procedures, including practice standards; training; and quality assurance, including case audits and supervisions audits. The service reports to multiple boards and committees annually. Oversight of safeguarding has been effectively maintained during the restructuring period and the implementation of the new senior management structure which is underway.
- Policy and Resources Committee
  - **STR004 - Future financial pressures and funding uncertainty (residual score 20)**. This risk captures the uncertainty of the impact on Barnet finances of changes in the national and regional political landscape. Contingency and reserves are in place to mitigate the short-term impact; forward planning is undertaken to update the budget assumptions and monitor the Government's fiscal announcements; and a recruitment freeze is in place for non-frontline services. Actions have been identified

- to help mitigate the forecast overspend and future year MTFS savings are undergoing robust challenge to minimise future financial pressures.
- **STR033 - Implementation of 19/20 savings (residual score 20 – increased from 15).** This risk is on the financial challenges facing the council over the next five years. 2019/20 is a particularly challenging year and the savings identified as part of the MTFS are required to achieve a balanced budget and minimise the use of reserves. Actions to implement some of the savings have been identified as part of the Theme Committee Delivery Plans, including risks to implementation. Budget monitoring will take place monthly, as part of financial/performance/risk reporting arrangements for 2019/20 to senior management.
- **STR034 – Debt management (residual score 16).** This risk relates to the management of debts to minimise unnecessary extra borrowing or an overspend on the revenue budget. A concerted effort has been allocated to major debtors; however, processes need to be reviewed for older debts. A Debt Board has convened and management arrangements for the Accounts Receivable team have been revised.
- **STR013 - Brexit (residual score 15)**. This risk relates to the effectiveness of the council's response to Brexit which may impact on the ability to deliver organisational objectives, financial impact and reputational damage. A paper on Brexit and associated risk register was approved at P&R Committee on 20 February 2019. Weekly meetings are in place to identify and review the potential impacts of Brexit. These have been recorded on a Brexit 'impact log'.
- **STR023 - Commercial viability of strategic suppliers (residual score 15).** If the commercial viability of a strategic supplier declines this could lead to operational failures. This risk is being managed using the contract management framework and policy/procedures for commercial activity. Contract monitoring takes place monthly with quarterly reporting to the Financial Performance and Contracts (FPC) Committee. **STR028 - Impact of insourcing Re and CSG services (residual score 15).** The insourcing of Finance and Strategic HR was approved by P&R Committee on 11 December 2018, subject to the outcome of public consultation; and the services transitioned to the council on 1 April 2019. Comprehensive programme governance is in place, with regular Programme Board meetings and a detailed risk register that is reviewed regularly. Phase 2 of the review covering Highways and Regeneration is underway.
- **STR031 - Financial controls (residual score 15).** This risk was identified because of known/identified weaknesses in internal controls. The actions from the Grant Thornton audit continue to be implemented to ensure internal financial controls are strengthened. An update on implementation of the actions was provided to Audit Committee on 31 January 2019 by the Head of Finance and Head of Internal Audit where two key recommendations remain outstanding due to ongoing implementation and testing. A further update on progress will be provided to Audit Committee in May 2019.
- **STR035 - Failure of third party Pension administrator meeting standards (residual score 15).** The risk relates to the poor performance levels resulting in delays meeting statutory deadlines and/or member benefits being inaccurate or paid late resulting in enforcement action by the Pensions Regulator. The council met with the Pension Administrator on 26 February 2019 to understand the number of outstanding pension admissions agreements/bonds. Around 25 outstanding admission agreements, bonds and/or cessation valuations were identified in the process. Discussions are ongoing around who is responsible for the bond process. The review into the Pension Administration Strategy has been completed and recommendations are being followed up.

Looking Forwards for Barnet

Since 2010, the Council has seen a reduction in funding from Central Government and an increase demand for the services which are provided to residents. The refreshed MTFS gives The Council a clearer picture of the financial challenges ahead and identifies further savings of £23.4 million that can be made reduce budget pressures. It has been difficult to forecast into the 2020s due to the current four-year settlement ending. However, it is predicted that budgets will continued to be pressured no matter the outcome of the next financial settlement as demand for services continued to increase.

In 2019/20 Barnet will be part of the London Business Rates Pooling, whereby London retains 75% of business rates across the capital. It has not been possible to predict the financial positives or negatives of this, but the level of growth anticipated in London could result in additional business rates income of £200m across the capital. The agreed distribution of this will result in an additional £109m for the boroughs and the City of London, £61m for the GLA and £30m for the Strategic Investment Pot. It is anticipated this would mean an estimated £2.7m additional funding to Barnet. To ensure that all authorities participating in the pilot are not negatively impacted, a Revenue Support Grant (RSG) has been put in place to top up any shortfall in income.

The economic implications of Brexit for the council remain difficult to forecast and quantify, as the terms of exiting the European Union remain to be agreed. Because of this neither a positive or negative impact has been assumed within budget planning for future years. However, the council has a Brexit Impact and Risk Log to monitor and react to any difficulties that could arise from in relation to Brexit. The Councils preparation and risk log were taken to Policy and Resource Committee in February 2019 and can be found online.

Barnet 2024

In May 2018, a new cohort of Councillors were elected, prompting the creation of the new Corporate Plan (Barnet 2024). This reflects the outcomes and priorities of the administration and the feedback which residents have given on these. The Corporate Plan has three main outcomes, each with their own priorities:

PRIORITIES

OUTCOME

A pleasant, well maintained borough that we protect and invest in

Getting Barnet clean through efficient street cleaning services, minimising and recycling waste, and weekly bin collections

How we will deliver this:

- supporting residents to reduce waste to below the London average by working on initiatives that promote waste minimisation and re-use
- working with landlords and agents to reduce the hidden 'throw away' culture in many communal dwellings
- fully utilising new street cleansing equipment
- reducing bin clutter in town centres by continuing to implement time-banded collections.

Keeping the borough moving, including improvements to roads and pavements

How we will deliver this:

- improving the condition of our roads and pavements
- encouraging the use of public transport, walking and cycling through the 'healthy streets' approach
- lobbying for improvements to public transport and bringing back disused public transport such as rail lines
- developing a cycle network to major destinations in the borough without impeding main traffic routes
- promoting and continuing to roll out electric vehicle charging and car clubs
- using enforcement to increase compliance and support traffic to move smoothly and safely.

Getting the best out of our parks and improving air quality by looking after and investing in our greenspaces

How we will deliver this:

- developing masterplans that deliver significant improvements to parks
- delivering a tree planting programme across the borough to alleviate the effects of pollution
- identifying sites for using green spaces to promote health and wellbeing

Ensuring decent quality housing that buyers and renters can afford, prioritising Barnet residents

How we will deliver this:

- increasing supply to ensure greater housing choice for residents
- delivering new affordable housing, including new homes on council-owned land
- prioritising people with a local connection and who give back to the community through the Housing Allocations Scheme
- ensuring that good landlords continue to provide accommodation and that poor-quality housing is improved.

Investing in community facilities to support a growing population, such as schools and leisure centres

How we will deliver this:

- investing in community facilities such as:
  - new and replacement schools;
  - enhancing our indoor and outdoor sporting facilities;
  - maintaining our 21st century libraries;
  - transformation of parks and open spaces.

Responsible delivery of our major regeneration schemes to create better places to live and work, whilst protecting and enhancing the borough

How we will deliver this:

- working with partners to deliver the Brent Cross Cricklewood scheme which includes; a new town centre, train station, 27,000 jobs and 7,500 new homes
- working with The Barnet Group to deliver housing on smaller sites across the borough
- continuing to invest in Colindale, including through:
  - progressing the development of Grahame Park
  - enhancements to Colindale Tube station
  - ensuring that the major housing developments in the area contribute to an overall sense of place.

Barnet 2024

PRIORITIES

OUTCOME

Our residents live happy, healthy, independent lives with the most vulnerable protected

Improving services for children and young people and ensuring the needs of children are considered in everything we do

How we will deliver this:

- improving children's services to get a 'good' Ofsted rating
- providing effective leadership and empowering staff
- improving the social, emotional and mental health and wellbeing of children and young people
- preventing young people from getting involved in violence, crime, exploitation and anti-social behaviour
- being a good corporate parent to children in care and care leavers.

Integrating health and social care and providing support for those with mental health problems and complex needs

How we will deliver this:

- working with local NHS organisations, GPs and NHS Barnet Clinical Commissioning Group to provide more health and care services closer to home
- working with the NHS to achieve timely discharge from hospital for patients
- offering, and signposting to, prevention support for people to stay active and more independent in the community
- Continuing to offer support to working age adults with mental health needs
- implementing the 'whole borough' social prescribing model for referring people to interventions in the community such as; exercise classes, reading clubs etc.

Supporting our residents who are older, vulnerable or who have disabilities, to remain independent and have a good quality of life

How we will deliver this:

- opening new Extra Care schemes for people that need additional support to remain living independently
- providing enablement services that help people regain or increase their independence
- using technology to enhance independence and assist with care
- offering support for carers of people with dementia
- providing equipment that allows people to stay more independent at home.

Helping people into work and better paid employment

How we will deliver this:

- working with partners to provide employment support
- offering employment schemes and apprenticeships on the regeneration sites
- offering specific support to help people find work such as care leavers, people with disabilities and Universal Credit claimants
- promoting apprenticeships across Barnet and supporting businesses to make use of the apprenticeship levy.

Encouraging residents to lead active and healthy lifestyles and maintain their mental wellbeing

How we will deliver this:

- delivering new indoor and outdoor sporting facilities and enhancing existing sporting facilities
- ensuring participation in sport and physical activity is accessible and inclusive for all
- giving residents access to health and wellbeing information and activities through the Fit and Active Barnet (FAB) framework
- completing the implementation of the new leisure contract (which includes a range of well-being services such as; the Fit and Active Barnet Card, weight management services, falls prevention, diabetes control and dementia friendly sessions)
- supporting residents across the life-course to maintain and improve their mental health and wellbeing by raising awareness, tackling stigma and discrimination and making mental health everyone's business
- providing a digital offer of interventions for residents such as; OneYou, health checks and smoking cessation services
- implementing the Healthy Weight Strategy taking a life-course approach.

Ensuring we have good schools and enough school places so all children have access to a great education

How we will deliver this:

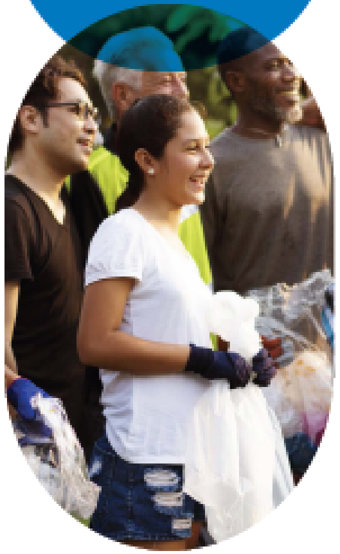
- planning and forecasting to deliver school places to meet identified needs
- improving pupils' achievement and narrowing the attainment gap
- improving outcomes for children and young people with special educational needs and disabilities
- supporting children to have the best start in life and be ready for learning.

Barnet 2024

PRIORITIES

OUTCOME

Safe and strong communities where people get along well



Keeping Barnet safe

How we will deliver this:

- maintaining low levels of crime, anti-social behaviour and substance misuse on our streets
- ensuring the effective management of offenders to reduce offending
- supporting victims of crime and anti-social behaviour to reduce the risk of repeat victimisation
- delivering the Violence Against Women and Girls Strategy
- delivering a multi-agency response to violence, vulnerability and the criminal exploitation of children and vulnerable adults
- reducing the fear of crime.

Tackling anti-social behaviour and environmental crime

How we will deliver this:

- delivering targeted multi-agency interventions in areas subjected to persistent crime, anti-social behaviour and environmental crime
- using enforcement tools and powers to protect communities, reduce offending and increase compliance.

Celebrating our diverse and strong communities and taking a zero-tolerance approach to hate crime

How we will deliver this:

- raising awareness of Barnet's diverse communities and providing opportunities to celebrate and promote cohesion
- preventing radicalisation and supporting victims of hate crime, including raising awareness
- working with local community groups to respond to hate crime
- mapping and building relationships with new and emerging communities.

Ensuring we are a family friendly borough

How we will deliver this:

- helping children to live in safe and supportive families and communities
- providing services that encourage and build resilience
- increasing the participation, voice and influence of young people
- embedding children's rights across policies and procedures
- ensuring children and families know about and can influence decisions that affect them.

Focusing on the strengths of the community and what they can do to help themselves and each other

How we will deliver this:

- encouraging individual and corporate volunteers to help build active communities
- providing access to a comprehensive directory of community resources
- supporting the voluntary, community and faith sector to build capacity for meeting the needs of residents
- developing strong and resilient partnerships through the Communities Together Network and Barnet Multi-Faith Forum

Supporting local businesses to thrive

How we will deliver this:

- streamlining council access for businesses and developing a clear business support offer through Entrepreneurial Barnet
- reducing the numbers of vacant units to ensure key town centres are thriving
- encouraging residents and local businesses to play an active role in shaping their high streets
- supporting businesses to improve workplace health
- making Barnet the best place in London to be a small business.

Statement of Responsibilities

The Council's Responsibilities

The council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In the London Borough of Barnet that officer is the Director of Finance and Section 151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Director of Finance and S151 Officer Responsibilities

The Director of Finance and Section 151 Officer is responsible for the preparation of the London Borough of Barnet's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

In preparing this Statement of Accounts, the Director of Finance and Section 151 Officer has:

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

Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the London Borough of Barnet Council at 31 March 2019 and its income and expenditure for the year then ended. The draft accounts were published on 31 May 2019.

Anisa Darr
Director of Finance and Section 151 Officer

Approval of Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit Committee by 31 July 2019

Chair of Audit Committee

Comprehensive Income and Expenditure Statement (CIES)

This statement summarises the income and expenditure of the council in providing services during 2018/19. The statement also shows how the council's services are funded through council tax, business rates, government grants and fees and charges made by the council for its services.

Comprehensive Income and Expenditure Statement	Note	2018/19 Gross expenditure £'000	2018/19 Gross income £'000	2018/19 Net expenditure £'000	2017/18 re-stated Gross expenditure £'000	2017/18 re-stated Gross income £'000	2017/18 re-stated Net expenditure £'000
Adults and Communities		130,544	(33,265)	**97,279**	132,196	(39,757)	**92,439**
Assurance		8,800	(1,772)	**7,028**	8,106	(909)	**7,197**
Central Expenses		20,620	(1,942)	**18,678**	31,492	(1,154)	**30,338**
Commissioning Group*		310,411	(289,634)	**20,777**	330,653	(301,512)	**29,141**
Customer and Support Group		45,650	(15,731)	**29,919**	47,701	(11,216)	**36,485**
Children's Services#		377,002	(281,814)	**95,188**	376,522	(268,803)	**107,719**
Housing Needs and Resources		41,721	(25,662)	**16,059**	32,897	(22,413)	**10,484**
Local Authority Housing (HRA)		56,477	(58,899)	**(2,422)**	24,220	(62,010)	**(37,790)**
Public Health		18,194	(17,209)	**985**	15,856	(17,609)	**(1,753)**
Regional Enterprise		61,155	(31,724)	**29,431**	57,842	(29,336)	**28,506**
Street Scene		21,263	(3,881)	**17,382**	20,418	(3,427)	**16,991**
Cost of Services		**1,091,837**	**(761,533)**	**330,304**	**1,077,903**	**(758,146)**	**319,757**
Other Operating Expenditure	11	17,587	(10,408)	**7,178**	1,303	(2,598)	**(1,295)**
Financing and Investment Income and Expenditure	12	27,253	(7,248)	**20,005**	29,979	(30,474)	**(495)**
Taxation and Non-Specific Grant Income	13	-	(364,122)	**(364,122)**	-	(329,990)	**(329,990)**
Surplus on Provision of Services		**1,136,677**	**(1,143,311)**	**(6,635)**	**1,109,185**	**(1,121,208)**	**(12,023)**
Deficit/(Surplus) on revaluation of non-current assets				**(3,431)**			**14,125**
Remeasurement of the net defined benefit liability	36			**56,444**			**(27,976)**
Other Comprehensive Income and Expenditure				**53,013**			**(13,851)**
Total Comprehensive Income and Expenditure				**46,378**			**(25,874)**

Children's Services includes Education and Skills plus Family Services from 2018/19 due to a change in reporting segment.
* Commissioning Group includes Parking and Infrastructure and Green Space from 2018/19 due to a change in reporting segment.

Movement in Reserves Statement (MIRS)

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

Movements in Reserves 2018/19	Note	General Fund Balance £'000	School Balances £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance as at 31 March 2018		**15,083**	**12,489**	**75,755**	**15,003**	**29,337**	**12,189**	**85,563**	**245,419**	**502,534**	**747,953**
Surplus / (Deficit) on provision of services		4,810	1,357	-	467	-	-	-	**6,634**		6,635
Other comprehensive income and expenditure		-	-	-	-	-	-	-	-	**(53,014)**	(53,013)
Total comprehensive income and expenditure		**4,810**	**1,357**	**-**	**467**	**-**	**-**	**-**	**6,634**	**(53,012)**	**(46,378)**
Adjustments between accounting basis and funding basis under regulations	9	(16,939)	-	-	(3,149)	(8,327)	(2,843)	25,883	**(5,375)**	**5,375**	**-**
Net increase / (decrease) in year		**(12,129)**	**1,357**	**-**	**(2,682)**	**(8,327)**	**(2,843)**	**25,883**	**1,259**	**(47,637)**	**(46,378)**
Transfer to/(from) earmarked reserves	10	12,129	-	(12,129)	-	-	-	-	**-**	**-**	-
Balance as at 31 March 2019		**15,083**	**13,846**	**63,626**	**12,321**	**21,010**	**9,346**	**111,446**	**246,678**	**454,897**	**701,575**

Movements in Reserves 2017/18	Note	General Fund Balance £'000	School Balances £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance as at 31 March 2017		**9,614**	**11,252**	**96,799**	**12,489**	**35,488**	**18,075**	**73,883**	**257,600**	**464,479**	**722,079**
Surplus / (Deficit) on provision of services		(33,935)	1,237	-	44,721	-	-	-	**12,023**	**-**	**12,023**
Other comprehensive income and expenditure		-		-	-	-	-	-	**-**	**13,851**	**13,851**
Total comprehensive income and expenditure		**(33,935)**	**1,237**	**-**	**44,721**	**-**	**-**	**-**	**12,023**	**13,851**	**25,874**
Adjustments between accounting basis and funding basis under regulations	9	18,360	-	-	(42,207)	(6,151)	(5,886)	11,680	**(24,204)**	**24,204**	**-**
Net increase / (decrease) in year		**(15,575)**	**1,237**	**-**	**2,514**	**(6,151)**	**(5,886)**	**11,680**	**(12,181)**	**38,055**	**25,874**
Transfer to/(from) earmarked reserves	10	21,044	-	(21,044)	-	-	-	-	**-**	**-**	**-**
Balance as at 31 March 2018		**15,083**	**12,489**	**75,755**	**15,003**	**29,337**	**12,189**	**85,563**	**245,419**	**502,534**	**747,953**

Balance Sheet

The Balance Sheet shows the value at the balance sheet date of the assets and liabilities recognised by the council. The net assets of the council are matched by the reserves. Only usable reserves are available to support delivery of the council's services to residents. Details of the usable reserves can be seen in the Movement in Reserves Statement.

		31 March 2019		31 March 2018	
	Note	£'000	£'000	£'000	£'000
Property plant and equipment	14	1,428,066		1,340,025	
Heritage assets	14	1,831		1,583	
Investment properties	14	144,467		128,812	
Intangible assets	14	27,408		11,993	
Long term debtors	16	13,416		9,822	
Long term investments	16	-		5,000	
Total Long Term Assets			1,615,188		1,497,235
Inventories		171		131	
Short term investments	16	7,834		33,030	
Short term debtors	17	123,117		133,157	
Cash and cash equivalents	18	63,018		69,755	
Total Current Assets			194,140		236,073
Short term borrowing	16	(46,573)		(1,461)	
Short term creditors	19	(110,050)		(110,469)	
Provisions	20	(12,399)		(10,219)	
Total Current Liabilities			(169,022)		(122,149)
Long term borrowing	16	(304,610)		(304,614)	
Provisions	20	(8,056)		(7,956)	
Pension scheme	36	(611,125)		(535,146)	
Long term lease (PFI)	33	(14,940)		(15,490)	
Total Long Term Liabilities			(938,731)		(863,206)
Net Assets			**701,575**		**747,953**
Usable reserves	9	246,678		245,419	
Unusable reserves	21	454,897		502,534	
Total Reserves			**701,575**		**747,953**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.
Anisa Darr
Director of Finance, Section 151 Officer
31 May 2019

Cash Flow Statement

This shows the changes in cash and cash equivalents of the council during the year. The statement classifies the council's cash flows between operating, investing and financing activities. Operating activities reflect the day to day income from grants and taxation together with expenditure on services provided by the council. Investing activities summarise the expenditure made to support future activities, for example capital expenditure on housing and schools. Financing activities demonstrate how the council has managed its borrowings to fund its operating and investing activities.

	Note	2018/19		2017/18	
		£'000	£'000	£'000	£'000
Net surplus on the provision of services		6,635		12,023	
Adjustment to the surplus on the provision of services for non-cash movements	22	107,471		113,984	
Adjustment for items included in the net surplus on the provision of services that are investing and financing activities	22	(70,323)		(102,714)	
Net cash flows from operating activities			43,783		23,293
Net cash flows from investing activities	23		(88,530)		8,331
Net cash flows from financing activities			38,010		(484)
Net (decrease)/ increase in cash and cash equivalents			(6,737)		31,140
Cash and cash equivalents at the beginning of the reporting period			69,755		38,615
Cash and cash equivalents at the end of the reporting period	18		**63,018**		**69,755**

Notes to the Accounts

1. Accounting Policies

1.1 Introduction

The Statement of Accounts summarises the London Borough of Barnet's transactions for the financial year 2018/19 and its financial position at 31 March 2019. The accounting policies adopted, that are material to the context of the council's accounts for 2018/19, are set out within the following pages. The accounting policies explain the basis for the recognition, measurement and disclosure of transactions and other events within the Statement of Accounts.

1.2 General Principles

The council's Statement of Accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory regulations.

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

1.3 Accruals of Income and Expenditure

The council recognises income and expenditure in the financial year in which the associated economic benefits are transferred, rather than when payments are actually made and received. Debtors and Creditors (Accruals) are raised at year end to reflect the difference between amounts due and amounts paid up to 31 March. In general, the council does not normally raise accruals for individual amounts under £0.01m, although exceptions are made for i) Grant related income & expenditure and ii) Service Area functions which involve high volume transactions with shared characteristics, e.g. Client placements within Adult Social Care.

1.4 Income Recognition

Income is recognised when there is reasonable certainty that the inflow of economic benefits or service potential has occurred and can be measured reliably. In accordance with IFRS 15 (Revenue from Contracts with Customers) the council recognises revenue from contracts with service recipients once it has satisfied any performance obligations by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.

Interest receivable on deposits and payable on borrowings is accounted for as income and expenditure respectively on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows set out in the relevant contract.

1.5. Fair Value measurement

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

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

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

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

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

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the council can access at the measurement date
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

1.6. Provisions

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

1.7 Government Grants and Contributions

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

Once the conditions are satisfied the grants and contributions are credited to the CIES as follows:

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

Where specific revenue grants and contributions are credited to the CIES, but the associated expenditure has not yet been incurred, the grant is set aside in an earmarked reserve so that it can be matched with the expenditure when it is incurred in a subsequent year. Where a revenue grant is received, and conditions are not satisfied it is carried in the Balance Sheet as a receipt in advance. When the condition is met it is then credited to the CIES.

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

1.8 council tax and Non-Domestic Rates

The council as a billing authority act as an agent collecting council tax and non-domestic rates on behalf of the major preceptors and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate 'Collection Fund' account, for the collection and distribution of council tax and business rates. Billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and business rates could be less or more than predicted.

The council tax and NDR income included in the CIES is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

1.9 Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

Post-Employment (Retirement) Benefits

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

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

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

Local Government Pension Scheme (LGPS)

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

- The liabilities of the LGPS attributable to the council are included in the council's balance sheet on an actuarial basis, using the projected unit cost method.
- The Fund's liabilities are discounted to their value at current prices, using a discount rate that is based upon the indicative rate of return on a high quality corporate bond of equivalent currency and term to the scheme's liabilities.
- The Fund's assets attributable to the council are included on the Balance Sheet at fair value
- Changes in the net pension liability are analysed into the following components:
    - Service costs comprising: Current service and past service costs are charged to the service lines of the CIES.
    - Net interest on the net defined benefit asset/liability is charged or credited to the 'Financing and Investment Income and Expenditure' line of the CIES.
    - The council recognises the cost of retirement benefits in the Comprehensive Income and Expenditure Statement (Cost of Services) when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.
    - Re-measurements of the net pension liability (comprising return on assets excluding amounts included in net interest and the net defined benefit liability and actuarial gains and losses) are charged to the Pension Reserve as part of ‘Other Comprehensive Income and Expenditure' line.
    - Employer contributions paid to the Fund in settlement of liabilities are not accounted for as an expense within the CIES.

Teachers' Pension Scheme

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

Discretionary Benefits

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

1.10 Minimum Revenue Provision

Statute requires the council to set money aside each year for the repayment of loans originally taken out to finance capital expenditure. This is called the minimum revenue provision (MRP).

The MRP Provision is calculated in line with the 2018/19 MRP Policy agreed by council in March 2018 and the Local Government Guidance on MRP.

The council's policy is to:

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

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

There is no requirement on the Housing Revenue Account (HRA) to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

1.11 Value Added Tax (VAT)

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

1.12 Support Services

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

1.13 Reserves

The council sets aside specific amounts as earmarked reserves for future policy purposes or to cover contingencies. Reserves are created by apportioning amounts out of the General Fund or Housing Revenue Account balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus / Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund or Housing Revenue Account balance in the Movement in Reserves Statement, so that there is no net charge against council tax or rents for the expenditure. All applications for specific reserves are subject to approval by the Chief Finance Officer. Specific reserves are discretionary not mandatory.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies.

1.14 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. Any expenditure on an asset that is under £10,000 is considered non- enhancing and is treated as revenue expenditure. Any acquisitions such as equipment and vehicles for less than £10,000 are assessed and included in Property, Plant and Equipment if considered appropriate to do so.

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

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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 and Expenditure line of the CIES, 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 CIES 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 basis:

- Infrastructure (including street lighting PFI), community assets and assets under construction – depreciated historical cost.
- Dwellings – current value, determined using the basis of existing use value for social housing (EUVSH).
- Surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

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

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

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

Accounting for property value gains and losses

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

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

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

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

Depreciation and useful lives

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

Depreciation is calculated on the following basis:

Asset Category	Depreciation Base	Estimated useful life
Land	n/a	n/a
Buildings, council Dwellings and Schools	Straight line	1 to 50 years as estimated by the valuer.
Vehicles Plant and Equipment	Straight line	5 to 20 years
Infrastructure	Straight line	10 to 30 years
PFI street lighting	Straight line	25 years

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

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

Componentisation

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

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

Disposals

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.

When Property, Plant and Equipment is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES.

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

Receipts from Disposal

Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement).

Receipts from sale of council Houses

A proportion of receipts relating to housing disposals (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.

1.15 Heritage Assets

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

Property Heritage Assets

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

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

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

Mayor’s Regalia and Silverware

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

Heritage Assets not held on the Balance Sheet

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

General Accounting Policy

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

1.16 Investment Properties

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

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

Accounting Arrangements

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

1.17 Private Finance Initiative (PFI)

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

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

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

- Fair value of services received during the year – debited to the relevant service in the CIES.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line on the CIES.
- 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 CIES.

- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.18 Leases

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

Operating Leases

council as Lessee

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

The council as Lessor

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

1.19 Intangible Assets

These are assets that do not have a physical form but which are identifiable and provide the council with rights to future economic benefits. The council's intangible assets are made up of software licences. The policy is to amortise the costs of the assets over their economic life which will vary from one asset to another up to a maximum of 10 years.

1.20 Revenue Expenditure Funded from Capital under Statute

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

1.21 Cash and Cash Equivalents

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

1.22 Contingent Assets and Liabilities

Contingent assets are events which may give rise to future economic benefits to the council but cannot be estimated with reasonable certainty at the balance sheet date and whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

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

Contingent Assets and Contingent Liabilities are not recognised in the Balance Sheet but, if material, are disclosed in a note to the accounts.

1.23 Interests in Companies and Other Organisations

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

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

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

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

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

1.24 Events after the Reporting Period

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

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

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

1.25 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.

1.26 Pooled Budgets

The council has six pooled budgets in conjunction with Barnet Clinical Commissioning Group (CCG). The council's pooled budgets with Barnet CCG relate to community equipment, learning disabilities, preventative services, speech, language and occupational therapies, looked after children and the Better Care Fund. The authority recognises the income that it gains and expenditure that it incurs on a gross basis in the Comprehensive Income and Expenditure Statement. The Balance Sheet recognises any assets and liabilities resulting to the council from the pooled budget.

1.27 Expected Credit Losses on Financial Instrument Assets

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. The council's borrowing, service concession arrangements (PFI and finance leases) and investment transactions are classified as financial instruments.

Financial Liabilities

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

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

- The amount included in the Balance Sheet is the outstanding principal repayable, plus the accrued interest.

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

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

Financial Assets

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

From 1st April 2018, CIPFA Code of Practice adopted IFRS9 – the new Financial Instrument Standard. Under IFRS9, the basis for recognising impairment loss allowances (previously known as 'Bad Debt Provisions') on Financial Instrument Assets has changed from the Incurred Losses Model to the Expected Losses Model. IFRS9 introduces a new model for measuring expected credit impairment losses that may require substantial recalculation of impairments.

- Incurred losses (IAS 39) – an impairment loss was provided for in relation to a financial asset if there was objective evidence of impairment because of a past event that occurred subsequent to the initial recognition of the asset.

- Expected losses (IFRS 9) – an impairment loss is provided for the present value of the difference between the cash flows that the authority is contracted to receive in relation to each financial asset and the cash that it expects actually to receive, taking into account the risks that defaults might occur over the remaining term.

This means the council must take a forward look at the likelihood of repayment default and, if material, recognise by way of an Expected Credit Loss provision before any actual impairment event has taken place. From 2018-19 the forward / expected credit loss model now applies to all of the council's contractual Financial Instrument Assets apart from: -

Financial Instrument Assets with

- Central Government Bodies
- Other Local Authorities
- NHS Organisations

Which are guaranteed to be repay by statute, and

- council Tax Debtors
- Business Rate Debtors

Which are statutory tax based debts rather than contractual debts

Whilst the above areas of Financial Instrument Assets fall outside the Scope of IFRS9, this does not mean the council stops applying BDP. Instead the provisions continue to be applied using the same methodology as in previous years.

The council's Accounting Policy for Expected Credit Losses is to review all Financial Instrument Assets within the Scope of IFRS9 for possible impairment based on the following approach: -

- Only to review individual Financial Instrument Assets with carrying value above 2% of the council's materiality figure set by the auditors. This figure is £323k in 2018/19.
- Apply Collective Assessment for Financial Instrument Assets with shared risk characteristics and to apply the simplified approach using lifetime expected credit losses – i.e. General Trade Debtors, Housing Related Debtors and Parking Debt
- The above is done through carrying out collective assessment of loss allowances calculated largely using provision matrices based on historical experience in accordance with the Code and applying the applying the general principle of materiality for any judgement that might be required to determine the loss allowance.
- Where reasonable and supportable information is available without undue cost or effort, the remaining Financial Instrument Assets will be assessed separately to measure expected

losses. The Risk Assessment will be carried out on such instruments at initial recognition and reviewed annually for possible credit risk increased since initial recognition. Loss allowance will be calculated using 12 month expected credit losses.

- Where there is objective evidence of a reduction in the value of an asset because of a past event then, if material the council will recognise this by way of a provision before any impairment event has taken place.
- Cumulative Assessment of certain Financial Instrument Assets will be carried out using historic collection rates as the basis for Expected Credit Loss. This means if sufficient provision was raised using historic collection data, the methodology will continue to be used to calculate the loss allowance for that type of debt. Example would be Housing Rent and Parking debts.
- Paragraph 7.2.10.1 of the Code states that impairment losses are not a proper charge to the General Fund where the acquisition of an investment or debtor balance meets the applicable statutory definition of capital expenditure. Therefore, movement in the loss allowance for these areas will not impact on General Fund Balances as the amount debited / credited to the Comprehensive Income and Expenditure will be reversed out in the Movement in Reserves Statement to the Capital Adjustment Account.

2. Accounting Standards Issued Not Yet Adopted

The Code requires the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The following accounting standards have been issued but will not be adopted under The Code until 2019/20:

- Amendments to IAS 40 *Investment Property: Transfers of Investment Property.*
- *Annual Improvements to IFRS Standards 2014-2016 Cycle.*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration.*
- IFRIC 23 *Uncertainty over Income Tax Treatments.*
- Amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation.*

These changes are not expected to have a significant impact or material effect on the council's Statement of Accounts.

3. Critical Judgements in Applying Accounting Policies

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

- The council is deemed to control the services provided under the agreement for street lighting and 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.
- In valuing the schools owned by the council, the council has had to make a judgement about the build costs to be used. The rate has been based on experience and also future expected rates.

4. Material items of Income and Expenditure

The London Borough of Barnet had previously let land and buildings at the Brent Cross Shopping Centre (BXSC) to Hammerson UK Properties Ltd since 1982. During 2018/19 the council cancelled all previous leases and consolidated them into one lease, signed with Hammerson (Brent Cross) Ltd on 26th September 2018.

To account for the leases cancellation, the council general ledger includes a non-cash transactions to reflect forgone income (invoices which will never be paid to the council by Hammersons but were issued as formal confirmation of termination), with an equal and offsetting contra entry on expenditure. The leases being surrendered to the value of £819m, with an invoice to Hammerson to the same value to be equal and off-setting.

As there has been no cash transactions within the process of termination and re-establishment of these leases, the council believes that the 'faithful representation and substance over form' argument will justify the request not to recognise these transactions within the council's 2018/19 main statements or any other notes detailing the main statements.

The council believe that these £819m "transactions" represent a legal form (of the old lease obligations, surrendered by both parties) rather than any economic substance (no cash transactions within the process of lease surrender and re-establishment occurred) and therefore including them would represent a failure to meet "faithful representation".

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

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

The items in the council's Balance Sheet at 31 March 2019 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
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £2.6m for every year that useful lives had to be reduced. Similarly, if the useful life of an asset is increased, depreciation reduces and the carrying amount of the asset increases. It is estimated that the annual depreciation charge for buildings would reduce by £5m for every year that useful lives were increased.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effect of the net pension liability due to changes in individual assumptions can be measured although the assumptions interact in complex ways. The impact of changes in assumptions is shown in note 35 Defined Benefit Pension Schemes.

Fair value and current Value Measurement	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model. Where possible, the inputs to these valuation techniques are based on observable data (Level 2), but where this is not possible judgement is required in establishing fair values (Level 3). These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions made could affect the fair value of the council's assets and liabilities. Where level 1 inputs are not available, the council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the principal valuation manager).Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in notes 13, 14 and 15	The council uses Level 2 observable inputs for valuing its investment properties and surplus assets. The inputs are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. Significant changes in any of the observable inputs would result in significantly lower or higher fair values.
Provision for NDR Appeals	The value of National Non-Domestic Rates (NNDR) income included in the accounts is reduced by a provision for the estimated value of appeals against valuation decisions. These estimates have been calculated using information from the Valuation Office Agency on outstanding appeals and experience of successful appeal rates.	Each 1% increase in the value of appeals that is provided for would give an additional cost of £1.1m.
Impairment for doubtful debt and Expected Credit Loss	The council had an outstanding balance of short-term debtors totalling £123.117m, against which an impairment allowance of £65.2m has been made. It is not certain that this impairment allowance would be sufficient as the council cannot assess with certainty which debts will be collected and which will not. The 2018 Code adopted IFRS 9 (Financial Instruments). Accordingly, the council must recognise impairment of loans & investments prospectively (as opposed to retrospectively which was the case hitherto). The council has recognised an impairment of £3.3m on a loan to Open Door Ltd. The impairment is based on the difference between the contractual cash flows and expected cash flows	An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. The council's policy for estimating the impairment allowance required is to firstly consider any specific debts which are regarded as being individually significant and then to assess the impairment allowance required for each category of debt based on the nature of the debt and service area, historical loss experience and current economic conditions. Expected cash flows are estimates based on information available and certain assumptions and judgements. If these have been underestimated then the carrying amount of the investment on the Balance Sheet may not be an accurate reflection of the actual amount recoverable

6. Comprehensive Income and Expenditure Statement (CIES)

Due to change in reporting segment in 2018/19, a number of prior year comparators have been re-presented in the Expenditure and Funding Analysis and the CIES. These changes are summarised in the table below and reflected in the restated 2017/18 Expenditure and Funding Analysis and the CIES.

Comprehensive Income and Expenditure Statement	2017/18			re-statements		2017/18 - re-stated		
	Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Gross expenditure	Gross income	Net expenditure
Adults and Communities	132,196	(39,757)	**92,439**			132,196	(39,757)	**92,439**
Assurance	8,106	(909)	**7,197**			8,106	(909)	**7,197**
Central Expenses	31,492	(1,154)	**30,338**			31,492	(1,154)	**30,338**
Commissioning Group*	313,855	(281,125)	**32,730**	16,798	(20,387)	330,653	(301,512)	**29,141**
Customer and Support Group	47,701	(11,216)	**36,485**			47,701	(11,216)	**36,485**
Children's Services#			**-**	376,522	(268,803)	376,522	(268,803)	**107,719**
Education and Skills	301,467	(261,444)	**40,023**	(301,467)	261,444	-	-	**-**
Family Services	75,055	(7,359)	**67,696**	(75,055)	7,359	-	-	**-**
Housing Needs and Resources	32,897	(22,413)	**10,484**			32,897	(22,413)	**10,484**
Local Authority Housing (HRA)	24,220	(62,010)	**(37,790)**			24,220	(62,010)	**(37,790)**
Parking and Infrastructure	13,594	(19,300)	**(5,706)**	(13,594)	19,300	-	-	**-**
Public Health	15,856	(17,609)	**(1,753)**			15,856	(17,609)	**(1,753)**
Regional Enterprise	57,842	(29,336)	**28,506**			57,842	(29,336)	**28,506**
Street Scene*	23,622	(4,514)	**19,108**	(3,204)	1,087	20,418	(3,427)	**16,991**
Cost of Services	**1,077,903**	**(758,146)**	**319,757**	**-**	**-**	**1,077,903**	**(758,146)**	**319,757**
Other Operating Expenditure	1,303	(2,598)	**(1,295)**			1,303	(2,598)	**(1,295)**
Financing and Investment Income and Expenditure	29,979	(30,474)	**(495)**			29,979	(30,474)	**(495)**
Taxation and Non-Specific Grant Income		(329,990)	**(329,990)**			-	(329,990)	**(329,990)**
Surplus on Provision of Services	**1,109,185**	**(1,121,208)**	**(12,023)**	**-**	**-**	**1,109,185**	**(1,121,208)**	**(12,023)**
Deficit/(Surplus) on revaluation of non-current assets			**14,125**					**14,125**
Remeasurement of the net defined benefit liability			**(27,976)**					**(27,976)**
Other Comprehensive Income and Expenditure			**(13,851)**	**-**	**-**			**(13,851)**
Total Comprehensive Income and Expenditure			**(25,874)**	**-**	**-**			**(25,874)**

Children's Services includes Education and Skills plus Family Services from 2018/19 due to a change in reporting segment.
* Commissioning Group includes Parking and Infrastructure and Green Space from 2018/19 due to a change in reporting segment.

7. Events After the Balance Sheet Date

Since the Balance Sheet date of 31 March 2019 there have been no material events which would require an adjustment to the financial statements.

8. Expenditure and Funding Analysis

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

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

Adjustments for Capital Purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

For financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments- for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs. For financing and investment income and expenditure the net interest on the defined benefit liability is charged to the CIES.

Other Differences - Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the code. This is a timing difference as any difference will be brought forward in future surpluses or deficits in the Collection Fund.

Notes to the Accounts

Expenditure and Funding Analysis 2018/19	Net Expenditure Chargeable to General Fund and Housing Revenue Account Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Adults and Communities	95,582	1,697	97,279
Assurance	6,892	136	7,028
Central Expenses	34,364	(15,686)	18,678
Commissioning Group*	20,206	571	20,777
Customer and Support Group	24,559	5,360	29,919
Children's Services#	66,675	28,513	95,188
Housing Needs and Resources	7,454	8,605	16,059
Local Authority Housing (HRA)	(4,588)	2,166	(2,422)
Public Health	18,090	(17,105)	985
Regional Enterprise	(8,062)	37,493	29,431
Street Scene	12,937	4,445	17,382
Cost of Services	**274,109**	**56,195**	**330,304**
Other Income and Expenditure	(260,655)	(76,284)	(336,939)
(Surplus) or Deficit on Provision of Services	**13,454**	**(20,089)**	**(6,635)**

Children's Services includes Education and Skills plus Family Services from 2018/19 due to a change in reporting segment.
* Commissioning Group includes Parking and Infrastructure and Green Space from 2018/19 due to a change in reporting segment.

	2018/19 £'000	2017/18 £'000
Opening General Fund, Schools, Earmarked and HRA Balance as at 1 April	(118,330)	(130,154)
Less Movement on MiRs re HRA and General Fund including Earmarked Reserves	13,454	11,824
Closing General Fund, Schools, Earmarked and HRA Balance as at 31 December	**(104,876)**	**(118,330)**

Expenditure and Funding Analysis 2017/18	Net Expenditure Chargeable to General Fund and Housing Revenue Account Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Adults and Communities	90,101	2,337	92,439
Assurance	6,803	394	7,197
Central Expenses	40,438	(10,101)	30,338
Commissioning Group	19,515	9,627	29,141
Customer and Support Group	29,733	6,752	36,485
Children's Services	70,028	37,690	107,719
Housing Needs and Resources	7,774	2,711	10,484
Local Authority Housing (HRA)	(8,995)	(28,795)	(37,790)
Public Health	(1,753)	-	(1,753)
Regional Enterprise	(1,743)	30,249	28,506
Street Scene	12,054	4,938	16,991
Cost of Services	**263,955**	**55,802**	**319,757**
Other Income and Expenditure	(252,131)	(79,649)	(331,780)
(Surplus) or Deficit on Provision of Services	**11,824**	**(23,847)**	**(12,023)**

Note to the Expenditure and Funding Analysis- adjustments between funding and accounting basis

Expenditure and Funding Analysis 2018/19	Net Expenditure Chargeable to General Fund and Housing Revenue Account Balances £'000	Adjustments for Capital Purposes £'000	Net Change for Pension Adjustments £'000	Other Differences £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Adults and Communities	95,582	991	706	-	97,279
Assurance	6,892	-	135	1	7,028
Central Expenses	34,364	(10,383)	-	(5,303)	18,678
Commissioning Group*	20,206	2,038	557	(2,024)	20,777
Customer and Support Group	24,559	3,275	3	2,082	29,919
Children's Services#	66,675	26,653	3,442	(1,582)	95,188
Housing Needs and Resources	7,454	12,756	-	(4,151)	16,059
Local Authority Housing (HRA)	(4,588)	1,556	-	610	(2,422)
Public Health	18,090	-	51	(17,156)	985
Regional Enterprise	(8,062)	37,490	3	-	29,431
Street Scene	12,937	4,049	729	(333)	17,382
Cost of Services	**274,109**	**78,425**	**5,626**	**(27,856)**	**330,304**
Other Income and Expenditure	(260,655)	(109,204)	13,909	19,011	(336,939)
(Surplus) or Deficit on Provision of Services	**13,454**	**(30,779)**	**19,535**	**(8,845)**	**(6,635)**

Children's Services includes Education and Skills plus Family Services from 2018/19 due to a change in reporting segment.
* Commissioning Group includes Parking and Infrastructure and Green Space from 2018/19 due to a change in reporting segment.

Notes to the Accounts

Note to the Expenditure and Funding Analysis- adjustments between funding and accounting basis

Expenditure and Funding Analysis	Net Expenditure Chargeable to General Fund and Housing Revenue Account Balances	Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Differences	Net Expenditure in the Comprehensive Income and Expenditure Statement
2017/18	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Adults and Communities	90,101	211	2,126	-	92,439
Assurance	6,803	-	394	-	7,197
Central Expenses	40,438	(10,099)	-	(2)	30,338
Commissioning Group	19,515	7,943	1,684	-	29,141
Customer and Support Group	29,733	6,752	-	-	36,485
Children's Services	70,028	28,282	10,484	(1,077)	107,719
Housing Needs and Resources	7,774	2,711	-	-	10,484
Local Authority Housing (HRA)	(8,995)	(28,793)	-	(2)	(37,790)
Public Health	(1,753)	-	-	-	(1,753)
Regional Enterprise	(1,743)	30,249	-	-	28,506
Street Scene	12,054	2,663	2,275	-	16,991
Cost of Services	**263,955**	**39,919**	**16,963**	**(1,081)**	**319,757**
Other Income and Expenditure	(252,131)	(98,704)	13,517	5,538	(331,780)
(Surplus) or Deficit on Provision of Services	**11,824**	**(58,785)**	**30,480**	**4,457**	**(12,023)**

Expenditure and Income analysed by nature

The authority's expenditure and income is analysed as follows:

Expenditure	2018/19 £'000	Expenditure	2017/18 £'000
Employee benefits expenses	276,901	Employee benefits expenses	280,857
Other services expenses	782,546	Other services expenses	778,065
Depreciation, amortisation and impairment	56,895	Depreciation, amortisation and impairment	32,845
Interest payments	11,842	Interest payments	13,883
Precepts and levies	1,162	Precepts and levies	1,179
Payments to Housing Capital Receipts Pool	1,314	Payments to Housing Capital Receipts Pool	124
Loss on the disposal of assets	6,017	Loss on the disposal of assets	2,232
Total Expenditure	**1,136,677**	**Total Expenditure**	**1,109,185**
Income	**2018/19 £'000**	**Income**	**2017/18 £'000**
Fees, charges and other service income	(277,115)	Fees, charges and other service income	(219,630)
Interest and investment income	(1,021)	Interest and investment income	(624)
Income relating to investment properties	(12,122)	Income relating to investment properties	(29,850)
Gain on disposal of assets	6,017	Gain on disposal of assets	(2,598)
Income from council tax, non-domestic rates, district rate income	(246,495)	Income from council tax, non-domestic rates, district rate income	(194,613)
Government grants and contributions	(612,575)	Government grants and contributions	(673,893)
Total Expenditure	**(1,143,311)**	**Total Expenditure**	**(1,121,208)**
Surplus on the Provision of Services	**(6,634)**	**Surplus on the Provision of Services**	**(12,023)**

9. Adjustments between Accounting Basis and Funding Basis under Regulations

	Note	General Fund Balance £'000	School Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance as at 31 March 2018		**15,083**	**12,489**	**75,755**	**15,003**	**29,337**	**12,189**	**85,563**	**245,419**	**502,534**	**747,953**
Movement in reserves during 2018/19											
Surplus / (Deficit) on provision of services		4,811	1,357	-	467	-	-	-	6,635	-	6,635
Other Comprehensive Income and Expenditure						-	-	-	-	(53,013)	(53,013)
Total Comprehensive Income and Expenditure		4,811	1,357	-	467	-	-	-	6,635	(53,013)	(46,378)
Adjustments involving the Capital Adjustment Account:											
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:											
Charges for depreciation, impairment and revaluation losses		28,520	-	-	24,990	-	-	-	53,510	(53,510)	-
Movements in the Market value of Investment Properties		(7,438)	-	-	(1,715)	-	-	-	(9,153)	9,153	-
Amortisation of Intangible assets		3,385	-	-	-	-	-	-	3,385	(3,385)	-
Capital Grants and contributions applied		(32,368)	-	-	(1,773)	-	-	-	(34,141)	34,141	-
Movement in donated assets account		(615)	-	-	-	-	-	-	(615)	615	-
Disposals and Derecognition		9,814	-	-	6,610	-	-	-	16,424	(16,424)	-
Revenue Expenditure Funded From Capital Under Statute		56,288	-	-	-	-	-	-	56,288	(56,288)	-
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement						-	-	-			
Statutory provision for the financing of capital investment		(11,323)	-	-	-	-	-	-	(11,323)	11,323	-
Capital expenditure charged against the General Fund and HRA balances		(29,238)	-	-	-	-	-	-	(29,238)	29,238	-
Adjustments involving the Capital Grants Unapplied Account:											
Capital Grants and Contributions unapplied credited to CIES		(59,987)	-	-	-	-	-	59,987	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account		-	-	-	-	-	-	(34,104)	(34,104)	34,104	-
Adjustments involving the Capital Receipts Reserve:											
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES		(2,101)	-	-	(9,578)	11,679	-	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	-	-	-	(18,286)	-	-	(18,286)	18,286	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		-	-	-	1,752	(1,752)	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-	-	-	-	32	-	-	32	(32)	-
Adjustments involving the Deferred Capital Receipts Reserve:											
Deferred sale proceeds credited as part of the gain/loss on disposal to the CIES		-	-	-	-	-	-	-	-	-	-
Adjustments involving the Major Repairs Reserve (MRR):											
Reversal of HRA depreciation charged to the Major Repairs Reserve		-	-	-	(23,434)	-	23,434	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure		-	-	-	-	-	(26,277)	-	(26,277)	26,277	-
Adjustments involving the Financial Instruments Adjustment Account:											
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements		(3)	-	-	(1)	-	-	-	(4)	4	-
Adjustments involving the Pension Reserve:											
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		(4,904)	-	-	-	-	-	-	(4,904)	4,904	-
Employer's pension contributions and direct payments to pensioners payable in the year		24,439	-	-	-	-	-	-	24,439	(24,439)	-
Adjustments involving the Collection Fund Adjustment Account:											
Amount by which council tax and NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements		8,817	-	-	-	-	-	-	8,817	(8,817)	-
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		(226)	-	-	-	-	-	-	(226)	226	-
Adjustments between accounting basis and funding basis under regulations		(16,940)	-	-	(3,149)	(8,327)	(2,843)	25,883	(5,376)	5,376	-
Net increase / (decrease) in year		**(12,129)**	**1,357**	**-**	**(2,682)**	**(8,327)**	**(2,843)**	**25,883**	**1,259**	**(47,637)**	**(46,378)**
Transfer to/(from) earmarked reserves	10	12,129	-	(12,129)	-	-	-	-	-	-	-
(Decrease) /Increase in Year		**-**	**1,357**	**(12,129)**	**(2,682)**	**(8,327)**	**(2,843)**	**25,883**	**1,259**	**(47,637)**	**(46,378)**
Balance as at 31 March 2019		**15,083**	**13,846**	**63,626**	**12,321**	**21,010**	**9,346**	**111,446**	**246,678**	**454,897**	**701,575**

Adjustments between Accounting Basis and Funding Basis under Regulations

	Note	General Fund Balance	School 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	£'000
Balance as at 31 March 2017		**9,614**	**11,252**	**96,799**	**12,489**	**35,488**	**18,075**	**73,883**	**257,600**	**464,479**	**722,079**
Movement in reserves during 2017/18											
Surplus / (Deficit) on provision of services		(33,935)	1,237	-	44,721	-	-	-	12,023	-	12,023
Other Comprehensive Income and Expenditure									-	13,851	13,851
Total Comprehensive Income and Expenditure		(33,935)	1,237	-	44,721	-	-	-	12,023	13,851	25,874
Adjustments involving the Capital Adjustment Account:											
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:											
Charges for depreciation, impairment and revaluation losses		42,035	-	-	(7,008)	-	-	-	35,027	(35,027)	-
Movements in the Market value of Investment Properties		(21,825)	-	-	(4,439)	-	-	-	(26,264)	26,264	-
Amortisation of Intangible assets		873	-	-	-	-	-	-	873	(873)	-
Capital Grants and contributions applied		(27,795)	-	-	(3,102)	-	-	-	(30,898)	30,898	-
Movement in donated assets account		(1,065)	-	-	-	-	-	-	(1,065)	1,065	-
Disposals and Derecognition		-	-	-	-	-	-	-	-	-	-
Revenue Expenditure Funded From Capital Under Statute		43,983	-	-	1,587	-	-	-	45,570	(45,570)	-
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement											
Statutory provision for the financing of capital investment		(10,929)	-	-	-	-	-	-	(10,929)	10,929	-
Capital expenditure charged against the General Fund and HRA balances		(7,598)	-	-	-	-	-	-	(7,598)	7,598	-
Adjustments involving the Capital Grants Unapplied Account:											
Capital Grants and Contributions unapplied credited to CIES		(40,235)	-	-	-	-	-	40,235	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account		352	-	-	-	-	-	(28,555)	(28,204)	28,204	-
Adjustments involving the Capital Receipts Reserve:											
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES		10,824	-	-	(5,858)	26,598	-	-	31,564	(31,564)	-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	-	-	-	(32,706)	-	-	(32,706)	32,706	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		124	-	-	-	(124)	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		(3)	-	-	-	81	-	-	78	(78)	-
Adjustments involving the Deferred Capital Receipts Reserve:											
Deferred sale proceeds credited as part of the gain/loss on disposal to the CIES		(5,321)	-	-	(12)	-	-	-	(5,333)	5,333	-
Adjustments involving the Major Repairs Reserve (MRR):											
Reversal of Major Repairs Allowance credited to the HRA		-	-	-	(23,372)	-	23,372	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure		-	-	-	-	-	(29,258)	-	(29,258)	29,258	-
Adjustments involving the Financial Instruments Adjustment Account:											
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance		(2)	-	-	(2)	-	-	-	(4)	4	-
Adjustments involving the Pension Reserve:											
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure		53,688	-	-	-	-	-	-	53,688	(53,688)	-
Employer's pension contributions and direct payments to pensioners payable in the year		(23,207)	-	-	-	-	-	-	(23,207)	23,207	-
Adjustments involving the Collection Fund Adjustment Account:											-
Amount by which council tax and NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements		5,540	-	-	-	-	-	-	5,540	(5,540)	-
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		(1,077)	-	-	-	-	-	-	(1,077)	1,077	-
Adjustments between accounting basis and funding basis under regulations		18,360	-	-	(42,207)	(6,151)	(5,886)	11,680	(24,204)	24,204	-
Net increase / (decrease) in year		**(15,575)**	**1,237**	**-**	**2,514**	**(6,151)**	**(5,886)**	**11,680**	**(12,181)**	**38,055**	**25,874**
Transfer to/(from) earmarked reserves	10	**21,044**	**-**	**(21,044)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(Decrease) /Increase in Year		**5,469**	**1,237**	**(21,044)**	**2,514**	**(6,151)**	**(5,886)**	**11,680**	**(12,181)**	**38,055**	**25,874**
Balance as at 31 March 2018		**15,083**	**12,489**	**75,755**	**15,003**	**29,337**	**12,189**	**85,563**	**245,419**	**502,534**	**747,953**

10. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and SPA balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and SPA expenditure in 2018/2019.

	Reserve b/fwd at 31 March 2017 £'000	In year Expenditure £'000	Reserve movements £'000	New Reserves Raised £'000	Reserve c/fwd at 31 March 2018 £'000	In year Expenditure £'000	Reserve movements £'000	New Reserves Raised £'000	Reserve c/fwd at 31 March 2019 £'000
Central - Capital Financing (i)	1,574	-	(2,513)	939	-	-	-	-	-
Central - Infrastructure (ii)	36,573	(17,472)	(3,086)	25,874	22,560	(29,685)	(450)	9,963	2,388
Central - Revenue implications of capital (iii)	-	-	-	-	-	(1,021)	2,436	26	1,441
Central - Balancing the MTFS (iv)	15,425	-	(5,419)	1,039	30,374	(240)	(882)	4,785	34,036
Central- Strategic Contract re-alignment (v)						-	600	-	600
Central - Service Development (vi)	6,308	(1,554)	(2,697)	556	2,613	(661)	(1,223)	900	1,628
Central - Transformation (vii)	6,754	(3,322)	-	-	3,432	(2,350)	2,000	-	3,083
Central - Concil tax and NNDR smoothing (viii)	-	-	-	2,482	2,482	-	(2,428)	6,327	6,381
Service - Housing Benefits (ix)	1,900	(100)	(500)	2,242	3,542	(194)	-	632	3,980
Service - Public Health(x)	2,358	(1,721)	-	1,754	2,391	(980)	-	50	1,461
Service - Other (xi)	24,070	(12,091)	(6,808)	1,040	6,211	(2,585)	(53)	2,819	6,393
Sub Total General Fund Earmarked Reserves	**94,962**	**(36,260)**	**(21,023)**	**35,926**	**73,605**	**(37,716)**	**-**	**25,502**	**61,391**
Special Parking Account (SPA)	1,837	(864)	-	1,177	2,150	(1,015)	-	1,100	2,235
Total Earmarked Reserves	**96,799**	**(37,124)**	**(21,023)**	**37,103**	**75,755**	**(38,731)**	**-**	**26,602**	**63,626**

i) Capital financing - this reserve was set aside to support capital investment in prior years. This reserve was collapsed as a result of changes to the capital funding strategy.

ii) Infrastructure - the council previously set aside a portion of its New Homes Bonus (NHB) funding to support its capital investment in infrastructure. In 2018/19 the council changed its approach to NHB and realigned the remaining NHB balance to the MTFS reserve.The council has continued to earmark its CIL receipts into the Infrastructure reserve for investment in future years.

iii) Revenue Implications of Capital - set aside during 2018/19 to meet costs from the capital programme which do not strictly meet the definition of capital.

iv) Balancing the MTFS – the purpose of this reserve is to set aside an amount of money which can be drawn down to balance the council's budget when a budget deficit is unavoidable.

v) Strategic Contract Realignment - to cover the costs of the ongoing review of the Capita contract and the implementation of proposals for Finance and strategic HR, including change support and optimisation. This reserve was created in December 2018.

vi) Service development - to fund pilot projects and service transformation proposals. An additional £0.9m was added to this reserve from Business Rates levy surplus in 2018/19 to fund specific projects identified within the budget report.

vii) Transformation Reserve - to meet the one off costs of transformation in order to achieve service improvement or MTFS related savings. This was increased by £2m in 2018/19 to cover the period 2020-2024.

viii)Council tax and NNDR smoothing reserve - to provide a means to manage fluctuations in the amount of income collected through council tax and business rates, ensuring no sudden impacts on the General Fund budget management process.

ix) Housing Benefits - to cover changes in benefit subsidy, irrecovoerable subsidy payments and anticipated costs in respect of Department for Work and Pensions enforced changes to benefits administration.

x) Public Health - ringfenced reserve to cover future Public Health expenditure

xi) Other - Including: Dedicated Schools Grant (DSG) – balances in respect of delegated schools' budgets (£1.5m), troubled families (£1.078m) and Homelessness support (£0.5m)

In-year expenditure, reserve movement and new reserves raised total £12.129m (2017/18: £21.044m), which is shown in the Movement in Reserves Statement as transfers to and from earmarked reserves. This movement reflects contributions to earmarked reserves and the use of reserves to fund revenue and capital expenditure.

11. Other Operating Expenditure

	2018/19 £'000	2017/18 £'000
Precepts and levies	1,161	1,179
Contribution to government housing pool	1,752	124
(Gain) / loss on disposal	4,265	(2,598)
Total	**7,178**	**(1,295)**

12. Financing and Investment Income and Expenditure

	2018/19 £'000	2017/18 £'000
Interest payable and similar charges	13,947	13,883
Net Interest on the Net Defined Benefit Liability	13,909	13,517
Interest receivable and similar income	(1,021)	(624)
Income and expenditure in relation to investment properties and changes in their fair value	(12,122)	(29,850)
(Gain) or Loss on disposal of investment properties	-	2,232
Impairment allowance	4,682	-
Trading operations	610	347
Total	**20,005**	**(495)**

13. Taxation and Non-Specific Grant Income

	2018/19 £'000	2017/18 £'000
Council tax income	(170,020)	(162,160)
Non- domestic rates income and expenditure	(70,550)	(32,453)
Non-specific grants (see note 29)	(28,808)	(63,179)
Donated asset	(615)	(1,065)
Capital grants and contributions	(94,129)	(71,133)
Total	**(364,122)**	**(329,990)**

14. Movement in Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets

The Principal Valuation Manager, Robert Braham, who is employed by Capita as part of the CSG Estates service values the council's freehold property portfolio in accordance with the statements of asset valuation practice and the guidance notes of the Royal Institute of Chartered Surveyors (RICS). The valuation basis for each of the asset categories included in the council's Balance Sheet is detailed in the accounting policies.

The valuation date for council dwellings was 31 March 2019. Where applicable the valuation date for all other assets due for revaluation in the year was 1 December 2018. This date was used as directed by the valuer, to allow sufficient time to collect and assess valuation information.

Council dwellings, schools, libraries, shops and the ten highest value assets are valued annually. The remaining assets in other land and buildings and investment properties are valued on a five year cycle. The assets valued annually represent 90% of the assets that can be valued.

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

At 31 March 2019, the council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years, budgeted to cost £33.758m (£91.450m in 2018/19). This is broken down in the table below:

Capital Project	**Commitments**
	£'000
Sport and Physical Activities	6,222
Blessed Dominic/St James School	6,353
Investing in IT	2,567
Thameslink Station	13,884
Whitefield School ASD	1,716
Colindale – Parks, Open Spaces and Sports	3,016
TOTAL	**33,758**

Notes to the Accounts

Property, Plant & Equipment, Heritage Assets, Investment Properties and Intangible Assets 2018/19

	Property, Plant and Equipment (PPE)												
	Council House Dwellings	Other Land and Buildings	Schools	Vehicles Plant and Equipment	Infrastructure	Community Assets	Surplus assets	Assets under Construction	Total PPE	Heritage Assets	Investment Properties	Intangible Assets	**Total Assets**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation of Assets at 1 April 2018	752,721	172,030	198,694	53,318	163,923	355	41,776	64,930	1,447,747	1,583	128,812	20,482	**1,598,624**
Reclassifications	-	4,066	-	-	-	-	651	-	4,717	-	(4,717)	-	**-**
Additions from Assets under Construction	9,067	4,002	399	-	1,532	-	-	(19,430)	(4,430)	21	140	4,269	**-**
Additions	31,075	39,692	5,478	2,728	10,928	-	411	58,277	148,589	215	11,321	14,530	**174,655**
Revaluation increases recognised in the Revaluation Reserve	636	8,828	1,536	-	-	1	4,883	-	15,884	12	-	-	**15,896**
Revaluation decreases recognised in the Revaluation Reserve	(24,132)	(8,629)	(12,530)	-	-	-	(116)	-	(45,407)	-	(62)	-	**(45,469)**
Revaluation increases recognised in the Surplus/Deficit on the Provision of Service	-	2,841	1,445	-	-	-	49	-	4,335	-	14,833	-	**19,168**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(782)	(5,380)	(4,305)	-	-	(67)	-	-	(10,534)	-	(5,680)	-	**(16,214)**
Derecognition - Disposals	(3,389)	(6,690)	-	-	-	-	(2,300)	(1,861)	(14,240)	-	-	-	**(14,240)**
Derecognition - Other	-	(161)	-	-	-	-	-	(384)	(545)	-	(180)	(3,474)	**(4,199)**
Gross Value of Assets at 31 March 2019	765,196	210,599	190,717	56,046	176,383	289	45,354	101,532	**1,546,116**	1,831	144,467	35,807	**1,728,221**
Accumulated Depreciation at 1 April 2018	-	(8,979)	(6,817)	(37,586)	(54,239)	-	(101)	-	(107,722)	-	-	(8,489)	**(116,211)**
Reclassifications	-	4	-	-	-	-	58	-	62	-	(62)	-	**-**
Writeback of depreciation on revaluation recognised in the Surplus/Deficit on the Provision of Service	-	317	2,113	-	-	-	-	-	2,430	-	-	-	**2,430**
Writeback of depreciation on revaluation recognised in the Revaluation Reserve	23,434	4,643	4,704				161		32,942		62		**33,004**
Derecognition - Disposals	-	487	-	-	-	-	-	-	487	-	-	-	**487**
Derecognition - Other	-	161	-	-	-	-	-	-	161	-	-	3,474	**3,635**
Depreciation charge	(23,434)	(5,038)	(6,657)	(2,599)	(8,532)	-	(150)	-	(46,410)	-	-	(3,384)	**(49,794)**
Accumulated Depreciation 31 March 2019	-	(8,405)	(6,657)	(40,185)	(62,771)	-	(32)	-	(118,050)	-	-	(8,399)	**(126,449)**
Net Book Value of Asset at 31 March 2018	**752,721**	**163,051**	**191,877**	**15,732**	**109,684**	**355**	**41,675**	**64,930**	**1,340,025**	**1,583**	**128,812**	**11,993**	**1,482,413**
Net Book Value of Asset at 31 March 2019	**765,196**	**202,194**	**184,060**	**15,861**	**113,612**	**289**	**45,322**	**101,532**	**1,428,066**	**1,831**	**144,467**	**27,408**	**1,601,772**

Notes to the Accounts

Property, Plant & Equipment, Heritage Assets, Investment Properties and Intangible Assets 2017/18

	Property, Plant and Equipment (PPE)												
	Council House Dwellings	Other Land and Buildings	Schools	Vehicles Plant and Equipment	Infrastructure	Community Assets	Surplus assets	Assets under Construction	Total PPE	Heritage Assets	Investment Properties	Intangible Assets	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation of Assets at 1 April 2017	713,566	162,107	227,041	56,416	152,757	355	34,698	54,300	**1,401,240**	1,567	123,416	13,220	**1,539,443**
Reclassifications	-	(956)	-	-	-	-	-	(7,514)	**(8,470)**	-	956	-	**(7,514)**
Additions from Assets under Construction	28,035	21,757	4,583	-	10,822	-	-	(70,355)	**(5,158)**	-	2	5,156	**-**
Additions	6,703	10,921	-	1,559	402	-	4,680	96,757	**121,022**	-	-	2,233	**123,255**
Revaluation increases recognised in the Revaluation Reserve	129	5,591	2,797	-	-	-	6,605	-	**15,122**	16	-	-	**15,138**
Revaluation decreases recognised in the Revaluation Reserve	(23,585)	(9,946)	(23,782)	-	-	-	(4,158)	-	**(61,471)**	-	-	-	**(61,471)**
Revaluation increases recognised in the Surplus/Deficit on the Provision of Service	30,431	1,010	2,300	-	-	-	-	-	**33,741**	-	33,500	-	**67,241**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	(17,840)	(10,038)	-	-	-	(49)	-	**(27,927)**	-	(7,375)	-	**(35,302)**
Derecognition - Disposals	(2,558)	(614)	(4,207)	-	-	-	-	(2,902)	**(10,281)**	-	(21,687)	-	**(31,968)**
Derecognition - Other	-	-	-	(4,657)	(58)	-	-	(5,356)	**(10,071)**	-	-	(127)	**(10,198)**
Gross Value of Assets at 31 March 2018	752,721	172,030	198,694	53,318	163,923	355	41,776	64,930	**1,447,747**	1,583	128,812	20,482	**1,598,624**
Accumulated Depreciation at 1 April 2017	-	(10,551)	(7,768)	(39,724)	(46,174)	-	(85)	-	**(104,302)**	-	(45)	(7,743)	**(112,090)**
Reclassifications	-	92	-	-	-	-	-	-	**92**	-	(92)	-	**-**
Writeback of depreciation on revaluation recognised in the Surplus/Deficit on the Provision of Service	-	1,887	2,142	-	-	-	-	-	**4,028**	-	137	-	**4,165**
Writeback of depreciation on revaluation recognised in the Revaluation Reserve	22,867	3,896	5,444						**32,208**				**32,208**
Derecognition - Disposals	-	42	364	-	-	-	-	-	**406**	-	-	-	**406**
Derecognition - Other	-	-	-	4,657	58	-	-	-	**4,715**	-	-	127	**4,842**
Depreciation charge	(22,867)	(4,345)	(6,999)	(2,519)	(8,123)	-	(16)	-	**(44,869)**	-	-	(873)	**(45,742)**
Accumulated Depreciation 31 March 2018	-	(8,979)	(6,817)	(37,586)	(54,239)	-	(101)	-	**(107,722)**	-	-	(8,489)	**(116,211)**
Net Book Value of Asset at 31 March 2017	**713,566**	**151,556**	**219,273**	**16,692**	**106,583**	**355**	**34,613**	**54,300**	**1,296,938**	**1,567**	**123,371**	**5,477**	**1,427,353**
Net Book Value of Asset at 31 March 2018	**752,721**	**163,051**	**191,877**	**15,732**	**109,684**	**355**	**41,675**	**64,930**	**1,340,025**	**1,583**	**128,812**	**11,993**	**1,482,413**

15. Investment Properties

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

Investment Properties	2018/19 £'000	2017/18 £'000
Rental income from investment property	(2,969)	(3,586)
Net gain	**(2,969)**	**(3,586)**

Movements in the fair value of investment properties are detailed in Note 14 (Movement in Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets).
Gains or losses arising from changes in the fair value of investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

All investment properties are valued using level 2 observable inputs

Highest and Best Use of Investment Properties

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

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties. Valuation techniques used to measure the fair value for Investment properties involve using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

16. Financial Instruments

Income, Expenses, Gains and Losses:

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

	2018/19				2017/18			
	Financial Liabilities measured at amortised cost	Financial Assets: loans and receivables	Financial Assets: available for sale	Total	Financial Liabilities measured at amortised cost	Financial Assets: loans and receivables	Financial Assets: available for sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense								
Total expense in Surplus or Deficit on the Provision of Services	**(13,947)**	**-**	**-**	**(13,947)**	**(13,883)**	**-**	**-**	**(13,883)**
Interest income								
Total income in Surplus or Deficit on the Provision of Services	**-**	**718**	**303**	**1,021**	**-**	**260**	**364**	**624**
Net (Loss)/Gain for the Year	**(13,947)**	**718**	**303**	**(12,926)**	**(13,883)**	**260**	**364**	**(13,259)**

Notes to the Accounts

The following categories of financial instruments are carried in the Balance Sheet:

	Long Term 31 March 2019 £'000	Long Term 31 March 2018 £'000	Current 31 March 2019 £'000	Current 31 March 2018 £'000
Investments				
Fair value through other comprehensive income	-	5,000	7,834	33,030
Amortised costs	-	-	-	-
Total Investments	-	5,000	7,834	33,030
Debtors				
Fair value through other comprehensive income	-	-	105,976	117,487
Amortised costs	13,416	9,822	-	-
Total included in Debtors	13,416	9,822	105,976	117,487
Cash and cash equivalents				
Fair value through other comprehensive income	-	-	60,376	47,106
Amortised costs	-	-	2,642	22,649
Total cash and cash equivalents	-	-	63,018	69,755
Borrowing				
Financial liabilities at amortised cost	304,610	304,610	46,573	1,461
Total included in Borrowing	304,610	304,610	46,573	1,461
Other Long-term Liabilities				
PFI and finance lease liabilities carried at amortised cost	14,940	15,490	549	484
total Other Long-term Creditors	14,940	15,490	549	484
Financial liabilities at amortised cost	-	-	-	86,994
Total Creditors	**-**	**-**	**-**	**86,994**

No material soft loans existed at either date.

Fair Values of Financial Instruments

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

The council's loan investments (other than money market funds) are carried in the Balance Sheet at amortised cost or fair value through the Comprehensive income statement. The short-term element is mainly term deposits with a bank, while the longer-term element mostly comprises a loan to a wholly owned subsidiary of the Council. Money market funds are included within Cash and cash equivalents (they can be realised daily at cost) as fair value through profit and loss.

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 fair value of assets and liabilities held at amortised cost are disclosed for comparison purposes.

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

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

The following valuation basis has been used:
• Valuation of fixed term deposits (maturity investments): The valuation is made by comparing the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit.
• Valuation of loans receivable: For loans receivable, prevailing benchmark market rates have been used to provide the fair value.
• Valuation of PWLB loans: For loans from the PWLB, fair value estimates using new borrowing (certainty rate) discount rates have been used.
• Valuation of non-PWLB loans payable: For non-PWLB loans, Link Asset Services have provided fair value estimates using prevailing market rates.

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

The rates quoted in this valuation were obtained by Link Asset Services from the market on 31 March 2019 (prior year 31 March 2018), using bid prices where applicable.

The fair value of a financial instrument on initial recognition is generally the transaction price. The council's debt outstanding at 31 March 2018 and 31 March 2019 consisted of loans from PWLB, market loans and short-term local authority borrowing. The council has a continuing ability to borrow at concessionary rates from the PWLB. A supplementary measure of the additional interest that the council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £242.679 million would be valued at £298.696 million, as recognised in the table below. But, if the council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £339.998 million.

The council also has long-term market loan of £63.385 million as at 31 March 2019. Using a similar methodology as PWLB loans the fair values are £93.758 million using new borrowing rates (the basis used in the table below) or £123.536 million based on premature repayment. As the council does not intend to repay debt prior to maturity, it will not incur penalty costs associated with premature repayment. The council also has short-term debt of £45.119 million as at 31 March 2019 borrowed from other Local authorities that mature May and June 2019. The carrying values of these loans are a reasonable approximation of the fair value.

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

Notes to the Accounts

Financial Liabilities

	31 March 2019 Carrying amount £'000	31 March 2019 Fair value £'000	31 March 2018 Carrying amount £'000	31 March 2018 Fair value £'000
Borrowing held at amortised cost	351,183	437,573	306,075	383,435
PFI lease liabilities	15,489	29,773	15,974	31,042
Trade creditors	84,626	84,626	86,994	86,994
	451,298	**551,972**	**409,044**	**501,471**

Financial Assets

	31 March 2019 Carrying amount £'000	31 March 2019 Fair value £'000	31 March 2018 Carrying amount £'000	31 March 2018 Fair value £'000
Long term debtors	13,416	13,416	9,822	9,822
Cash and cash equivalents	2,650	2,650	69,755	69,755
Short term investments	7,834	7,834	33,030	33,030
Trade debtors	105,976	105,976	117,487	117,487
	129,875	**129,876**	**235,094**	**235,094**

With the exception of a loan relating to the development of residential properties for which a 22% provision has been made, the fair values of financial assets are identical to the carrying values as the maturities are mainly short-term and interest rates are low. The fair value for financial assets and financial liabilities in the table above is measured as Level 2 inputs (other significant observable inputs).

17. Debtors

	31 March 2019 £'000	31 March 2018 £'000
Central Government Bodies	13,696	16,725
Other Local Authorities	1,045	7,911
Public Corporations and Trading Funds	-	-
NHS bodies	18,308	10,550
Other Entities and Individuals	155,266	159,617
	188,315	194,803
Less: provision for bad and doubtful debts	(65,198)	(61,646)
Total	**123,117**	**133,157**

18. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2019 £'000	31 March 2018 £'000
Bank current accounts	2,642	7,248
Short-term deposits - call accounts	-	15,401
Short-term deposits - money market funds	60,376	47,106
Total	**63,018**	**69,755**

19. Creditors

	31 March 2019 £'000	31 March 2018 £'000
Central Government Bodies	4,429	6,548
Other Local Authorities	4,538	8,851
Public Corporations and Trading Funds	-	-
NHS bodies	2,891	3,164
Other Entities and Individuals	98,193	91,906
Total	**110,050**	**110,469**

20. Provisions

	Note	As at 1 April 2017 £'000	In year related payments £'000	Written back in year £'000	New provisions raised £'000	As at 31 March 2018* £'000	In year related payments £'000	Written back in year £'000	New provisions raised £'000	As at 31 March 2019 £'000
Housing and Property		-	-	-	-	-	-	-	-	-
Insurance	i)	**8,850**	(2,224)	-	3,630	**10,256**	(1,700)	-	1,700	**10,256**
Service Related Provision*	ii)	**2,667**	(385)	(10)	1,606	**3,879**	(78)	(24)	-	**3,777**
Termination Costs		**95**	-	-	-	**95**	(95)	-	-	-
Business Rates Appeals	iii)	**3,057**	(20)	(666)	1,574	**3,945**	-	-	2,477	6,422
Total		**14,670**	(2,629)	(676)	6,810	**18,175**	(1,873)	(24)	4,177	20,454
					Short Term	**10,219**			**Short Term**	**12,399**
					Long term	**7,956**			**Long term**	**8,056**

*Re-stated as line in 17-18 SoA for Legal actually related to Ordinary Resident Cases

i) Insurance - Provision is for liabilities that have occurred but where the timing of the payment is dependent upon the claim settlement process. The Provision reflects 100% of the council's ultimate projected liabilities.

ii) These relate to Residential Care - Ordinary Residents Cases.

iii) Provision relates to the Council's share of back dated and future Business Rate appeal

Insurance Provision

The Insurance provision covers all historic legal liability claims including personal accident, risk to employees whilst carrying out their duties, public and other liability claims, the losses from the inability of contractors to fulfil obligations, fire and all other past claims under the policy excess which have not been settled to date.

The council's insurance provision is based on an assessment as at 31 March 2019 of the potential financial impact of outstanding insurance claims, by independent actuaries, HJC Actuarial Consulting Limited; in line with national actuarial guidelines.

The council's insurance provision includes £0.831m (£0.831m for 2017/18) in relation to Municipal Mutual Insurance. In January 1994, the council's then insurer, Municipal Mutual Insurance (MMI), made a Scheme of Arrangement with its creditors. Under the Scheme, claims are initially paid out in full, but if the eventual wind up of the company results in insufficient assets to meet liabilities, a clawback clause will be triggered, which could affect claims already paid. As at September 2017, the council's qualifying gross claims paid under the scheme are £1.438m, with £0.149m of claims outstanding. The council has been advised by the actuary that an ultimate levy of 75% would be a fair assumption at this time. Accordingly for the council's MMI exposure a provision of 50% has been made (75% as directed by the actuary less 25% levy already paid) plus 75% of outstanding claims.

Business Rate Appeals

The total business rates appeals provision is based on the success rate of settled appeals and withdrawn appeals for income generated up to 31 March 2019. The table above is the council's share of the total appeals provision.

21. Unusable Reserves

Revaluation Reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment and Heritage Assets. The reserve was created on 1 April 2007. 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.

Capital Adjustment

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. The account is credited with the amounts set aside by the council as financing for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council.

Pensions Reserve

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

Notes to the Accounts

21. Unusable Reserves

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

	Note	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Accumulating Absences Adjustment Account	Deferred Capital Receipts	Total Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2018		**144,287**	**886,842**	**(534)**	**6,872**	**(535,146)**	**(5,433)**	**5,647**	**502,534**	**747,953**
Movement in reserves during 2018/19										
Surplus / (Deficit) on provision of services		-	-	-	-	-	-	-	-	**6,635**
Other Comprehensive Income and Expenditure		3,431	5,367	-	-	(56,444)	-	(5,367)	(53,013)	**(53,013)**
Total Comprehensive Income and Expenditure		3,431	5,367	-	-	(56,444)	-	(5,367)	(53,013)	**(46,378)**
Adjustments involving the Capital Adjustment Account:										
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:										
Charges for depreciation, impairment and revaluation losses		(3,977)	(49,533)	-	-	-	-	-	(53,510)	-
Movements in the Market value of Investment Properties		-	9,153	-	-	-	-	-	9,153	-
Amortisation of Intangible assets		-	(3,385)	-	-	-	-	-	(3,385)	-
Capital Grants and contributions applied		-	34,141	-	-	-	-	-	34,141	-
Movement in donated assets account		-	615	-	-	-	-	-	615	-
Disposals and Derecognition		(5,087)	(11,337)	-	-	-	-	-	(16,424)	-
Revenue Expenditure Funded From Capital Under Statute		-	(56,288)	-	-	-	-	-	(56,288)	-
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement										
Statutory provision for the financing of capital investment		-	11,323	-	-	-	-	-	11,323	-
Capital expenditure charged against the General Fund and HRA balances		-	29,238	-	-	-	-	-	29,238	-
Adjustments involving the Capital Grants Unapplied Account:										
Application of grants to capital financing transferred to the Capital Adjustment Account		-	34,104	-	-	-	-	-	34,104	-
Adjustments involving the Capital Receipts Reserve:										
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES		-	-	-	-	-	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	18,286	-	-	-	-	-	18,286	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-	-	-	-	-	-	(32)	(32)	-
Adjustments involving the Deferred Capital Receipts Reserve:										
Deferred sale proceeds credited as part of the gain/loss on disposal to the CIES		-	-	-	-	-	-	-	-	-
Adjustments involving the Major Repairs Reserve (MRR):										
Use of the Major Repairs Reserve to finance new capital expenditure		-	26,277	-	-	-	-	-	26,277	-
Adjustments involving the Financial Instruments Adjustment Account:										
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements		-	-	4	-	-	-	-	4	-
Adjustments involving the Pension Reserve:										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		-	-	-	-	4,904	-	-	4,904	-
Employer's pension contributions and direct payments to pensioners payable in the year		-	-	-	-	(24,439)	-	-	(24,439)	-
Adjustments involving the Collection Fund Adjustment Account:										
Amount by which council tax and NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements		-	-	-	(8,817)	-	-	-	(8,817)	-
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		-	-	-	-	-	226	-	226	-
Adjustments between accounting basis and funding basis under regulations		(9,064)	42,594	4	(8,817)	(19,535)	226	(32)	5,376	-
Net increase / (decrease) in year		**(5,633)**	**47,961**	**4**	**(8,817)**	**(75,979)**	**226**	**(5,399)**	**(47,637)**	**(46,378)**
Transfer to/(from) earmarked reserves									-	-
(Decrease)/Increase in Year		**(5,633)**	**47,961**	**4**	**(8,817)**	**(75,979)**	**226**	**(5,399)**	**(47,637)**	**(46,378)**
Balance as at 31 March 2019		**138,654**	**934,803**	**(530)**	**(1,945)**	**(611,125)**	**(5,207)**	**248**	**454,897**	**701,575**

Notes to the Accounts

	Note	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Accumulating Absences Adjustment Account	Deferred Capital Receipts	Total Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2017		**162,513**	**828,851**	**(538)**	**12,412**	**(532,641)**	**(6,510)**	**392**	**464,479**	**722,079**
Movement in reserves during 2017/18										
Surplus / (Deficit) on provision of services		-	-	-	-	-	-	-	-	**12,023**
Other Comprehensive Income and Expenditure		(14,125)	-	-	-	27,976	-	-	13,851	**13,851**
Total Comprehensive Income and Expenditure		(14,125)	-	-	-	27,976	-	-	13,851	**25,874**
Adjustments involving the Capital Adjustment Account:										
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:										
Charges for depreciation, impairment and revaluation losses		(3,998)	(31,029)	-	-	-	-	-	(35,027)	-
Movements in the Market value of Investment Properties		-	26,264	-	-	-	-	-	26,264	-
Amortisation of Intangible assets		-	(873)	-	-	-	-	-	(873)	-
Capital Grants and contributions applied		-	30,898	-	-	-	-	-	30,898	-
Movement in donated assets account		-	1,065	-	-	-	-	-	1,065	-
Revenue Expenditure Funded From Capital Under Statute		-	(45,570)	-	-	-	-	-	(45,570)	-
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement										
Statutory provision for the financing of capital investment		-	10,929	-	-	-	-	-	10,929	-
Capital expenditure charged against the General Fund and HRA balances		-	7,598	-	-	-	-	-	7,598	-
Adjustments involving the Capital Grants Unapplied Account:		-	-	-	-	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account		-	28,204	-	-	-	-	-	28,204	-
Adjustments involving the Capital Receipts Reserve:		-	-	-	-	-	-	-	-	-
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES		(104)	(31,461)	-	-	-	-	-	(31,564)	-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	32,706	-	-	-	-	-	32,706	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-	-	-	-	-	-	(78)	(78)	-
Adjustments involving the Deferred Capital Receipts Reserve:		-	-	-	-	-	-	-	-	-
Deferred sale proceeds credited as part of the gain/loss on disposal to the CIES		-	-	-	-	-	-	5,333	5,333	-
Adjustments involving the Major Repairs Reserve (MRR):		-	-	-	-	-	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure		-	29,258	-	-	-	-	-	29,258	-
Adjustments involving the Financial Instruments Adjustment Account:		-	-	-	-	-	-	-	-	-
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements		-	-	4	-	-	-	-	4	-
Adjustments involving the Pension Reserve:		-	-	-	-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		-	-	-	-	(53,688)	-	-	(53,688)	-
Employer's pension contributions and direct payments to pensioners payable in the year		-	-	-	-	23,207	-	-	23,207	-
Adjustments involving the Collection Fund Adjustment Account:		-	-	-	-	-	-	-	-	-
Amount by which council tax and NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements		-	-	-	(5,540)	-	-	-	(5,540)	-
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		-	-	-	-	-	1,077	-	1,077	-
Adjustments between accounting basis and funding basis under regulations		(4,101)	57,991	4	(5,540)	(30,481)	1,077	5,255	24,204	-
Net increase / (decrease) in year		**(18,226)**	**57,991**	**4**	**(5,540)**	**(2,505)**	**1,077**	**5,255**	**38,055**	**25,874**
Balance as at 31 March 2018		**144,287**	**886,842**	**(534)**	**6,872**	**(535,146)**	**(5,433)**	**5,647**	**502,534**	**747,953**

Notes to the Accounts

22. Operating Activities

Operating activities within the cash flow statement include the following cash flows relating to interest	2018/19 £'000	2018/19 £'000	2017/18 £'000	2017/18 £'000
Interest received	115		631	
Interest paid	(13,947)		(13,569)	
Net Interest		**(13,832)**		**(12,938)**

Net Cash Flows from Operating Activities	2018/19 £'000	2018/19 £'000	2017/18 £'000	2017/18 £'000
Adjust net Surplus on the Provision of Services for non-cash movements				
Depreciation	46,406		44,940	
Impairment and downward valuations	7,101		(4,557)	
Amortisation	3,385		873	
Increase/decrease in Creditors	2,994		(10,814)	
Increase/decrease in Debtors	15,821		45,210	
Increase/decrease in Inventories	(38)		183	
Increase in Pension Liability	19,535		30,481	
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	16,425		31,564	
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(4,158)		(23,896)	
		107,471		**113,984**
Adjust for items included in the net Surplus on the Provision of Services that are investing or financing activities				
Proceeds from short-term and long-term investments	34,530		-	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10,407)		(31,934)	
Any other item of which the cash effects are investing or financing cashflow *	(94,446)		(70,780)	
		(70,323)		(102,714)
Net Cash Flows from Operating Activities		**(70,323)**		**(102,714)**

* capital grants

23. Investing Activities

Cash Flows from Investing Activities	2018/19 £'000	2018/19 £'000	2017/18 £'000	2017/18 £'000
Property, Plant and Equipment, intangible and investment properties purchased	(174,164)		(114,682)	
Purchase of short term and long term investments	(7,834)		(33,000)	
Other payments for Investing Activities	(11,421)		(3,935)	
Proceeds from the sale of Property, Plant & Equipment and Investment Property	10,439		26,679	
Proceeds from short term and long term investments	-		62,137	
Other Receipts from Investing Activities *	94,450		71,132	
Total Cash Flows from Investing Activities		**(88,530)**		**8,331**

* capital grants

24. Pooled Budgets

The council has six pooled budget arrangements with Barnet Clinical Commissioning Group (CCG).

The arrangements are for the provision of the following:

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

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

Where funding and expenditure are not shown separately in the following tables it is because all funding has been expensed.

	2018/19 £'000	2017/18 £'000
Funding provided to the pooled budget		
London Borough of Barnet	22,237	20,156
Barnet Clinical Commissioning Group	19,151	20,199
	41,388	**40,355**
Expenditure met from the pooled budget		
London Borough of Barnet	(22,339)	(20,446)
Barnet Clinical Commissioning Group	(19,704)	(20,912)
	(42,043)	**(41,358)**
Net deficit arising on the pooled budget during the year	(655)	(1,003)
Council share of deficit arising on the pooled budget	(102)	(292)

Section 75 agreement in respect of Better Care Funding

	2018/19			2017/18		
	Barnet	Barnet CCG	Total	Barnet	Barnet CCG	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Carers Support	2,024	-	2,024	1,986	-	1,986
Integrated Care	1,083	-	1,083	1,063	-	1,063
Personalised Support	1,331	-	1,331	1,304	-	1,304
Reablement	246	-	246	241	-	241
Social Care	3,406	-	3,406	3,344	-	3,344
Disabled Facilities Grant	2,736	-	2,736	2,164	-	2,164
Improved Better Care Fund	6,839	-	6,839	5,373	-	5,373
Community Equipment	-	-	-	-	-	-
Frail Elderly	-	101	101	-	99	99
Community Services	-	11,307	11,307	-	11,096	11,096
Enablement	-	72	72	-	70	70
Hospice Contracts	-	1,396	1,396	-	1,370	1,370
Memory Assessment	-	223	223	-	219	219
Additional Enablement	-	864	864	-	848	848
	17,665	**13,963**	**31,628**	**15,475**	**13,702**	**29,177**

25. Members Allowances

	2018/19 £'000	2017/18 £'000
Member Allowances	1,081	1,105
	1,081	**1,105**

26. Officers Renumeration

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

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

2018/19 Post Title and Name	Note	Salary £	Expenses / Allowances £	Compensation for loss of office	Pension Contributions £	Total Remuneration £
Chief Executive (Head of Paid Service) - John Hooton		187,391	-	-	48,733	236,124
Deputy Chief Executive - Cath Shaw		154,841	-	-	41,652	196,493
Strategic Director of Children and Young People - Christopher Munday		148,099	-	-	39,839	187,938
Strategic Director of Adults, Communities and Health - Dawn Wakeling		148,099	-	-	39,839	187,938
Strategic Director of Environment - Jamie Blake		148,099	1,316	-	-	149,415
Assistant Chief Executive - Jenny McArdle	i	44,891	8,638	-	-	53,528
Director of Public Health - Tamara Djuretic		102,000	10,200	-	30,182	142,382
Director of Resources and Section 151 Officer - Anisa Darr	ii	43,984	-	-	11,832	55,815
Interim Director of Finance and Section 151 Officer - Kevin Bartle	iii	109,152	-	-	-	109,152
Chief Legal Advisor and Monitoring Officer - David Tatlow		62,697	12,558	-	-	75,255

(i) Jenny McArdle was employed in the post of Assistant Chief Executive until 28th Feb 2019.
(ii) Anisa Darr is the substantive post holder for the Director of Finance post. Anisa was on maternity leave for part of 2018/19 and returned to the Director of Finance post on the 2nd January 2019. Ansia resumed the S151 Officer duties following Full Council on 6th March 2019.
(iii) Kevin Bartle was the interim Director of Finance covering Ansia Darr's absence and was the S151 Officer until 5th March 2019.

Notes to the Accounts

2017/18 Post Title and Name	Note	Salary £	Expenses / Allowances £	Compensation for loss of office	Pension Contributions £	Total Remuneration £
Chief Executive (Head of Paid Service) - John Hooton		177,613	-	-	46,002	223,615
Deputy Chief Executive - Cath Shaw		145,066	-	-	37,572	182,638
Strategic Director of Children and Young People - Christopher Munday		140,217	-	-	36,316	176,533
Strategic Director of Adults, Communities and Health - Dawn Wakeling		140,217	-	-	36,316	176,533
Strategic Director of Environment - Jamie Blake		138,967	1,246	-	36,639	176,852
Assistant Chief Executive - Stephen Evans	(i)	115,884	-	-	32,237	148,121
Assistant Chief Executive - Jenny McArdle	(ii)	9,450	-	-	-	9,450
Director of Resources and Section 151 Officer - Anisa Darr	(iii)	114,220	-	-	29,583	143,803
Interim Director of Finance and Section 151 Officer - Kevin Bartle	(iv)	35,276	-	-	-	35,276
Chief Legal Advisor and Monitoring Officer - David Tatlow	(v)	81,053	8,766	-	-	89,819
Director of Public Health - Andrew Howe	(vi)	145,289	-	-	20,892	166,181
Director of Public Health - Tamara Djuretic	(vii)	3,495	349	-	996	4,840

i. Stephen Evans left on 23 March 2018.
ii. Jenny McArdle took up the post of Assistant Chief Executive on 13 March 2018. The amount shown above is the pay rate; the total amount paid to the agency for the period 13 to 31 March was £11,332.
iii. Anisa Darr is the substantive post holder for the Director of Resources post and is the Section 151 Officer. Ms Darr was on maternity leave for part of 2017/18.
iv. Kevin Bartle is the interim Director of Finance covering Anisa Darr's absence.
v. David Tatlow was directly employed by the council from 1 April 2017.
vi. Andrew Howe was employed by the London Borough of Harrow and was funded 50% by London Borough of Barnet. The element showing is the full salary paid to him.
vii. Tamara Djuretic is the Director of Public Health for London Borough of Barnet and commenced employment on 19 March 2018.

Notes to the Accounts

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

Remuneration band	2018/19 Total Number of Employees	2017/18 Total Number of Employees
£50,000 - £54,999	176	141
£55,000 - £59,999	87	64
£60,000 - £64,999	42	40
£65,000 - £69,999	39	33
£70,000 - £74,999	30	36
£75,000 - £79,999	33	29
£80,000 - £84,999	20	7
£85,000 - £89,999	12	6
£90,000 - £94,999	4	3
£95,000 - £99,999	4	4
£100,000 - £104,999	2	1
£105,000 - £109,999	4	2
£110,000 - £114,999	2	-
£115,000 - £119,999	3	-
£120,000 - £124,999	1	2
£125,000 - £129,999	-	-
£130,000 - £134,999	1	-
£135,000 - £139,999	-	-
£140,000 - £144,999	-	-
£145,000 - £149,999	-	-
>£150,000	-	-
Total	**460**	**368**

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

	2018/19 Exit Packages by Band	2018/19 Exit Packages by Band	2017/18 Exit Packages by Band	2017/18 Exit Packages by Band
	Number	£'000	Number	£'000
£nil to £20,000	122	692	85	472
£20,001 - £40,000	16	414	10	262
£40,001 - £60,000	2	108	5	228
£60,001 - £80,000	2	135	1	62
£80,001 - £100,000	-	-	-	-
More than £150,000	1	186	-	-
	143	**1,535**	**101**	**1,024**

All Exit packages included in the table above are compulsory and include pension fund strain costs. The total number of exit packages agreed in 2018/19 has increase by 42 which resulted in £0.511m increase when compared to 2017/18.

27. Audit Costs

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

	2018/19 £'000	2017/18 £'000
Fees payable to BDO LLP, the council's appointed external auditors	131	170
Certification of grant claims and returns	64	28
	195	**198**

2018/19 audit fees are subject to change for any additional fees agreed with the external auditors

28. Dedicated Schools Grant (DSG)

The council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency. The DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School Finance and Early Years (England) Regulations 2018.

The Schools' Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2018/19 are as follows: -

	2018/19			2017/18		
	Central Expenditure £'000	Individual Schools' Budget £'000	Total £'000	Central Expenditure £'000	Individual Schools' Budget £'000	Total £'000
Final DSG before Academy recoupment	-	-	**329,158**	-	-	316,508
Academy figure recouped	-	-	**(111,195)**	-	-	(106,677)
Total DSG after academy recoupment	**-**	**-**	**217,963**	**-**	**-**	**209,831**
Plus: Brought forward from prior year	-	-	501	-	-	4,225
Less: Carry-forward to following year agreed in advance	-	-	-	-	-	0
Agreed initial budget distribution	45,824	172,640	**218,464**	**45,321**	**168,735**	**214,056**
In-year adjustments	500		500			-
Final budget distribution	**46,324**	**172,640**	**218,964**	**45,321**	**168,735**	**214,056**
Less: Actual central expenditure	(44,781)	-	(44,781)	(44,820)	-	(44,820)
Less: Actual ISB deployed to schools	-	(172,640)	(172,640)	-	(168,735)	(168,735)
Plus: Local authority contribution	-	-	-	-	-	-
Carry-forward from in year grant received	**1,543**	**-**	**1,543**	**501**	**-**	**501**
Carry-forward from prior years	-	-	-	-	-	-
Total DSG Carried forward			**1,543**			**501**

29. Grant Income

The following table analyses the grant income included in the Taxation and Non-Specific Grant income line of the Comprehensive Income and Expenditure Statement (excluding council tax, NNDR and the donated asset as detailed in Note 13).

	2018/19 £'000	2017/18 £'000
Business Rates Related	(5,925)	(21,120)
Revenue Support Grant	-	(23,413)
Education Funding	-	(966)
New Homes Bonus	(9,375)	(10,770)
Housing Benefit	(1,478)	(1,543)
Private Finance Initiative Grant	(2,235)	(2,235)
Other Grants	(9,795)	(3,132)
Capital Grants and Contributions	(94,129)	(71,133)
	(122,937)	**(134,312)**

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

	2018/19 £'000	2017/18 £'000
Dedicated Schools Grant	(218,464)	(209,315)
Education Related Grants	(31,619)	(30,474)
Housing Benefit Subsidy	(259,264)	(271,190)
Council tax Administration	-	(528)
Independent Living Grant	(1,382)	(1,427)
Public Health Grant	(17,156)	(17,609)
Elections Funding	(167)	(76)
Asylum Seekers Grant	(2,589)	(2,204)
Other Grants	(3,443)	(6,406)
S106 Contributions	(672)	(352)
	(534,756)	**(539,581)**

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

30. Related Parties

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council 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 ability to limit another party's ability to bargain freely with the council.

Central Government

Central government has significant influence over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides most of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (eg council tax bills, housing benefits). Grant income received during 2018/19 is shown in Note 29.

Transactions with other local authorities

The council has a number of significant transactions with other local authorities and other health authorities these include:

- Pooled Budgets with Clinical Commissioning Group (CCG) are disclosed in note 24.
- Temporary borrowing from other local authorities totalling £45m.
- Barnet children being placed in schools in neighbouring authorities.

Transactions with other local authorities

The council is the administering authority for the pension fund. In 2018/19 the council's employer's contributions were £24.054m (£23.207m in 2017/18) and the council were charged £1.171m for its administration (£1.181m in 2017/18).

Members allowances and interests in voluntary organisations

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in note 25. In addition, members may participate in other public bodies and community groups. The Council has well established mechanisms and procedures for preventing undue influence which includes the register of members' interests. Every year members complete a declaration of their related party transactions. In 2018/19 the Council paid a total of £3.012m to voluntary groups/charities and academy schools in which 17 members held a position on their governing bodies. In 2017/18 £2.812m was paid to voluntary groups where 14 members were on the governing bodies.

Senior Officers' and Members' interests in companies

Senior Officers also declare their related party transactions. During the financial year 2018/19 three officers were company directors or board members (three in 2017/18) and three members acted as a company director on behalf of the council. In addition, one Senior Officer is a board member of the Peabody Housing Trust. The council has nomination rights for housing within this organisation. One Senior Officer is a trustee of YouthZone. In 2018/19 the council paid £0.499m to a company in which one member declared an interest.

The Council requires all Members and Senior Officers to complete a related party declaration form. In 2018/19, returns were received from all Members and Senior Officers.

Interests in Companies and Group Relationships

The London Borough of Barnet has five subsidiaries:

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

The Barnet Group

The London Borough of Barnet owns 100% of the share capital of The Barnet Group Ltd. Two Members of the Council are on the board. The Barnet Group has five subsidiaries, Barnet Homes Limited, Your Choice (Barnet), TBG Flex Limited, TBG Open Door Limited and Bumblebee Lettings Ltd. The Barnet Group Ltd is the sole member and guarantor of Barnet Homes Ltd, a company limited by guarantee. 100% of the shares of the other four subsidiaries are held by the Barnet Group.

The London Borough of Barnet contracts with The Barnet Group Ltd for Adult Social Care Services, Housing Management Services and Homelessness Services. The Barnet Group Ltd then contracts with Your Choice Barnet for Adult Social Care and with Barnet Homes for Housing Management Services and Homelessness Services. As a result, the Barnet Group receives a management fee from the council. The Barnet Group also invoices the council for ad hoc services and capital works carried out on behalf of the council by Barnet Homes Ltd. The following transactions happened between the council and The Barnet Group (TBG):

	2018/19 £'000	2017/18 £'000
Expenditure by the council paid to TBG	145,185	128,169
Income received from TBG	(8,393)	(1,466)
Amount owed to TBG	(6,010)	(11,538)
Amount TBG owes the council	2,737	7,190

Open Door Ltd and the council have agreed a loan arrangement of £65m to be drawn down over a number of years. The first draw down of £3.583m was made in 2017/18.

Barnet (Holdings) Ltd

The London Borough of Barnet owns 100% of the share capital of Barnet (Holdings) Ltd, which owns 49% of the share capital in Regional Enterprise Ltd (RE Ltd) with Capita plc. The council contracts with RE Ltd for development and regulatory services. As at the reporting date the board of RE Ltd included one Councillor and one senior officer.

	2018/19 £'000	2017/18 £'000
Income received by the council	(1,719)	(1,761)
Expenditure by the council	18,070	40,986
Net Balance owed to the council	3,238	13,386

BX Holdings Ltd and Hill Green Homes

The council owns 100% of the shares of BX Holdings and Hill Green Homes Ltd One Senior Officer is a director of BX Holdings Ltd. Neither subsidiary traded in 2018/19.

Inglis Consortium

The council has a 13.9% share in the Inglis Consortium which is a joint venture with VSM Estated Ltd and Annington Property Ltd. No members or senior officers were on the board during 2018/19.

The following transactions happened between the council and this company:

	2018/19 £'000	2017/18 £'000
Income received by the council	(2,572)	(13,803)
Expenditure by the council	-	-
Balance owed to the council	2,795	5,367

31. 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. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed.

	2018/19 £'000	2017/18 £'000
Opening Capital Financing Requirement	459,166	435,651
Capital Investment		
Property plant and equipment	144,395	113,508
Investment properties	11,461	-
Intangible assets	18,799	2,233
Revenue expenditure funded from capital under statute	56,288	45,570
Long term debtor treated as capital	11,420	3,583
Source of finance		
Capital receipts	(18,286)	(32,706)
Government grants and other contributions	(68,879)	(60,138)
Sums set aside from reserves	(55,582)	(37,606)
MRP	(11,323)	(10,929)
Closing Capital Financing Requirement	**547,459**	**459,166**
Explanation of movement in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	87,839	23,113
Assets acquired under PFI contracts	455	402
Increase in Capital Financing Requirement	**88,294**	**23,515**

32. Leases

Operating Leases

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

Future Operating Lease Payments 31 March 2019

	Property leased in £'000	Property leased out £'000
less than one year	3,114	(3,127)
one to five years	6,299	(10,337)
greater than five years	12,536	(118,593)
Total	**21,949**	**(132,057)**

Future Operating Lease Payments 31 March 2018

	Property leased in £'000	Property leased out £'000
less than one year	3,014	(4,529)
one to five years	7,172	(10,012)
greater than five years	13,283	(117,536)
Total	**23,469**	**(132,077)**

Notes to the Accounts

33. Private Finance Initiatives (PFI) and Similar Contracts

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

At year end street lights that have been erected are recognised on the council's Balance Sheet as infrastructure assets. Each year the CIP assets and corresponding liabilities are to be acknowledged.

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

PFI Street Lights	31 March 2018 £'000	In Year Movement £'000	31 March 2019 £'000
Gross book value	27,189	455	27,644
Accumulated depreciation	(11,042)	(1,421)	(12,463)
Net book value	16,147	(966)	**15,181**

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

	2017/18 £'000		In Year Movement £'000	2018/19 £'000
Lease liability	15,974		(484)	**15,490**
		short term creditors		**549**
		long term lease		**14,940**

	2016/17 £'000		In Year Movement £'000	2017/18 £'000
Lease liability	16,402		(428)	**15,974**
		short term creditors		**484**
		long term lease		**15,490**

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

	Repayment of liability £'000	Interest £'000	Service charges £'000	Other charges £'000	Total £'000
2019/20	549	2,082	1,645	1,434	5,710
2020/21 - 2023/24	3,017	7,489	7,102	6,949	24,556
2024/25 - 2028/29	4,927	5,517	8,018	9,422	27,885
2029/30 - 2032/33	6,998	2,082	6,878	5,557	21,514
Total Commitments	**15,490**	**17,170**	**23,643**	**23,362**	**79,665**

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

34. Termination Benefits

The council terminated the contracts of a number of employees in 2018/19, incurring unreduced early retirement benefits of £0.255 (£0.121m in 2017/18) of which £0.255 (£0.121m in 2017/18) was payable to the employees and there was no effect on the pension strain. All other termination payments are included in note 26.

35. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The Scheme provides teachers with specified benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employer's contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 3,700 participating employers and consequently the council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2018/19, the council paid £19.166m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The amount paid in 2017/18 was £16.973m, representing 16.48% of pensionable pay.

36. Pension Schemes Accounted for as Defined Benefit Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

Transactions relating to Post-Employment Benefits

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	2018/19 £'000	2017/18 £'000
Comprehensive Income and Expenditure Statement		
Cost of services:		
Current service cost	34,584	(38,885)
Past service cost	(23,709)	(1,286)
Settlements & Curtailments	(5,249)	
Financing and Investment Income and Expenditure		
Net interest expense	13,909	(13,517)
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of services	**19,535**	(53,688)
Post-employment Benefits charged to Other Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	(13,388)	6,865
- Actuarial gains and losses arising from changes in demographic assumptions	-	-
- Actuarial gains and losses arising from changes in financial assumptions or other experience	69,832	21,111
Total Post-Employment Benefits Charged to Other Comprehensive Income and Expenditure	**56,444**	**27,976**
Total charged to the CIES	**75,979**	**(25,712)**

Movement in Reserves Statement	2018/19 £000	2017/18 £000
Reversal of net charges made to the Surplus / Deficit on the Provision of Services	19,535	(53,688)
Actual Amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to the scheme	**24,054**	**23,207**

Notes to the Accounts

Pension Assets and Liabilities recognised in the Balance Sheet

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

	31 March 2019 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2018 £'000
Present value of the defined benefit obligation	(1,267,764)		(1,168,711)	
Fair value of plan assets	686,431		661,659	
Net Liability		**(581,333)**		**(507,052)**
Present value of the unfunded obligation		(29,792)		(28,094)
Net Liability in Balance Sheet		**(611,125)**		**(535,146)**

The net liability shows the underlying commitments that the council has in the long term to pay retirement benefits. The total net deficit of £611.125m (2017/18: £535.146m), including the liability for the LGPS unfunded scheme has a substantial impact on the net worth of the council, as recorded in the Balance Sheet.

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

• The required contribution from the council, taking into consideration projected investment returns, are re-assessed by the scheme actuary on a prudent funding basis every three years.
• The liability on the unfunded LGPS scheme will be paid by the council as pensions are paid.

The net liability calculated on an 'ongoing funding basis' that take into account the prudently estimated future investment returns is considerably lower at £252.238m (excluding unfunded obligations) as at 31 March 2016, the most recent triennial actuarial valuation. This is because of the different actuarial assumptions used to determine the council's requires contribution rates.

Reconciliation of Scheme Assets and Benefit Obligations

	2018/19 £'000	2017/18 £'000
Opening Fair Value of Scheme Assets	661,659	644,393
Interest income	17,117	16,029
Return on assets, excluding the amount included in the net interest expense	13,388	6,865
Contributions by the council including in respect of unfunded benefits	24,054	23,207
Contributions by scheme participants	5,617	5,857
Estimated benefit paid including unfunded benefits	(35,404)	(34,692)
Closing Fair Value of Scheme Assets	**686,431**	**661,659**

Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2018/19 £'000	2017/18 £'000
Opening Defined Benefit Obligation	(1,196,805)	(1,177,034)
Current service cost	(34,584)	(38,885)
Interest cost	(31,026)	(29,546)
Remeasurement gains and losses:		
- Actuarial gains and losses arising from changes in demographic assumptions	-	-
- Actuarial gains and losses arising from changes in financial assumptions	(67,772)	20,881
- Other experience gains and losses	(2,060)	230
Estimated funded benefit paid	33,849	33,182
Past service costs, including curtailments	4,904	(1,286)
Contributions by scheme participants	(5,617)	(5,857)
Unfunded pension payments	1,555	1,510
Closing Defined Benefit Obligation	**(1,297,556)**	**(1,196,805)**

Scheme Assets

The Local Government Pension Scheme invests in a wide range of funds managed by external investment managers. The details of all the mandates as at 31st March 2019 and 2018 are shown in the table below. Further details are contained within the pension fund's annual report and accounts:

Asset Class / Investment Manager	Holdings as at 31 March 2019		Holdings as at 31 March 2018	
	%	£'000	%	£'000
Equity	**39.6%**	**271,739**	**39.6%**	**261,795**
LGIM - Global index tracking listed equities	20.4%	139,806	19.6%	129,170
LGIM - Global equities on basis of fundamental factors (sales, cashflow, bookvalue, dividends)	19.2%	131,933	20.0%	132,625
Diversified Growth Funds	**22.9%**	**157,473**	**24.9%**	**164,972**
Schroder DGF	12.4%	85,127	13.2%	87,510
Newton Real Return	10.5%	72,346	11.7%	77,462
Corporate Bonds	**10.7%**	**73,469**	**10.9%**	**72,114**
Schroders All Maturities Corporate Bond Fund	10.7%	73,469	10.9%	72,114
Schroders Strategic Bonds	0.0%	-	0.0%	-
Liquid Multi-Asset Credit	**10.2%**	**69,748**	**10.6%**	**69,750**
Alcentra - Clareant Global Multi Credit	3.1%	21,198	3.2%	21,111
Baring Global High Yield Credit Strategies	3.4%	23,008	3.5%	23,098
Insight - IIFIG Secured Finance	3.7%	25,541	3.9%	25,541
Liquid Alternatives	**15.3%**	**105,318**	**13.7%**	**90,783**
Partners Multi Asset Credit 2015	2.3%	15,793	3.1%	20,349
Partners Multi Asset Credit 2017	2.7%	18,830	1.0%	6,472
Alcentra - Clareant Direct European Lending	2.7%	18,347	2.3%	15,269
M&G Lion Credit Opportunities Fund	2.7%	18,508	2.9%	19,041
IFM Global Infrastructure	4.9%	33,840	4.5%	29,652
Cash	**1.3%**	**8,684**	**0.3%**	**2,245**
	100.0%	**686,431**	**100.0%**	**661,659**

Basis for Estimating Assets and Liabilities

To assess the value of the employer's liability at 31 March 2019, the council's actuary (Hymans Robertson LLP) rolled forward the value of the employer's liabilities calculated for the funding valuation as at 31 March 2016, using the financial assumptions that comply with IAS 19.

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

Mortality Assumptions

	2018/19		2017/18	
Assumed life expectancy from age 65 years		Years		Years
Retiring today	Males	21.9	Males	21.9
	Females	24.3	Females	24.3
Retiring in 20 years	Males	23.9	Males	23.9
	Females	26.5	Females	26.5

Financial Assumptions

	2018/19	2017/18
	% p.a.	% p.a.
Rate of increase in salaries	2.8	2.7
Rate of increase in pensions	2.5	2.4
Rate for discounting scheme liabilities	2.4	2.6

Sensitivity Analysis

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

	Impact on the Defined Benefit Obligation in the Scheme	
	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease of 1 year)	38,927 to 64,878	(38,927) to (64,878)
Rate of inflation in salaries (increase or decrease by 0.5%)	10,009	(10,009)
Rate of inflation in pensions (increase or decrease by 0.5%)	111,660	(111,660)
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	(123,123)	123,123

The variable whose sensitivity has the greatest impact is changes in the discount rate. Long term interest rates have declined over the last decade (and longer) and are the major cause of the significant net liabilities.

The Barnet Pension Fund Committee models the range of future outcomes when setting investment strategy and seeks the lowest volatility consistent with the required future investment return. There is no explicit liability hedging in place.

Impact on the Council's Cashflows

Contributions payable by the council are assessed by the scheme actuary every three years. The Actuary is required to emphasise solvency and cost-efficiency but also seeks to ensure stability of contributions by limiting the extend of changes from year to year for employers. A Triennial valuation was undertaken in March 2019 with the aim of setting employer pension contribution rates for the period 1 April 2020 to 31 March 2023 with the aim of restoring full funding within 20 years.

The total amount of employer contributions expected to be paid to the LGPS in financial year 2019-20 is £22.856m

37. Contingent Liabilities

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

• The council is in dispute over the receipt of a capital payment from a developer (£1.4m) , the outcome of which will not be known for a number of years.

• The council is in dispute with a construction company over a number of elements of the contract. This is an ongoing dispute with a potential financial liability to the council.

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

• A potential liability arising from the Mcloud Judgement regarding a possible compensation liability to some Members of the Local Government Pension Scheme. The existence of this potential liability will only be confirmed pending a future decision by the Supreme Court, but if upheld could have an impact on the Council's Pension Fund Liability of circa £10m

38. Nature and Extent of Risks Arising from Financial Instruments

Financial Instruments Risks

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

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

The Treasury Management Strategy Statement (TMSS) includes an Annual Investment Strategy in compliance with the MHCLG's guidance on local government investments. This guidance emphasises that priority is to be given to security and liquidity, rather than yield. The council's Treasury Management Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity. The Council's activities expose it to a variety of financial risks:

• Credit Risk: The possibility that other parties might fail to pay amounts due to the authority.
• Liquidity Risk: The possibility that the council might not have the funds available to meet its commitments to make payments.
• Market Risk: The possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

Risk management is carried out by the Treasury team in accordance with policies that are regularly updated covering the risk areas mentioned above.

Credit Risk

Credit risk arises from deposits and loans with banks, financial institutions, corporate borrowers as well as credit exposure to the authority's customers. The Council manages credit risk for short-term deposits by ensuring that investments are placed with counterparties (banks, other local authorities and AAA-rated money market funds) 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 and a minimum long-term credit rating of A- (apart from part nationalised UK banks). The council also sets a total group investment limit for institutions that are part of the same banking group and limits the geographical exposures to the UK and countries whose government debt is rated AA or higher.

In addition to short-term investments (maximum 12 months duration) the council also can lend long-term to counterparties described as 'non-specified' within the TMSS. The council's 2018-19 TMSS determines time limits for classes of investments and states a maximum £100m total in non-specified investments. In 2018/19, all investments with the exception of loans to Saracens (maximum 30 years) and TBG Open Door (maximum 49 years) were placed for less than 365 days.

Customers for goods and services are assessed, considering their financial position, past experience and other factors. Services are responsible for controlling the issue of credit in line with pre-determined arrangements and adhering to the arrangements for blocked customers.

It must also be noted that although credit ratings remain a key source of information, the council recognises that they have limitations and investment decisions are based on a range of credit indicators. All investments have been made in line with the Council's Treasury Management Strategy for 2018/19, approved by Council on 6 March 2018.

The two tables below summarise the nominal value and credit ratings of the council's investment portfolio at 31 March 2019, 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 2019	Balance Invested as at 31 March 2019					Total
	Yes/No	Yes/No	Up to 1 month	>1 month and <3 months	>3 months and <6 months	>6 months and <12 months	>12 months	
			£'000	£'000	£'000	£'000	£'000	£'000
Other Local Authorities			-	-	-	-	-	-
Banks – UK	Yes	Yes	-	5,039	-	-	-	**5,039**
Banks – Non UK	Yes	Yes	-	-	-	-	-	**-**
Total Banks			**-**	**5,039**	**-**	**-**	**-**	**5,039**
Money Market Funds	Yes	Yes	60,376	-	-	-	-	**60,376**
Current accounts	Yes	Yes	2,642	-	-	-	-	**2,642**
Total Cash and Cash Equivalents			**63,018**	**-**	**-**	**-**	**-**	**63,018**
Loans to community organisations	Yes	Yes	-	-	-	-	157	**157**
Other corporate loans	n/a	n/a	-	-	-	2,795	1,450	**4,245**
Loans to Council subsidiary	Yes	Yes	-	-	-	-	11,809	**11,809**
Total Corporate Loans			-	-	-	2,795	13,416	**16,211**
Total			**63,018**	**5,039**	**-**	**2,795**	**13,416**	**84,268**

The above analysis shows that all deposits outstanding as at 31st March 2019 met the council's credit rating criteria. No investment limits were exceeded during the year and the council does not anticipate any defaults on its treasury investments. Also included in the table are non-treasury investments arising from the Council's commercial activities.

Credit Ratings	31 March 2019 Current £'000	31 March 2019 Non- Current £'000	31 March 2018 Current £'000	31 March 2018 Non-current £'000
AAAf/S1 (funds)	-	-	-	-
AAAmmf (funds)	60,376	-	47,100	-
AA+	7,681	-	-	-
A	-	-	25,400	-
BBB+	2,795	1,607	-	7,248
Unrated local authorities	-	11,809	23,000	-
	70,852	**13,416**	**102,748**	**7,248**

The credit ratings in the above table are the lowest of the long-term debt ratings from the three main rating agencies using the Fitch designations.

The risk of non-recovery applies to all the Council's investments. Link Asset Services have estimated that the historic risk of default for Treasury investments (£65.418 million in the above table) as 0.001% as at 31st March 2019. There is no evidence at the 31 March 2019 that a risk of loss is likely to crystallise on the other investments. However, in line with the requirement of IFRS9 a provision of £3.33 million has been made against the loan to the wholly owned subsidiary to reflect the long-term repayment profile.

Notes to the Accounts

Trade Receivables

The following analysis summarises the council's trade debtor balances and provisions for bad debts. In accordance with the Code requirements, the disclosure below includes details only of debtors that have arisen as a result of trading activities. Balances and transactions arising from statutory functions (i.e. council tax and NNDR payments) are excluded from this disclosure note, as they have not arisen from contractual trading activities.

Trade Receivables	Gross Debtors £'000	For Bad and Doubtful Debts £'000
2018/19 Trade Debtors	105,976	15,018
2017/18 Trade Debtors	117,487	15,144

Receivables past due and not provided for at 31 March 2019

	31 March 2019 £'000	31 March 2018 £'000
Less than 3 months	14,258	9,824
Three- Six months	2,617	3,577
Six months to 1 year	2,466	1,827
More than 1 year	5,293	3,488
	24,634	**18,716**

Liquidity Risk

The council has a comprehensive cashflow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council has access to borrowing facilities including the Public Works Loan Board, commercial banks, bond issues, 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 must manage the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates by setting limits on the proportion of total debt expiring in any five-year period.

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 Council manages its investment portfolio to ensure cash is available to meet all liabilities as they fall due for payment. At 31st March 2019, all treasury investment (£65.4 million) had a maturity of less than 12 months of which £60.4 million was immediately available. The duration of the other investments is shown in the table in page 77.

The Council undertakes long term projection of its capital programme to ensure that funding is undertaken as efficiently as possible using forecasts of future interest rates.

The maturity analysis of the nominal value of the council's debt including future debt interest payments as at 31 March 2019 was as follows:

Maturity analysis Years Long Term Borrowing	31 March 2019 £'000	% of total debt portfolio	31 March 2018 £'000	% of total debt portfolio
0 to 5 years	103,727	16.02%	58,631	9.54%
Over 5 but not over 10 years	80,025	12.36%	80,750	13.14%
Over 10 but not over 15 years	117,615	18.16%	120,488	19.61%
Over 15 but not over 20 years	77,843	12.02%	79,476	12.93%
Over 20 but not over 25 years	111,852	17.27%	93,892	15.28%
Over 25 but not over 30 years	15,987	2.47%	37,216	6.06%
Over 30 but not over 35 years	15,987	2.47%	15,987	2.60%
Over 35 but not over 40 years	40,353	6.23%	41,749	6.79%
Over 40 but not over 45 years	10,116	1.56%	10,116	1.65%
Over 45 years	74,117	11.44%	76,135	12.39%
Total Borrowing	**647,622**	**100.00%**	**614,440**	**100.00%**

The maturities of PFI borrowing are shown in note 33.

Market Risk

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

• Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
• Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
• Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
• Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

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

Notes to the Accounts

As at 31 March 2019, the debt portfolio (nominal value) consisted of fixed rate PWLB debt of £241.6 million, market loans of £62.5 million and short-term debt of £45 million. The market debt includes options that allow the lender to change the rate of interest (and the Council to repay with no penalty if an option is exercised) such that these borrowings could be considered variable. Based on prevailing interest rates, it is unlikely that any options will be exercised in the next twelve months. The replacement of short-term debt is also subject to changes in market pricing. The Treasury Management Strategy aims to mitigate interest rate risks by setting an upper limit of 30% on external debt that can be subject to variable interest rates. At 31 March 2019, 100% of the debt portfolio was held in fixed rate instruments, of which 12.9% mature in the next five years. In addition, the debt balances with interest rate options represent 17.9% of the debt portfolio.

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

	£'000
Increase in interest receivable on variable rate investments	409
Impact on Surplus or Deficit on the Provision of Services	**409**
Share of overall impact credited to the HRA	115
Increase in fair value of fixed interest investments	79
Impact on Other Comprehensive Income and Expenditure	
Decrease in fair value of fixed rate borrowings/liabilities*	(58,085)

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

As the average rate earned on treasury investments is 0.70%, it is deemed unlikely that interest earned could decrease below 0%. Allowing for interest on non-treasury investments, the impact of a 1% decrease in interest rates on investment income is £654,000 (HRA share: £152,000). These assumptions are based on the same methodology as used in the 'Fair Value' disclosure note. (Note 17). A 1% reduction in the new loan rate will increase the fair value of debt by £75.982 million.

Price Risk

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

Foreign Exchange Risk

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

Housing Revenue Account

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

Income and Expenditure Statement

	2018/19 £'000	2017/18 £'000
Expenditure		
Repairs and maintenance	7,553	9,137
Supervision and management	23,514	22,418
Rents, rates and other charges	95	115
Depreciation, impairment and reversal of revaluation losses in relation to non-current assets	24,990	(7,008)
Debt management costs	-	-
(Decrease)/increase in Provision for bad or doubtful debts	325	(442)
Total Expenditure	**56,477**	**24,220**
Income		
Dwelling rents	49,904	51,376
Non-dwelling rents	538	662
Charges for service and facilities	3,933	4,069
Contributions towards expenditure	4,524	5,903
Total Income	**58,899**	**62,010**
Net income on HRA services included in the Comprehensive Income and Expenditure Statement	**2,422**	**37,790**
Gain/(loss) on sale of HRA non-current assets	1,215	5,870
Interest payable and similar charges	(7,428)	(7,427)
Interest receivable	159	127
Investment property income	614	820
Movement in investment property valuation	1,715	4,439
Capital grants and contributions receivable	1,773	3,102
Surplus for the year on HRA services	**470**	**44,721**

Movement on the HRA Statement

	2018/19 £'000	2017/18 £'000
Balance as at 31 March 2018	**15,003**	**12,489**
Surplus on the HRA Income and Expenditure Statement	**470**	**44,721**
Adjustments between accounting and funding basis under statue		
Financial instrument adjustment	(1)	(2)
(Gain)/loss on HRA fixed assets	(1,215)	(5,870)
Transfer to Major Repairs Reserve	(23,435)	(23,372)
Transfer to Capital Adjustment Account	21,502	(12,963)
Transfers to or from earmarked reserves		
Net increase in year	**(2,679)**	**2,514**
Balance as at 31 March 2019	**12,324**	**15,003**

Housing Revenue Account

1. Number of Dwellings

	31 March 2019 £'000	31 March 2018 £'000
Houses	3,550	3,562
Flats	6,230	6,257
	9,780	**9,819**

2. Arrears and Bad Debt Provision

	31 March 2019 £'000	31 March 2018 £'000
Council housing tenants	4,596	4,410
Leaseholders	7,548	7,253
Commercial tenants	391	356
Total	**12,535**	**12,019**
Bad debt provision	**(2,705)**	**(2,715)**

3. Value of HRA Assets

	31 March 2019 £'000	31 March 2018 £'000
Valuation for Social Housing Use - Operational Assets		
Dwellings	765,196	752,721
Other land and buildings	22,283	23,725
Heritage assets	283	47
Investment properties	35,547	34,785
Surplus assets not held for sale	8,750	4,681
	832,059	**815,959**
Non Operational Assets:		
Vacant Possession Valuation	**2,960**	**2,968**

The difference between the vacant possession value (£2.96m) and the balance sheet value (£740m) represents the economic cost of providing council housing at less than market rent. The vacant possession valuation as at 1 April 2019 was £2,968m.

4. Impairment/Impairment Reversals and Revaluation Losses

	2018/19 £'000	2017/18 £'000
Council dwellings	782	(30,431)
Other land and buildings/Investment properties	58	(4,388)
	840	**(34,819)**

Impairment charges for the financial year in respect of land, houses and other property within the authority's HRA, are calculated in accordance with proper practices.

5. Depreciation

	2018/19 £'000	2017/18 £'000
Council dwellings	23,434	22,867
Other land and buildings	717	505
	24,150	**23,372**

6. Capital Expenditure and Financing

	2018/19 £'000	2017/18 £'000
Capital expenditure	33,047	49,378
Financed by		
Major Repairs Reserve (MRR)	26,276	29,258
Capital receipts	4,997	11,637
Other contributions	1,773	8,483
	33,047	**49,378**

7. Capital Receipts from Disposals

	2018/19 £'000	2017/18 £'000
Council dwellings	7,612	7,719
Other land and buildings	246	984
	7,857	**8,703**

8. Accounting for Pensions in the HRA

As day to day housing management is carried out by Barnet Homes Limited, the HRA employs very few staff directly. Because of this, the cost of obtaining a separate HRA actuarial report to split the notional cost of HRA staff from those employed by the General Fund cannot be justified. Therefore although the HRA has been reported on an IAS19 basis, no attempt has been made to show a separate liability related to the defined benefit position.

BARNET LONDON BOROUGH

Collection Fund

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

	Note	2018/19 NNDR £'000	2018/19 Council Tax £'000	2018/19 Total £'000	2017/18 NNDR £'000	2017/18 Council Tax £'000	2017/18 Total £'000
Income							
Council Tax	2	-	211,873	211,873	-	203,114	203,114
Business Rates Receivable	3	109,375	-	109,375	111,665	-	111,665
Business Rate Supplement Income		2,346	-	2,346	2,744	-	2,744
Contributions to previous year estimated deficit							
- Central Government		1,745	-	1,745	258	-	258
- London Borough of Barnet		1,543	-	1,543	155	-	155
- Greater London Authority		1,856	-	1,856	104	-	104
		116,865	**211,873**	**328,738**	**114,927**	**203,114**	**318,040**
Disbursement							
Apportionment of previous year's surplus							
- London Borough of Barnet		-	7,732	7,732	-	4,919	4,919
- Greater London Authority		-	1,875	1,875	-	1,211	1,211
		-	**9,607**	**9,607**	**-**	**6,130**	**6,130**
Precepts, Demands and Shares							
- Central Government		-	-	-	38,312	-	38,312
- London Borough of Barnet		74,410	168,789	243,199	34,829	160,560	195,389
- Greater London Authority		41,855	41,756	83,612	42,955	38,936	81,891
- Crossrail		2,340	-	2,340	2,737	-	2,737
		118,605	**210,545**	**329,151**	**118,833**	**199,495**	**318,328**
Charges to Collection Fund							
- Cost of collection allowance		418	-	418	418	-	418
- Cost of collection allowance BRS		6	-	6	8	-	8
- Increase/(reduction) in bad debt provision		3,060	(249)	2,812	2,683	1,622	4,305
- Increase/(reduction)in provision for appeals		(3,116)	-	(3,116)	2,959	-	2,959
- Disregarded amounts				-	-	-	-
- Write off of uncollectable amounts		-	-	-	-	-	-
- Transitional protection due (from)/to Central Government		(1,221)	-	(1,221)	(2,573)	-	(2,573)
- Interest on refunds		-	-	-	-	-	-
Total disbursed		**(852)**	**(249)**	**(1,100)**	**3,494**	**1,622**	**5,117**
Surplus/(Deficit) for year		**(888)**	**(8,030)**	**(8,921)**	**(7,400)**	**(4,133)**	**(11,535)**
Collection Fund Balances		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
London Borough of Barnet		(4,777)	2,832	(1,945)	(2,460)	9,332	6,872
Greater London Authority		(3,302)	741	(2,561)	(2,986)	2,271	(715)
Central Government		(1,008)	-	(1,008)	(2,754)	-	(2,754)
Cumulative Surplus/(Deficit)		**(9,087)**	**3,573**	**(5,514)**	**(8,199)**	**11,603**	**3,404**

Collection Fund

1. General

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

2. Council Tax

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

The council tax at Band D is £1,483.57 for 2018/19. The tax base in Barnet has increased from 139,049 to 141,918.

Band	Ratio	Band 'D' Equivalent
A	0.67	1,482
B	0.78	4,510
C	0.89	18,291
D	1.00	29,133
E	1.22	31,798
F	1.44	24,747
G	1.67	24,265
H	2	7,678
MOD Contribution		14
Tax Base		**141,918**

3. Business Rates

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

The total non-domestic rateable value at 31 March 2019 was £301,277,682 (£301,794,603 at March 2018) and the national non-domestic rate multiplier for the year was 49.3p (47.9p in 2017/18). For smaller businesses, the multiplier was 48.0p in 2018/19 and 46.6p in 2017/18.

4. Collection Fund Surplus or Deficit

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

5. Business Rates Supplement

Business Rates Supplement (BRS) is levied by the Greater London Authority on non-domestic properties with a rateable value higher than £70,000, subject to certain allowances and exemptions, to finance the Crossrail Development.

The aggregate rateable value of properties liable for BRS at 31 March 2019 was £171,827,000 (£174,394,500 at 31 March 2018). The multiplier has remained at 2.0p since BRS was introduced

Group Accounts

Group Comprehensive Income and Expenditure Statement

	2018/19			2017/18		
	Consolidated Gross Expenditure £'000	Consolidated Gross Income £'000	Consolidated Net Expenditure £'000	Consolidated Gross Expenditure £'000	Consolidated Gross Income £'000	Consolidated Net Expenditure £'000
Assurance	21,263	(2,881)	**18,382**	8,106	(909)	**7,197**
Adults and Communities	125,017	(33,265)	**91,752**	31,492	(1,154)	**30,338**
Central Expenses	8,800	(1,772)	**7,028**	327,449	(300,425)	**27,024**
Commissioning Group	20,620	(1,942)	**18,678**	47,701	(11,216)	**36,485**
Customer and Support Group	309,288	(289,418)	**19,870**	376,522	(268,803)	**107,719**
Children Services	45,650	(12,119)	**33,531**	36,010	(23,820)	**12,190**
Housing Needs and Resources	376,374	(281,814)	**94,560**	24,220	(62,010)	**(37,790)**
Local Authority Housing (HRA)	71,472	(29,972)	**41,500**	15,856	(17,609)	**(1,753)**
Public Health	32,564	(58,899)	**(26,335)**	57,842	(29,336)	**28,506**
Regional Enterprise	18,194	(17,209)	**985**	23,622	(4,514)	**19,108**
Street Scene	61,155	(31,691)	**29,464**	8,106	(909)	**7,197**
Deficit on Continuing Operations	**1,090,397**	**(760,982)**	**329,415**	**956,926**	**(720,705)**	**236,221**
Other Operating Expenditure	17,586	(7,516)	**10,070**	1,303	(2,598)	**(1,295)**
Financing and Investment Income and Expenditure	23,877	(6,332)	**17,545**	32,529	(32,214)	**315**
Taxation and Non-Specific Grant Income		(364,122)	**(364,122)**	-	(329,990)	**(329,990)**
Surplus on Provision of Services	**1,131,860**	**(1,138,952)**	**(7,092)**	**990,758**	**(1,085,507)**	**(94,749)**
Deficit/(Surplus) on revaluation of non-current assets			**(3,431)**			**14,125**
Remeasurement of the net defined benefit liability			**64,458**			**(37,646)**
Corporate Taxation			**45**			**-**
Other Comprehensive Income and Expenditure			**61,072**			**23,521**
Total Comprehensive Income and Expenditure			**53,980**			**(118,270)**

Group Movement in Reserves Statement

Consolidated Movement in Reserves 2018/19	General Fund Balance £'000	School Balances £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Group Reserves £'000
Balance as at 31 March 2018	**17,135**	**12,489**	**75,755**	**15,003**	**29,337**	**12,189**	**85,563**	**247,471**	**471,659**	**719,130**
(Deficit)/Surplus on provision of services	5,268	1,357	-	467	-	-	-	7,092	-	7,092
Other comprehensive income and expenditure	-	-	-	-	-	-	-	-	(61,072)	(61,072)
Total comprehensive income and expenditure	**5,268**	**1,357**	**-**	**467**	**-**	**-**	**-**	**7,092**	**(61,072)**	**(53,980)**
Adjustments between accounting basis and funding basis under regulations	(18,079)	-	-	(3,149)	(8,327)	(2,843)	25,883	(6,515)	6,515	-
Net increase/(decrease) in year	**(12,811)**	**1,357**	**-**	**(2,682)**	**(8,327)**	**(2,843)**	**25,883**	**577**	**(54,557)**	**(53,980)**
Transfer to/(from) earmarked reserves	12,129	-	(12,129)	-	-	-	-	-	-	-
Increase/(decrease) in year	**(682)**	**1,357**	**(12,129)**	**(2,682)**	**(8,327)**	**(2,843)**	**25,883**	**577**	**(54,557)**	**(53,980)**
Balance as at 31 March 2019	**16,453**	**13,846**	**63,626**	**12,321**	**21,010**	**9,346**	**111,446**	**248,048**	**417,102**	**665,150**

Consolidated Movement in Reserves 2017/18	General Fund Balance £'000	School Balances £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Group Reserves £'000
Balance as at 31 March 2017	**11,724**	**11,252**	**96,799**	**12,489**	**35,488**	**18,075**	**73,883**	**259,710**	**426,392**	**686,102**
(Deficit)/Surplus on provision of services	(36,451)	1,237	-	44,721	-	-	-	9,507	-	9,507
Other comprehensive income and expenditure	-	-	-	-	-	-	-	-	23,521	23,521
Total comprehensive income and expenditure	**(36,451)**	**1,237**	**-**	**44,721**	**-**	**-**	**-**	**9,507**	**23,521**	**33,028**
Adjustments between accounting basis and funding basis under regulations	20,819	-	-	(42,207)	(6,151)	(5,886)	11,679	(21,746)	21,746	-
Net increase/(decrease) in year	**(15,632)**	**1,237**	**-**	**2,514**	**(6,151)**	**(5,886)**	**11,679**	**(12,239)**	**45,267**	**33,028**
Transfer to/(from) earmarked reserves	21,043	-	(21,043)	-	-	-	-	-	-	-
Increase/(decrease) in year	**5,411**	**1,237**	**(21,043)**	**2,514**	**(6,151)**	**(5,886)**	**11,679**	**(12,239)**	**45,267**	**33,028**
Balance as at 31 March 2018	**17,135**	**12,489**	**75,755**	**15,003**	**29,337**	**12,189**	**85,563**	**247,471**	**471,659**	**719,130**

Group Accounts

Group Balance Sheet

	31 March 2019		31 March 2018	
	£'000	£'000	£'000	£'000
Property, plant and equipment	1,451,427		1,349,245	
Heritage assets	1,831		1,582	
Investment properties	144,467		128,813	
Intangible assets	29,231		13,789	
Long term debtors	1,665		6,274	
Long term investments	-		5,000	
Total Long Term Assets		1,628,621		1,504,703
Inventories	171		131	
Short term investments	7,834		33,030	
Short term debtors	129,620		128,606	
Cash and cash equivalents	71,179		75,291	
Total Current Assets		208,804		237,058
Short term creditors	(123,185)		(114,007)	
Short term borrowing	(46,573)		(1,461)	
Provisions	(12,399)		(10,264)	
Total Current Liabilities		(182,157)		(125,732)
Long term borrowing	(304,466)		(307,389)	
Provisions	(8,108)		(8,000)	
Pension scheme	(652,251)		(566,021)	
Long term lease	(14,940)		(15,490)	
Deferred Income	(10,353)		-	
Total Long Term Liabilities		(990,118)		(896,900)
Net Assets		665,150		719,130
Usable reserves	248,048		247,471	
Unusable reserves	417,102		471,659	
Total Reserves		665,150		719,130

Group Cash Flow Statement

	2018/19 £'000	2018/19 £'000	2017/18 £'000	2017/18 £'000
Net surplus on the provision of services	7,092		9,507	
Adjustment to surplus or deficit on the provision of services for non-cash movements	105,099		110,716	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(70,368)		(102,714)	
Net cash flows from operating activities		41,823		17,509
Net cash flows from investing activities		(92,216)		(960)
Net cash flows from financing activities		46,279		5,838
Net increase or decrease in cash and cash equivalents		(4,114)		22,387
Cash and cash equivalents at the beginning of the reporting period		75,293		52,904
Cash and cash equivalents at the end of the reporting period		71,179		75,291

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 entity but through two or more legal entities which fall under their ultimate control. For this reason the financial statements of the local authority do not necessarily, in themselves, present a full picture of it economic activities or financial position. Because of this, the Code requires a local authority to prepare group accounts if it has a control over one or more other legal entities. The aim of the group accounts is to give an overall picture of the extended services and economic activity that is under the control of the local authority.

The London Borough of Barnet (the reporting authority) has two subsidiary companies reported in the group accounts:

• The Barnet Group Ltd. The London Borough of Barnet owns 100% of the share capital of The Barnet Group Ltd. The Barnet Group has five subsidiaries: Barnet Homes Ltd, Your Choice (Barnet) Ltd, TBG Flex Limited, TBG Open Door Ltd and Bumblebee Lettings Ltd. The Barnet Group Ltd is the sole member and guarantor of Barnet Homes Ltd, a company limited by guarantee. The Barnet Group Ltd owns 100% of the share capital of the other four subsidiaries. The Barnet Group Ltd has a board consisting of ten members, two of which are members of the council.

• Barnet Holdings Ltd. The London Borough of Barnet owns 100% of the share capital of Barnet Holdings Ltd. which own 49% of the share capital in Regional Enterprise Ltd. with Capita plc. As at the reporting date the board of RE Ltd included Councillor Marshall and senior officer Dawn Wakeling. RE Ltd is an associate of the council.

2. Basis of Consolidation

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

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

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

i) Nature of Business

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

ii) Financial Performance

In 2018/19 the company made an operating loss of £2.003m (£1.780m loss in 2017/18).

4. Barnet Holdings Ltd

i) Nature of Business

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

ii) Financial performance

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

5. Pension Reserve

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

	2018/19 £'000	2017/18 £'000
Single entity accounts		
London Borough of Barnet	(611,125)	(535,146)
The Barnet Group Ltd	(41,126)	(30,875)
Total	**(652,251)**	**(566,021)**

Pension Scheme

The assumptions used and the detailed breakdown of the London Borough of Barnet pension liability of £611.125m can be seen in note 36 to the single entity accounts

The Barnet Group Pension Liability

Net pension liability as at	31 March 2019 £'000	31 March 2018 £'000
Present Value of Funded Obligation	(114,459)	(99,497)
Fair Value of Scheme Assets (bid value)	73,978	69,218
Net liability	**(40,481)**	**(30,279)**
Present Value of Unfunded Obligation	(645)	(596)
Unrecognised Past Service Cost	-	-
Net liability in statement of financial position	**(41,126)**	**(30,875)**

Group Accounts

The Barnet Group Pension Liability

	2018/19 £'000	2017/18 £'000
Opening Fair Value of Scheme Assets	69,218	65,246
Interest income	1,888	1,716
Return on assets, excluding the amount included in the net interest expense	1,351	640
Contributions by employer including in respect of unfunded benefits	2,537	2,556
Contributions by scheme participants	667	698
Estimated benefits paid including unfunded benefits	(1,683)	(1,638)
Fair Value of scheme assets at end of period	**73,978**	**69,218**

Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2018/19 £'000	2017/18 £'000
Opening Defined Benefit Obligation	100,093	96,383
Current Service Cost	3,922	4,208
Interest Cost	2,740	2,546
Remeasurement gains and losses:		
-Actuarial gains and losses arising from changes in financial assumptions	9,332	(2,075)
- Actuarial gains and losses arising from changes in demographic assumptions	-	-
- Other experience gains and losses	33	(5)
Estimated funded benefit paid	(1,658)	(1,638)
Contributions by scheme participants	667	698
Unfunded pension payments	(25)	(24)
Closing Defined Benefit Obligation	**115,104**	**100,093**

BARNET
LONDON BOROUGH

PENSION FUND

STATEMENT OF ACCOUNTS

2018/19

MAIN STATEMENTS

FUND ACCOUNT

	Notes	31 March 2019 £000	31 March 2018 £000
Dealings with members, employers and others directly involved in the fund			
Contributions	6	(58,728)	(57,533)
Transfers in from other pension funds	7	(2,423)	(2,732)
		(61,151)	**(60,265)**
Benefits	8	55,024	50,467
Payments to and on account of leavers	9	4,819	3,980
		59,843	**54,447**
Net (additions) from dealings with members		**(1,308)**	**(5,818)**
Management expenses	10	8,073	5,870
Net withdrawals including fund management expenses		**6,765**	**52**
Returns on investments			
Investment income	11	(4,989)	(2,405)
Change in market value during the year	13	(56,448)	(42,058)
Net return on investments		**(61,437)**	**(44,463)**
Net (increase) in the net assets available for benefits during the year		**(54,672)**	**(44,411)**
Opening net assets of the scheme		1,096,568	1,052,157
Closing net assets of the scheme		**1,151,240**	**1,096,568**

NET ASSETS STATEMENT

	Notes	31 March 2019 £000	31 March 2018 £000
Investment assets		1,142,022	1,077,635
Long term investments		150	150
Total net investments	13	**1,142,172**	**1,077,785**
Current assets	17	10,850	21,080
Current liabilities	18	(1,782)	(2,297)
Net assets of the fund available to fund benefits at the end of the reporting period		**1,151,240**	**1,096,568**

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at note 21.

NOTES TO THE PENSION FUND ACCOUNTS

1. DESCRIPTION OF THE FUND

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

The day to day administration of the Fund and the operation of the management arrangements and investment portfolio are delegated to the Chief Finance Officer (Section 151 Officer) of the Council.

The following description of the Fund is a summary only. For more detail, reference should be made to the *London Borough of* Barnet *Pension Fund Annual Report 2018/19* and the underlying statutory powers underpinning the scheme.

General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by the LBB Council to provide pensions and other benefits for pensionable employees of the Council and a range of other scheduled and admitted bodies.

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

The Fund's accounts provide information on the financial position, investment performance and risk showing the results of the Council's stewardship in managing the resources entrusted to it. The Fund is overseen by the Pension Fund Committee which is specifically set up as a committee of the London Borough of Barnet Council and has authority under the Council's constitution to approve the Pension Fund Annual Report and Pension Fund Statement of Accounts.

Membership

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

- Admitted Bodies – organisations that participate in the Fund under an admission agreement between the Fund and the organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector

- Scheduled Bodies – local authorities, academies, colleges and similar bodies whose staff are automatically entitled to be members of the Fund

The numbers of members have been extracted from the underlying membership records in the live system as at 31 March 2019, including the comparative figures. An analysis of membership movement in the year is provided in the note below.

The number of employees contributing to the Fund decreased during the year from 9,093 to 8,630 at 31 March 2019. During the same period, the number of pensioners increased from 7,804 to 8,082 and the number of deferred pensioners increased from 10,238 to 10,803.

	31 March 2019	31 March 2018
Number of employers with active members	66	64
Number of employees in scheme		
London Borough of Barnet	5,166	5,357
Other employers	3,464	3,736
Total	8,630	9,093
Number of pensioners		
London Borough of Barnet	5,896	5,130
Other employers	2,186	2,674
Total	8,082	7,804
Deferred pensioners		
London Borough of Barnet	7,189	6,616
Other employers	3,614	3,622
Total	10,803	10,238
Total number of members in pension scheme	**27,515**	**27,135**

Funding

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

Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2019. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. These are tabled in the actuarial valuation report

Benefits

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

2. BASIS OF PREPARATION

The statement of accounts summarises the Fund's transactions for the 2018/19 financial year and its position at year-end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Fund account – revenue recognition

Contribution income

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

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Augmentation contributions are accounted for when the contributions are receivable, which is mainly when the relevant benefits are paid.

Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Investment income

- **Distributions from pooled funds** are recognised at the date of payment. Should there be a timing delay between the date the net asset value is reduced to reflect the distribution and the date of receipt, the income is disclosed in the net assets statement as a current financial asset.
- **Movement in the net market value of investments**-changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

3.2 Fund account – expense items

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As the London Borough of Barnet is the administrating authority of the Fund, VAT input tax is recoverable on all Fund activities.

Members are entitled to request the Pension Funds pays their tax liabilities due in respect of annual allowance and life time allowance in exchange for a reduction in pension. Where the Fund pays members tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

Management expenses

The Fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

- All **administrative expenses** are accounted for on an accruals basis. Associated management, accommodation and other overheads are apportioned to this activity, based on estimated time spent, and charged as expenses to the Fund. A proportion of the Council's costs representing management time spent by officers on investment management is also charged to the Fund.
- All **oversight and governance expenses** are accounted for on an accruals basis. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
- All **investment management expenses** are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. A proportion of the Council's costs representing management time spent by officers on investment management is also charged to the Fund.

3.3 Net assets statement

Financial assets

Investment assets are included in the net assets statement on a fair value or cost basis as at the reporting date. Cash held by fund managers, money market fund investments, long-term investments and own cash are at amortised cost. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the Fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016). Further details are provided by note 13.

Purchases and sales of investments in foreign currencies have been accounted for at the spot market rate at the date of the transaction. End of year spot market exchange rates are used to value non-sterling denominated investments.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

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

Financial liabilities

The Fund recognises financial liabilities at amortised cost as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

Additional voluntary contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension Fund. The Fund has appointed Prudential and Aviva as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (note 19).

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The net pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 16.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

There is a significant risk of material adjustment in the forthcoming financial year is as follows.

Actuarial present value of promised retirement benefits

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are protected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Fund managers with expert advice about the assumptions to be applied. Sensitivity analysis and the effects of changes in individual assumptions on the net pension liability are shown in Note 21.

6. CONTRIBUTIONS RECEIVABLE

By category

	31 March 2019	31 March 2018
	£000	£000
Employees' contributions:	**(11,169)**	**(11,155)**
Employers' contributions:		
Normal contributions	(28,274)	(28,413)
Deficit recovery contributions	(17,555)	(14,342)
Augmentation contributions	(1,730)	(3,623)
Total employers' contributions	**(47,559)**	**(46,378)**
Total contributions receivable	**(58,728)**	**(57,533)**

By authority

	31 March 2019	31 March 2018
	£000	£000
London Borough of Barnet	(30,199)	(29,838)
Scheduled bodies	(21,920)	(22,033)
Admitted bodies	(6,609)	(5,662)
Total contributions receivable	**(58,728)**	**(57,533)**

An adjustment has been made to the prior year contributions to move £9.245 million from normal to deficit recovery contributions.

The contributions shown in the table above for the London Borough of Barnet, included the following wholly owned subsidiary of the Council:

Barnet Homes - £2.620 million (2017/18 £2.566 million)
Your Choice - £0.634 million (2016/17: £0.714 million)

7. TRANSFERS IN FROM OTHER PENSION FUNDS

	31 March 2019	31 March 2018
	£000	£000
Individual transfers	(2,423)	(2,732)
Total transfers in from other Pension Funds	**(2,423)**	**(2,732)**

8. BENEFITS PAYABLE

By category

	31 March 2019	31 March 2018
	£000	£000
Pensions	45,507	43,156
Commutation and lump sum retirement benefits	8,531	6,656
Lump sum death benefits	986	655
Total benefits payable	**55,024**	**50,467**

By authority

	31 March 2019	31 March 2018
	£000	£000
London Borough of Barnet	37,096	34,175
Scheduled bodies	13,683	12,378
Admitted bodies	4,245	3,914
Total benefits payable	**55,024**	**50,467**

9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	31 March 2019	31 March 2018
	£000	£000
Refunds to members leaving service	149	97
Individual transfers	4,670	3,883
Total payments to and on account of leavers	**4,819**	**3,980**

10. MANAGEMENT EXPENSES

	31 March 2019	31 March 2018
	£000	£000
Administrative costs	627	465
Investment management expenses	6,426	4,473
Oversight and governance costs	1,020	932
Total management expenses	**8,073**	**5,870**

Administration costs represent charges from the third party pension administrator. Oversight and governance costs include staff cost recharges from London Borough of Barnet, actuarial fees, investment advisory fees and audit fees.

10A. INVESTMENT MANAGEMENT EXPENSES

	31 March 2019	31 March 2018
	£000	£000
Management fees	3,675	3,424
Performance related fees	1,173	387
Custody fees	15	15
Transaction costs	1,563	647
Total investment management expenses	**6,426**	**4,473**

11. INVESTMENT INCOME

	31 March 2019	31 March 2018
	£000	£000
Pooled investments – unit trusts and other managed funds	(4,942)	(2,357)
Interest on cash deposits	(47)	(48)
Total investment income	**(4,989)**	**(2,405)**

12. AUDIT COSTS

	31 March 2019	31 March 2018
	£000	£000
Payable in respect of external audit	21	44
Total external audit costs	**21**	**44**

13. INVESTMENTS

2018/19	Market value 1 April 2018	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2019
		£000	£000	£000	£000
Investment assets:					
Pooled investments	1,074,130	34,914	(37,780)	56,448	1,127,712
Money market funds	3,500	25,800	(15,000)	0	14,300
Long term investments	150	0	0	0	150
	1,077,780	**60,714**	**(52,780)**	**56,448**	**1,142,162**
Other investment balances:					
Cash deposits	5				10
Net investment assets	**1,077,785**				**1,142,172**

2017/18	Market value 1 April 2017	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2018
	£000	£000	£000	£000	£000
Investment assets:					
Pooled investments	1,014,952	136,777	(119,657)	42,058	1,074,130
Money market funds	23,900	67,168	(87,568)	0	3,500
Long term investments	150	0	0	0	150
	1,039,002	**203,945**	**(207,225)**	**42,058**	**1,077,780**
Other investment balances:					
Cash deposits	20				5
Net investment assets	**1,039,022**				**1,077,785**

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 and any income attributed to the unitised funds that has been retained by the funds and reinvested. Transaction costs are included in investment management expenses (note 10A).

13A. ANALYSIS OF INVESTMENTS

	31 March 2019	31 March 2018
	£000	£000
Pooled funds – additional analysis		
UK		
Unit trusts	452,150	425,658
UK managed funds	675,562	648,472
Money market funds	14,300	3,500
	1,142,012	**1,077,630**
Long term investments	150	150
Cash deposits	10	5
Total investment assets	**1,142,172**	**1,077,785**

All investments are held through managed pooled entities and comprise underlying investments that are domiciled in both the UK and overseas. A breakdown of underlying investment by country of domicile has not been provided as domicile may not represent the geographic sources of economic exposure.

13B. INVESTMENTS ANALYSED BY FUND MANAGER

	Market value	31 March 2019	Market value	31 March 2018
	£000	%	£000	%
Legal and General	452,151	39.5	425,658	39.5
Schroder Investment Management	263,900	23.1	259,541	24.1
LCIV NW Real Return Fund	120,378	10.5	125,948	11.7
Alcentra	65,799	5.8	61,093	5.7
Partners Group	57,609	5.0	43,624	4.0
Barings	38,284	3.4	37,556	3.5
Insight Investments	42,498	3.7	41,528	3.9
M&G Investments	30,795	2.7	30,977	2.9
IFM Investors	56,308	4.9	48,211	4.5
London Collective Investment Vehicle (Share Capital)	150	0.0	150	0.0
Aberdeen Standard Life	14,300	1.3	3,500	0.3
	1,142,172	**100.0**	1,077,785	100.0

Pooling

The Fund became a shareholder in the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London) in 2015 and holds £150,000 of regulatory capital in the form of unlisted UK equity shares. The Fund's investments with Legal and General and LCIV NW Real Return (50.1% of investments) are either invested with the LCIV or monitored by them. The Pension Fund Committee is currently discussing new mandates via the LCIV equivalent to 12.6% of the fund value in UK property, emerging market equities and private debt. Opportunities to switch assets to the management of the LCIV are reviewed regularly, in particular when a change of asset class or investment manager is being considered. The table below provides further analysis of the investments as at 31 March 2019 by both asset class and geographical exposure. Additional details of each fund are provided in the investment policy report.

INVESTMENTS ANALYSED BY ASSET CLASS

Asset Class		31 March 2019			31 March 2018		
		£'000	£'000		£'000	£'000	
Equities							
	UK	48,441		4%	29,350		3%
	Overseas	538,189		47%	453,552		42%
	Global	931		0%	55,921		5%
			587,561	51%		538,823	50%
Bonds							
	UK	58,025		5%	44,644		4%
	Overseas	152,940		13%	143,524		13%
	Global	241,564		21%	206,078		19%
			452,529	40%		394,246	37%
Infrastructure			56,308	5%		48,211	4%
Other assets			62,076	5%		52,696	5%
Cash			-16,302	-1%		43,809	4%
Total Investment Assets			**1,142,172**	**100%**		**1,077,785**	**100%**

NB: where no geographic split is available, global in the table above represents both UK and overseas.

The following investments represent more than 5% of the net assets of the scheme. These funds are registered in the UK.

	31 March 2019		31 March 2018	
	£000	as % of investment assets	£000	as % of investment assets
Legal and General RAFI 3000 Tracker Fund	219,525	19.2	215,638	19.4
Legal and General Global Equity Tracker Fund	198,716	17.4	177,237	16.7
Schroder Life Diversified Growth Fund	141,644	12.4	142,284	13.9
LCIV NW Real Return Fund	120,378	10.5	125,948	12.9
Schroder All Maturities Corporate Bond Fund	122,247	10.7	117,252	11.0

13C. FAIR VALUE – BASIS OF VALUATION

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

- Unit trust investments are stated at the latest closing bid prices quoted by their respective managers as at 31 March 2019.
- UK managed funds are stated at net asset value as calculated by their respective managers as at 31 March 2019.

13D. FAIR VALUE – HIERARCHY

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and exchange traded quoted unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value. This included unit trusts priced by the fund managers that are not held as exchange traded funds.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

31 March 2019	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs
	Level 1	Level 2	Level 3
	£000	£000	£000
Financial Assets			
Designated at fair value through profit and loss		1,127,862	
Loans and receivables	14,310		
Total financial assets	**14,310**	**1,127,862**	**0**
Grand Total:			**1,142,172**

31 March 2018	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000
Financial Assets			
Designated at fair value through profit & loss		1,074,280	
Loans and receivables	3,505		
Total financial assets	**3,505**	**1,074,280**	**0**
Grand Total:			**1,077,785**

14. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	31 March 2019			31 March 2018		
	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
Financial assets						
Pooled investments	1,127,712			1,074,130		
Cash and cash equivalents		19,101			13,600	
Other investment balances		150			150	
Receivables		6,059			10,985	
Total financial assets	**1,127,712**	**25,310**	**0**	**1,074,129**	**24,735**	**0**
Financial liabilities						
Creditors			(1,782)			(2,297)
Total financial liabilities	**0**	**0**	**(1,782)**	**0**	**0**	**(2,297)**
Total	**1,127,712**	**25,310**	**(1,782)**	**1,074,129**	**24,735**	**(2,297)**
Grand Total			**1,151,240**			**1,096,568**

The net return on investments is wholly attributable to assets held at fair value through the profit and loss with the exception of interest earned on cash balances of £47,000 (2017/18: £48,000) classified as loans and receivables.

15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to have a reasonable probability of achieving in the long-term returns at least in line with the 'prudent' return set by the Scheme Actuary when calculating the required employers' contributions. The Fund achieves this through selection of appropriate returning asset classes, asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows.

Responsibility for the fund's risk management strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) regulations 2016, which require an administering authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund in accordance with its Investment Strategy Statement. 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 Fund Committee has prepared an Investment Strategy Statement which sets out the Pension Fund's policy on matters such as the type of investments to be held, the balance between types of investments, investment restrictions and the way risk is managed. Investment performance by external investment managers is reported to the Pension Fund Committee quarterly. Performance of Pension Fund investments managed by external Investment managers is compared to benchmark returns.

15A. Market risk

Market risk is the risk of loss from fluctuations in equity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investment activities.

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, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) regulations 2016. Details of the (Management and Investment of Funds) regulations 2016 can be found in the Investment Strategy Statement adopted by Pension Fund Committee on 14th March 2017 (updated 26th March 2019).

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

Following analysis of historical data and expected investment return movement during the financial year, the Council has determined that the following movements in market price risk are reasonably possible for the 2018/19 reporting period.

Asset type	Potential market movements (+/-)
Pooled investments	18%

The 18% assumed volatility for pooled assets as at 31st March 2019 is based on the largest negative movement in the value of the fund's assets recorded in the last 10 years. This compares with an average annual change in value (positive or negative) during that period of 8.3%. It should be noted that large changes in value in one direction are often followed by a reversal. For example, the 18% loss in 2008/9 was followed by a 26% gain in 2009/10. The assumed volatility for cash balances is 1%.

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

Asset type	Value as at 31 March 2019	Potential value on increase	Potential value on decrease
	£000	£000	£000
Other pooled investments	1,127,712	1,330,701	924,724
Total	**1,127,712**	**1,330,701**	**924,724**

Asset type	Value as at 31 March 2018	Potential value on increase	Potential value on decrease
	£000	£000	£000
Pooled investments	1,074,130	1,267,473	880,787
Total	**1,074,130**	**1,267,473**	**880,787**

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2019 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Assets exposed to interest rate risk	Value as at 31 March 2019	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	19,101	191	19,292	18,910
Total	**19,101**	**191**	**19,292**	**18,910**

Assets exposed to interest rate risk	Value as at 31 March 2018	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	13,600	136	13,736	13,464
Total	**13,600**	**136**	**13,736**	**13,464**

In addition to cash balances, the fund holds bonds and credit instruments with a value of £452.5 million as at 31 March 2019 (2017/18: £471.5 million). Changes in interest rates impact on both the value and future income of these bonds. An increase in interest rates will not affect the value of short-term and variable rate instruments but increase the income, whereas for longer duration bonds, the income is not impacted by a change in interest rates, but the bond value will decline if interest rates increase. The possible impact of changes in interest rates is captured within the 18% volatility for pooled funds above. However, in isolation, if we are to assume that bonds are variable / short-dated, a 1% increase in interest rates will add £4.5 million (2017/18: £4.7 million) in annual income. A decrease in interest rates will lead to a similar scale reduction in annual income.

The Pension Fund holds financial assets and liabilities in overseas financial markets and therefore could be exposed to the risk of loss from exchange rate movements of foreign currencies against sterling. This risk is deemed acceptable as the investments are widely diversified by currency and the scheme has no short-term expenditure liquidity requirements. Many of the overseas investments are hedged into sterling by the investment managers. After hedging, the net exposure to non-sterling currencies is £362.3 million (2017/18: £370.9 million). The most significant non-sterling exposure is to the US dollar. A 10% change in the relative value of sterling would change the value of investments by £36.2 million (2017/18: £37.1 million). This risk is a sub-set of the market risk calculation above.

15B. Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the Pension Fund reviews its exposure to credit and counterparty risk through its external investment managers by review of the managers' annual internal control reports to ensure that managers exercise reasonable care and due diligence in their activities for the Pension Fund.

As at 31 March 2019 working capital was held in the Pension Fund bank account with the Royal Bank of Scotland and in a money market fund with Aberdeen Standard Life, in accordance with the credit rating criteria within the Council's Treasury Management Strategy. Pension administration working capital was held in a bank account operated by Capita Employee Benefits (CEB) on behalf of the Pension Fund.

Summary	Rating	Source	Balances as at 31 March 2019 £000	Balances as at 31 March 2018 £000
Standard Life MMF cash	AAAm	Moody's	14,300	23,900
Royal Bank of Scotland	A1	Moody's	6,196	2,326
Cash held by Fund Managers			10	20
Total			**20,506**	**26,246**

15C. Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due.

The main risk for the Pension Fund is not having the funds available to meet its commitments to make pension payments to its members. To manage this, the Pension Fund has a comprehensive cash flow management system that seeks to ensure that the cash is available when needed. The Pension Fund also manages its liquidity risk by having access to money market funds and call accounts where funds are repayable without penalty and on notice of not more than 24 hours. The Fund is also able to sell units in its Pooled Investment Vehicles if required, most of which can be realised within one month.

The key refinancing risk is that the Council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Council does not have any financial instruments that have a refinancing risk as part of its investment strategy.

16. ACTUARIAL VALUATION

Hymans Robertson LLP were appointed as fund actuary in 2016 and undertook a formal triennial actuarial valuation of the fund as at 31 March 2016 in accordance with the Local Government Pension Scheme Regulations 2013. The actuarial valuation calculates the contribution rate payable by the all employers, including the LBB Council, to meet the administering authority’s funding objectives.

The funding level at 31 March 2016 was 73%. This corresponded to a shortfall on the funding target of £339 million. The aggregate primary contribution rate for 2018/19 is 17.9% of pensionable pay plus a secondary contribution of £14.683 million. The secondary contribution in 2018/19 increases to £16.047 million. This is the average required employer contribution to restore the funding position to 100% over the next 20 years. The assumptions used for the triennial valuation were:

Financial assumptions

	31 March 2016 %	31 March 2013 %
Discount rate	4.2	6.0
RPI	3.2	3.5
CPI	2.1	2.7
Pension increases rate	2.1	2.7
Salary increases rate	2.4	4.5

Demographic assumptions

	31 March 2016	31 March 2013
Life expectancy from age 65		
Retiring today:		
Males	21.9	22.1
Females	24.3	24.4
Retiring in 20 years:		
Males	23.9	24.2
Females	26.5	26.8
Other demographic assumptions		
Commutation	50%	50%
50:50 option	5%	10%

The triennial valuation was reported to the London Borough of Barnet Pension Fund Committee on 14 March 2017. The next actuarial valuation will be based on the value of the fund as at 31 March 2019.

17. CURRENT ASSETS

	31 March 2019	31 March 2018
	£000	£000
Contributions due – employees	799	798
Contributions due – employers	5,005	9,875
Sundry debtors	255	312
Cash balances	4,791	10,095
Total current assets	**10,850**	**21,080**

Analysis of debtors

	31 March 2019	31 March 2018
	£000	£000
Central government bodies	220	312
Other local authorities	3,433	5,010
Other entities and individuals	2,406	5,663
Total debtors	**6,059**	**10,985**

18. CURRENT LIABILITIES

	31 March 2019	31 March 2018
	£000	£000
Sundry creditors	(1,782)	(2,297)
Transfer values payable (leavers)	0	0
Total current liabilities	**(1,782)**	**(2,297)**

Analysis of creditors

	31 March 2019	31 March 2018
	£000	£000
Central government bodies	(508)	(491)
Other local authorities	(148)	(1,417)
Other entities and individuals	(1,126)	(389)
Total creditors	**(1,782)**	**(2,297)**

19. ADDITIONAL VOLUNTARY CONTRIBUTIONS

	Market value 31 March 2019	Market value 31 March 2018
	£000	£000
Aviva	**478**	478
Prudential	**2,889**	2,557
Total AVC	**3,367**	**3,035**

AVC contributions of £518,000 (2017/18: £460,000) were paid directly to Prudential and £8,000 (2017/18: £8,000) were paid to Aviva during the year.

20. RELATED PARTY TRANSACTIONS

The London Borough of Barnet Pension Fund is administered by the London Borough of Barnet. Consequently, there is a strong relationship between the Council and the Pension Fund. During the reporting period, the Council incurred costs of £1.319m (2016/17: 1.181m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £24.961m to the Fund in 2018/19 (2017/18: £24.335m). As at 31 March 2019 the Council owed the Pension Fund £4.111 million in pension contributions (£5.662 million as at 31 March 2018).

Part of the Pension Fund cash holdings are invested on the money markets by the treasury management operation of Barnet Council. During the year to 31 March 2019, the Fund had an average investment balance of £7.5m (year to 31 March 2018: £11.0m), earning interest of £0.046m (2016/17: £0.048m).

Governance

One member of the Pension Fund Committee as at 31 March 2019 is in receipt of a pension from the Barnet Pension Fund. There are no active members of the Fund that are members of the Pension Fund Committee. Each member of the Pension Fund Committee is required to declare their interests at each meeting.

20A. KEY MANAGEMENT PERSONNEL

The key management personnel of the fund are the Chief Executive, the Director of HR, the s.151 officer and the Deputy s.151 officer. The proportion of the total remuneration payable to key management personnel that is charged to the Pension Fund is set out below.

	31 March 2019	31 March 2018
	£000	£000
Short-term benefits	48	43
Post-employment benefits	13	11
Total remuneration	**61**	**54**

21. PENSION FUND ACCOUNTS REPORTING REQUIREMENT

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2018/19 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Barnet Pension Fund (“the Fund”).

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund’s funding assumptions.

Present value of promised retirement benefits Year ended

Year ended	31 March 2019	31 March 2018
Active members (£m)	874	728
Deferred members (£m)	496	456
Pensioners (£m)	676	680
Total (£m)	**2,046**	**1,864**

The promised retirement benefits at 31 March 2019 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority’s IAS19 report and are different as at 31 March 2019 and 31 March 2018. I estimate that the impact of the change in financial assumptions to 31 March 2019 is to increase the actuarial present value by £112m. I estimate that there is no impact from any change in demographic and longevity assumptions because they are identical to the previous year.

Financial assumptions

Year ended (% p.a.)	31 March 2019	31 March 2018
Pension Increase Rate	2.5%	2.4%
Salary Increase Rate	2.8%	2.7%
Discount Rate	2.4%	2.6%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.9 years	24.3 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	23.9 years	26.5 years

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 50% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity of assumptions for year ended 31 March 2018	Approximate % increase liabilities	Approximate monetary Value (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	169
0.5% p.a. increase in the Salary Increase Rate	1%	23
0.5% p.a. decrease in the Real Discount Rate	10%	203

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled ‘Actuarial Valuation as at 31 March 2019 for accounting purposes’. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Peter Summers FFA
3 May 2019
For and on behalf of Hymans Robertson LLP

22. EVENTS AFTER THE REPORTING PERIOD

Management have reviewed and can confirm that there are no significant events occurring after the reporting period.

LONDON BOROUGH OF BARNET

Annual Governance Statement 2018/19

CERTIFICATION

To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2018/19 except for those areas identified in Section 7. We propose over the coming year to take steps to address the 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 on an on-going basis through the year and as part of our next annual review at the end of the 2019/20.

SIGNED: ___________________________________ Date: __________________________
Leader of the Council

SIGNED: ___________________________________ Date: ___________________________
Chief Executive

1. INTRODUCTION

- Barnet 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 Council acknowledges its responsibility for ensuring that there is effective governance within the Council and as such has developed a Code of Corporate Governance that defines the principles and practices that underpin the governance arrangements operating within the Council.

- This Annual Governance Statement explains how the Council meets the requirements of regulation 6[1] and 6[2] of the Accounts and Audit Regulations 2015[1] in relation to the publication of a statement of internal control.

- The Council has a separate Code of Corporate Governance which will be reported alongside this Annual Governance Statement. The Code is consistent with the principles of the of Good Governance as set out in the CIPFA Delivering Good Governance in Local Government Framework 2016. A Code of Corporate Governance is also included within the Constitution which details the Good Governance principles. How the Council complies with the principles will be reported annually alongside the Annual Governance Statement.

2. GOVERNANCE

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

3. THE GOVERNANCE FRAMEWORK

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

[1] http://www.legislation.gov.uk/uksi/2015/234/regulation/6/made

- The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level, if operating effectively it cannot eliminate all risk and can only provide reasonable, not absolute assurance of effectiveness.

- The system is based on an on-going process designed to:
  * make sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud;
  * that public money is properly accounted for and is used economically, efficiently and effectively;
  * that the Council operates in a lawful, open, inclusive and honest manner;
  * that the Council has effective arrangements for the management of risk;
  * that the Council enables human, financial, environmental and other resources to be managed efficiently and effectively;
  * that the Council secures continuous improvement in the way that it operates;
  * that the Council properly maintains records and information;
  * that the Council ensures its values and ethical standards are met:
    a. identify and prioritise the risks to achievement of the Council's policies, aims and objectives,
    b. evaluate the likelihood of those risks being realised together with the impact should they be realised, and
    c. manage them efficiently, effectively and economically.

- The governance framework has been in place within Barnet London Borough Council for the year ended 31 March 2019 and up to the date of approval of the annual report and accounts.

- Where improvements in the governance framework are required (as outlined in section 7) they will be addressed in the coming year.

4. THE ANNUAL GOVERNANCE STATEMENT

- The Annual Governance Statement is made up of statements that are underpinned by the assurance framework. The assurance framework enables Members and Senior Management to identify the principal risks to the Council's ability to meet its key objectives. Members and Senior Management can map out both the key controls to manage the risks and how they are assured that these controls are effective in identifying, managing and mitigating risks.

  - This process is designed to provide assurance, based on sufficient evidence, that internal controls are in place and are operating effectively and that objectives are being achieved, except for those areas identified in Section 7 which require further improvements.

  - The annual assessment gives the Council an opportunity to review that effectiveness of the governance arrangements operating within the Council. In addition, 'the three lines of defence assurance model' helps Members and Senior Management to understand where assurances are being obtained from, the level of reliance they place on that assurance and identify potential gaps in assurance to help inform Key Areas of Improvement.

The Three Lines of Defence in effective Risk Management and Control

The three lines of defence model is designed to provide confidence, based on sufficient evidence, that internal controls are in place and are operating effectively and that objectives are being achieved.

As assurance is derived from multiple sources, the "Three Lines of Defence" concept helps identify and understand the different sources of assurance.

Where controls are not operating effectively then improvements to strengthen the control environment are required, such issues are set out in section 7 of the report and will be addressed in the coming year.

2nd Line of Defence **Oversight and Support** **Strategy, Policy, Direction setting, decision-making, assurance oversight**		1st Line of Defence **Business and Operational Management** **Delivering objectives, identifying risks and improvement actions, implementing controls, progress reporting, provides management assurance**		3rd Line of Defence **Independent Assurance** **Independent challenge and audit, reporting assurance, audit opinion assurance levels**
Committee and Scrutiny Functions	Support	**Operational Management and Staff**	Validate	**Internal Audit**
Senior Management Functions and oversight		**Managing Performance and Data Quality**		**External Audit (provide assurance to those charged with governance)**
Risk Management and Performance Management		**Programme and Project Management**		**External Inspections**
Functional Compliance (Information Management, HR, Legal, Contract and Financial Management)		**Delivery of Service Business Plans**		**Review Agencies**
				Regulators

5. HOW HAS THE ANNUAL GOVERNANCE STATEMENT BEEN PREPARED?

The Council has reviewed significant governance issues from previous years and identified new issues that have arisen during the year. Detailed updates on these issues are set out in the following sections.

The Council have also updated the Local Code of Corporate Governance to reflect the updated CIPFA Framework which includes an assessment of our compliance with the seven principles of Good Governance.

6. HOW DO WE KNOW OUR ARRANGEMENTS ARE WORKING?

Within this Annual Governance Statement, the Council has undertaken an assessment of significant governance issues and the progress made against these throughout the year. Any areas which have not been resolved will carry forward into 2019/20 and will continue to be monitored. Any issues that have been resolved during 2018/19 will no longer be monitored through the Annual Governance Statement, but will continue to be monitored through appropriate channels.

The Council are compliant with the CIPFA Delivering Good Governance in Local Government Framework 2016. How the Council complies with the Code is monitored annually and reported via a separate Code of Corporate Governance 2018/19 which is reported to the Audit Committee alongside this Annual Governance Statement.

7. SIGNIFICANT GOVERNANCE ISSUES

NEW ISSUES – EMERGING FROM 2018/19

7.1 Review of Capita CSG and RE Contracts

A report was considered by the Policy and Resources Committee on 19 July 2018, which proposed a review of the Capita CSG and RE contracts. Three options were identified:

1. Maintain status quo;
2. Re-shape the contracts to bring some services back in-house; and
3. End the partnership with Capita.

The report proposed that a Full Business Case would be prepared to allow a final decision to be made later in the year.

A subsequent report to the Committee on 11 December 2018 concluded that significant further work would be required to form the basis of a sound recommendation in respect of the totality of the two contracts. That report recommended that the Review be conducted on a phased basis and that the Finance and Strategic HR services be returned in-house (subject to the outcome of consultation) on 1 April 2019. That transfer has now taken place and work is progressing on Phase II of the Review covering Regeneration and Highways services. A report will be presented to Policy and Resources Committee in June 2019 setting out recommendations in respect of these services, along with the outcomes of public consultation, which took place early in 2019.

This review is significant as it has enabled the Council to address a number of issues raised within the 2018 Annual Governance Statement and Annual Internal Audit Opinion. For example, data quality arrangements across many Council services are strong. However, there are several weaknesses highlighted in areas such as Human Resources. Bringing the Strategic HR function into the Council will enable progress in extending to HR the strong data quality and information management arrangements that exist in many services.

The direct control of the Finance service by the Council's Chief Finance Officer will enable tighter financial control to be exerted across the whole organisation.

Furthermore, accountability and clarity of roles and responsibilities can be strengthened. Previously, responsibility for addressing audit weaknesses in respect of Finance and Human Resources sat with CSG managers while overall accountability rested with senior Council officers. The changes to service delivery will allow decisive and effective intervention by Council officers and provide much greater clarity on roles, responsibilities and accountability.

Improving the quality of key services – notably pensions administration (see 7.4 below), highways, estates and user satisfaction with back office services will continue to be monitored as a significant issue during 2019/20.

7.2 Emergency Planning and Organisational Preparedness

Within the Council there is a wide recognition of the changing nature of the external and internal risks and challenges to both Barnet's communities and the work of the Council. The ability of the Council to respond to those risks and challenges underpins the ability of the Council to have in place effective arrangements to manage risk while enabling the Council to manage its human, financial and environmental resources effectively in times of disruption. Hence, our emergency planning and business continuity arrangements (how we maintain service delivery in the event of incidents that could disrupt the Council's activities) have a key role in our ability to manage our resources, effectively, efficiently and economically.

The Council is committed to supporting Barnet's communities in the event of emergency incidents within the Borough and London and to sustain this key aspiration, the Council has undertaken a wide-ranging and in-depth review of its emergency response and business continuity arrangements.

Consequently the Council has: rewritten its Contingency Management Plan; recruited more than 70 volunteers from amongst Council staff to populate the updated response structures; delivered an extensive training and exercising programme which has rolled out 20 training sessions to all elements of the Council's emergency command and control structure; refreshed its key response plans for incidents in the Borough; rewritten its Business Continuity Plan; and has agreed a refreshed Business Continuity Management System.

The result of this extensive work programme has been to successfully roll out across the Council, the two key elements of the review:

1. The implementation of a refreshed Business Continuity Management System arrangements.

2. A refresh of the Council's emergency response arrangements making them compliant with Resilience Standards for London, an agreed set of common standards for emergency response by boroughs to incidents in London, that ensure a quality and uniform level of response and through commonality, to enable councils can support each other efficiently in the event of major incidents.

This work culminated in the Council's full participation in Exercise Safer City, a major London-wide exercise managed by the London Resilience Group and involving all London's 33 local authorities, the Metropolitan Police, London Fire Brigade, London Councils and the Ministry of Housing, Communities and Local Government and Housing, amongst others.

This major refresh of the Council's arrangements will be kept under annual review to ensure its continued effectiveness in supporting the Council's values and underpinning its ability to manage and mitigate the consequence of risk within the Council and across the Borough.

7.3 Governance of major capital programmes including Brent Cross Cricklewood Regeneration

The council has is expected to deliver over £350m of capital investment in 2019/20. Within this portfolio, the regeneration of Brent Cross Cricklewood is the most significant scheme. The scheme comprises three programmes:

- Brent Cross North – the expansion of the Brent Cross Shopping Centre and delivery of major supporting infrastructure. To be delivered by the shopping centre owners – Hammerson and Aberdeen Standard Investments. This part of the programme is currently deferred.
- Brent Cross South – delivery of at least 7,500 homes, a significant new office location and associated community facilities and other infrastructure. The council has established a joint venture with Argent Related to deliver the scheme.
- Brent Cross Thameslink – delivery of a new Thameslink station, 'Brent Cross West' and associated infrastructure to be funded through £420m Government grant and delivered by the council. The station is due to open in 2022.

The latter two projects have been a long time in the planning phases and both are expected to move into the delivery phase during 2019. The scale of the changes to be delivered in the borough, and of the spend, mean that the programme has a corporate significance beyond that of most regeneration projects. In terms of Brent Cross Thameslink, the council is exposed to the risk of cost overrun and grant clawback if the grant conditions, particularly key milestone dates, are not met. Many of the key dependencies to enable these milestones to be met are on the critical path for this year and there are a number of complex interfaces and dependencies that are managed at a programme level with escalation routes as required. The programme will also deliver wide ranging benefits to the council and the borough, including but not limited to, new homes to meet housing need, investment in infrastructure for the benefit of existing and new residents, and increased revenue from council tax and business rates. Monitoring against delivery of these will commence this year.

The programme has a comprehensive governance structure both within the council, reporting to Assets, Regeneration and Growth Committee (for strategic direction and regeneration related decisions), Policy and Resources Committee (for budget decisions) and Financial Performance and Contracts Committee (for monitoring of key contracts such as the Implementation Agreement with Network Rail); and with Government partners. Progress, risk, issues, benefits realisation and finance are all reviewed monthly at Government Assurance Board (attended by LBB, Ministry of Housing Communities and Local Government, Department for Transport, Homes England, Greater London Authority, Transport for London and Infrastructure and Projects Authority).

In the coming year update reports will be submitted to Assets, Regeneration and Growth Committee quarterly. Plans are being developed for how the scheme will report to Financial Performance and Contracts Committee now that the scheme has moved into the delivery phase. Through the Government Assurance Board, Government partners have agreed to a joined-up approach in relation to audit and assurance reviews, led by the Infrastructure and Projects Authority (IPA). The IPA undertook a review of the programme in November 2017 and a follow up is being arranged for late 2019.

There is a capital governance review underway to strengthen current arrangements across the wider capital programme which is investing in schools, highways and other assets across the borough.

7.4 Health and Care Integration

Care Quality Commission (CQC) is an independent regulator and health and social care in England. CQC inspects all NHS Trusts on a cyclical basis. In this financial year, Royal Free Hospital (RFH) NHS Foundation Trust was inspected in December 2018 and it was rated 'Requires Improvement' in a report published in May 2019. The main three areas requiring improvements were patient safety, responsiveness and leadership. Full report can be found here https://www.cqc.org.uk/location/RAL01/inspection-summary#safe.

In summary, the key points raised were:

- Incidents were not dealt with in a timely matter and lessons learnt were not implemented at pace adequate to prevent future occurrences;
- Clinical leadership in surgical theatres needed to be addressed to prevent bullying and allow for quality improvements;
- Some of the recommendations from CQC inspection in 2016 on responsiveness have not yet been implemented.

However, CQC also commended the RFH on a range of good practices, including innovation in clinical practice, good management of infection control and patients being treated in a respective and dignified manner.

Health Overview and Scrutiny Committee invited Dr Chris Streather, Chief Medical Director and Deputy Chief Executive Officer of the RFH to May meeting and he reassured the Committee that a number of incidents did significantly reduce since inspection was undertaken and that the Senior Executive Board is fully cited on CQC improvement plan that will be brought back to HOSC for scrutiny in July.

All other NHS Trusts that treat Barnet residents are expecting CQC inspection during 2019/20 and 2020/21.

Previous CQC ratings were 'Good' for Central London Community NHS Trust in 2017 and Central and North-West London in 2017/18 (with outstanding rating for sexual health services that LBB commissions) and 'Requires Improvement' for Barnet, Enfield and Haringey (BEH) Mental Health Trust in 2017/18. BEH services and mental health services were considered by the Health and Wellbeing Board regularly in 2017/18 as a result of their inspection report and an improvement plan is in place.

EXISTING ISSUES – CARRIED FORWARD FROM 2017/18

7.5 Improvement of Children's Services

The improvement of Children's Services was highlighted as a significant issue in the Annual Governance Statement in 2016/17 and 2017/18. This continued to be a significant priority for the Council and therefore remained as a priority in the AGS for 2018/19.

Ofsted undertook an inspection of services for children in need of help and protection, children looked after and care leavers, and review of the effectiveness of the Local Safeguarding Children Board in April/May 2017. Ofsted judged these services to be 'inadequate' and made 19 recommendations for improvement. The council fully accepted the findings of the Ofsted report and has since worked to implement the Improvement Plan which sets out the actions and journey we need to make to transform our social care services for children, young people and their families from inadequate to good/outstanding.

Since that point several arrangements have been put in place to drive improvement and ensure that the plan delivers at sufficient pace. These included: a Department for Education (DfE) appointed commissioner, a DfE approved Improvement Partner, which is Essex County Council; an independently chaired Improvement Board, with representation from across the council and partner agencies; and regular progress updates to the Children, Education & Safeguarding (CES) committee on the Barnet Children's Services Improvement Action Plan. The Children's Committee continues to receive updates on progress on improvement. Investment has been made into children's services, a combination of £7m for service/placement pressures and £4m for improvement activity between 2017/18 and 2019/20.

In May 2018 the DfE agreed that the Council no longer required a commissioner and would continue to work with Essex and the Independent chair.

Ofsted have now conducted six monitoring visits (November 2017, February 2018, April 2018, July 2018, November 2018 and February 2019) and our next visit will be a full Inspection of Local Authority Children's Services (ILACS). Recent monitoring reports have concluded that the Council has continued to focus steadily on developing and delivering improvements, and that progress and change has been sustained across different areas of practice. However, reports have also identified that changes and improvements are not always fully embedded. Inspectors have found strong practice in some areas, for example the Multi-Agency Safeguarding Hub (MASH), but that practice in some areas is not yet of a consistently good quality.

In summary, the Members and senior managers across the Council, and colleagues across partner agencies are well aware of the improvements that are needed to deliver good and outstanding services for children in Barnet. Services are significantly better than they were when Ofsted conducted the Single Inspection Framework (SIF) in 2017. Improvements have been embedded across the whole system, but there is more to do to get the best outcomes for all children and young people in the borough.

This will continue to be reviewed as a significant governance issue for the Council until services for children are deemed to be good/outstanding.

On 3rd May 2019 OFSTED began the three- week full ILACS (Inspection of Local Authority Children's Services). This will be the first full inspection following the Single Inspection undertaken two years ago in which the council was judged inadequate. The full report is expected to be published on the 1st July 2019 and will be presented to full Council at its July meeting. The outcome will be referenced in the Annual Governance Statement when it is presented to the Audit Committee in July 2019.

7.6 Pensions Administration

In 2016/17 concerns were identified relating to pensions administration and further issues led to Regulatory Intervention by the Pensions Regulator to the London Borough of Barnet Pension Fund. Since then the council has been engaging closely with the Pensions Regulator to address these issues.

Issues have remained unresolved in 2018/19 in relation to data quality and issues in relation to admissions agreements and bonds have emerged. A report by Hymans Robertson to the Pension Fund Committee identified that pension fund membership data had a significant number of errors which would impact on the 2019 valuation of the fund. Hymans Robertson recommended that immediate action was taken by the administrator to address the critical errors and warnings as the valuation could not proceed without them being resolved.

During the year, it also emerged that some admission agreements and bonds had not been in place. These are being followed up urgently.

Since the data quality issues were identified, data cleanse activity to date has improved data quality. Independent analysis of data conducted by Hymans Robertson has confirmed critical errors as at the 31 March 2019 have been reduced by 88%. Further data cleanse activity is being undertaken by the Pension Fund Administration provider and will continue to be monitored by the council during 2019/20. In addition to this there are fortnightly meetings in place with the provider to assess their plan to ensure Annual Benefit Statements are sent to members by the end of August and the Teachers Pensions Return is submitted on time with audit queries dealt with swiftly. These meetings ensure that the provider's plan is on track and where evidence of issues arise, these can be escalated to senior management and Members as appropriate to ensure resolution. There is also ongoing communication with unions and individuals around queries and / or issues with their individual pension in an effort to resolve these.

The scheme remains under scrutiny by the Pensions Regulator and considerable effort is going into ensuring CSG internal controls are robust, data held is correct and into reporting Scheme Manager activity back to the Pensions Regulator.

This area will continue to be monitored as a significant issue during 2019/20.

7.7 Annual Internal Audit Opinion; 'Limited Assurance' on the Internal Control Environment of the Council

To follow

The Annual Internal Audit Opinion is reported to July Audit Committee

7.8 Financial Control and Fraud Risk

Following the internal fraud case that came to light late in December 2017, the council commissioned a full independent review of financial controls and financial forensic analysis through Grant Thornton. The findings of this report and the associated action plan was presented to and monitored through the Audit Committee during 2018/19.

The report was substantial with a total of 32 recommendations. Broadly the report identified the following:

- Issues with a lack of control in the Regeneration team in Re and in the outsourced finance function; and
- Insufficient oversight from the council.

10 of the recommendations were rated High with the other having a Medium status. All of the 32 actions recommended, with the exception of four, have been implemented and tested to be in place by Internal Audit. The four actions that have not been completed (3 rated High and 1 rated Medium) have been identified to be partly implemented and their progress will continue to be monitored and reported through associated audits in 2019/20.

The full report can be found on the councils website under Financial controls | Barnet Council (or can be accessed through this link here).

Whilst a lot of work has been undertaken to implement and tighten financial controls, in the coming year, further work will be undertaken to ensure these controls and financial governance is embedded across the organisation and its strategic partners and operating effectively. We will also be considering the effectiveness of our current arrangements for gaining assurance over financial and internal controls for services that our run by our strategic partners. As part of this work an Internal Controls Board has also been initiated to ensure officers and partners across the organisation are implementing the recommendations made by Internal Audit.

This area will continue to be monitored as a significant issue during 2019/20.

7.9 Barnet's Fire Safety

Following the tragic fire on 14 June 2017 at Grenfell Tower in the Royal Borough of Kensington and Chelsea, this was identified as a significant governance issue and reported in 2017/18 Governance statement and the progress made during 2018/19 are set out below.

Since June 2017, the Housing Committee has received a number of reports on fire safety relating to high rise blocks in the borough across all housing tenures, and on how the council has been working with the Government and other agencies to address any concerns.

The Housing Committee has agreed an investment package of £51.9m to improve fire safety in council homes, which includes carrying out more intrusive type 3 fire risk assessments (FRAs) on the councils low and medium rise flatted housing stock during 2019/20. These type 3 FRAs could result in further issues that need to be addressed, and because of this potentially a significant issue that will continue to be monitored through the Annual Governance Statement during 2019/20.

7.10 Oversight, Accountabilities and Roles & Responsibilities – Commissioning, Finance and Contracts

During 2016/17 it was identified that oversight, accountabilities and roles and responsibilities across commissioning, finance and contract management were a key area for improvement. This carried forward into the 2017/18 AGS.

During summer 2017 the council undertook a Performance Governance Review designed to:

- Improve the clarity of roles and responsibilities in respect of the management of key strategic contracts;
- Ensure that internal governance arrangements support the delivery of the council's desired outcomes;
- Further develop the performance reporting and monitoring framework to ensure that it drives improvement; and
- Update contract management arrangements

Since the review was undertaken, several changes across the different areas have been delivered.

Roles and Responsibilities

In relation to clarity of roles and responsibilities relating to the council's key strategic contracts, the Chief Executive undertook a review of the senior management structure and reported this to the Constitution & General Purposes Committee in January 2019. The changes were based on several design principles including: retaining control of strategic functions; integrating commissioning and delivery functions; simplifying and clarifying roles and lines of accountability; implementing an ideal management span; flatter structure and reduced hierarchy; fewer but more highly skilled roles; and consistency between grades and role titles.

The principles were consistent with the council's approach to improving its operations and governance including: strengthening oversight and the financial control environment; increased control of strategic functions; clarifying lines of accountability, roles and responsibilities; signalling the importance of financial management and prevention for the council's financial sustainability; improving consistency with regard to spans of control and role titles; and moving away from a commissioning / delivery structural split, replaced by a service-focused directorate structure.

The revised senior management structure was implemented on 1st April 2019 and was supported by updated Chief Officer Schemes of Delegation.

<u>Internal Governance, Contract Management and Performance Reporting Arrangements</u>
Since the instigation of the Performance Governance Review, a refreshed contract management framework and governance structure for strategic contracts has been implemented in collaboration with partners, especially CSG and Re. Improvements made include: standardised monthly meetings across each service area within the strategic contracts; comprehensive performance information dashboards bringing together indicators; risk; audit recommendations; and more clearly defined escalation processes. These have been supported by a revised Contract Management Handbook clearly setting out roles and responsibilities and processes. In terms of performance management across the council, a streamlined performance framework has been put in place across all council areas. The revised contract management and performance reporting arrangements that were identified during the Performance Governance Review have been implemented and embedded across the council.

These issues will no longer be monitored through the Annual Governance Statement process.

8. CONCLUSION

To summarise, the following governance issues will be key the council's key priorities and focus in the coming year: -

- Continued Improvement of Children's Services
- Pensions Administration
- Financial Control and Fraud Risk
- TBC – any significant governance issues arising from Annual Internal Audit Opinion
- Barnet's Fire Safety

- Improvement of key services currently delivered through the Capita CSG and RE Contracts
- Health and Care Integration
- Emergency Planning and Organisational Preparedness
- Governance of major capital programmes including Brent Cross Cricklewood Regeneration

Over the coming year the council will be taking steps to address the matters outlined in this Annual Governance Statement as well as those raised within the Annual Internal Audit Opinion to further enhance governance arrangements and control compliance within the council. We are satisfied that these steps will address the need for improvements that have been identified and we will monitor their implementation and operation through appropriate committees throughout the year as well as part of the next annual review.

The Council will also continue to ensure elected members are kept fully briefed of any new significant issues that may arise in year.

Glossary

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

Accounting policies
Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:
(i) recognising
(ii) selecting measurement bases for, and
(iii) presenting assets, liabilities, gains, losses and changes to reserves.

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

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

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

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

Assets
These can either be:

- Long term (non-current), tangible assets that give benefits to the authority for more than one year.
- Property, plant and equipment assets which are held for use in the production or supply or goods and services, for rental to others, or for administrative purposes.
  - Community assets - assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks.
  - Council dwellings - these are residential properties owned by the council providing homes for social rent.
  - Operational land and buildings – these are owned by the council to provide services to the community. Examples include leisure centres, libraries and museums.
  - Vehicles - these assets are used by the council for the direct delivery of services, for example waste disposal vehicles.
  - Equipment, held by the local authority in the delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objective of the authority.
  - Infrastructure assets - fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of such fixed assets are highways and footpaths that cannot be transferred to another owner.
  - Surplus assets - no longer used by the council and held pending sale or regeneration.
- Investment property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.
- Intangible assets - these are usually stand-alone intellectual property rights such as software licences that, although they have no physical substance, provide a benefit for more than the year.

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

Minimum revenue provision (MRP)
The minimum amount that the council must charge to the revenue account in the year in respect of the repayment of debt.

Non-domestic rates (NDR)
Rates are payable on business premises based on their rateable value and a national rate poundage multiplier. Barnet acts as the “billing authority” for its area and under the localised business rates regime retains 30% of the net yield from business rates with the Greater London Authority receiving 37% (20% in 16/17) and central government the other 33% (50% in 16/17).

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

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

Outturn
Actual income and expenditure in a financial year.

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

Prior period adjustments
Material adjustments, applicable to prior years, arising from changes in accounting policies, or from the correction of material errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

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

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

Glossary

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

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

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

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

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

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

Related parties
Two or more parties are related parties when at any time during the financial period:
- (i) one party has direct or indirect control of the other; or
- (ii) the parties are subject to common control from the same source; or
- (iii) one party has influence over the financial and operational policies of the other party to the extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (iii) the parties, in entering into a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

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

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

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

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

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

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