London Borough of Barnet
Statement of Accounts
For the year ended 31 March 2011
AUDITED

SECTION 1

Introduction and review of the year 2010/11

Explanatory foreword

Foreword and statement of responsibilities

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

The authority is required to:

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

Internal financial control

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

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

The Chief Finance Officer's responsibilities

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

In preparing the statement of accounts, the CFO has:

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

The CFO has also:

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

The CFO is required to sign and date the statement of accounts for the year ended 31 March 2011, stating that it gives a true & fair view of the authority at the accounting date and its income and expenditure for the year.

The statement of accounts - Introduction

This details the process in place during 2010/11 for ensuring proper financial management and control. It then reviews the effectiveness and raises any major issues that have arisen in the year.

There are some significant changes to the format of the accounts for 2010/11 due to the statutory introduction of International Financial Reporting Standards (IFRS). Due to this change in accounting policies, there has been a restatement of the 2009/10 accounts to bring them in line with the new standards.

Statement of accounting policies

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

The authority's accounting statements comprise of:

(i) The core financial statements

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement (CIES)

This summarises the resources generated and consumed by the authority in providing services during 2010/11. The account also shows how the council's services are funded; the four main sources being specific income, council tax, redistributed non-domestic rates and government grants.

Balance Sheet

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

Cash Flow Statement

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

(ii) The applicable supplementary single entity financial statements

Housing revenue account (HRA)

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

Collection fund statement

The council is responsible for collecting council tax and non-domestic rates, the latter on behalf of the government. The proceeds of council tax are distributed to two preceptors: the council itself and the

Greater London Authority (GLA), acting as an agent in this instance. The fund shows the income due from council tax, non-domestic rates and the application of the proceeds.

(iii) Group accounts

The authority has only one wholly owned subsidiary company, Barnet Homes Ltd., an arms length management organisation (ALMO), over which it has full control and influence through the management agreement. The primary aim in establishing this company is to remove it from public sector borrowing controls and to allow a greater commercial freedom. These group accounts therefore show the consolidated position for the council. For statutory purposes Barnet Homes Ltd produce their own statement of accounts.

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

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

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

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

(iv) Pension fund accounts

The pension fund account shows the contributions to the fund during 2010/11 and the benefits paid from it. The net assets statement sets out the financial position for the fund as at 31 March 2011. The fund is separately managed by the council acting as trustee and its accounts are separate from those of the council.

Review of the financial year

Introduction

This section sets out some of the key features of the council's general and financial performance for 2010/11.

Council performance

In 2009/10 the council's performance was assessed by the Audit Commission under the Comprehensive Area Assessment (CAA) process and the conclusion was that overall, Barnet performed well.

The Audit commission announced that in 2010/11 the council's performance will no longer be carried out under the CAA, but will instead undergo a Value for Money (VfM) audit and the conclusion will be based on the following two criteria:

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

Financial performance

The council entered 2010/11 in a strong financial position with general balances of £15.780m. This position provided the council with some measure of flexibility to meet the financial challenges it faced in 2010/11 most notably: the government support cuts introduced by the coalition government as part of their emergency budget.

Notwithstanding these pressures, financial year 2010/11 saw a balanced spend on services financed by the General Fund. This was forecast and reported to Members through the course of the year, and lead to General Fund Balances as at 31 March 2011 of £15.780m. This is above the £15m target level of balances as set out in the council's Medium Term Financial Strategy.

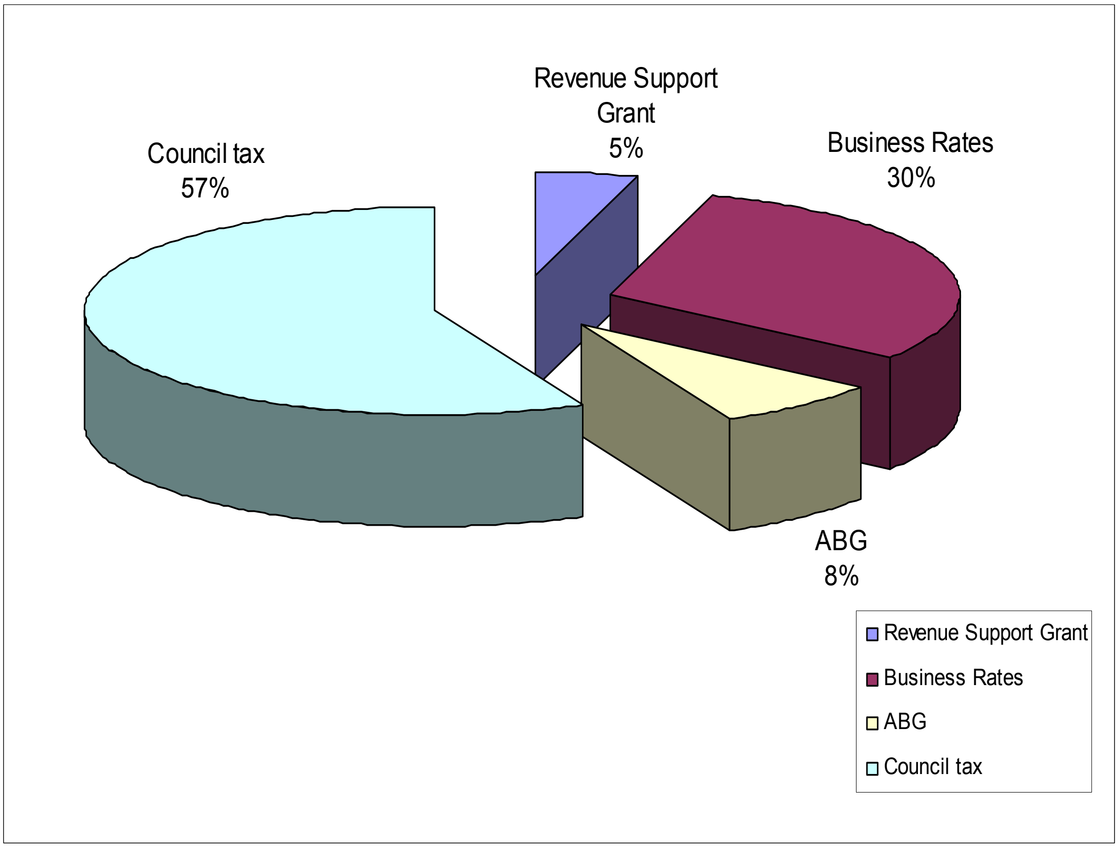
The General Fund

The General Fund acts like a 'current account' which exists to finance the council's day to day costs of providing services. All expenditure, other than that relating to capital and the Housing Revenue Account (see below) is charged to the General Fund. At the start of financial year 2010/11 the council planned in year General Fund expenditure of £267.186m (net of specific service related grants and income from fees and charges).

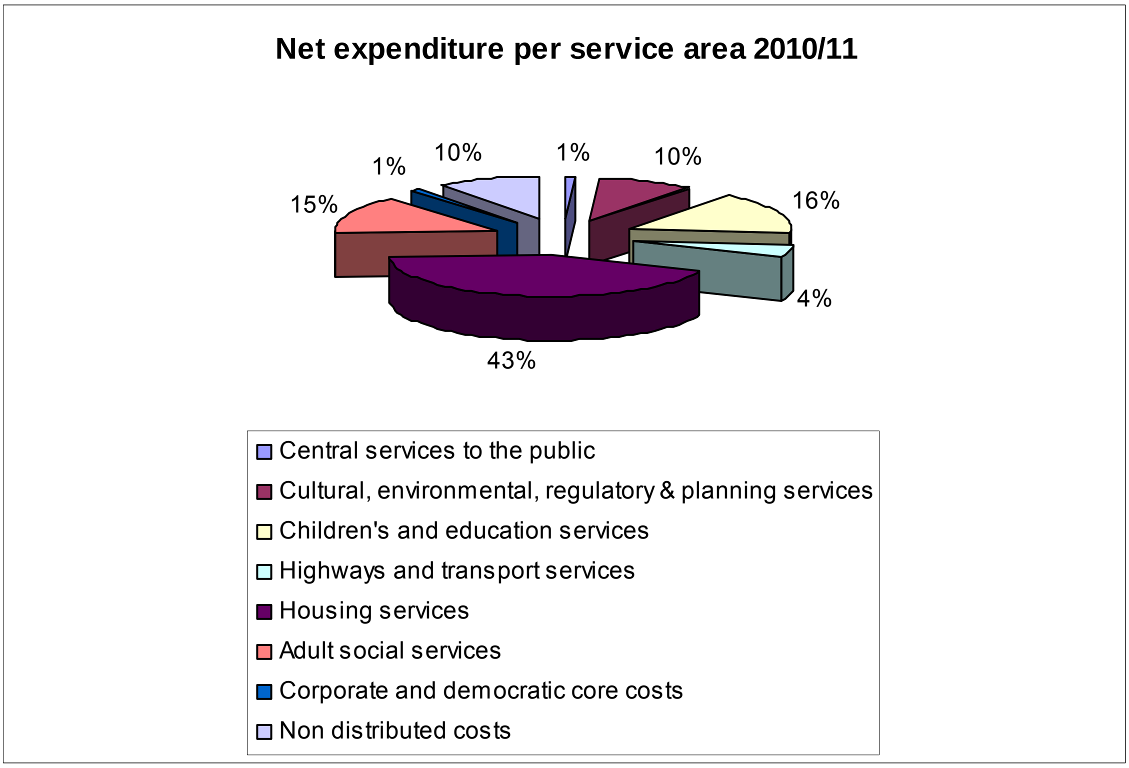
2010/11	Revised council spending plan	Actual net spend	Difference (actual - original)
	£000	£000	£000
Individual schools' budget	185,330	185,373	43
Net Service	267,186	267,590	404
Contribution to /(from) balances	2	-	(2)
Budget requirement	452,518	452,963	445

A detailed breakdown of actual expenditure in 2010/11 by Service Area is set out in the Comprehensive Income and Expenditure Statement.

43% of the net General Fund expenditure was funded by central government through general grants. Council Tax funded around 57% of the net General fund expenditure in 2010/11, as illustrated below:



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



Earmarked reserves

Earmarked reserves are amounts of money set aside to cover expenditure in future years for specific purposes. Earmarked reserves at the start of the financial year were £32.567m and increased to £40.513m as at 31 March 2011.

Housing Revenue Account

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

In 2010/11 the HRA returned a surplus (increase of in year income over in year expenditure) of £0.087m (£0.380m surplus in 2009/10). This surplus has been transferred to cumulative HRA Balances which stand at £4.230m as at 31 March 2011 (£4.143m as at 31 March 2010).

Part of the Council's capital programme involves the major regeneration of some of the Borough's Housing Estates. As these projects progress it is expected that the number of Council-owned dwellings will fall, reducing rental income but without a proportionate fall in associated operating costs. This will provide a challenge to the future financial viability of the HRA and will be a key area of focus through the financial planning process.

Capital Programme

During the year the council maintained investment in the priority areas of schools, housing, highways and infrastructure. Total capital expenditure was £84.353, financed by a combination of borrowing (£25.379m), Government Grants (£40.396m), Developer Contributions (£2.698) Sale of Surplus Assets (£9.975m) and contributions from revenue (£5.905m).

The new East Barnet secondary school building and the new Broadfields primary school opened earlier in the year followed by the completion of a brand new purpose building for the co-location of Northway Special School and Fairway Primary School. The rebuilding and expansion of Colindale School commenced as did a project to significantly improve Child's Hill school's facilities for early years and for children with autism.

Investment in Housing has seen additional homes start on site at Stonegrove and also the start of stage one at West Hendon. Both of these schemes have also been supported by funding from the Homes and Community Agency. Furthermore, we have seen the completion of 6 large family homes in Long Lane (a Housing Association programme). There was also significant improvement in Disabled Facilities and the greatest achievement was the completion of the Decent Homes programme managed by Barnet Homes.

Investment in Highways saw the completion of the first two phases of the Pothole Elimination Programme & continued investment in the Carriageways & Footways programme. In Environment, work began on the Dollis Valley Greenwalk Scheme to improve the borough's open spaces & access to the riverside.

Investment in infrastructure has continued the programme of developing the Council's Core ICT systems – geared to modernising the way the Council works in order to improve service delivery and value for money, for example computerised storage of documents, Customer Relations Management software, mobile and home working facilities, as well as the installation of a new benefits system incorporating improved provision for online applications. Other notable infrastructure improvements included the refurbishment of Friary House from a derelict state.

Pension fund

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

The value of the fund as at 31 March 2011 was £662.275m, the majority of which is invested in the stock market. The fund increased in value by £30.875m.

Looking forward - Transformation

It is clear that resources for all public services will be severely constrained over the next few years. For local government, we are anticipating significant real terms reductions in the level of central government support. The Council's response to this challenge is the 'One Barnet' programme, which aims to transform the way local services are delivered in Barnet. In this way we hope to improve value for money for Barnet's citizens, delivering 'more for less'.

There have been Earmarked reserves set aside to specifically facilitate the smooth implementation of the One Barnet programme.

The Council has progressed its transformation programme from 2008 and refined the drivers for change in the 2011/12 Budget Report. They are specifically:

1. To find new ways to tackle challenging problems.
2. There is greater certainty about the scale of the financial challenge. Within the Council there is a funding gap of £46.6m over the next three years, and our public sector partners face challenges of a similar scale. There are other known pressures which require us to make savings of £53.4m.
3. Digital technology continues to change and develop, as do the ways that people use it to change and grow. Residents will continue to expect us to deliver against those standards of instant information and access to services.

Further to this it is recognised that the Council's identification of the need to develop a new partnership with our residents to deliver services in future is echoed by the Coalition Government's focus on a Big Society. The Government's focus on localism and devolution sets a national context for our aim to provide local leadership and joined up services across the public sector.

The Council's response to the drivers identified has been, and remains, **to create a citizen-centred council** to ensure that citizens get the services they need to lead successful lives, and to ensure that Barnet is a successful place. We continue to believe that this is best delivered through the adoption of the three key principles of the programme.

1. A new relationship with citizens

- Enabling residents to access information and support and to do more for themselves

2. A one public sector approach

- Working together in a more joined up way with our public sector partners to deliver better services

3. A relentless drive for efficiency

- Delivering more choice for better value

A One Public Sector approach is fundamental to One Barnet. Democratic accountability remains at the heart of serving residents successfully. The Council work with partners to create truly joined up services, with the citizens at their heart.

The statement of the Chief Finance Officer

The required financial statements appear in sections 3 - 6 and have been prepared in accordance with the accounting policies set out in section 3.

Andrew Travers
Interim Deputy Chief Executive & Chief Finance Officer

Statement of the Chairman of the Audit Committee

I confirm these accounts were approved by the Audit Committee on behalf of the London Borough of Barnet at the meeting held on 6th September 2011.

Cllr Lord Monroe Palmer
Chairman of Audit Committee

SECTION 2

Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT
2010/11

1. Scope of Responsibility

Barnet London Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.

In discharging this overall responsibility the Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions including the management of risk.

Barnet London Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework delivering Good Governance in Local Government. This statement explains how the Council has complied with the code and also meets the requirements of regulations 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations 2006 in relation to the publication of a statement of internal control.

The Director of Corporate Governance has completed his biennial review of the Code of Corporate Governance.

2. The Purpose of the Governance Framework

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

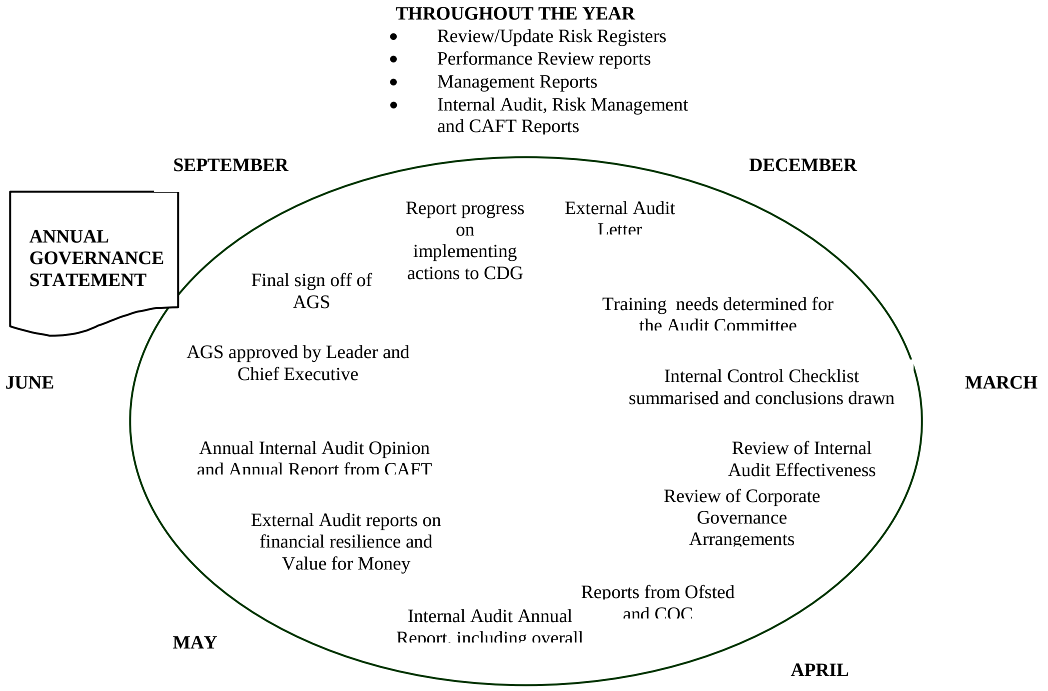
Internal Control Environment:

The Internal Control Environment is a system of checks and balances designed to manage risk, facilitate policy and decision making and deliver effective performance management in a cost effective and efficient manner thereby ensuring the Council uses its resources effectively:

- Performance Management System
- Corporate Strategy and Business Planning
- Annual Budget and Monitoring
- Code of Corporate Governance
- Project Management
- Anti Fraud Policy (and the work of the Corporate Anti Fraud Team)
- Financial Regulations and Procedures
- Code of Conduct
- Whistle Blowing Policy
- Risk Management Framework
- Complaints Policy
- HR Policies
- Equalities Framework
- Information Standards
- Standards Committee
- Scrutiny Panels
- Audit Committee
- Contract Procedure Rules
- RIPA Policy

The Governance Framework:

The governance framework has been in place within Barnet London Borough Council for the year ended 31st March 2011 and up to the date of approval of the annual report and accounts. The governance cycle adopted by the Council is as follows:-

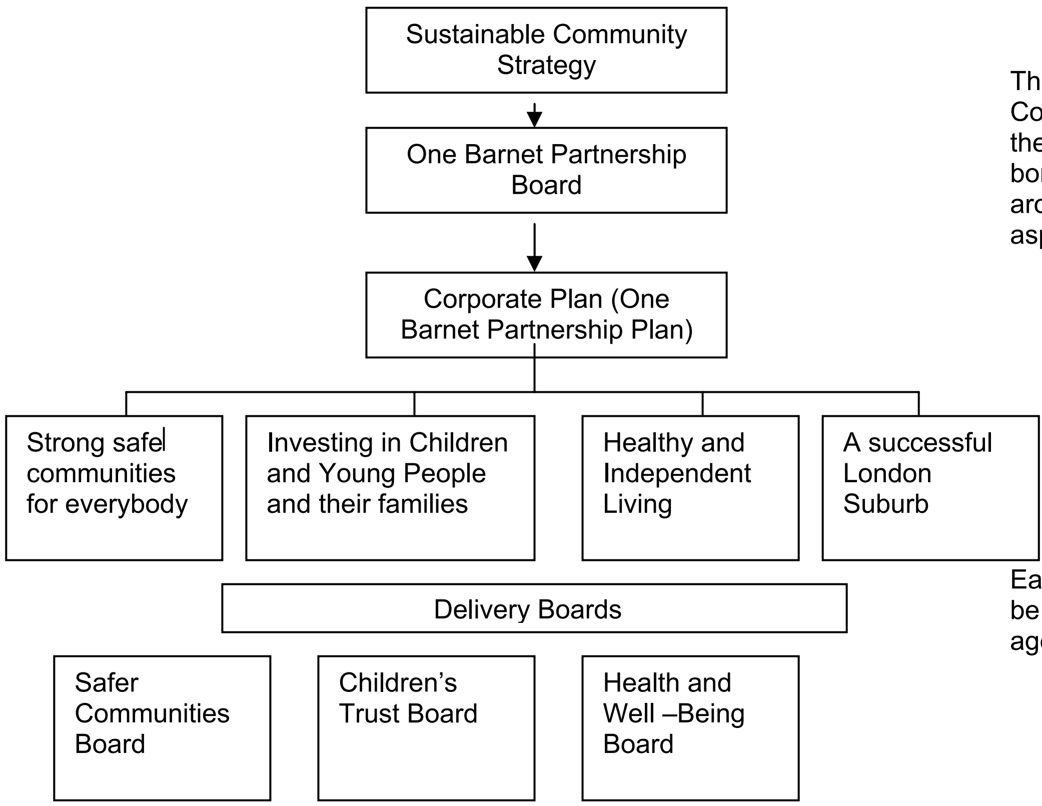


3. The Corporate Governance Environment

The Councils governance environment is consistent with the six principles of the CIPFA/SOLACE framework.

Principle 1: Identifying and Communicating the Council's Vision and Purpose

The diagram below outlines the relationship between the local strategic plans:-



The One Barnet Sustainable Community Strategy sets out the ten year vision for the borough. This vision is framed around achieving four strategic aspirations which are:

- Successful London Suburb
- Healthy and independent living
- Investing in Young People and their families
- Strong safe communities for everybody

Each of these aspirations will be delivered through multi-agency partnerships

Since May 2008 the Council has been developing its transformation programme. The transformation programme, known locally as the One Barnet Programme, becomes increasingly relevant as we work to deliver better services for our residents at a time of increasing population, rising expectation and reduced public budgets. The over-arching feature of the One Barnet programme is to create a citizen-centred Council which enables Barnet citizens to get the types of services they need to lead successful lives and which ensure the borough continues to be a successful place. This is based on three key principles:

1. A new relationship with citizens

Redefining a new relationship with citizens so that they can work with us as a part of 'Big Society' taking responsibility themselves where they can.

2. A one public sector approach

Working seamlessly with our partners to develop a new public sector approach which will require us to better co-ordinate our work and exploit the efficiencies and benefits of joint working.

3. A relentless drive for efficiency

Focusing relentlessly of efficiency to ensure every public pound is spent wisely.

The One Barnet Partnership Board has strategic oversight of the One Barnet Programme. It is chaired by the Leader of the Council, and also includes the Deputy Leader, as well as Chief Executive, Deputy Chief Executives and Representatives from key public sector local strategic partners. The Board is intended to be a consultative body only and does not take decisions in its own right. The Board will consider matters before it and make any recommendations as necessary to the Council's Cabinet or any other of the Council's decision making bodies.

The Council's Directors Group (CDG) acts as the Programme Board, approving the initiation of projects to deliver the programme's aims and monitoring progress of the programme.

Local Strategic Partnership (LSP) and One Barnet Programme Board

The Council recognised that it needed to review the potential overlap between the One Barnet Board and the LSP, although regular reports on the former were made to the latter for information. A project was included within the One Barnet programme, to review governance to ensure that both sets of structures were integrated as far as possible, and partnership governance arrangements were fit for purpose and provided options for partners to share authority jointly within a framework of democratic accountability. During this review a number of LSP members highlighted the overlap in membership between the two bodies, while a number of Government initiatives which formed the basis of the LSP's work plan, such as Comprehensive Area Assessment and Local Area Agreements, have been scrapped.

The One Barnet Programme Board on 18 November 2010 agreed that the LSP be collapsed into the One Barnet Partnership Board, which would still fulfil any residual functions of the LSP. Terms of reference and membership of the new Board were agreed.

During 2011/12 a report will be submitted to Cabinet to formally create a One Barnet Partnership Board which takes on LSP functions, and to make the required amendments to the Council's constitution.

During 2010-11 the One Barnet Overview and Scrutiny Committee was in place to review the proposals being taken to the Programme Board as part of its activities to ensure early engagement in their development. The Panel evaluated and challenges business cases, reviews options appraisals, examines linkages between the strands of the One Barnet programme, oversees implementation and refers issues to the One Barnet Programme Board and/or Cabinet as appropriate. Going forward the scrutiny arrangements for the programme will be performed by the Budget and Performance Overview and Scrutiny.

Principle 2: Members and officers Working Together to Achieve a Common Purpose with Clearly Defined Functions and Roles

Elected members are collectively responsible for the governance of the Council. The Local Government Act 2000 introduced new executive arrangements whereby full Council, following proposals from the Executive, agrees the Council's policy framework, budget and key strategies. The Executive (the Cabinet), which comprises elected members, is responsible for implementing them and is responsible for exercising all functions of the Council except to the extent they have been categorised as non-executive functions (e.g. planning, licensing, elections and other miscellaneous functions).

This effectively separates decision-making and scrutiny of those decisions. The Chief Executive, Section 151 Officer, Monitoring Officer and other senior managers are responsible for advising the Cabinet and scrutiny committees in legal, financial and other policy considerations.

Executive Roles:	The Cabinet comprises a Leader and nine executive Members with the following portfolio responsibility (during the review period): • Leader of the Council Strategy & Communications • Deputy Leader of the Council Education Children and Families • Customer Access and Partnerships • Community Safety and Cohesion • Resources and Performance • Environment • Housing Planning and Regeneration • Adults • Governance and Civic Affairs • Public Health
Clear Decision Making:	Formal procedures and rules govern the Council's business: • Constitution • Scheme of Delegations • Financial Regulations • Scrutiny Process Guidance • Terms of reference for the Pension Fund Panel
Compliance:	Specific statutory responsibility rests with: • Chief Executive (Head of Paid Service) • Director of Corporate Governance (Monitoring Officer) • Deputy Chief Executive (Section 151 Officer)

Monitoring:	• Financial and operational data is reported to the Cabinet and Review panels quarterly • Work programmes of the Overview & Scrutiny Committees and the Audit Committee include a challenge to both policy development and performance review • Performance monitoring has further improved in 2010/11 for example with the inclusion of risks in business and financial planning information • The institution of a dedicated Budget and Performance Overview & Scrutiny Committee has also enabled more effective Member oversight of the Council's performance
Value for Money:	The Council has been very successful at driving the efficiency Agenda with the costs being one of the lowest in London. However there is still much to do. Recognising this the new streamlined corporate plan has 'better services with less money' as one of only three key priorities. Some key activities to take this agenda forward are: • Establishment of an Investment Advisory Board • Service savings targets • Improved performance management/service planning • London Efficiency Challenge • Benchmarking exercises • One Barnet Programme • Every committee or Delegated Powers report has a corporate requirement to detail the value for money implication of the issue under consideration
Partnerships:	Partnership working is pivotal to Barnet's success. The One Barnet Partnership Board is key to this success. These other strategic partnership boards will be responsible for managing the delivery of the strategic outcomes - • Safer Communities Board • Children's' Trust Board • Health and Well-Being Board

Principle 3: Values of Good Governance and Standards of Behaviour

The Council recognises that good governance is underpinned by shared values demonstrated in the behaviour of its Members and staff.

The Director of Corporate Governance is the Monitoring Officer and is responsible for ensuring that the Council acts in accordance with the Constitution. However Directors have the primary responsibility for ensuring that decisions are properly made within the operations of the Directorates. The standards of conduct and behaviour expected of Members and officers are clearly set out in a number of the codes of conduct for Members and for officers.

- Members' Code of Conduct
- Officers' Code of Conduct
- Protocols for Member – Officer Relations
- Members' Licensing Code of Practice

- Members' Planning Code of Good Practice

Training programmes for both members and staff support these codes.

An induction programme immediately following the local elections in May 2010 with associated documentation and intranet area provided Members with the above documents and ensured relevant information, such as declarations for the Register of Members' Interests was collected. The principles of a Member Development Programme for 2010-12 were agreed in March 2010 and that programme continues to provide sessions on a variety of subjects. Those sessions most relevant to good governance and standards of behaviour include:

- Code of Conduct including Planning requirements
- Social Media including Code of Conduct
- Equalities
- Health & Safety (corporate Health & Safety responsibilities for Members)
- Safeguarding (Adults and young people)
- Corporate Parenting
- Audit & Risk Management
- Treasury Management

Additional sessions specifically for planning related governance and decisions making also took place.

These sessions as well as other informational and personal development sessions will continue in 2011/12.

The Deputy Chief Executive is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. The Chief Internal Auditor has direct access to all three statutory officers and has well established reporting lines to Members.

Core Principle 4: Making Transparent Decisions Which are Subject to Scrutiny and Risk Management

The Council recognises that all of its decisions must be legal and reasonable in the knowledge that all decisions are challengeable. The Council must therefore be able to demonstrate that decision makers followed a proper process, the decision was properly documented and was taken having regard to all relevant considerations.

Scrutiny Function

The Scrutiny function works effectively to challenge performance and policy development which is supported by focussed reviews undertaken by Task and Finish Groups (such as remodelling older peoples housing with support and the Council's response to cold weather) and Scrutiny Panels (such as the One Barnet Scrutiny Panel and the Housing Allocations Scrutiny Panel).

Overview & Scrutiny Committees, which comprise non-executive members, question and challenge the policy and performance of the Cabinet and also the Council's policy and performance in respect of non executive functions. The successful instilling of a culture of pre-decision Scrutiny is integral to the continued effective operation of the Scrutiny function, allowing meaningful member oversight of and contributions to major strategic and policy items.

Scrutiny has also had an ongoing role in the Council budget process, allowing member oversight of the long and short term financial picture, together with guiding the Council's direction with regard to budget consultation. The budget papers for the 2011-12 medium term financial plan were scrutinised by the Budget and Performance Overview and Scrutiny Committee throughout the year. The Committee's meeting in October 2010 considered the outline proposals, the December meeting scrutinised the budget headlines, and the January meeting considered some detailed evidence in respect of the impact on the voluntary sector. This Committee also scrutinised the Treasury Management strategy in November.

A full review was undertaken in 2010/11 of the Council's Overview & Scrutiny arrangements that had been in place since 2009. The findings of the review were considered by the Business Management Overview & Scrutiny Committee, the Policy and Performance Overview & Scrutiny Committee and the Special Committee (Constitution Review) in March and April 2010. Following on from these considerations, the recommendations of the Special Committee (Constitution Review) were adopted at the Annual Meeting of Council on 17 May 2011.

Audit Committee

A strength of the internal control system is the role of the Audit Committee. The purpose of an Audit Committee is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. The Audit Committee's membership has been significantly enhanced during the current financial year by the inclusion of two independent members that provide additional skills and knowledge to the assurance processes.

To achieve its overall aim, the Committee is responsible for the following key functions:

- Reviews of internal audit strategy, annual plan and performance, including review of summary internal audit reports, and seeks assurances that action has been taken as necessary;
- Consider, where appropriate, the reports of external audit and inspection agencies.
- Consider the effectiveness of the authority's risk management arrangements, and seek assurances that action is taken to mitigate risks;
- Ensure that the authority's assurance statements, including the Corporate Governance Statement, properly reflect the risk environment and any actions required to improve it;
- Ensure that there are effective working relationships between external and internal audit, inspection agencies, and other relevant bodies, and that the value of the audit process is actively promoted;

The Chief Internal Auditor completes an annual review of the effectiveness of the Audit Committee, which found that they have been largely effectively in their role in meeting their objectives.

Standards Committee

The Standards Committee is responsible for:

- Promoting high standards of conduct
- Assisting members to observe the Code of Conduct
- Advising the Council on the adoption of revisions to the Code of Conduct
- Monitoring the operation of the Code of Conduct
- Provision of training on the Code of Conduct
- The granting of any dispensations
- Monitoring and reviewing an annual report of the Register of Members' interests and declarations
- Monitoring and reviewing the Council's Ethical Governance Assessment
- Assessing and reviewing Member complaints alleging a breach of the Code of Conduct

Robust Risk Management Arrangements

The Council has continued to progress the development and embedding of risk management, both corporately, and across all Service areas during the financial year. Formal risk management arrangements provide for risk identification, analysis and ownership. Service Plans utilise service based risk registers in their objective setting and overarching or corporate wide risks are identified within the Corporate Risk Register. Arrangements for risk management are now 'live' as they are managed through the Council's risk management system JCAD. This system allows for regular updating and reporting.

All Cabinet and Committee reports include a section on risks ensuring members make fully informed decisions.

Quarterly risk management and fraud forums are held to share best practice and to agree procedural improvements and the Internal Control Checklist process to aid managers proactively manage their service risks. Service and Corporate risks are included within quarterly performance reports, these reports are presented to the Council Directors Group (CDG) and Cabinet Resources Committee

As part of the budget setting process the Chief Financial Officer will assess the financial risks facing the Council and will recommend to the Council a prudent level of reserves, provisions and balances having taken into account those risks.

The Internal Audit Function

The Internal Audit function operates under the Local Government Accounts and Audit Regulations, in addition the work of the Service reflects professional best practice which is guided by the Code of Practice for Internal Audit on Local Government and by the policies, procedures, rules and regulations established by the Authority.

There is a 'managed audit approach' with the Council's external auditor which ensures that there is no duplication of effort on audit activity and that key concerns are shared and adequately planned for. Key documents such as the Internal Audit Strategy and the Internal Audit, Risk Management and CAFT Plan are shared with external audit prior to Audit Committee approval. External audit review the work of internal audit during the year with a view of placing reliance on their work over controls feeding into the year end accounts process.

Management is responsible for operating a sound system of internal control and having arrangements for the prevention and detection of fraud and other irregularities. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such internal audit relies on management to provide them full access to their accounting records and transactions for the purposes of their audit work and to ensure the authenticity of these documents.

Effective and timely implementation of recommendations by management is important for the maintenance of a reliable internal control system. Progress reports are prepared for the Audit Committee on a quarterly basis; these include summaries of all reports that were issued with limited or no assurance. The Audit Committee is able to follow up areas of fundamental weakness through quarterly exception recommendation reports.

The internal audit service aspires to creating a positive culture of improvement, there have been a number of improvements to the service during 2010-11 to ensure that it assists the Council in improving areas of high risk. The areas of improvement in the current year include:

- Refocusing communications with services to ensure the areas of significance are highlighted;
- The implementation of a timely follow-up process on priority one (high risk) recommendations;
- Reinstatement of customer satisfaction surveys to better understand areas of development
- Better reporting to the Audit Committee of audits with limited or no assurance
- Raising the profile of internal audit within the Council
- Joining up plans with Corporate Anti-Fraud Team (CAFT) for the most efficient use of resources

Internal Audit has concluded overall, based on the findings of work undertaken at Barnet Council that only limited assurance can be given on the systems of internal financial control in place. The Annual Audit Report identified a number of key themes that the Council needs to address going forward, which are included as key governance issues going forward in this report.

Corporate Anti-Fraud Team (CAFT):

Under Section 151 of the Local Government Act 1972 the Council has a statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. The Director of Corporate Governance has the delegated authority for providing and maintaining this service.

The objective of the CAFT is to assist officers and Members in the effective discharge of their responsibilities. To this end, the CAFT furnishes them with assurance, analysis, appraisals, recommendations, counsel, and information concerning the activities it is required to become involved with. The objective includes promoting fraud awareness across the authority

CAFT is an independent, objective activity designed to add value and improve the council's operations. It helps the council achieve its objectives by bringing a systematic, disciplined approach to investigation evaluating and improving the effectiveness of fraud prevention and detection and the subsequent prosecution of individuals and organisations where appropriate. The council has a zero tolerance approach to fraud and other irregularity including any Money Laundering activity.

The CAFT operate under the Council's approved Counter Fraud and Anti Money Laundering Frameworks. The purpose of these Frameworks is to ensure that we have an appropriate set of policies and guidelines in place in order to ensure fraud and money laundering activity is minimised through effective prevention, detection, investigation and deterrent measures and that we have a unified cohesive approach to reflect best practice.

The work and effectiveness of the Team is reported regularly to the Audit Committee. Improvement has occurred for 2011-12 in the development of the proactive fraud plan which seeks to allocate resources to areas of fraud risk to any uncover any potential or actual cases of fraud., Proactive work is used to identify areas of concern before they lead to actual fraud whereas the reactive work that CAFT completes generally looks to review procedures after an actual fraud has occurred. As discussed previously, this has joined up resources with internal audit and risk management.

Strong Financial Management:

The system of internal financial control is based upon a framework of regular management information, financial regulations, administrative procedures and a structure of delegation and accountability. Internal financial controls include:

- The establishment of key controls within the accounting systems of the Council
- A robust system of budgetary control including formal detailed quarterly monitoring including projected outturns, and additional summary reports. Provisional outturn statements are produced and presented as close to the end of the financial year as possible followed by Final outturn
- Budget challenge sessions to periodically review all areas of the Council
- Financial reports which indicate financial performance up to year end and include action plans for dealing with pressure areas
- The production of regular financial reports at various levels within the Council which indicate actual expenditure against budgets as well as forecasts
- A clear and concise capital appraisal process for prioritising and approving all capital projects and financing
- Adherence to Prudential Indicators approved by Council to ensure that the Council only undertakes capital expenditure for which it can afford both the financing costs and the running costs;
- Provision of a financial management training course for all new budget managers;
- Financial Training for new budget holders through out the financial year and in preparation for year end
- Provision of Project Management training

We are also committed to presenting more information to the public in the interests of transparency, for example we were early adopters of publishing the £500+ expenditure report. Work also continues in making our financial information understandable and relatable to how we spend taxpayer's money, the Council's infograph breaks down expenditure by service.

External Audit:

The Council's external auditors are Grant Thornton UK LLP. Officers of the Council meet with the external auditor on a monthly basis to discuss regular business and to address any areas of concern the auditors may have. The external auditors also meet with the Chairman of the Audit Committee in private at least once a year as a matter of good governance. The external auditor produces a number of key documents for the Council to review in the year that contribute to our assessment of the governance arrangements. Their work has changed during the year with a reduction in inspection from five key areas around use of resources to a focus on financial resilience and value for money. There is a continual focus on the financial statements and key financial systems that feed into that process.

Core Principle 5: Developing the Capacity of Members and Officers to be Effective

The Council needs people with the right skills to direct and control staff. To this end both Members and staff need to have the right skills to drive the organisation forward. The Council's learning and development needs are met through training, e-learning and other methods.

Members

- All new members are provided with a detailed induction programme into the operations, objectives, partnerships, and codes of the Council.
- As stated in Core Principle 3, a two year Member Induction and Development Programme was developed in consultation with Members and Officers, and was implemented at the start of the municipal year 2010/11. The sessions included within the programme cover governance and standards, as well as developmental sessions on subjects like Effective Chairmanship and informational sessions on subjects such as Complex Procurement. A larger Partnerships event in Autumn 2010 ran as part of the Member Development Programme and supported the ethos of One Barnet.

Officers

The Council has implemented a new Employee Performance Management strategy to strengthen the relationship between corporate objectives and individual performance.

Aims of the Employee Performance Management are:-

- To drive organisational and cultural change
- To develop a culture of continuous improvement
- To integrate performance management into everything we do

It is through the delivery of this strategy that performance standards and expectations have been reset, for employees:-

- Live our values and behave in a way that always puts the customer first
- Fair and equitable performance management process
- Recognise good and address poor performance
- Develop and retain the right skills mix for today and the future
- Invest in high potential employees ensuring readiness to take up future roles

Core Principle 6: Engaging with Local People and Stakeholders

The Council is committed to engaging with its citizens. Community participation and engagement is essential to secure sustainable improvement in public services and to engage citizens in the public decision making processes that affect their lives.

There is a range of consultation and engagement mechanisms to identify local people's views and priorities. The Council is responsive to local views and is particularly sensitive to the needs of vulnerable people. Planning recognises local needs in more disadvantaged areas.

The Council adopted a Consultation and Engagement Strategy in 2004, which was re-launched in January 2010 as an Engagement Strategy. As a consequence some traditional modes of communication have been used such as Residents Forums, and a Civic Network. However, in recent years communication vehicles have gone through radical change. This change and the economic climate has led to less use of some more traditional means of engagement and the Civic Network, while running two meetings in the review year, ceased to exist in April 2011.

The Council has maximised the use of these new opportunities of communication during the review period, including:-

Website:	• Website re-launched in 2009, which is being significantly redeveloped for 2011/12. The council's website is an area the council is developing to assist with ensuring a transparent decision making process and to encourage public engagement with the council and the decision making process. • Social networking links from home page and increased use of social media • 'Improved ability for citizens to post comments • 'Fix My Street' – ability for residents to post issues • Pledge Bank – opportunity for communities to obtain funding by making a part commitment

	• Citizen's Space – central portal for access to all consultation activities in the borough
Ward Walks:	The Chief Executive met with Ward Members in their wards in a programme of ward visits. Officers from all departments variously joined each walk and the resulting group walked around a selection of areas in the ward. The walks occasionally included organised interviews with local groups or residents but mainly these interactions were ad hoc and less forced, allowing a snapshot of local opinion to complement the issues raised by the ward Members. Ward Members were able to raise issues both large and small for a response from Directorates or in some cases, partner organisations such as Barnet Homes and NHS Barnet. The walk acts as a movable round table discussion, seeing the issues and successes on the ground and encouraging officers to interact with each other and with Members in a less formal setting. The Ward Walk programme is set to continue in 2011/12.
Budget Consultation:	The council ran two stages of consultation on the 2011/12 budget. Stage one took place ahead of the publication of budget proposals. An "Ideas Website" crowd-sourced suggestions from residents. The site contained a video with the Cabinet Member for Resources explaining the council's spending constraints. This video had around 1000 views. The site generated over 200 suggestions and over 300 comments. It had 3,041 unique visits and 21,991 page views. It was promoted in Barnet First and the magazine contained a tear-out sheet so that residents without web access could also comment. The Council also ran service specific consultations on barnet.gov.uk. using the survey monkey tool. The second stage of on-line consultation allowed residents to comment online on each line of the budget proposals. A separate event was held with the Citizens' Panel gathering similar feedback. Services also held events with service users on specific proposals.

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior officers of the Council who have responsibility for the governance environment, the Head of Internal Audit's annual report, and any comments made by the Council's external auditors and any other review agencies and inspectorates. In addition, the Council has assessed its group relationships (Barnet Homes) as part of this review framework.

In practice the Council has a continuous process in place for maintaining and reviewing the effectiveness of its governance framework which includes the following:-

Monitoring:	Financial and operational detailed monitoring presented to senior managers, the Cabinet Resources Committee, and Scrutiny Committees on a quarterly basis and an additional two summery reports.

Internal Audit:	• Monitored by Audit Committee in year • Further strengthening of resources and profile enhanced • Implementation of revised reporting procedures
Year End Processes:	• No significant issues identified in year end service control reports • Statutory Officer assurances obtained on internal control and governance arrangements • Review and cross referencing of inspection and audit reports and no issues identified.
Risk Management:	All risk registers, service and corporate, are available on the Council's risk management system 'JCAD' and is considered a 'live' system available to review by those that have access.
Statutory Officers Group	Monthly meetings held between the Chief Executive, Monitoring Officer, Section 151 Officer and attended by the Head of Internal Audit, Deputy Section 151 Officer and Assistant Chief Executive. These meetings are held to discuss key governance and control issues around the Council.
Standards Committee:	Met regularly and covered work programme in addition to fully operating the system of local regulation through Sub-Committee assessment meetings and hearings. For the third successive year the Committee presented its Annual Report to the meeting of Council in July 2010. Amongst other matters the Committee oversaw the introduction of the online Register of Members Interests and the production of the third Ethical Governance Assessment.
Audit Committee:	Met regularly throughout the year Regular reports received on:- • Risk management • Internal Control • Anti fraud • Governance • Financial Reporting
Overview & Scrutiny	Overview & Scrutiny reviews its effectiveness on a yearly basis, with the findings reported with its annual report to Full Council.
Special Committee (Constitution Review)	Special Committee (Constitution Review) reviews the Council's Constitution over the course of the municipal year to ensure that good governance is maintained by it accurately reflecting current legislation and practice. The Committee met in October 2010, February 2011 and twice in April 2011. Recommendations from the Committee were adopted at the Annual Meeting of Council on 17 May 2011

Significant Governance Issues:

A number of areas for improvement were identified in the proceeding Annual Governance Statement. An update of those issues is set out below:

Key Improvement Area	Current position
CAFT Pro Active Fraud Programme 2010/11 will include high risks areas based on outcomes from previous CAFT investigations, 'No Assurance' IA reports, and national areas of concern for local government. This includes the impact of the recession on local authority fraud risks.	The Internal Audit, Risk Management and Corporate Anti-Fraud Team (CAFT) produced a joint annual plan for 2011-12 in order to use their resources more efficiently.

An overarching Information Management Strategy to pull together the various policies and procedures relating to information governance and data processing and management	Whilst a significant amount of work has been undertaken in further developing individual policies and procedures, the overarching IMS has not progressed. It is and will be a priority action for the corporate Information Governance Council and the recently appointed Head of Service in 2011/12
A detailed action plan for addressing the data protection issues highlighted in the ICO Audit Data Protection Audit Report	Substantial progress was made on implementing the detailed action plan. The Council most recently had a follow-up audit by the Information Commissioner's Office who gave 'reasonable assurance' that procedures were adequate for data protection. This demonstrated a significant improvement on the previous assessment. However our own internal view is that this is an area where there is a need for ongoing improvements particularly in respect of ensuring better security of paper documents in 2011-12.
Internal audit will provide quarterly progress reports to the Audit Committee on performance against the agreed annual plan.	This work has been addressed through-out the year with quarterly progress reports presented to the Audit Committee.
Internal Audit will work with directors and senior managers on strengthening the risk management system	There has been considerable work completed to improve risk management and the roll-out of the 'live' risk management system called JCAD. Reporting has improved to the Audit Committee.
A comprehensive training programme for Members of the Audit Committee will be prepared and delivered to enhance the Committee's performance	A training programme was devised which had the needs of members considered. This work is on-going into 2011-12 but no longer remains a significant governance issue.
Improving the Overview & Scrutiny structure to maximise the effectives of the Scrutiny function, including entrenching a pro-active culture of pre-decision Scrutiny.	A review of the Scrutiny arrangements has taken place and a new Scrutiny structure has been implemented at the Annual Council Meeting in May 2011.
Ensure partnership governance arrangements fit for purpose, specifically of the LSP	Work continues to address the partnership governance and to refocus the One Barnet Partnership Board since the demise of the LSP. Partnerships is carried forward into 2011-12.
Raise the profile of risk management within the organisation and embed within the business planning process.	Work completed in 2011-12 to further embed risk management within business planning processes. Work will continue however is not a serious governance issue for 2011-12.

5. 2011/12 Improvement Areas

Key Improvement Area:	Assigned To:
An overarching Information Management Strategy to pull together the various policies and procedures relating to information governance and data processing and management	Director of Commercial Services
Contract Management/Procurement – work is underway to ensure that the Council has an accurate and complete contracts register and that centrally there is a process to monitor spend in accordance with the contract procedure rules (CPR).	Director of Commercial Services and All Directors
Data Quality – all services are to review their arrangements to have reliable, accurate, timely, complete, relevant and valid data, in particular services will review their quality assurance processes and work with the Assistant Chief Executive to perform 'spot checks' of current arrangements.	Assistant Chief Executive
Oversight of devolved processes – work is required to set a series of expectations for Assistant Director level and below for the level of internal controls required to 'meet the grade'.	Assistant Director of Human Resources/Deputy Chief Executive
Measuring success of strategies – work is underway to better join business and financial planning and to ensure that strategies are reviewed from the previous period and included within forward looking plans.	All Directors/Deputy Chief Executive
Data protection – the Council has completed a large scale review to address concerns raised by the Information Commissioner in respects of personal data which has largely addressed major concerns, however during 2011-12 the focus will be on the security of paper documentation containing personal information.	Director of Corporate Governance
IT functionality – a detailed action plan has been devised to take forward the current arrangements within the IT service, work around project management arrangements will seek to address some IT dependencies within the Services.	Director of Commercial Services
Partnerships – work is underway to make the best use of partnerships by agreeing mutual responsibilities, accountabilities and expectations. This includes forming a better understanding of neighbouring boroughs and their fit within key decision making bodies.	Assistant Chief Executive
Work is required to understand how the Localism Bill will impact upon the Council's governance arrangements and also affect our relationship with the community particularly in the context of the provision for local authorities to work with locally established Neighbourhood Forums to prepare Neighbourhood Plans. The Bill is progressing through Parliament and Royal Assent is not expected until late 2011 with the main provisions implemented in 2012.	Director of Corporate Governance
As the One Barnet Programme progresses work is required to set out the principles on how the relationship between a potential provider and the Council will work in a way that clearly defines roles and responsibilities, supports good governance and openness and provides transparency in decision making.	Director of Commercial Services/Deputy Chief Executive

6. Certification

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

Leader of the Council: ___________________________

Date: __________________

Chief Executive: ________________________________

Date: __________________

SECTION 3

Core financial statements

Movement in Reserves Statement

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

	Note	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Total Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2010	**Note**	27,678	32,567	4,143	17,012	3,798	27,390	**112,588**	**835,387**	**947,975**
Movement in reserves during 2010/11										
Surplus / (Deficit) on provision of services		(279,242)	-	-	-	-	-	**(279,242)**	**-**	**(279,242)**
Other Comprehensive Expenditure and Income		-	-	-	8	47	-	**55**	**270,269**	**270,324**
Total Comprehensive Income and Expenditure		(279,242)	-	-	8	47		**(279,187)**	**270,269**	**(8,918)**
Adjustments between accounting basis & funding basis under regulations	7	290,019	-	87	4,521	6,411	(1,808)	**299,230**	**(299,230)**	-
Net Increase / Decrease before Transfers to Earmarked Reserves		**10,777**	**-**	**87**	**4,529**	**6,458**	**(1,808)**	**20,043**	**(28,961)**	**(8,918)**
Transfer to / from Earmarked Reserves	8	(7,946)	7,946	-	-	-	-	**-**	**-**	**-**
Increase / Decrease in Year		**2,831**	**7,946**	**87**	**4,529**	**6,458**	**(1,808)**	**20,043**	**(28,961)**	**(8,918)**
Balance at 31 March 2011 carried forward		**30,509**	**40,513**	**4,230**	**21,541**	**10,256**	**25,582**	**132,631**	**806,426**	**939,057**

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2009	30,713	34,626	3,763	10,568	4,384	25,664	**109,718**	**1,035,059**	**1,144,777**
Movement in reserves during 2009/10									
Surplus / (Deficit) on provision of services	(59,553)	-	-	-	-	-	**(59,553)**	**-**	**(59,553)**
Other Comprehensive Expenditure and Income	100	-	-	15	34	-	**149**	**(137,398)**	**(137,249)**
Total Comprehensive Income and Expenditure	(59,453)	-	-	15	34		**(59,404)**	**(137,398)**	**(196,802)**
Adjustments between accounting basis & funding basis under regulations	54,359	-	380	6,429	(620)	1,726	**62,274**	**(62,274)**	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**(5,094)**	**-**	**380**	**6,444**	**(586)**	**1,726**	**2,870**	**(199,672)**	**(196,802)**
Transfer to / from Earmarked Reserves	2059	(2,059)	-	-	-	-	**-**	**-**	**-**
Increase / Decrease in Year	**(3,035)**	**(2,059)**	**380**	**6,444**	**(586)**	**1,726**	**2,870**	**(199,672)**	**(196,802)**
Balance at 31 March 2010 carried forward	**27,678**	**32,567**	**4,143**	**17,012**	**3,798**	**27,390**	**112,588**	**835,387**	**947,975**

Comprehensive Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the period 1 April 2010 to 31 March 2011. It includes all day to day expenses and related income on an accruals basis, as well as the cost of fixed assets consumed in the period and the projected value of retirement benefits earned by employees in the year.

		2010/11			2009/10 *		
On its services the council spent:	**Note**	**Gross expenditure £'000**	**Gross income £'000**	**Net expenditure £'000**	**Gross expenditure £'000**	**Gross income £'000**	**Net expenditure £'000**
Central services to the public		10,263	(3,466)	6,797	8,353	(3,249)	5,104
Cultural, environmental, regulatory & planning services		78,259	(16,201)	62,058	75,444	(16,272)	59,172
Children's and education services		429,824	(323,130)	106,694	422,626	(305,658)	116,968
Highways and transport services		42,307	(14,058)	28,249	45,617	(14,412)	31,205
Housing services		579,048	(305,407)	273,641	312,080	(289,751)	22,329
Adult social services		112,064	(15,696)	96,368	106,499	(15,697)	90,802
Corporate and democratic core costs		7,626	(300)	7,326	7,454	(3,023)	4,431
Non distributed costs		20,312	(87,847)	(67,535)	31,401	(6,641)	24,760
(Surplus) / Deficit on Continuing Operations		1,279,703	(766,105)	513,598	1,009,474	(654,703)	354,771
Other Operating Expenditure	**9**	63,729	-	63,729	3,284	(152)	3,132
Financing and Investment Income & Expenditure	**10**	20,985	(6,903)	14,082	24,349	(12,324)	12,025
(Surplus) / Deficit of Discontinued Operations		-	-	-	-	-	-
Taxation and Non-Specific Grant Income	**11**	-	(312,167)	(312,167)	-	(310,375)	(310,375)
(Surplus) / Deficit on Provision of Services				**279,242**			**59,553**
(Surplus) / Deficit on revaluation of non-current assets				(126,428)			(77,411)
(Surplus) / Deficit on available for sale financial assets				(433)			(527)
Actuarial (gains) / losses on pension assets / liabilities				(143,463)			215,187
Other Comprehensive Income and Expenditure				**(270,324)**			**137,249**
Total Comprehensive Income and Expenditure				**8,918**			**196,802**

*Restated

Balance Sheet

The Balance Sheet shows the value as at 31st March 2011 of the assets and liabilities recognised by the council. The net assets of the council (assets - liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves are useable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis under regulations'.

	Note	31 March 2011 £'000	£'000	31 March 2010* £'000	£'000	31 March 2009* £'000	£'000
Property, Plant & Equipment	12	1,242,268		1,454,870		1,407,807	
Investment properties	12	64,173		56,744		39,625	
Intangible assets	12	3,152		1,448		2,197	
Long term debtors		1,942		2,087		2,473	
Long term investments		24,442		24,442		9,606	
Total long term assets			**1,335,977**		**1,539,591**		**1,461,708**
Current assets							
Inventories	16	574		379		458	
Short term investments		37,623		-		38,565	
Short term Debtors	18	94,382		58,078		57,468	
Assets Held for Sale	12	3,040		13,157		10,772	
Cash and cash equivalents	19	96,251		211,319		199,481	
Total Current Assets			**231,870**		**282,933**		**306,744**
Short term Creditors	21	(99,539)		(158,343)		(136,955)	
Short term Borrowing	15	(6,136)		(12,239)		(6,103)	
Cash and cash equivalents	19	(52,599)		(25,424)		(25,138)	
Provisions	22	(3,465)		(810)		(975)	
Total Current Liabilities			**(161,739)**		**(196,816)**		**(169,171)**
Long term borrowing	15	(198,380)		(204,401)		(211,484)	
Provisions	22	(8,118)		(15,285)		(8,255)	
Other Long Term Liabilities		(260,553)		(458,047)		(234,765)	
Total Long Term Liabilities			**(467,051)**		**(677,733)**		**(454,504)**
Net Assets			**939,057**		**947,975**		**1,144,777**
Usable Reserves	23	132,631		112,588		109,718	
Unusable Reserves	24	806,426		835,387		1,035,059	
Total Reserves			**939,057**		**947,975**		**1,144,777**

*Re-stated

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the council during 2010/11. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash out flows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

		2010/11		2009/10*	
	Note	**£'000**	**£'000**	**£'000**	**£'000**
Net (Surplus) or Deficit on the provision of services		279,242		61,279	
Adjustments to net surplus or deficit on the provision of services for non cash movements		(282,073)		(58,244)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		63,700		(43,399)	
Net cash flows from Operating Activities	**25**		60,869		(40,364)
Investing Activities	**26**		29,897		49,581
Financing Activities	**27**		51,476		(20,769)
Net (increase) or decrease in cash and cash equivalents			142,242		(11,552)
Cash and cash equivalents at the beginning of the reporting period			(185,895)		(174,343)
Cash and cash equivalents at the end of the reporting period			(43,653)		(185,895)

* Restated

1. Accounting Policies

i. General Principles

The Statement of Accounts summaries London Borough of Barnet's (LBB) transactions for the financial year 2010/11 and its position at the year end of 31st March 2011. LBB is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulation 2003, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income and Expenditure

The accounts of the council are prepared on an accruals basis in accordance with the Code of Accounting Practice. This means that sums due to and from the council during the year are included in the accounts whether or not the cash has actually been paid or received in the year. Such amounts are included as part of the Receivables and Payables figures on the Balance Sheet. With regards to interest due but not paid on loans and investments (as at the Balance Sheet date) the council's policy is to add this to the carrying value of the loan or investment and not to debtors or creditors.

iii. Cash and Cash Equivalents

Cash is presented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that have a maturity date of less than three months at the Balance Sheet date.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

iv. Exceptional Items

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

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible fixed assets attributable to the service.

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

vii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

The basis used to estimate the accrual is three fold:

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These costs are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the council is demonstrably committed to the termination of the employment of an officer, or group of officers, or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits

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

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

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance

Sheet. The Children's and Education Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pensions in the year.

Defined benefit schemes

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

Defined contribution schemes

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

Accounting for Retirement Benefits within HRA

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

Pension reserve

The pension reserve is the financial accounting mechanism to ensure that IAS19 has no impact on council tax; this is where the actuarial gains / losses are charged. The cost of providing pensions for employees is funded in accordance with the statutory requirements governing each scheme.

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

viii. Events after the Balance Sheet Date

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

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

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

ix. Financial Instruments

The accounting standards in respect of financial instruments were incorporated into the Local Authority SORP in 2007. The 2010 Code of Practice notes that where they continue to be relevant, the transitional provisions of the UK standards adopted by the 2007 SORP remain.

The definition of the financial instrument is: “Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.”

The term “financial instrument” covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payable to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council’s borrowing, service concession arrangements (PFI and finance leases), and investment transactions are classified as financial instruments.

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

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

x. Government Grants and Contributions
Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the council when there is reasonable assurance that:

- the council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

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

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

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

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

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

xii. Interests in Subsidiaries
The council has material interests in Barnet Homes Ltd. It has the nature of a subsidiary and therefore requires it to prepare group accounts.

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

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

Long term contracts are accounted for on the basis of charging the Surplus or deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued on a 5-year cycle according to market conditions at year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

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

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

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

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

Lease payments are apportioned between:
- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting 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).

<u>The Council as Lessor</u>
Finance Leases
Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid

at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvi. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The costs are recharged through the internal recharge mechanism using various apportionment bases (e.g. headcount, time spent, area occupied, invoices processed, etc) in proportion to the benefits received, with the exception of:

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

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

xvii. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure (including street lighting PFI), community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of fair value because of the specialist nature of an asset, the valuation method of Depreciated Replacement Cost (DRC) is used as an estimate of fair value. Examples of specialist assets include: schools, leisure centres, libraries, crematorium and cemeteries prior to their being run on a more commercial basis.

The DRC method of valuation provides the current cost of replacing an asset with its Modern Equivalent Asset (MEA) less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. LBB, 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 (BCIS) construction cost figures have been used.

The council has schools in the following categories: community schools, foundation schools, voluntary aided schools and academies. Community and foundation schools are treated on balance sheet based on the risks and rewards the council is deemed to have. This is under constant review and is updated in line with guidance from CIPFA.

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

The freehold and leasehold properties that comprise the council's property portfolio are subject to a 5 year rolling programme of revaluation, although Top 10 properties, all schools and all DRC's are valued every year, which is 80% of the council's portfolio. This ensures that where market conditions or rebuilding costs alter, all affected assets are considered over a reasonable period of time. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

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

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

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

Deprecation is calculated on the following bases:

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

Under the new IFRS Code for 2010/11, each asset owned or leased by the council is divided up into significant component parts. A component is considered significant when the cost of the component is 20% or greater than the total cost of the asset and has a differing useful life.

Each component is depreciated separately and where there is more than one significant component of the same asset which has the same useful life and depreciation method, such components may be grouped in determining the depreciation charge.

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

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

xviii. Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

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

Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

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

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

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

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

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

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

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

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

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

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxi. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by apportioning amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

All applications for specific reserves are subject to approval by the Chief Finance Officer. Specific reserves are discretionary not mandatory. The council discloses a full breakdown of the council's specific reserves as at the Balance Sheet date in the Notes to the Core Statements.

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

xxii. Revenue Expenditure Funded from Capital under Statue

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Examples include Home

Improvement Grants and expenditure on Voluntary Aided School land & buildings. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxiii. Value Added Tax (VAT)
VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

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

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

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

The MRP is calculated in accordance with the 2009/10 MRP Policy Statement agreed by Council on 3rd March 2009 and CLG Guidance on MRP. The Council's Policy is to:

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

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

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

xxvi. Significant Management Judgement in Applying Accounting Policies and Estimation Uncertainty
The only significant estimations in the accounts relate to:

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

- Tenants
- Council Tax
- Business Rates
- Other Local Authorities

- Sundry (trade) Receivables

Each group has particular characteristics with regards to the debtor's propensity to pay the amount due. An assessment of impairment of debt for each group is then undertaken at the balance sheet date, based on historical loss experience but adjusted to reflect the current economic climate. The provision for bad debt is then estimated on this basis and the amount is reflected in the balance sheet carrying figure for Receivables.

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

Asset Category	Maximum Years Estimated Useful Life
Land & Building	50
PFI street lights	25
Vehicles, Plant & Equipment	20
Intangibles	5
Infrastructure	15

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

Other
- Community Care Services - estimates are made in respect of clients who have received care but where the invoices from the Care Provider have not been received until after the end of the financial year.
- Pension Fund - estimates are made based on the triennial review which was undertaken in 2010.
- Property valuations - some estimates are made based on market forces.
- Special Parking Account - estimates are made over likely income recoverable from unpaid penalty charge notices issued in 2010/11.

2. Accounting Standards Issued, Not Adopted

For 2010/11 the only accounting policy change that needs to be adopted is FRS 30 (Heritage Assets). The 2011/12 Code will provide details of the disclosures required.

3. Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The council has deposits in two Icelandic banks which are in administration. A decision by the courts is being sought as to whether the council will have the status of a preferred creditor or whether the amount will have to be written off. Legal advice has been obtained to support a judgement that this status will be secured and that the full amount of the deposit will be repaid.
- The council is deemed to control the services provided under the agreement for street lighting and also to control the residual value of the assets at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the

arrangement and the street lights are recognised as Property, Plant and Equipment on the council's Balance Sheet.

- The council is deemed to have a subsidy relationship with Barnet Homes by being able to control the entity through the power to govern their financial and operating policies so as to obtain benefits from the entities activities. As such, Barnet Homes have been consolidated on a line by line basis in the Group Accounts.

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

The statement of Accounts 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 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. During 2010/11, the council's actuaries advised that the net pensions liability had decreased by £204,676 including an experience adjustment of £64,522 on Scheme Liabilties.

5. Material Items of Income and Expenditure

No material exceptional items of Income and Expenditure have been incurred in 2010/11.

6. Events After the Balance Sheet Date

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

7. Adjustments between Accounting Basis and Funding Basis under Regulations

	Note	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Total Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2010		27,678	32,567	4,143	17,012	3,798	27,390	**112,588**	**835,387**	**947,975**
Movement in reserves during 2010/11										
Surplus / (Deficit) on provision of services		(279,242)	-	-	-	-	-	**(279,242)**	**-**	**(279,242)**
Other Comprehensive Expenditure and Income		-	-	-	8	47	-	**55**	**270,269**	**270,324**
Total Comprehensive Expenditure and Income		(279,242)	-	-	8	47		**(279,187)**	**270,269**	**(8,918)**
Adjustments involving the Capital Adjustment Account:										
Reversal of items debited or credited to the comprehensive Income and Expenditure Statement:										
Charges for depreciation and impairment of non current assets		304,729	-	-	-	-	-	**304,729**	**(304,729)**	**-**
Revaluation losses on Property Plant and Equipment (charged to SDPS)		(10,380)	-	-	-	-	-	**(10,380)**	**10,380**	**-**
Movements in the Market value of Investment Properties		4,703	-	-	-	-	-	**4,703**	**(4,703)**	**-**
Amortisation of Intangible assets		724	-	-	-	-	-	**724**	**(724)**	**-**
Capital Grants and contributions applied		(43,094)	-	-	-	-	-	**(43,094)**	**43,094**	**-**
Movement in donated assets account		(437)	-	-	-	-	-	**(437)**	**437**	**-**
Revenue Expenditure Funded From Capital Under Statute		34,917	-	-	-	-	-	**34,917**	**(34,917)**	**-**
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES		61,175	-	-	-	-	-	**61,175**	**(61,175)**	**-**
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement										
Statutory provision for the financing of capital investment		(9,287)	-	-	-	-	-	**(9,287)**	**9,287**	**-**
Capital expenditure charged against the General Fund and HRA balances		(4,744)	-	87	-	-	-	**(4,657)**	**4,657**	**-**
Adjustments involving the Capital Grants Unapplied Account:										
Capital Grants and contributions unapplied credited to CIES		1,808	-	-	-	-	(1,808)	**-**	**-**	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account			-	-	-	-	-	**-**	**-**	**-**
Adjustments involving the Capital Receipts Reserve:										
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CEIS		(2,075)	-	-	16,000	-	-	**13,925**	**(13,925)**	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure		(69)	-	-	(9,975)	-	-	**(10,044)**	**10,044**	**-**
Contributions from the Capital Receipts Reserve towards administrative costs of non current asset disposals			-	-	142	-	-	**142**	**(142)**	**-**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		1,646	-	-	(1,646)	-	-	**-**	**-**	**-**
Adjustments involving the Major Repairs Reserve:										
Reversal of Major Repairs Allowance credited to the HRA		12,550	-	-	-	(12,550)	-	**-**	**-**	**-**
Use of the Major Repairs reserve to finance new capital expenditure		-	-	-	-	18,961	-	**18,961**	**(18,961)**	**-**
Adjustments involving the Financial Istruments Adjustment Account:										
Amount by which finance costs charged to the CEIS are different from finance coasts chargeable in the year in accordance with statutory requirements		9	-	-	-	-	-	**9**	**(9)**	**-**
Adjustments involving the Pension Reserve:										
Reversal of items relating to retirement benefits debited or credited to the comprehensive Income and Expenditure Statement		(34,114)	-	-	-	-	-	**(34,114)**	**34,114**	**-**
Employer's pensions contributions and direct payments to pensioners payable in the year		(27,099)	-	-	-	-	-	**(27,099)**	**27,099**	**-**
Adjustments involving the Collection Fund Adjustment Account:										
Amount by which council tax income credited to the CEIS is different from council tax income calculated for the year in accordance with statutory requirements		(830)	-	-	-	-	-	**(830)**	**830**	**-**
Adjustment involving the Accumulated Absences Account:										
Amount by which officer remuneration charged to the CEIS on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(113)	-	-	-	-	-	**(113)**	**113**	**-**
Adjustments between accounting basis & funding basis under regulations	7	290,019	-	87	4,521	6,411	(1,808)	**299,230**	**(299,230)**	**-**
Net Increase / Decrease before Transfers to Earmarked Reserves		**10,777**	**-**	**87**	**4,529**	**6,458**	**(1,808)**	**20,043**	**(28,961)**	**(8,918)**
Transfer to / from Earmarked Reserves	8	(7,946)	7,946	-	-	-	-	**-**	**-**	**-**
Increase / Decrease in Year		**2,831**	**7,946**	**87**	**4,529**	**6,458**	**(1,808)**	**20,043**	**(28,961)**	**(8,918)**
Balance at 31 March 2011 carried forward		**30,509**	**40,513**	**4,230**	**21,541**	**10,256**	**25,582**	**132,631**	**806,426**	**939,057**

8. Transfers to / from Earmarked Reserves

Earmarked reserves are amounts of money set aside to cover expenditure in future years on specified projects or major initiatives that would not be able to proceed unless money had previously been set aside.

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

Nature of Reserve	Reserve b/fwd 01 Apr 2010	In year related Expenditure	Written back in year	New Reserves Raised	Reserve c/fwd 31 Mar 2011
	£'000	£'000	£'000	£'000	£'000
Capital	545	(232)	(77)	-	236
Dedicated Schools Grant (DSG)	995	(995)	-	2,350	2,350
Elections	480	(530)	(6)	150	94
Housing Benefit Administration	3,286	(418)	-	1,700	4,568
International Financial Reporting Standards	508	(180)	(328)	-	-
ICT / Systems Related	1,423	(581)	(1,754)	1,163	251
Risk (i)	11,415	(719)	(2,500)	5,024	13,220
North London Sub Region Partnership	716	(149)	-	873	1,440
Transformation (ii)	3,490	(4,706)	-	10,612	9,396
Premises Related	685	(466)	(219)	-	-
Street Lighting (iii)	5,103	(2,509)	-	974	3,568
Utilities/Energy	500	-	(500)	-	-
Working Neighbourhood Fund	421	-	(421)	-	-
Schools	145	(145)	-	-	-
Transport	120	-	-	-	120
Highways	340	-	-	40	380
Other	1,986	(780)	(1,087)	4,362	4,481
Sub Total - General Fund Earmarked Reserves	32,158	(12,410)	(6,892)	27,248	40,104
Special Parking Account (SPA)	409	-	-	-	409
Total - All Earmarked Reserves	32,567	(12,410)	(6,892)	27,248	40,513

i) Risk – to manage risks from litigation, including in respect of Icelandic bank deposits, and risks in respect of managing reductions to central government support to local authorities in 2011/12 and through the medium-term financial strategy period

ii) Transformation – to fund the council's transformation programme (One Barnet) to change, protect and improve Council services through a period of reductions in central government to support to local authorities.

iii) Street Lighting – this is to smooth out the profiling of the PFI Contract.

9. Other Operating Expenditure

	2010/11	2009/10
	£'000	£'000
Precepts & Levies	1,487	1,646
Trading Operations	1,458	733
Contribution to Government Housing Pool	1,646	905
(Gain)/Loss on Disposal*	59,138	(152)
Total	63,729	3,132

*£60.062m relates to a loss on disposal from schools transferring to Academy status in 2010/11.

10. Financing and Investment Income and Expenditure

	2010/11 £'000	2009/10 £'000
Interest and Investment Income	(842)	(2,137)
Pension interest costs and expected return on pension assets	13,908	16,404
Interest payable and similar charges	7,168	7,840
Movement in investment property valuation	4,703	(7,138)
Previous impairment reversed by an upward valuation	(10,380)	(3,049)
Other	(475)	105
Total	14,082	12,025

11. Taxation and Non-Specific Grant Income

The income and expenditure account shows a figure of £312.167m for general Government grant.

	2010/11 £'000	2009/10 £'000
Demand on Collection Fund	155,832	154,679
Non-domestic rates redistribution	81,635	74,706
Revenue support grant	12,921	17,243
Area based grant	20,492	14,666
Capital grants unapplied	(1,807)	1,726
Capital grants applied	43,094	47,355
Total	312,167	310,375

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

2010/11

	Property, Plant and Equipment											
	Council House Dwellings £'000	Other land and Buildings £'000	Vehicles Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus assets £'000	Assets under construction £'000	**Total PPE £'000**	Investment Properties £'000	Intangible assets £'000	Assets Held for Sale £'000	**Total Assets £'000**
Value of assets at 31 March 2010	783,133	506,007	67,646	120,556	9,329	17,491	110,368	**1,614,530**	58,599	2,726	13,157	**1,689,012**
Reclassifications	-	(7,476)	1,618	-	(6,131)	(1,093)	-	**(13,082)**	10,996	-	2,086	**-**
Additions from AUC	43,419	68,166	1,732	9,031	-	-	(126,176)	**(3,828)**	1,400	2,428	-	**-**
Additions	-	2,089	594	5,198	-	1,363	46,753	**55,997**	436	-	15	**56,448**
Revaluation increases recognised in the Revaluation Reserve	-	116,174	52	-	-	10,555	-	**126,781**	-	-	478	**127,259**
Revaluation decreases recognised in the Revaluation Reserve	(4,086)	(4,710)	(28)	-	-	(39)	-	**(8,863)**	-	-	(644)	**(9,507)**
Revaluation increases recognised in the Surplus/Deficit on the Provision of Service	-	-	-	-	-	-	-	**-**	1,610	-	-	**1,610**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	**-**	(3,360)	-	-	**(3,360)**
Derecognition - Disposals	(959)	(64,268)	-	-	(9)	(1,960)	-	**(67,196)**	(164)	-	(11,106)	**(78,466)**
Derecognition - Other	-	(5,173)	(32,972)	-	(28)	(24)	-	**(38,197)**	-	(51)	-	**(38,248)**
Other	-	-	-	-	-	3	-	**3**	-		-	**3**
Value of assets at 31 March 2011	821,507	610,809	38,642	134,785	3,161	26,296	30,945	**1,666,145**	69,517	5,103	3,986	**1,744,751**
Accumulated Depreciation at 31 March 2010	(16,494)	(51,559)	(51,465)	(39,349)	(590)	(203)	-	**(159,660)**	(1,855)	(1,278)	-	**(162,793)**
Reclassifications	-	173	74	-	520	(74)	-	**693**	(678)	-	(15)	**-**
Writeback of depreciation on revaluation	-	17,851	20	-	-	-	-	**17,871**	-	-	-	**17,871**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(249,041)	(22,483)	(9)	-	-	-	-	**(271,533)**	(2,811)	-	(931)	**(275,275)**
Derecognition - Disposals	-	3,031	-	-	-	-	-	**3,031**	-	-	-	**3,031**
Derecognition - Other	-	5,173	32,972	-	28	24	-	**38,197**	-	51	-	**38,248**
Depreciation charge	(19,444)	(17,809)	(7,035)	(8,182)	-	(6)	-	**(52,476)**	-	(724)	-	**(53,200)**
Accumulated Depreciation at 31 March 2011	(284,979)	(65,623)	(25,443)	(47,531)	(42)	(259)	-	**(423,877)**	(5,344)	(1,951)	(946)	**(432,118)**
Net book value of Asset at 31 March 2010	**766,639**	**454,448**	**16,181**	**81,207**	**8,739**	**17,288**	**110,368**	**1,454,870**	**56,744**	**1,448**	**13,157**	**1,526,219**
Net book value of Asset at 31 March 2011	**536,528**	**545,186**	**13,199**	**87,254**	**3,119**	**26,037**	**30,945**	**1,242,268**	**64,173**	**3,152**	**3,040**	**1,312,633**

2009/10

	Council House Dwellings £'000	Other land and Buildings £'000	Vehicles Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus assets £'000	Assets under construction £'000	Total PPE £'000	Investment Properties £'000	Intangible assets £'000	Assets Held for Sale £'000	Total Assets £'000
	Property, Plant and Equipment											
Value of assets at 31 March 2009	732,530	514,334	65,543	109,118	9,026	22,467	77,112	**1,530,130**	39,625	2,726	10,772	**1,583,253**
Reclassifications	-	(14,322)	-	4,855	(140)	(359)	-	**(9,966)**	7,896	-	2,070	**-**
Additions from AUC	-	2,317	1,241	6,164	-	-	(14,717)	**(4,995)**	4,995		-	-
Additions	-	487	862	7,722	-	-	47,973	**57,044**	-	-	-	**57,044**
Revaluation increases recognised in the Revaluation Reserve	51,696	17,671	-	-	443	2,246	-	**72,056**	-	-	400	**72,456**
Revaluation decreases recognised in the Revaluation Reserve	-	(14,001)	-	-	-	(5,212)	-	**(19,213)**	-	-	-	**(19,213)**
Revaluation increases recognised in the Surplus/Deficit on the Provision of Service	-	-	-	-	-	-	-	**-**	14,254	-	-	**14,254**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	**-**	(790)	-	-	**(790)**
Derecognition - Disposals	(1,093)	-	-	-	-	(1,854)	-	**(2,947)**	(7,218)	-	(85)	**(10,250)**
Derecognition - Other	-	(479)		(7,303)	-	-	-	**(7,782)**	(163)	-	-	**(7,945)**
Other	-	-	-	-	-	203	-	**203**	-	-	-	**203**
Value of assets at 31 March 2010	783,133	506,007	67,646	120,556	9,329	17,491	110,368	**1,614,530**	58,599	2,726	13,157	**1,689,012**
Accumulated Depreciation at 31 March 2009	(16,530)	(23,163)	(42,670)	(39,553)	(407)	-	-	**(122,323)**	-	(529)	-	**(122,852)**
Reclassifications	-	171	-	-	-	-	-	**171**	(171)	-	-	**-**
Writeback of depreciation on revaluation	16,530	1,553	-	-	-	-	-	**18,083**	-	-	-	**18,083**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	(11,437)	(356)	-	(183)	-	-	**(11,976)**	(1,847)	-	-	**(13,823)**
Derecognition - Disposals	-	-	-	-	-	-	-	**-**	-	-	-	**-**
Derecognition - Other	-	-	-	7,303	-	-	-	**7,303**	163	-	-	**7,466**
Other	-	-	-	-	-	(203)	-	**(203)**	-	-	-	**(203)**
Depreciation	(16,494)	(18,683)	(8,439)	(7,099)	-	-	-	**(50,715)**	-	(749)	-	**(51,464)**
Accumulated Depreciation at 31 March 2010	(16,494)	(51,559)	(51,465)	(39,349)	(590)	(203)	-	**(159,660)**	(1,855)	(1,278)	-	**(162,793)**
Net book value of Asset at 31 March 2009	**716,000**	**491,171**	**22,873**	**69,565**	**8,619**	**22,467**	**77,112**	**1,407,807**	**39,625**	**2,197**	**10,772**	**1,460,401**
Net book value of Asset at 31 March 2010	**766,639**	**454,448**	**16,181**	**81,207**	**8,739**	**17,288**	**110,368**	**1,454,870**	**56,744**	**1,448**	**13,157**	**1,526,219**

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

The valuation date for council dwellings was 31st March 2011. The valuation date for all other assets was 1st April 2010. This date was used as directed by the RICS, to allow sufficient time to collect and assess valuation information.

13. 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:

	2010/11	2009/10
	£'000	£'000
Rental income from investment property	(2,046)	(2,046)
Direct operating expenses arising from investment property	16	32
Net gain / (loss)	(2,030)	(2,014)

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

14. Intangible Assets

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. None of the intangible assets have been internally generated.

Movements on Intangible Asset balances are detailed in Note 12 (Movement in Property, Plant and Equipment, Investment Properties, Intangible Assets and Assets Held for Sale).

15. Financial Instruments

Financial Liabilities

A Financial Liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.
The council's loan portfolio at year end consisted of PWLB and market debt. Under the 2010 Code of Practice these forms of borrowing are measured at amortised costs. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Comprehensive Income and Expenditure Statement.

Financial Assets

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

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

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

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

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

Transaction Costs

Measurement at amortised cost permits transaction costs related to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred. The Council has adopted this latter approached in 2010/11.

Financial Instrument Balances

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

	Long Term 31 Mar 2011 £'000	Long Term 31 Mar 2010 £'000	Current 31 Mar 2011 £'000	Current 31 Mar 2010 £'000
Borrowing	198,380	204,401	6,136	12,239
Trade Creditors	-	-	109,629	169,148
Bank Overdraft	-	-	52,599	25,424
PFI/Finance Lease Liabilities	18,244	15,859	634	-
Total Financial Liabilities	**216,624**	**220,260**	**168,998**	**206,811**
Loans and Receivable	26,384	26,529	154,349	265,251
Total Financial Assets	**26,384**	**26,529**	**154,349**	**265,251**

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

	Long Term 31 Mar 2011 £'000	Long Term 31 Mar 2010 £'000	Current 31 Mar 2011 £'000	Current 31 Mar 2010 £'000
Borrowing				
Nominal Amount	196,500	202,500	6,000	12,000
Accrued Interest	1,291	1,321	135	238
Unamortised Discounts / (Premiums)on Modified Loan(s)	589	580	1	1
Total Borrowings	198,380	204,401	6,136	12,239
Investments				
Nominal Amount	24,442	24,442	107,950	181,600
Accrued Interest	-	-	155	813
Total Investments	24,442	24,442	108,105	182,413

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

Where loans are advanced at below market rates they are classed as "Soft Loans". The 2010 Code of Practice sets out specific accounting requirements for soft loans. The Council does not have any soft loans.

Financial Instruments – Gains and Losses

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

	Liabilities measured at amortised cost	Loans and receivable	2010/2011 Total
	£'000	£'000	£'000
Interest expense Losses on de-recognition Impairment losses	-	-	-
Interest Payable and similar charges	8,508	-	8,508
Interest Income	-	-	-
Interest and investment income	-	(983)	(983)
Gains on revaluation Losses on revaluation	-	-	-
Amounts recycled to I&E Accounts after impairment			
Surplus arising on revaluation of financial assets	-	-	-
Net gain/(loss) for the year	8,508	(983)	7,525

Financial Instruments – Fair Value

The Council's long term financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. The portion of borrowings and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under short term borrowings or short term investments. This also included accrued interest for long term investments and borrowings, as well as accrued interest for cash and cash equivalents.

The 2010 Code of Practice requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined in International Accounting Standard 39 (IAS 39) as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2010 and 31 March 2011 consisted of loans from the Public Works Loan Board (PWLB) and market loans. The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have had to pay to extinguish the loans on these date. In the case of market loans, the Council wrote to the lender. Due to no response the Council's Treasury Adviser has calculated the fair value based on equivalent swap rates at the Balance Sheet date.

In the case of the Council's investments, these consisted almost entirely of term deposits with Banks and Building Societies. The maturity dates of these investments were within 12 months of the Balance Sheet date. The contracts of term deposits do not permit premature redemption. The long term investments are the Icelandic investments, which have been impaired in previous years.

	Carrying Amount 31 Mar 2011 £'000	Fair Value 31 Mar 2011 £'000	Carrying Amount 31 Mar 2010 £'000	Fair Value 31 Mar 2010 £'000
Financial Liabilities				
Short Term Borrowing	6,136	6,571	37,663	37,663
Long Term Borrowing	198,380	195,045	216,640	210,029
Deferred Liabilities	11,739	11,739	16,095	16,095
Trade Payables (Creditors)	107,295	107,295	169,148	169,148
Total Financial Liabilities	323,550	320,650	439,546	432,935
Financial Assets				
Long Term Investments	24,442	24,442	24,442	24,442
Short Term Investments	108,757	108,757	182,413	206,859
Trade Receivables(Debtors)	83,867	83,867	82,838	82,838
Total Financial Assets	217,066	217,066	289,693	314,139

Financial Liabilities

The fair value of financial liabilities is less than the carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date.

Financial Assets

The fair value of short term investments at the Balance Sheet date in the comparative year is higher than the carrying amount because the interest rate on similar investments was lower than that obtained when the investment was originally made.

16. Inventories

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

	31 Mar 2011 £'000	31 Mar 2010 £'000	31 Mar 2009 £'000
Works in progress	7	7	7
Stock	567	372	451
Total	574	379	458

17. Construction Contracts

No construction contracts were undertaken by the council for customers in 2010/11.

18. Debtors

An analysis of the council's debtors as at 31 March 2011 is as follows:

Debtors	31 Mar 2011 £'000	31 Mar 2010* £'000	31 Mar 2009* £'000
Other local authorities	2,178	3,473	2,980
Government departments	14,018	17,994	18,233
Taxpayers	17,456	12,980	13,196
Tenants (including temporary accommodation)	12,012	13,940	14,578
Other public bodies	984	719	625
Payment in advance	34,384	4,146	5,586
Utilities	-	95	69
Sundry	31,694	26,876	23,012
Sub total	112,726	80,223	78,279
Less: provision for bad debts	(18,344)	(22,145)	(20,811)
Net debtor total	94,382	58,078	57,468

*Restated

The following approach was taken with regards to estimating the provision for bad debts. In this context, provision for bad debts means the extent to which the original amount of debt is impaired (recovery could be doubtful). The council will still continue to pursue these debts.

The council's debtors were considered collectively for impairment, as there was no individual debtor that was considered to be individually significant. Total debtors were then divided into the following subgroup:

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

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

Total estimated impairment of debt came to £18.344m and the level of debtors carried on the balance sheet as a current asset was reduced from £110.826m by this amount to £92.482m, as the latter figure represents the amount of total debt that is deemed to be reasonably recoverable.

19. Cash and Cash Equivalents

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

	31 Mar 2011	31 Mar 2010*	31 Mar 2009*
	£'000	£'000	£'000
Cash	25,769	28,906	21,733
Short term deposits	70,482	182,413	177,748
Overdraft	(52,599)	(25,424)	(25,138)
Total cash & cash equivalents	43,652	185,895	174,343

*Restated

20. Assets Held for Sale

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

21. Creditors

An analysis of the council's creditors as at 31 March 2011 is as follows:

	31 Mar 2011	31 Mar 2010*	31 Mar 2009*
Creditors	£000	£000	£000
Other local authorities	16,113	16,558	14,360
Government departments	4,136	417	69
Taxpayers	3,778	2,131	3,248
Other public bodies	931	3,122	3,166
Utilities	1,351	1,280	1,436
Pension fund	-	71,817	52,962
Accumulated Absences	8,233	8,346	7,094
Sundry	52,905	46,433	44,675
Receipts in advance	12,092	8,239	9,945
Creditor total	99,539	158,343	136,955

22. Provisions

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

	Note	1 Apr 2010	In year related payments	Written back in year	New Provisions raised	31 Mar 2011
		£'000	£'000	£'000	£'000	£'000
Grants to Voluntary Sector		4	-	-	133	137
Insurance	i	7,960	-	-	108	8,068
Catalyst	ii	7,012	(1,987)	(5,025)	-	-
Legal	iii	220	(171)	(14)	-	35
Housing & Property	iv	599	-	(81)	955	1,473
Service Provision Related	v	160	-	(159)	260	261
Central Expenses	vi	140	-	(140)	1,609	1,609
Total		16,095	(2,158)	(5,419)	3,065	11,583

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

ii) Following the settlement of the Catalyst claim, it is now a creditor.

iii) The council terminated its contract with Community Investors Development Agency (CIDA) for Local Involvement Network (LINK) hosting services in December 2009, with a months notice. CIDA have made a claim for compensation which is currently being contested by the Council. Advise from the Legal Service is that should additional evidence be provided the Council may need to reach a settlement and the amount in this provision is for this purpose.

iv) Relates predominantly to NNDR bills with regards to part of the ground floor at NLBP, the bills are higher than had been expected due to extra space taken on the ground floor, inquires are ongoing with the valuation office.

v) Relates to hospital recoupment for 2010/11 which cannot be claimed until 2011/12 as the calculation cannot occur until the accounts are closed.

vi) Relates to staff to whom redundancy has been communicated in 2010/11 but whose service end date is beyond 31/03/2011. This will fund redundancy costs incurred in 2011.12.

23. Useable Reserves

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

24. Unusable Reserves

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

	Note	Revaluation Reserve	Capital Adjustment Account	Available for Sale Financial Instrument Reserve	Financial Instruments Adustment Account	Collection Fund Adjustment account	Pension Reserve	Accumulating Compensated Absences Adjustment Account	Deferred Capital Receipts	Total Unusable Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2010	Note	83,462	1,195,612	-	(1,718)	6,891	(441,160)	(8,346)	646	835,387
Movement in reserves during 2010/11										
Surplus / (Deficit) on provision of services										-
Other Comprehensive Expenditure and Income		126,428			378		143,463			270,269
Total Comprehensive Expenditure and Income		126,428	-	-	378	-	143,463	-	-	270,269
Adjustments between accounting basis & funding basis under regulations	7	(25,952)	(335,352)	-	(9)	830	61,213	113	(73)	(299,230)
Net Increase / Decrease before Transfers to Earmarked Reserves		100,476	(335,352)	-	369	830	204,676	113	(73)	(28,961)
Transfer to / from Earmarked Reserves	8	-	-	-	-	-	-	-	-	-
Increase / Decrease in Year		100,476	(335,352)	-	369	830	204,676	113	(73)	(28,961)
Balance at 31 March 2011 carried forward		183,938	860,260	-	(1,349)	7,721	(236,484)	(8,233)	573	806,426

	Note	Revaluation Reserve	Capital Adjustment Account	Available for Sale Financial Instrument Reserve	Financial Instruments Adustment Account	Collection Fund Adjustment account	Pension Reserve	Accumulating Absences Adjustment Account	Deferred Capital Receipts	Total Unusable Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2009	Note	77,350	1,183,086	-	(2,060)	5,040	(222,036)	(7,094)	773	1,035,059
Movement in reserves during 2009/10										
Surplus / (Deficit) on provision of services		-	-	-	-	-	-	-	-	-
Other Comprehensive Expenditure and Income		77,411	-	-	378	-	(215,187)	-	-	(137,398)
Total Comprehensive Expenditure and Income		77,411	-	-	378	-	(215,187)	-	-	(137,398)
Adjustments between accounting basis & funding basis under regulations		(71,299)	12,526	-	(36)	1,851	(3,937)	(1,252)	(127)	(62,274)
Net Increase / Decrease before Transfers to Earmarked Reserves		6,112	12,526	-	342	1,851	(219,124)	(1,252)	(127)	(199,672)
Transfer to / from Earmarked Reserves		-	-	-	-	-	-	-	-	-
Increase / Decrease in Year		6,112	12,526	-	342	1,851	(219,124)	(1,252)	(127)	(199,672)
Balance at 31 March 2010 carried forward		83,462	1,195,612	-	(1,718)	6,891	(441,160)	(8,346)	646	835,387

Revaluation Reserve

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

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

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

Capital Adjustment Account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the comprehensive income and expenditure statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the accounts, apart from those involving the revaluation reserve.

Financial Instruments Adjustment Account

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

The council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the comprehensive income and expenditure statement when they are incurred, but reversed out of the general fund balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the general fund balance in accordance with statutory arrangements for spreading the burden on council tax.

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

Pensions Reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in the comprehensive income and expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

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

Collection Fund Adjustment Account
The collection fund adjustment account manages the differences arising from the recognition of council tax income in the comprehensive income and expenditure statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the general fund from the collection fund.

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

25. Operating Activities

The cash flows for operating activities include the following items:

	2010/11	2009/10
	£'000	£'000
Net (Surplus) or Deficit on the provision of services	286,032	61,279
Adjustments to net surplus or deficit on the provision of services for non cash movements	(288,863)	(58,244)
Cash outflows		
Interest paid	5,074	6,761
Interest element of finance lease rental payment	2,036	1,432
Cash inflows		
Interest received	(3,558)	(4,955)
Management of liquid resources	2,148	1,918
Housing revenue account	(87)	(380)
MRP & other capital related adjustments	(24,847)	(17,554)
Other revenue adjustments	3,359	1,131
Contributions to/(from) reserves and provisions	(3,434)	(4,806)
Items that appear elsewhere in the cash flow statement	(6,325)	(5,703)
Working capital		
(Increase)/decrease in creditors	52,980	(21,388)
Increase/(decrease) in payments in advance	30,238	(1,440)
Increase/(decrease) in stock and work in progress	195	(79)
Increase/(decrease) in debtors	5,921	1,664
	60,869	(40,364)

26. Investing Activities

	2010/11 £'000	2009/10 £'000
Capital activities		
Cash outflows		
Purchase of fixed assets	86,380	117,175
Cash inflows		
Sale of fixed assets	(16,000)	(10,491)
Capital grants received	(37,785)	(54,876)
Other capital cash receipts	(2,698)	(2,227)
	29,897	49,581

27. Financing Activities

	2010/11 £'000	2009/10 £'000
Net increase / (decrease) in short term deposits	37,623	(38,565)
Net increase / (decrease) of long term investments	-	14,836
Capital element of finance lease rental payment	1,729	2,013
(Receipt) / Repayment short term loans	6,103	(6,136)
(Receipt) / Repayment long term loans	6,021	7,083
	51,476	(20,769)

28. Amounts Reported for Resource Allocation Decisions

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

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation reserve and amortisations are charged to services in the comprehensive income and expenditure statement)
- The cost of retirement benefits is based on cash flows (payments of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to directorates.

Description	Revised Budget £'000	Final Outturn 2010/11 £'000	Final Outturn Variation £'000
Adults	95,819	95,819	-
Central Expenses	52,645	51,081	(1,564)
Chief Executive	12,016	11,620	(396)
Childrens Services (Net of DSG)	46,926	47,020	94
Commercial Services	15,806	15,786	(20)
Corporate Governance	5,869	5,706	(163)
Deputy Chief Executive	12,581	12,573	(8)
Environment & Operations	23,096	25,934	2,838
Planning, Housing & Regeneration	2,428	2,051	(377)
Total 2010/11 General Fund Forecast	**267,186**	**267,590**	**404**
Area Based Grant	(20,086)	(20,492)	(406)
Aggregate External Finance	(94,556)	(94,556)	-
Collection Fund Surplus	(1,998)	(1,998)	-
Council Tax (Collection Fund Transfers)	(153,005)	(153,005)	-
Reserves	2,461	2,461	-
Use of Balances	**2**	**-**	**(2)**
General Fund Balance @ 1/4/10	**(15,780)**	**(15,780)**	
General Fund Balance @ 31/3/11	**(15,778)**	**(15,780)**	

Balances held by Schools under delegated schemes	As at 31/03/2010 £'000	As at 31/03/2011 £'000	Increase/ (Decrease) £'000
Nursery	394	540	146
Primary	7,450	8,674	1,224
Secondary	4,083	5,121	1,038
Special	484	609	125
Total	**12,411**	**14,944**	**2,533**
Less outstanding General Fund advances to Schools	(510)	(216)	**294**
Net Position	**11,901**	**14,728**	**2,827**

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

29. Acquired and Discontinued Operations

No operations have been acquired or discontinued in 2010/11.

30. Trading Operations

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

	2010/11 Income	Internal recharges	Expenditure	Trading (surplus)/ deficit	2009/10 Trading (surplus)/ deficit
	£'000	£'000	£'000	£'000	£'000
Catering	(5,707)	687	5,709	689	174
Transport	(133)	(7,746)	8,638	759	663
Transfer to Transport Reserve	-	-	-	-	(120)
Other	-	(749)	759	10	16
Total	(5,840)	(7,808)	15,106	1,458	733

31. Agency Services

No agency services were provided by the council in 2010/11.

32. Schemes under the Transport Act

No road charging schemes or workplace charge levies were operational within the council in 2010/11.

33. Pooled Budgets

Section 31 of the Health Act 1999 and the Local Authorities Partnership Arrangement Regulations 2000 provide for partnership arrangements between National Health Service (NHS) bodies, local authorities and other agencies to improve health services by pooling resources and integrating services to client groups. This was subsequently replaced by S75 of the NHS Act 2006. The council and NHS Barnet Health and Social Care Partnership operate various partnership boards. However budgets are not pooled but are managed by jointly appointed officers, each partner remaining responsible for their respective costs. The only exception is the pooled budget for community equipment.

The actual expenditure on the pooled budget for community equipment was:

	2010/11			2009/10		
	Total	Barnet	NHS Barnet	Total	Barnet	NHS Barnet
	£'000	£'000	£'000	£'000	£'000	£'000
Equipment, servicing and repairs	1,387	860	527	1,431	844	587
Contract management (including delivery, collection and storage)	709	457	252	687	443	244
Stock adjustment	-	-	-	-	-	-
	2,096	1,317	779	2,118	1,287	831

The council and NHS Barnet contribute the value of the costs incurred to the pool, ensuring that accrued contributions match expenditure.

34. Members' Allowances

The total expenses and allowances paid to members in financial year 2010/11 was £1.154m (£1.239m in 2009/10).

	2010/11	2009/10
	£'000	£'000
Member Allowances	1,107	1,196
Member Expenses	47	43
Total	1,154	1,239

35. Officers' Remuneration

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

Remuneration band	**2010/11 Total - Number of Employees**	**2009/10 Total - Number of Employees***
£50,000 - £54,999	195	166
£55,000 - £59,999	123	92
£60,000 - £64,999	61	60
£65,000 - £69,999	66	59
£70,000 - £74,999	40	27
£75,000 - £79,999	20	16
£80,000 - £84,999	11	14
£85,000 - £89,999	16	13
£90,000 - £94,999	10	7
£95,000 - £99,999	10	3
£100,000 - £104,999	5	5
£105,000 - £109,999	3	5
£110,000 - £114,999	3	-
£115,000 - £119,999	2	6
£120,000 - £124,999	3	5
£125,000 - £129,999	2	1
£130,000 - £134,999	3	2
£135,000 - £139,999	3	3
£140,000 - £144,999	-	1
£145,000 - £149,999	2	2
£150,000 ≥	9	8
	587	**495**

*Restated

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

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

Post Title & Name	Note	Salary (Including fees & allowances)	Expenses Allowances	Compensation for Loss of Office	Total Remuneration excluding pension contributions 2010/11	Pension Contributions	Total Remuneration including pension contributions 2010/11
		£	£	£	£	£	£
Chief Executive - Mr N Walkley		200,976	-	-	200,976	49,842	250,818
Executive Director for Environment & Development - Mr B Reynolds	i	86,922	-	280,485	367,407	21,541	388,948
Director of Children's Services - Mr R McCulloch-Graham		165,504	-	-	165,504	41,045	206,549
Acting Director of Health Integration - Ms I Findlay	ii	165,504	-	106,685	272,189	41,045	313,234
Deputy Chief Executive and Chief Financial Officer - Mr A Travers	iii	206,000	-	-	206,000	-	206,000
		824,906	-	387,170	1,212,076	153,473	1,365,549

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

ii) Ms Irene Findlay was the Director of Adult Social Services from 1st April 2010 to 26th May 2010. She was then appointed to Acting Director of Health Integration until 31st March 2011.

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

Senior Officers - salary is £150,000 or more per year - 2009/10

Post Title and Name	Note	Salary (Including fees & allowances)	Expense Allowances	Compensation for Loss of Employment	Total Remuneration excluding pension contributions 2009/10	Pension Contributions	Total Remuneration including pension contributions 2009/10
		£	£	£	£	£	£
Chief Executive - Mr N Walkley		200,976	-	-	200,976	48,234	249,210
Executive Director for Communities - Ms J Stansfield	iv	74,344	-	-	74,344	7,137	81,481
Executive Director for Environment & Development - Mr B Reynolds		178,425	-	-	178,425	42,822	221,247
Director of Adult Social Services - Ms I Findlay		163,498	-	-	163,498	38,808	202,306
Director of Children's Services - Mr R McColloch-Graham	v	137,920	-	-	137,920	33,101	171,021
		755,163	-	-	755,163	170,102	925,265

iv) Ms J Stansfield was an employee at Barnet until 31st October 2009. Her annualised salary was £178,425 for 2009/10.

v) Mr R McCulloch-Graham commenced employment at Barnet on 1st June 2009 at an annualised salary of £165,504.

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

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

i) These personnel were not in post for the full financial year.
ii) This figure represents the fee paid in respect of interim appointments.
iii) This post is filled on a job share basis.

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year. The disclosure shows Directors, Assistant Directors and Head of Service reporting to Directors in 2009/10.

Post Title	Note	Salary (Including fees & allowances)	Expense Allowances	Compensation for Loss of Office	Total Remuneration excluding pension contributions 2009/10	Pension contributions	Total Remuneration including pension contributions 2009/10
		£	£	£	£	£	£
Director of Environment and Transport		140,127	-	-	140,127	33,238	173,365
Director of Planning Housing & Regeneration	i	137,536	-	-	137,536	32,999	170,535
Major Projects Director		132,495	-	-	132,495	31,795	164,290
Director of Corporate Governance		132,480	-	-	132,480	31,795	164,275
Director of Strategy		126,084	-	-	126,084	30,260	156,344
Head of Housing and Environmental Health		107,574	-	-	107,574	25,730	133,304
Major Capital Programmes Deputy Director		107,410	-	-	107,410	24,938	132,348
Deputy Director of Adult Social Services		103,684	-	-	103,684	24,800	128,484
Acting Deputy Director - Childrens		99,555	906	-	100,461	23,893	124,354
Assistant Director - Health Partnerships		99,555	-	-	99,555	23,893	123,448
Director of Finance	i&ii	123,375	-	-	123,375	-	123,375
Head of Legal & Deputy Monitoring Office		97,238	-	-	97,238	23,310	120,548
Head of Building Control and Structures		93,783	906	-	94,689	21,970	116,659
Assistant Director Organisational Development & Customer Care		93,244	-	-	93,244	22,378	115,622
Assistant Director Environment		86,860	-	-	86,860	20,838	107,698
Assistant Director Inclusion		86,872	-	-	86,872	19,313	106,185
Performance & Development Assistant Director		87,382	-	-	87,382	17,985	105,367
Assistant Director Customer Services & Libraries	i	87,282	-	-	87,282	17,974	105,256
Head of Strategy - Planning and Housing		84,692	-	-	84,692	20,290	104,982
Head of Planning & Development Management		84,543	-	-	84,543	20,290	104,833
Assistant Director - Shared Services		84,411	-	-	84,411	20,238	104,649
Assistant Director Finance Support	i&ii	104,069	-	-	104,069	-	104,069
Assistant Director - Performance		83,291	-	-	83,291	19,770	103,061
Assistant Director Environment	i	81,571	-	-	81,571	19,577	101,148
Head of Regeneration		81,162	-	-	81,162	19,479	100,641
Principal Inspector - Research & Procurement		80,446	906	-	81,352	17,804	99,156
Head of Revenues		78,479	-	-	78,479	18,703	97,182
Assistant Director Partnerships, Performance & Planning		76,021	-	-	76,021	17,145	93,166
Deputy Director of Corporate Governance	i	75,057	-	-	75,057	17,638	92,695
Head of Information Systems		74,396	-	-	74,396	17,816	92,212
Assistant Director of Policy - Intelligence & Analysis	i	73,238	-	-	73,238	17,577	90,815
Head of Internal Audit & Ethical Governance	i	72,080	-	-	72,080	17,299	89,379
Assistant Director Strategic Finance	i&ii	86,213	-	-	86,213	-	86,213
Head of Procurement		68,580	-	-	68,580	16,458	85,038
Director for Resources	i	53,766	-	-	53,766	12,904	66,670
Assistant Director - Strategic Services	i	53,262	-	-	53,262	12,783	66,045
Acting Director - Children's Services	i	49,051	472	-	49,523	11,527	61,050
Acting Corporate Anti Fraud Team Manager		46,232	-		46,232	11,071	57,303
		3,433,096	3,190	-	3,436,286	735,478	4,171,764

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

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

36. Audit Costs

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

	2010/11 £'000	2009/10 £'000
Fees payable to Grant Thornton UK LLP, the council's appointed external auditors for:		
-external audit service	415	415
-the certification of grant claims and returns	85	85
Fees payable to the Audit Commission in respect of statutory inspection	5	20
Total	505	520

The figures shown above are included in the 2010/11 net cost of services on the income and expenditure account.

37. Dedicated Schools Grant (DSG)

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

Details of the deployment of DSG receivable for 2010/11 is as follows:

	Central Expenditure £'000	ISB £'000	Total £'000
Final DSG for 2010/11			207,628
Brought Forward from 2009/10			1,031
Carry forward to 2011/12 agreed in advance			-
			208,659
	Central Expenditure £'000	ISB £'000	Total £'000
Agreed budgeted distribution in 2010/11	23,329	185,330	208,659
Actual Central Expenditure	(20,937)	-	(20,937)
Actual ISB Deployed to Schools	-	(185,373)	(185,373)
Local Authority Contribution for 2010/11	-	-	-
Carry forward to 2011/12	2,392	(43)	2,349

38. Grant Income

The grants and contributions credited to the taxation and non-specific grant income line on the CIES are disclosed in Note 11 of the Core statements. The council credited the following grants, contributions to services in the comprehensive income and expenditure statement in 2010/11:

Credited to services	2010/11 £'000	2009/10 £'000
Education (excluding DSG)	59,101	47,578
DSG	207,628	202,138
Community Care and Other Social Services	2,412	12,054
Asylum Seekers	751	748
Council Tax Benefits Adminstration	3,085	2,960
Local Authority Business Incentive Grant	-	588
Street Lighting PFI	2,235	2,235
Other	1,787	-
Total	276,999	268,301

The council has received a number of grants and contributions that have conditions attached to them. As long as the council intends to use the capital grant in accordance with the condition, the income is to be shown in the CIES and then moved to the Capital Grants Unapplied Account via the Movement in Reserves Statement. The balance at 31st March 2011 is:

Capital Grants Unapplied	2010/11 £'000	2009/10 £'000
S106	7,703	4,836
Grants and Contributions	17,879	22,553
Total	25,582	27,389

39. Related Parties

The council is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence, or to be controlled or influenced by, the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the power to limit another party’s ability to bargain freely with it.

Central government has effective control over the general operations of the council. It is responsible for the statutory framework within which the council operates, provides the majority of its funding, in the form of grants, and prescribes the terms of many of the transactions that the council has with other parties e.g. housing benefits. Grant income is shown in note 38.

Members of the council have direct control over the authority’s financial and operating policies. The total of members’ allowances paid in 2010/11 is shown in note 34. By virtue of their office, through their residence in the borough and/or as active members of the community, members of the council participate in and are members of a variety of other public bodies and community groups. The council has well established mechanisms and procedures for preventing undue influence. Part of these mechanisms is the disclosure of interests in the register of members’ interest. In addition, every year members asked to complete a Declaration of any Related Party Transactions. In financial year 2010/11 several members declared that they had acted as Trustees for local Voluntary Organisations and as School Governors. The Council paid grants totalling £0.220m to voluntary organisations in which three members had positions on the governing body. The council paid £3.910m to Schools in which two members had positions on the governing body. Two members are directors of Barnet Homes Ltd, see overleaf for further details.

The Council has a pooled budget arrangement details of which are in note 33.

The council has a number of significant transactions with other local authorities and local health authorities. In particular the authority places pupils into neighbouring authorities’ schools, the expenditure for which is included within the children’s and education services line of the income and expenditure account. Detailed below is a list of the Investments placed with other local authorities as at the financial year end.

Local Authority	31 Mar 2011
	£'000
Birmingham City Council	3,500
Lancashire County Council	8,000
Southampton City Council	4,100
Thurrock Borough Council	5,000
West Yorkshire F & R Authority	1,000
Total	21,600

Every year all chief officers are required to complete a related party transactions declaration. For financial year 2010/11 there were no material transactions to declare.

The Pension Fund accounts are set out in Section 6 of these Statements. In 2010/11 the council's employer's contributions to the Fund were £25.373m. The council's member's contributions to the Fund were £6.929m. The Council charged the Fund £1.175m for administering the Fund.

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

The total of in year transactions payable to Barnet Homes was £85.744m (including capital tranactions), and the total of in year receivables was £3.129m.

	31 Mar 2011
	£'000
Amounts owing to Barnet Homes	(60)
Amounts due from Barnet Homes	7,443
Net Position	7,383

40. Capital Expenditure and Capital Financing

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

Capital Investment:

	2010/11	2009/10
	£'000	£'000
Adult Social Services	1,052	38
Central Expenses	912	-
Children's Services	43,563	65,034
Corporate Governance	94	1
Environment & Operations	10,553	13,455
Commercial Services	2,360	3,752
Corporate Services *	-	2,411
Chief Executive	110	-
Deputy Chief Executive *	314	-
Planning Housing and Regeneration	7,649	4,516
Housing Revenue Account	17,746	26,339
Total	84,353	115,546

* Corporate Services existed in 2009/10 and Deputy Chief Executive Service was created in 2010/11.

Sources of Finance:

	Total capital financed in 2010/11 £'000	Total capital financed in 2009/10 £'000
Capital receipts	9,975	3,319
General fund revenue contributions	51	3,372
HRA revenue contributions/MRA	5,854	10,363
Contributions including S 106 receipts	2,698	2,227
Borrowing	25,379	48,083
Grants	40,396	48,182
Total	84,353	115,546

41. Leases

Operating Leases

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

In the year 2010/11 the council paid £6.275m in respect of Operating leases and there are commitments in place of £56.223m for future years.

Properties are leased out and in 2010/11 this produced an income of £3.823m with £127.023m contracted for future years.

Years	Vehicles, plant and equipment leased in £'000	Property leased in £'000	Property leased out £'000
2010/11	1,729	4,546	(3,823)
2011/12	1,344	4,546	(3,860)
2012/13-2014/15	1,135	16,266	(7,957)
2016 to completion	21	32,911	(115,206)
Total	4,229	58,269	(130,846)

Finance Leases

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

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

	31 Mar 2011 £'000	31 Mar 2010 £'000
Vehicles	620	930
	620	930

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

	31 Mar 2011	31 Mar 2010
	£'000	£'000
Finance Lease liabilities (net present value of minimum lease payments):		
Current	380	380
Non-current	380	760
Finance costs payable in future years	(39)	(113)
Minimum Lease payments	721	1,027

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010
	£'000	£'000	£'000	£'000
Not later than one year	341	306	341	648
Later than one year and not later than five yaers	380	721	-	341
later than five years	-	-	-	-
	721	1,027	341	989

42. Private Finance Initiatives (PFI) and Similar Contracts

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

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

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

	2010/11	Additions in year	2009/10
PFI Street Lights	£'000	£'000	£'000
Gross Book Value	24,349	5,197	19,152
Accumulated Depreciation	(1,717)	(766)	(951)
Net Book Value	22,632	4,431	18,201

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

	2010/11	Increase in year	2009/10
Liabilities	£'000	£'000	£'000
Lease Liability	18,156	2,297	15,859
	18,156	2,297	15,859

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

Years	Repayment of liability	Interest	Service Charges	Other Charges	Total
	£'000	£'000	£'000	£'000	£'000
2011/12	254	2,441	1,357	745	4,797
2012/13 - 2015/16	1,122	9,423	5,855	3,972	20,372
2016/17 - 2020/21	2,460	10,699	8,392	6,490	28,041
2021/22 - 2025/26	4,572	8,549	9,766	9,460	32,347
2026/27 - 2030/31	9,548	4,503	11,364	10,196	35,611
2030/31 - 2031/32	201	27	204	77	509
Total commitments	18,157	35,642	36,938	30,940	121,677

43. Impairment Losses

Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 12, 13 and 14 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

The impairment reversals in 2010/11 were £10.380m and related to PPE asset class.

44. Capitalisation of Borrowing Costs

They were no capitalisation of borrowing costs in 2010/11.

45. Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £5.060m (£7.607m in 2009/10). Of this total, £0.531m is payable to 6 Directors, in the form of compensation for loss of office and enhanced pension benefits of £0.224m, as disclosed in Note 35. The remaining £4.305m is payable to other officers who were made redundant as part of the Authority's rationalisation of the Service.

46. Pension Schemes Accounted for as Defined Contribution Schemes

The authority also contributes to the Department for Children, School's and Families Teacher's Pension Fund at a rate of 14.1% of pensionable pay. The amount paid in the year, £11.6m is included in the education service costs (2009/10 £12.1m).
Although this is a defined benefit scheme the nature of it is that the authority is unable to identify its share of the underlying assets and liabilities and so cannot report these. Contributions are set in relation to the current service period only.

The contributions to March 2011 are 24.8% and expected contributions to March 2012 are 24.8%.

47. Defined Benefit Pension Schemes

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

The change in the net value of the pension fund includes actuarial gains of £143,463m. These arise from the differences between actual events as they have turned out and assumptions that were made at the date of the earlier actuarial valuation, known as experience gains and losses as well as changes in actuarial assumptions.

	2010/11		2009/10	
	£'000	£'000	£'000	£'000
Deficit at the beginning of the year		(441,160)		(222,036)
Net cost of services				
Current cost of services	(25,154)		(10,249)	
Curtailment and settlements	3,137		(3,622)	
Past service costs	-		-	
		(22,017)		(13,871)
Net operating expenditure				
Interest cost	(43,622)		(37,217)	
Expected return on assets in the scheme	29,714		20,813	
		(13,908)		(16,404)
Amount charged for pensions in the year		27,099		26,338
Past Service Costs		70,039		-
Net actuarial gain/(loss)		143,463		(215,187)
Fund deficit at end of the year		(236,484)		(441,160)

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

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

Barnet as the administrating authority receives administration expenses that were £1.000m in 2010/11 (£0.956m in 2009/10).

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

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

Reconciliation of present value of the scheme liabilities

	31 Mar 2011	31 Mar 2010
	£'000	£'000
Opening defined benefit obligation	886,078	561,260
Service cost	25,154	10,249
Interest cost	43,622	37,217
Actuarial loss/(gain)	(135,661)	295,747
Losses on curtailments	343	3,622
Liabilties extinguished on settlements	(3,394)	-
	-	-
Estimated benefits paid (net of transfers in)	(31,051)	(27,501)
Past service cost	(70,039)	-
Contributions by scheme participants	7,002	6,951
Unfunded pension payments	(1,459)	(1,467)
Closing defined benefit obligation	720,595	886,078

Reconciliation of fair value of the scheme assets

	31 Mar 2011	31 Mar 2010
	£'000	£'000
Opening fair value of scheme assets	444,918	339,224
Expected return on scheme assets	29,714	20,813
Actuarial gain/(loss)	7,802	80,560
Contributions by employer	27,099	26,338
Contributions by scheme participants	7,002	6,951
Estimated benefits paid (net of transfers in)	(32,510)	(28,968)
Receipt of bulk transfer	86	-
Fair value of scheme assets at end of period	484,111	444,918

The estimated asset allocation for London Borough of Barnet as at 31 March 2011 is as follows:

Employer Asset Share - Bid Value	31 Mar 2011		31 Mar 2010	
	£'000	%	£'000	%
Equities	271,102	56	275,849	62
Gilts	9,682	2	40,043	9
Other Bonds	159,757	33	57,839	13
Property	19,364	4	17,797	4
Cash	24,206	5	53,390	12
Total	484,111	100	444,918	100

Basis for estimating assets and liabilities

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

Assumed life expectancy from age 65 years

Retiring today	Males	20.00
	Females	24.00
Retiring in 20 years	Males	22.00
	Females	25.90

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

	31 Mar 2011		31 Mar 2010	
	% pa	Real	% pa	Real
Price increases	3.5	-	3.9	-
CPI increases	2.7	(0.8)	-	-
Salary increases	5.0	1.5	5.4	1.5
Pension increases	2.7	(0.8)	3.9	-
Discount rate	5.5	1.9	5.5	1.5

The figures are from the Barnett Waddingham FRS 17 Disclosures report, and these assumptions are set with reference to market conditions at 31 March 2011. The discount rate is the yield on the ibox AA rated over 15 year corporate bond index as at this date which has been chosen to meet the requirements of IAS 19. The RPI increase assumption is set based on the difference between conventional gilt yields at the accounting date using data published by the Bank of England. This measure has historically overestimated future increases in the RPI and so we have made a deduction of 0.25% to get the RPI assumption of 3.5%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI ie. 2.7%.

Expected return on assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2010 for the year to 31 March 2011). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

The following expected returns were adopted:

Expected return on assets

	31 Mar 2011	31 Mar 2010
	% pa	% pa
Equities	7.5	7.6
Gilts	4.4	4.5
Bonds	5.5	5.5
Property	5.4	5.5
Cash	3.0	3.0

Profit and Loss Account Cost for the year to 31 March 2011

The amounts recognised in the profit and loss statement are:	31 Mar 2011	31 Mar 2010
	£'000	£'000
Current service cost	25,154	10,249
Interest on Obligation	43,622	37,217
Expected return on Scheme assets	(29,714)	(20,813)
Past service costs	(70,039)	-
Losses (gains) on curtailments and settlements	(3,137)	3,622
Total	(34,114)	30,275
Actual return on Scheme assets	19,811	101,373

Amounts for the Current and Previous Periods

Amounts for the current and previous four periods	31 Mar 2011	31 Mar 2010	31 Mar 2009	31 Mar 2008	31 Mar 2007
	£'000	£'000	£'000	£'000	£'000
Defined Benefit Obligation	(720,595)	(886,078)	(561,260)	(594,456)	(647,455)
Scheme assets	484,111	444,918	339,224	398,965	400,773
Surplus (Deficit)	(236,484)	(441,160)	(222,036)	(195,491)	(246,682)
Experience adjustments on Scheme liabilities	64,522	7,544	-	(9,709)	(977)
Percentage of liabilities	9.0%	0.9%	0.0%	1.6%	0.2%
Experience adjustments on Scheme assets	7,802	80,560	(93,735)	(33,879)	(431)
Percentage of assets	1.6%	18.1%	-27.6%	-8.5%	-0.1%
Cumulative Actuarial Gains and Losses	5,263	(138,200)	76,987	101,455	49,484

Project Pension Expense for the year to 31 March 2012

Projections for the year to 31 March 2012	31 Mar 2012
	£'000
Service Cost	20,140
Interest Cost	39,527
Return on assets	(31,368)
Total	28,299
Employer Contributions	25,777

48. Contingent Liabilities

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

As at 31 March 2011, known claims made against the council which, whilst either not accepted and / or of an unknown quantity, represent a potential future call on the Council's Resources.

- The Council has received two equal pay claims from current and former members of staff. The Council has rejected the claims and the matter may be heard in the Employment Tribunal. An adverse finding would result in a call on Council resources which would need to be managed through consideration of earmarked reserves.

- The Reykjavik District Court issued a verdict on 1 April 2011 confirming the local authorities' claims qualified for priority under Article 112 of the Icelandic Bankruptcy legislation. This related to both Glitnir and Landsbanki and also confirmed the position in relation to interest (see below). These decisions are being appealed to the Icelandic Supreme Court, however the current court ruling confirms the priority stance adopted in the previous LAAP bulletin.

  Interest - The District Court decisions confirmed the position in relation to interest in the authorities' favour. Where deposits matured between 6 October 2008 and 22 April 2009, local authorities claims should be on the value of the matured deposit plus interest of at least the contractual rate on the maturity value for the period from maturity to 22 April 2009 (the decisions are contractual interest for Glitnir and 8% interest for Landsbanki). For interest post maturity and up to 22 April 2009, LAAP recommend that the contractual rate of interest be used.

49. Contingent Assets

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

The Isle of Wight off-street car parking Fleming claim has been declined by Her Majesty's Revenue and Customs (HRMC) and the original lead case has been referred back to the UK tribunal (Tax) by the European Court of Justice. There is a possibility that Local Authorities may win the claim against HMRC.

50. Nature and Extent of Risks Arising from Financial Instruments

Financial Instruments – Risks

The Council has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with the The Revised Prudential Code of Capital Finance for Local Authorities (both updated in November 2009).

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 was revised following the council elections in May 2010, and the new strategy approved in November 2010. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

The main risks covered are:

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

<u>Credit Risk</u>

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, AAA-rated Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy. A limit of £25m is placed on the amount of money that can be invested with a single counterparty. The council also sets a total group investment limit for institutions that are part of the same banking group. The council's current Treasury Management Strategy allows deposits to be place for a maximum period of 364 days.

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 market intelligence. All investments have been made in line with the Council's Treasury Management Strategy Statement for 2010-11, approved by Cabinet Resource Committee on the 16th of March 2010 and subsequently amended on the 30th of November 2010.

As conditions in the financial sector had begun to show signs of improvement, albeit with substantial intervention by government authorities, the Authority decided it would be appropriate to diversify the counterparty list in 2010/11, through the inclusion of comparable non-UK Banks for investments. The sovereign states whose banks were included were Australia, Canada, Finland, France, Germany, Netherlands, Switzerland and the US. These countries, and the Banks within them, were selected after analysis and careful monitoring of:

- Credit Ratings (minimum long-term A+)
- Credit Default Swaps
- GDP; Net Debt as a Percentage of GDP
- Sovereign Support Mechanisms/potential support form a well-resourced parent institution
- Share Price

Throughout 2010/11 the minimum criteria for new investments has been as follows:

Rating Agency	Long Term Rating	Short Term Rating
Finch	A+	F1
Moody's	A1	P-1
S&P	A+	A-1

The table below summarises the nominal value of the Council's investment portfolio at 31st March 2011, and confirms that all investments were made in line with the Council's approved credit rating criteria:

Counterparty	Credit Rating Criteria Met When Investment Placed?	Credit Rating Criteria Met on 31.03.2011?	Balance Invested as at 31 Mar 2011				
	Yes/No	Yes/No	Up to 1 Month	> 1month and < 3 months	> 3month and < 6months	> 6month and < 12 months	Total
			£'000	£'000	£'000	£'000	£'000
Other Local Authorities	Yes	Yes	20,600	1,000	-	-	21,600
Banks - UK	Yes	Yes	-	-	10,000	17,500	27,500
Banks - Non UK	N/A	N/A	-	-	-	-	-
Total Banks			20,600	1,000	10,000	17,500	49,100
Building societies - UK	Yes	Yes	10,000	-	-	10,000	20,000
Call Accounts	Yes	Yes	38,850	-	-	-	38,850
Total			69,450	1,000	10,000	27,500	107,950

The above analysis shows that all deposits outstanding as at 31st of March 2011 met the Council's credit rating criteria on the same date.

The above analysis excludes the estimated carrying value after impairment of the Council's Icelandic Bank investment of £ 24.431m

Trade Receivables

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

	Gross Debtors	Average% Default Based on Previous Experience 5 years to 2008/09	Average% Default Based on Previous Experience 5 years to 2010/11	Bad Debt Provison for 2010/11
Customers:				
Sundry Debtors	21,167	5%	5%	8,344

Liquidity Risk

The Council has access to borrowing facilities via the Public Works Loan Board, commercial banks and other local authorities. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates.

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

The maturity analysis of the nominal value of the Council's debt at 31st March 2011 was as follows:

	Years	31 Mar 2011 £'000	% of total Debt portfolio
Total Short Term Borrowing	Less than 1 year	6,000	2.96%
Long Term Borrowing	Over 1 But not over 2	-	-
	Over 2 But not over 5	2,000	0.99%
	Over 5 But not over 10	-	-
	Over 10 But not over 15	2,000	0.99%
	Over 15 But not over 20	28,000	13.83%
	Over 20 But not over 25	44,000	21.73%
	Over 25 But not over 30	-	-
	Over 30 But not over 35	45,000	22.22%
	Over 35 But not over 40	-	-
	Over 40 But not over 45	-	-
	Over 45	75,500	37.28%
Total Long Term Borrowing		196,500	97.04%
Total Borrowing		202,500	100.00%

Market Risk

- Interest Rate Risk: The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 30% on external debt that can be subject to variable interest rates. At 31 March 2011, 100% of the debt portfolio was held in fixed rate instruments, and 0% in variable rate instruments.

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

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

- Foreign Exchange Risk: The Council has no financial asset or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

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

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest payable on variable rate investments	1,646
Increase in government grant receivable for financing costs	340
Impact on the Provision of Services Surplus / (Deficit)	1,986
Share of overall impact (debited)/credited to HRA	971
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	-
Decrease in fair value of fixed rate borrowings/liabilities	1,032

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

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the 'Fair Value' disclosure note (Note 15).

Financial Instruments Adjustment Account

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

There is a requirement for all premiums and discounts arising from loan extinguishments from 1 April 2006 to be charged to Income and Expenditure in full. Where transactions meet the definition of a modification any premiums or discounts are added to the carrying value of the loan and are then amortised to the Comprehensive Income and Expenditure Statement over the life of the new loans. A modification exists where the terms of the new debt are not "substantially different" from those of the old debt.

In the case of premiums and discounts relating to transactions occurring prior to 1 April 2006, these are classified between those that are overhanging and those that are not overhanging. Overhanging premiums and discounts are those that cannot be associated with a continuing loan. These must be written off in full as an adjustment to the General Fund Balances Brought Forward at 1 April 2007.

In the case of overhanging premiums or discounts, or those relating to loans extinguishments, Statutory Provisions exist to override the provisions of the Code of Practice. The charges are reversed out in the Statement of Movements on Balances and premiums and discounts are amortised to Revenue over a period of years. Where premiums and discounts are not overhanging or are linked transactions meeting criteria of a loan modification the statutory provisions relating to General Fund do not apply.

Premiums amortised under statutory provisions can be charged to the General Fund over either the remaining life of the original loan or the life of the replacement loans, whichever is the greater period. Discounts must be credited to the General Fund over 10 years or the life of the original loan, whichever is the shorter period.

In the case of the Housing Revenue Account premiums and discount are applied over a maximum 10 year period in all circumstances in accordance with Statutory Requirements.

In 2007/08 a change in accounting regulations regarding financial instruments brought about the creation of a new reserve, known as the financial instruments adjustment account (FIAA), which as at 31 March 2011 comprised the following elements.

The transactions reflected in the FIAA for 2010/11 are as follows:

	2010/11	2009/10
	£'000	£'000
Balance at 1 April	1,718	2,060
Effective Interest Rate Adjustment	9	36
HRA Adjustment	(378)	(378)
Balance at 31 march	1,349	1,718

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

51. Transition to International Financial Reporting Standards (IFRS)

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

	£'000
Net deficit for year for audited 2009/10 accounts	70,213
Adjustments:	
Accumulated absences accrual	1,252
Investment property valuation	(7,138)
Reversal of revaluation losses	(3,048)
Deficit on provision of services for restated 2009/10 accounts	61,279

	2009/10	2008/09
	£'000	£'000
Total assets less liabilities for audited accounts	1,335,843	1,509,144
Adjustments:		
Accumulated absences accrual	(8,346)	(7,094)
Finance lease	(98)	(63)
De-recognising Government grants deferred	124,186	121,126
Council Housing stock adjustment*	(531,000)	(504,000)
Net assets for restated accounts	920,585	1,119,113

Prior Year Adjustment

* The Council Housing Stock adjustment does not relate to transition to IFRS. Communities and Local Government (CLG) issue valuation guidance for council housing stock every 5 years. After reviewing the new guidance published for 2010/11, council officers have revised work done following previous guidance issued in 2005/06. This has resulted in the value of the council housing stock being reduced. The value has been corrected for 2010/11 and restated for the 2009/10 and 2008/09 comparatives. It should be highlighted that the CLG's guidance for council housing stock is only used to represent the value of these properties on our balance sheet, the Existing Use Value – for Council Housing Stock is not used for any decisions relating to disposals or regeneration schemes. The figures shown above represents the cumulative adjustment.

SECTION 4

Supplementary financial statements

Housing Revenue Account

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

	Note	2010/11 £'000	2010/11 £'000	2009/10 £'000
Income				
Dwelling rents		(46,812)		(46,351)
Non-dwelling rents		(1,460)		(1,558)
Charges for services and facilities		(6,562)		(6,616)
Total Income			(54,834)	(54,525)
Expenditure				
Repairs and maintenance		8,305		8,461
Supervision and management		22,486		21,297
Rents, rates, taxes and other charges		85		85
Negative Housing Revenue Account subsidy payable	9	12,152		10,387
Depreciation and impairment of fixed assets	6,7	269,570		18,878
Debt Management Costs		3		14
Increase in bad debt provision		647		340
Revenue Expenditure funded from capital under statute (REFCUS)		-		1,628
Total Expenditure			313,248	61,090
Net Cost of HRA Services per Authority Income and Expenditure Account			258,414	6,565
HRA services share of Corporate and Democratic Core			-	-
HRA share of other amounts included in the whole authority Net Cost of services but not allocated to specific services			-	-
Net Cost of HRA Services			258,414	6,565
Gain or Loss on Sale of HRA fixed assets			112	(90)
Interest payable and similar charges			3,124	3,550
Interest and investment income			(89)	(97)
Impairment loss on investment			-	55
(Surplus) or deficit for the year on HRA services			**261,561**	**9,983**

Statement of Movement on the Housing Revenue Account Balance

(Surplus)Deficit for the year on the HRA Income and Expenditure Account		261,561	9,983
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute			
EIR interest cost on stepped loans		(3)	(14)
Amortisation of premium on early repayment of debt	8	378	378
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements - Impairment reversal, GGD reversal, REFCUS reversal		(249,362)	(2,636)
Gain or (Loss) on sale of HRA fixed assets		(111)	90
Transfer (to)/from Major Repairs Reserve	3	(12,550)	(8,181)
		(87)	**(380)**

Housing Revenue Account Balances

Housing Revenue Account Balance brought forward	(4,143)	(3,763)
(Surplus)Deficit for the year	(87)	(380)
Housing Revenue Account Balance carried forward	**(4,230)**	**(4,143)**

Housing Revenue Account notes

1. Dwelling stock

The authority's dwelling stock was, at 31 March	2010/11	2009/10
Houses	3,536	3,555
Bungalows	181	184
Flats	5,786	5,812
Maisonettes	1,356	1,412
Hostels	72	72
Bed sits	30	30
Total	10,961	11,065

2. Value of HRA assets

Values as at 31 March	2010/11	2009/10
	£000	£000
Balance sheet value - dwellings	536,528	766,639
Balance sheet value -other land and buildings	52,675	58,666
Vacant possession value -dwellings	2,102,000	2,041,000

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

3. Major Repairs Reserve

		2010/11	2009/10
		£000	£000
Balance as at 1 April		(3,798)	(4,384)
Capital expenditure charged to reserve (dwellings)		1,248	10,363
Depreciation	- dwellings	(19,459)	(16,515)
	- non-dwellings	(749)	(1,410)
Transfer to HRA	- dwellings	11,801	6,771
	- non-dwellings	749	1,410
Interest on balances		(48)	(33)
Balance as at 31 March		(10,256)	(3,798)

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

4. HRA capital expenditure

The HRA capital transactions were:-		2010/11	2009/10
Expenditure		£000	£000
Dwellings		16,482	24,358
Other property		322	1,981
Total		16,804	26,339
Financed from			
Borrowing		10,404	12,871
Capital receipts reserve		-	-
Major repairs reserve		1,248	10,363
Other contributions		5,152	3,105
	Total	16,804	26,339

5. Capital receipts

Capital receipts from disposals within the HRA were:-		2010/11	2009/10
		£000	£000
Land		598	1,065
Dwellings		948	1,070
Paid over to pool		(1,646)	(905)
	Total	(100)	1,230

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

6. Depreciation

		2010/11	2009/10
The depreciation charged to the HRA was:-		£000	£000
Dwellings		19,459	16,515
Other property		749	1,410
	Total	20,208	17,925

7. Impairment

		2010/11	2009/10
Impairment charged to the HRA was:-		£000	£000
Dwellings		249,041	-
Other property		321	953
Investments		-	55
	Total	249,362	1,008

8. Debt premium amortised in year

	2010/11	2009/10
	£000	£000
	(378)	(378)

9. HRA Subsidy

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

	2010/11	2009/10
	£'000	£'000
Management and maintenance	21,681	20,717
Major repairs allowance	7,659	9,743
Charges for capital	5,013	5,493
Other items of reckonable expenditure	26	57
Interest on receipts	(19)	(48)
Rent	(46,512)	(46,209)
Rent constraint allowance	-	-
Total for year	(12,152)	(10,247)
Prior year adjustments	-	(140)
Total payable	(12,152)	(10,387)

10. Arrears

HRA arrears outstanding at the year end:	2010/11		2009/10 *
	£000	£000	£000
Leaseholder service charges	3,720		3,472
less bad debt provision	(610)		(664)
		3,110	2,808
Housing rents	2,979		2,686
less bad debt provision	(1,186)		(968)
		1,793	1,718
Commercial rents	208		243
less bad debt provision	(27)		(22)
		181	221
Net arrears		5,084	4,747

*Restated

11. ALMO – Barnet Homes LTD

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

12. Accounting for pensions in the HRA

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

Collection fund

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

The income and disbursement account of the collection fund for 2010/11 is:

	Note	2010/11		2009/10	
		£'000	£'000	£'000	£'000
Income					
Council Tax	1		170,541		167,770
Council Tax Benefits			30,510		29,278
Collectable business rates	2		98,264		95,970
			299,315		293,018
Disbursement					
Precepts:					
- London Borough of Barnet		153,005		152,069	
- Greater London Authority		42,584	195,589	42,323	194,392
Estimated surplus on collection fund:	2				
- London Borough of Barnet		1,998		758	
- Greater London Authority		556	2,554	217	975
Non-domestic rates					
- Payment to national pool		97,836		95,547	
- Cost of collection allowance		428	98,264	423	95,970
Total disbursed			296,407		291,337
Council tax					
Change in bad debt provision	3	(2,718)		(4,396)	
Written off		4,565	1,847	3,716	(680)
Fund surplus / (deficit) for year			1,061		2,361
			299,315		293,018
Fund balance brought forward		8,809			6,448
Fund surplus / (deficit) for year		1,061			2,361
Fund balance carried forward		9,870			8,809

Notes to collection fund

1. Council tax

The Government provides the authority with a valuation of each residential property as at 1 April 1991. Each valuation is allocated into one of eight bands on which individual council tax charges are calculated. The tax base is the total number of chargeable properties in all valuation bands converted to an equivalent number of band D dwellings, with an allowance made for discounts and exemptions. The standard charge is found by taking the amount of income required by the collection fund's two preceptors combined and dividing this by the council tax base. The amount of council tax required from a property in any tax band is the band D charge (£1423.02 for 2010/11) multiplied by the ratio specified for that band. The figures at the time of tax base calculation for the bands A to H were:

Band	Ratio	No. of Band D equivalents
A	0.67	970
B	0.78	5,659
C	0.89	19,631
D	1.00	23,991
E	1.22	32,141
F	1.44	24,461
G	1.67	23,474
H	2.00	6,891
MOD contribution		228
Tax base		137,446

2. Non-Domestic rateable value

The total non-domestic rateable value for Barnet at the year-end was £285,817,159 and the national non-domestic rate multiplier for the year was 41.4p (0.414).

3. Collection fund surplus or deficit

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

4. Council tax written off

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

5. Collection Fund Balances

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

	2010/11	2009/10
	£'000	£'000
Barnet	7,721	6,891
Greater London Authority	2,149	1,918
Total	9,870	8,809

SECTION 5

Group accounts

Group Movement in Reserves Statement 2010/11

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2010	29,360	32,567	4,143	17,012	3,798	27,390	**114,270**	**816,081**	**930,351**
Movement in reserves during 2010/11									
Surplus / (Deficit) on provision of services	(279,621)	-	-	-	-	-	**(279,621)**	**-**	**(279,621)**
Other Comprehensive Expenditure and Income	-	-	-	8	47	-	**55**	**270,755**	**270,810**
Total Comprehensive Expenditure and Income	(279,621)	-	-	8	47	-	**(279,566)**	**270,755**	**(8,811)**
Adjustments between Group Accounts and authority accounts							**-**	**-**	**-**
Net increase/Decrease before transfers	(279,621)	-	-	8	47	-	**(279,566)**	**270,755**	**(8,811)**
Adjustments between accounting basis & funding basis under regulations	290,019	-	87	4,521	6,411	(1,808)	**299,230**	**(299,230)**	-
Net Increase / Decrease before Transfers to Earmarked Reserves	**10,398**	**-**	**87**	**4,529**	**6,458**	**(1,808)**	**19,664**	**(28,475)**	**(8,811)**
Transfer to / from Earmarked Reserves	(7,946)	7,946	-	-	-	-	**-**	**-**	**-**
Increase / Decrease in Year	**2,452**	**7,946**	**87**	**4,529**	**6,458**	**(1,808)**	**19,664**	**(28,475)**	**(8,811)**
Balance at 31 March 2011 carried forward	**31,812**	**40,513**	**4,230**	**21,541**	**10,256**	**25,582**	**133,934**	**787,606**	**921,540**

Group Comprehensive Income and Expenditure Account

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

On provision of services the group spent:	2010/11 Consolidated gross expenditure	2010/11 Consolidated gross income	2010/11 Consolidated net expenditure	2009/10* Consolidated gross expenditure	2009/10* Consolidated gross income	2009/10* Consolidated net expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Central services to the public	10,263	(3,466)	6,797	8,353	(3,249)	5,104
Cultural, environmental and planning services	78,259	(16,201)	62,058	75,444	(16,272)	59,172
Children's and education Services	429,824	(323,130)	106,694	422,626	(305,658)	116,968
Highways, roads & transport services	42,307	(14,058)	28,249	45,617	(14,412)	31,205
Housing services	571,259	(301,714)	269,545	304,840	(286,936)	17,904
Adult social services	112,064	(15,696)	96,368	106,499	(15,697)	90,802
Corporate and democratic core	7,626	(300)	7,326	7,454	(3,023)	4,431
Non distributed costs	20,312	(84,528)	(64,216)	31,401	(2,949)	28,452
(Surplus) / Deficit on Continuing Operations	1,271,914	(759,093)	512,821	1,002,234	(648,196)	354,038
Other Operating Expenditure	63,728	-	63,728	3,284	(152)	3,132
Financing and Investment Income & Expenditure	22,124	(6,903)	15,221	24,747	(12,324)	12,423
(Surplus) / Deficit of Discontinued Operations	-	-	-	-	-	-
Taxation and Non-Specific Grant Income	18	(312,167)	(312,149)	18	(310,375)	(310,357)
(Surplus) / Deficit on Provision of Services			279,621			59,236
(Surplus) / Deficit on revaluation of fixed assets			(126,428)			(77,411)
(Surplus) / Deficit on available for sale financial assets			(433)			(527)
Actuarial (gains) / losses on pension assets / liabilities			(143,949)			215,187
Other Comprehensive Income and Expenditure			(270,810)			137,249
Total Comprehensive Income and Expenditure			8,811			196,485

* Restated

Group Balance Sheet

This statement summaries the assets and liabilities of the Reporting Group as at 31st March 2011

	31 March 2011		31 March 2010	
	£'000	£'000	£'000	£'000
Property, Plant and Equipment	1,242,681		1,455,226	
Investment Properties	64,173		56,744	
Intangible assets - Software	3,152		1,448	
Long term debtors	1,942		2,087	
Long term investments	24,483		24,482	
Total long term assets		1,336,431		1,539,987
Inventories	574		379	
Short term investments	37,623			
Short term debtors	91,656		59,097	
Assets held for sale	3,040		13,157	
Cash and cash equivalents	107,687		221,302	
Total Current Assets		240,580		293,935
Short term Creditors	(107,110)		(168,007)	
Short term Borrowing	(6,136)		(12,239)	
Bank overdraft	(52,599)		(25,424)	
Provisions	(3,465)		(810)	
Total Current Liabilities		(169,310)		(206,480)
Long term borrowing	(198,380)		(204,401)	
Provisions	(8,408)		(15,337)	
Other Long Term Liabilities	(279,373)		(477,353)	
Total Long Term Liabilities		(486,161)		(697,091)
Net Assets		921,540		930,351
Usable reserves:	133,934		114,270	
Unsusable reserves:	787,606		816,081	
Total equity		921,540		930,351

*Restated

Group Cashflow Statement

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

	Group 2010/11		Group 2009/10*	
	£'000	£'000	£'000	£'000
Net (surplus) or deficit on the provision of services	279,621		59,236	
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(282,150)		(58,358)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	61,812		(43,636)	
Net cash flows from operating activities		59,283		(42,758)
Investing activities		30,031		49,783
Financing activities		51,476		(20,769)
Net increase or decrease in cash and cash equivalents		140,790		(13,744)
Cash and cash equivalents at the beginning of the reporting period		(195,878)		(182,134)
Cash and cash equivalents at the end of the reporting period		(55,088)		(195,878)

*Restated

Notes to group accounts

1. Introduction

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

2. Basis of consolidation

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

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

i) Nature of the business

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

ii) Relationship with the authority

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

iii) Financial performance

In 2010/11 the company made an operating surplus of £1.780 million (£0.905m surplus in 2009/10).

iv) Transactions with the company

The authority paid the company £31.534m in 2010/11 for the provision of housing management services and repair and maintenance works to housing stock (£31.721m in 2009/10). The authority provides the following services to the company:

The authority leases premises to the company and also provides various support services e.g. payroll. Total charges from the authority to the company in 2010/11 were £2.6m (£2.8m in 2009/10).

4. Group cash flow statement

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

5. Accounts

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

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

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

SECTION 6

Pension Fund

Fund Account

Contributions and Benefits	Note	2010/11 £000	2010/11 £000	2009/10 £000	2009/10 £000	2008/09 £000	2008/09 £000
Contributions Receivable	3	50,195		48,676		46,050	
Transfers in	4	4,249		4,660		2,973	
Other income		10		7		1	
		54,454		53,343		49,024	
Benefits Payable	5	(37,228)		(35,696)		(31,620)	
Payments to and on behalf of leavers	6	(5,452)		(6,431)		(2,052)	
Administrative expenses	7	(3,432)		(1,030)		(936)	
		(46,112)		(43,157)		(34,608)	
Net additions from dealings with members			8,342		10,186		14,416
Return on investments							
Investment income	8	8,743		14,799		18,806	
Change in market value of investments	9	39,652		126,404		(97,873)	
Investment management expenses	10	(2,945)		(2,127)		(1,845)	
Net returns on investments		45,450		139,076		(80,912)	
Net increase/(decrease) in the fund during the year			53,792		149,262		(66,496)
Net assets of the scheme							
At 1 April			631,401		482,139		548,635
At 31 March			**685,193**		631,401		482,139

Net Assets Statement

	Note	2010/11 £000	2010/11 £000	2009/10 £000	2009/10 £000	2008/9 £000	2008/9 £000
Investment assets	9	662,278		627,342		480,589	
Current assets	11	27,967		5,177		5,892	
Current liabilities	12	(5,052)		(1,118)		(4,342)	
			685,193		631,401		482,139

NOTES TO THE PENSION FUND ACCOUNTS

1. Introduction

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

Admitted Bodies

Barnet Homes
Birkin Services
Ceridian
Connaught
Fremantle Trust
Friends Moat Mount
Go Plant Hire
Greenwich Leisure
Housing 21
Open Learning Partnership
Veridian Housing
Turners Cleaning
Y-Gen

Scheduled Bodies

Ashmole
Barnet College
Bishop Douglas
Christ College
Danegrove School
Deansbrook Junior
Dollis Junior
Finchley Catholic
Friern Barnet School
London Academy
Mapledown School
Martin Private School
Mathilda Marks
Menorah Foundation
Middlesex University
Mill Hill County School
Monkfrith School
Osidge School
Queen Elizabeth Boys
St Michael's Grammar
Woodhouse College
Wren Academy

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

Connaught Partnership, previously an Admitted Body, went into administration with effect from 31/08/2010. A pension fund deficit of £1,492,000 has been calculated by the fund actuaries. The Council's legal team are currently liaising with Connaught's Administrators (KPMG) for the recovery of these monies. KPMG have confirmed the pension deficit is classed as unsecured, non-preferential debt.

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

The number of employees contributing to the fund increased during the year from 7,175 at 31 March 2010 to 7,123 at 31 March 2011. During the same period the number of pensioners increased from 6,207 to 6,326 and the number of deferred pensioners increased from 6,025 to 6,842. A government scheme supplies teachers' pensions; they are not provided for under these arrangements.

2. Accounting Policies

Accounting Standards

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

Transition to International Financial Reporting Standards

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

Basis of Preparation

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

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

Investments

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

a) Listed securities and securities on the Unlisted Securities Market (USM) are determined by Stock Exchange current bid prices at 31 March 2011.
b) Unit trust investments are stated at the latest prices quoted by their respective managers as at 31 March 2011.
c) Transactions in foreign currencies are taken into account at the ruling rate of exchange at the time of the transaction and in the financial statements at the rates prevailing on 31 March 2011.
d) Withholding tax reclaims received for accumulation funds and all changes in value, including reinvested income and growth in the value of the underlying securities are aggregated and shown as changes in market value of the investments in the Fund Account.

Sale and Purchase of Investments

The purchase and sale of investments is delegated to the fund managers and all settlements are accrued on the day of trading (the costs of acquiring investments are included in the value of the assets). The two fund managers: Schroder Investment Management and Newton Investment Management are required to produce a return on investment within benchmarks set by the Authority. These restrictions and the fund managers analysis of the assets and issuing bodies, dictates the timing of sales and purchases of investments. Approximately

10.7% of the Fund is held in house (3.5% in property unit trusts and 7.2% in pooled funds) and is administered by the staff of the London Borough of Barnet acting on advice from the Authority's independent investment advisor.

Administration Expenses

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

Benefits

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

Cash Balances and Interest on Cash

A cash balance of £Nil (£71.8 million in 09/10) was held by the Authority at 31 March 2011. Interest on cash held by the Borough on behalf of the Pension Fund was calculated on a rate equivalent to the Borough's average rate of return until March 2011 when the cash was completely separated from the London Borough of Barnet. Amounts exceeding £500 are invested in a call account yielding 0.8% as at 31 March 2011.

Taxation

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

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

3. Contributions Receivable

	2010/11	2009/10	2008/09
Employers	£000	£000	£000
LB Barnet	25,373	24,988	23,306
Scheduled bodies	11,204	10,321	9,239
Admitted bodies	3,026	2,907	3,412
Members			
LB Barnet	6,929	6,929	6,744
Scheduled bodies	2,883	2,732	2,511
Admitted bodies	780	799	838
	50,195	48,676	46,050

4. Transfers In

	2010/11	2009/10	2008/09
	£000	£000	£000
Individual transfers in from other schemes	4,249	4,660	2,973
	4,249	4,660	2,973

5. Benefits Payable

	2010/11	2009/10	2008/09
	£000	£000	£000
Pensions	28,224	27,234	25,364
Commutations and lump sum payments	8,296	7,939	5,738
Lump sum death benefits	708	523	518
	37,228	35,696	31,620

6. Payments to and on Account of Leavers

	2010/11	2009/10	2008/09
	£000	£000	£000
Refunds to members leaving service	6	5	1
Group transfers to other schemes	-	-	346
Individual transfers to other schemes	5,446	6,426	1,705
	5,452	6,431	2,052

7. Administrative Expenses

	2010/11	2009/10	2008/09
	£000	£000	£000
Administration and processing	3,331	979	878
Actuarial fees	60	14	17
Audit fees	41	37	39
Legal and other professional fees	-	-	2
	3,432	1,030	936

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

8. Investment Income

	2010/11	2009/10	2008/09
	£000	£000	£000
Income from fixed interest securities	964	2,576	3,131
Dividends from equities	6,557	10,280	10,108
Income from index linked securities	208	375	229
Income from pooled investments	100	142	965
Income from property unit trusts	1,246	1,295	1,337
Interest on cash deposits	248	448	3,460
Other income	102	489	308
	9,425	15,605	19,538
Irrecoverable withholding tax	(682)	(806)	(732)
Total investment income	8,743	14,799	18,806

9. Investments

2010/11

	Value at 01 April 2010 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Market Value £000	Value at 31 March 2011 £000
Fixed interest securities	39,875	115,637	(157,989)	2,477	-
Equities	336,525	121,399	(469,209)	11,284	-
Index-linked securities	23,808	10,953	(35,852)	1,091	-
Pooled investment vehicles	133,053	565,339	(83,905)	23,904	638,391
Properties	22,264	-	-	896	23,160
	555,525	813,328	(746,955)	39,652	661,551
Cash Deposits	71,817				727
	627,342				662,278

2009/10

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

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.

In November and December 2010 Newton and Schroders undertook a transition from their balanced segregated portfolios to unitised diversified growth and bond portfolios. Any income attributed to the unitised funds are reinvested and accounted for as a change in market value as apposed to income. Thus the investment income for 2010/11 is lower than the 2009/10 financial year.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £1,314,941 (2009/10: £238,500), the increase in transaction costs are due to the transition to new asset allocations at Newton and Schroders and a result of implementing the new Funding Strategy Statement. There are also transaction costs incurred on behalf of the unitised funds, but these are reflected in the unit cost. In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

The market value of investments held under management by the Fund's investment managers at year end totalled £639,118,000. This was split as follows:

	£'000	%
Schroder Investment Management	296,137	46.3
Newton Investment Management	295,140	46.2
Legal & General & Property Unit Trust	47,841	7.5
Total	639,118	100.0

	2010/11 £000	**2009/10** £000	**2008/09** £000
Fixed interest securities			
UK – Government	-	28,245	66,131
UK - Corporate Bonds	-	3,829	8,609
Overseas Corporate	-	4,130	-
Overseas Government	-	3,671	6,552
	-	39,875	81,292
Equities			
UK quoted	-	188,408	125,501
Overseas quoted	-	148,117	102,353
	-	336,525	227,854
Index-linked securities			
UK public sector quoted	-	20,523	24,216
Overseas public sector quoted	-	3,285	-
	-	23,808	24,216
Pooled investment Vehicles			
UK Managed funds	593,755	35,881	8,233
UK Unit Trusts	44,636	97,172	64,525
	638,391	133,053	72,758
Property			
UK property unit trusts	23,160	22,264	21,506
	23,160	22,264	21,506
Cash Deposits			
Sterling	727	71,817	52,963
	727	71,817	52,963

Pooled Investment Vehicles

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

Newton's Portfolio

	Long Corporate Bonds %	Global High Yield Bonds %	Long Gilt %	Newton's Real Return %
Equities				
UK	-	-	-	17.50
North America	-	0.22	-	9.03
Europe Ex UK	-	-	-	19.87
Japan	-	-	-	2.04
Pacific Ex Japan	-	-	-	2.58
Other	-	-	-	8.24
Fixed Interest				
UK Gilts	-	-	95.66	-
UK Index Linked Gilts	-	-	0.63	-
UK Corporate Bonds	99.55	17.61	3.68	3.14
Overseas Government Bonds	-	1.99	-	4.40
Overseas Corporate Bonds	-	79.85	-	10.00
Overseas Index Linked Corporate Bonds	-	-	-	1.77
Other Assets				
Commodities	-	-	-	4.10
Derivatives	-	-	-	0.12
Other Assets	-	-	-	0.01
Cash	0.45	0.33	0.03	17.20
Total	100.00	100.00	100.00	100.00

Schroder's Portfolio

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

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

AVC Investments

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

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

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

The fund does not participate in stock lending arrangements.

10. Investment Management Expenses

	2010/11 £000	2009/10 £000	2008/09 £000
Administration, management and custody	2,805	2,017	1,786
Performance Measurement Services	12	12	13
Other advisory fees	128	98	46
	2,945	2,127	1,845

11. Current Assets

	2010/11 £000	2009/10 £000	2008/09 £000
Contributions due from employers in respect of			
Employer contributions	1,141	1,060	842
Member contributions	291	279	229
Accrued income	344	3,814	4,801
Overpayment of Benefits	-	4	-
Sundry Debtors	906	-	-
Cash Balances	25,285	20	20
	27,967	5,177	5,892

12. Current Liabilities

	2010/11 £000	2009/10 £000	2008/09 £000
Unpaid Benefits	4,543	344	511
Unsettled Purchases	22	257	3,479
Accrued Expenses	487	517	352
	5,052	1,118	4,342

13. Statement of Investment Principles

The Authority is required by law to prepare and publish a Statement of Investment Principles (SIP). This Statement, approved in May 2000 and reviewed at least annually, sets out the Fund's policy on a range of matters relating to the investment and management of the Pension Fund. The Statement is published on the Borough's website at www.barnetpensions.org.

14. Related Party Transactions

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

	2010/11	2009/10	2008/09
	£000	£000	£000
Human Resources	462	581	584
Accountancy administration	140	143	177
Payroll Support	398	232	175
	1,000	956	936

15. Actuarial Valuation

Barnett Waddingham LLP undertook a formal actuarial valuation of the fund as at 31 March 2010, in accordance with The Local Government Superannuation Regulations 1986. The actuarial valuation calculates the contribution rate payable by Authority, as an employer, to meet the Administering Authority's funding objectives. The actuarial method used by the Actuary is known as the "projected unit credit method". The key feature of this method is that in assessing the future service cost, the Actuary calculates the contribution rate, which meets the cost of benefits accruing in the year after the valuation date. This is the same method adopted at the previous valuation and is an appropriate method for a fund, which is open to new members.

The actuary adopted a market value approach whereby assets were valued initially on a market value basis and liability assumptions were derived from gilt yields. The assumptions, which have the most significant effect on the result so the valuation, are:

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

The 2010 valuation actuarially assessed the value of the Fund's assets as £609.68 million, being sufficient to meet 76% of the Fund's liabilities.

The latest information valuation as at 31st March 2011 as per the requirements of IAS26 is attached. The figures below relate to the FRS17 valuation as at 31st March 2010, and are given for comparison;

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

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

16. Nature and Extent of Risks Arising from Financial Instruments

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

a) Overall procedures for managing risk

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

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

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

b) Credit and counterparty risk

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

c) Liquidity Risk

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

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

d) Market risk

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

The Pension fund is exposed to the risk of financial loss from a change in the value of its investments and the risk that the Pension Fund's assets fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term.

In order to manage the market value risk, the Pension Fund has set restrictions on the type of investments it can hold, subject to investment limits, in accordance with local Government Pension Scheme (Management and Investment of Funds) regulations 2009. Details of these can be found in the Pension fund's Statement of Investment Principles.

e) Exchange rate risk

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

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

London Borough of Barnet

Pension Fund

IAS 26 Disclosures as at 31 March 2011

Barnett Waddingham

Public Sector Consulting

18 April 2011

1. Introduction

We have been instructed by London Borough of Barnet, the Administering Authority to the London Borough of Barnet Pension fund ("the Fund"), to provide pension disclosures in respect of pension benefits provided by the Local Government Pension Scheme ("the LGPS") to members of London Borough of Barnet Pension Fund ("the Fund") as at 31 March 2011.

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

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

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

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

2. Valuation Data

Data Sources

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

- The results of the Triennial Actuarial Valuation as at 31 March 2010 which was carried out for funding purposes;
- Estimated whole fund income and expenditure items for the period to 31 March 2011;
- Estimated whole fund returns for the period to 31 March 2011 based on assets used for the purpose of the Triennial valuation as at 31 March 2010, actual fund returns for the period to 31 March 2011 and then market returns (estimated where necessary) for the period to 31 March 2011;
- Details of any new early retirements for the period to 31 March 2011 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report, especially in the context of the roll-forward approach we have taken (as described in the next section). Further, we are not aware of any material changes or events since we received the data.

Employer Membership Statistics

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

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

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2011 is estimated to be 4.3%. This is based on the estimated Fund value used at the previous accounting date and the estimated Fund value used at this accounting date. The actual return on Fund assets over the year may be different.

The estimated asset allocation for London Borough of Barnet Pension Fund as at 31 March 2011 is as follows:

Employer Asset Share - Bid Value	31 March 2011		31 March 2010	
	£000's	%	£000's	%
Equities	376,043	56%	336,525	53%
Gilts	13,430	2%	55,724	9%
Other Bonds	221,597	33%	7,959	1%
Property	26,860	4%	22,264	4%
Cash	33,575	5%	75,876	12%
Total	**671,505**	**100%**	**631,401**	**100%**

The final asset allocation of the Fund assets as at 31 March 2011 is likely to be different from that shown due to estimation techniques.

Unfunded Benefits

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

3. Actuarial Methods and Assumptions

Roll-Forward Approach

To assess the value of the Employer's liabilities as at 31 March 2011, we have rolled forward the value of the Employer's liabilities calculated for the Triennial valuation as 31 March 2010 allowing for the different financial assumptions required under IAS19.

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

It is not possible to assess the accuracy of the estimated liability as at 31 March 2011 without completing a full valuation. However we are satisfied that the approach of rolling forward the previous valuation results to 31 March 2011 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears no evidence that this approach is inappropriate.

Demographic/Statistical Assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31 March 2010. The post retirement mortality tables adopted were the S1PA Heavy tables allowing for long cohort projection, with a minimum 1% improvement and a 90% scaling factor.

The assumed life expectations from age 65 are:

Life Expectancy from age 65 (years)		31 March 2011
Retiring Today		
	Males	20.0
	Females	24.0
Retiring in 20 years		
	Males	22.0
	Females	25.9

We have also made the following assumptions:

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

Financial Assumptions

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

Assumptions as at	31 March 2011		31 March 2010		31 March 2009	
	%p.a.	Real	%p.a.	Real	%p.a.	Real
RPI Increases	3.5%	-	3.9%	-	2.7%	-
CPI increases	2.7%	-0.8%	n/a		n/a	
Salary Increases	5.0%	1.5%	5.4%	1.5%	4.2%	1.5%
Pension Increases	2.7%	-0.8%	3.9%	-	2.7%	-
Discount Rate	5.5%	1.9%	5.5%	1.5%	6.7%	3.9%

These assumptions are set with reference to market conditions at 31 March 2011. The discount rate is the yield on the iBoxx AA rated over 15 year corporate bond index as at this date which has been chosen to meet the requirements of IAS19. The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England. This measure has historically overestimated future increases in the RPI and so we have made a deduction of 0.25% to get the RPI assumption of 3.5%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.7%.

Salary increases are then assumed to be 1.5% above RPI in addition to a promotional scale, but we have also assumed that there is a pay freeze until 31 March 2012 for all members earning over £21,000 per annum

4. Results and Disclosures

The results of our calculations for the year ended 31 March 2011 are set out in Appendix 1. We estimate that the net liability as at 31 March 2011 is a liability of £318,391,000.

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

The figures in this report are presented only for the purposes of IAS 19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

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

Graeme Muir FFA
Partner

Alison Hamilton FFA
Partner

Appendix 1. Balance Sheet Disclosure as at 31 March 2011

Net Pension Asset as at	31 Mar 2011 £000's	31 Mar 2010 £000's	31 Mar 2009 £000's
Present Value of Funded Obligation	989,896	1,115,978	757,034
Fair Value of Scheme Assets (bid value)	671,505	631,401	471,365
Net Liability	**318,391**	**484,577**	**285,669**

*Present Value of Funded Obligation consists of £837,774,000 in respect of Vested Obligation and £152,122,000 in respect of Non-Vested Obligation.

Appendix 2. Asset and Benefit Obligation Reconciliation for the Year to 31 March 2011

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

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

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

GLOSSARY

Glossary

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

Accounting policies

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

(i) recognising

(ii) selecting measurement bases for, and

(iii) presenting assets, liabilities, gains, losses and changes to reserves.

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

Accounting standards

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

Accrual

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

Actuarial gains and losses

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

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

(b) the actuarial assumptions have changed.

Assets

These can either be:

- Long term (non-current), tangible assets that give benefits to the authority for more than one year.

- Property, Plant and Equipment, assets which are held for use in the production or supply or goods and services, for rental to other, or for administrative purposes. These include items that were previously categorised in the following categories under UK GAAP:

    - Community assets, assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks and historic buildings.

    - Council dwellings, these are owned by the council providing services to the communities. Such examples include leisure centres, libraries and museums.

- Vehicles, these assets are used by the council for the direct delivery of services, such examples include dust carts.

- Equipment, held by the local Authority in the delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objective of the authority.

- Infrastructure assets, fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of such fixed assets are highways and footpaths that cannot be transferred to another owner.

• Investment property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:

a) use in the production or supply of goods or services or for administrative purposes, or
b) sale in the ordinary course of operations.

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

• Non-operational assets, non-current assets held by an authority but not used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets include investment properties and assets that are surplus to requirements, pending their sale. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the authority and the rental income is negotiated at arm's length.

• Intangible assets, these are usually stand alone intellectual property rights such as software licences that, although they have no physical substance are right to show on the balance sheet where they have been capitalised as being of benefit for more than the year of account. Where software is integral to the running of hardware it is properly included in the value of the hardware.

Associate company

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

Balance Sheet

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

Benefits

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

Best value accounting code of practice (BVACOP)

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

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

Billing authority

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

Capital expenditure

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

Collection fund

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

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

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

Deferred capital receipts

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

Defined benefit scheme

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

Defined contribution scheme

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

Depreciation

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

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

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

Inventories

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

General fund

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

Government grants

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

Historic cost

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

Housing revenue account (HRA)

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

HRA subsidy

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

Impairment

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

Infrastructure assets

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

Joint venture

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

Leases

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

Liabilities

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

Long-term contracts

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

Major repairs allowance (MRA)

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

Major repairs reserve (MRR)

This reserve is for capital expenditure on HRA assets.

Minimum revenue provision (MRP)

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

National non-domestic rates (NNDR)

The rates paid by businesses. These rates are collected by local authorities and paid over to the government. They are then redistributed to local authorities on the basis of relevant population.

Net book value

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

Operational assets

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

Outturn

Actual income and expenditure in a financial year.

Pension funds

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

Prior period adjustments

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

Precept

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

Preceptor

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

Provisions

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

Prudential borrowing

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

Prudential Code

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

Public works loan board (PWLB)

A Government body that lends money to local authorities for periods in excess of one year, often at preferential interest rates.

Rateable value

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

Related parties

Two or more parties are related parties when at any time during the financial period:

(i) one party has direct or indirect control of the other; or

(ii) the parties are subject to common control from the same source; or

(iii) one party has influence over the financial and operational policies of the other party to the extent that the other party might be inhibited from pursuing at all times its own separate interests; or

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

Related party transactions

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

Reserves

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

Revenue support grant

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

Subsidiary

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

Substance over form

There is a requirement that the substance (real effect on the authority) of a transaction is reported rather than just actual monetary movements (substance over form) at the time they happen. That is future liabilities or gains are recognised in the accounts when they are incurred rather than just when paid for or received.

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

Useful life

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