Statement of Accounts

Year ended 31 March 2013

BARNET
LONDON BOROUGH

Explanatory Foreword

An Introduction to the Statement of Accounts

The Statement of Accounts for the London Borough of Barnet provides a picture of the council's financial position at 31 March 2013 and a summary of its income and expenditure in the year to 31 March 2013. It is, in parts, a complex document which sets out to ensure that the accounts of all Government funded bodies provide comparable and consistent information and comply with International Financial Reporting Standards.

The Statement of Accounts is made up of a number of statements and notes, the most important of which are:

The Statement of Responsibilities for the Statement of Accounts

This sets out the respective responsibilities of the Chief Financial Officer and the Council for the accounts.

The Auditor's Statement

This is the Independent Auditor's Report to Members of Barnet Council including the Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources and confirms that the accounts provide a true and fair view of the council's financial position.

The core financial statements which consist of the following:

Movement in Reserves Statement

This statement shows the movement on the different reserves held by the authority, analysed into usable and unusable reserve and shows the increase or decrease in net worth of the council. It provides and explanation of the changes in, and movements between, reserve accounts to increase or reduce the resources available to the Council. It shows how the council's total Comprehensive Income and Expenditure of **£24.200 million** is allocated to the council's reserves.

Comprehensive Income and Expenditure Statement (CIES)

This summarises the income generated and expenditure made by the council in providing services during 2012/13. The account also shows how the council's services are funded through Council Tax, business rates, government grants and fees and charges made by the council for its services.

Balance Sheet

This provides a summary of what the council owns, **£1,410.307 million** and owes, **£814.446 million** together with the council's total reserves as at 31 March 2013 of **£595.861 million.**

Cash Flow Statement

This shows the inflows and outflows of cash arising from capital and revenue transactions and links the income and expenditure account and the balance sheet movements during the year.

These statements are supported by the council's accounting policies and explanatory notes which provide additional information and explanation as to what makes up the council's Statement of Accounts for the year ended 31 March 2013 together with:

Housing Revenue Account (HRA)

This shows the council's expenditure on maintenance, administration and capital financing costs of its housing stock and how these are met by rents, service charges and other income.

Collection Fund statement

The fund shows the income due from Council Tax, non-domestic rates and the application of the proceeds which are distributed to the council itself and the Greater London Authority (GLA). The council acts as an agent for collecting Council Tax and non-domestic rates, the latter on behalf of the government.

Pension fund accounts

The pension fund account shows the contributions to the fund during 2012/13 and the benefits paid from it. The net assets statement sets out the financial position for the fund as at 31 March 2013. **The fund is separately managed by the council acting as trustee and its accounts are separate from those of the council.**

The Annual Governance Statement

This gives a formal assurance that the council has proper arrangements in place to manage all of its affairs. It summarises the council's responsibilities in the conduct of its business, the purpose and key elements of the system of internal control and the processes applied in maintaining, reviewing and developing the effectiveness of those control systems.

Overview of the council's Statement of Accounts

2012/13 was a challenging year for both the council and its residents. For residents the economic recession continued to depress household incomes while inflationary pressures on fuel, utilities and food prices reduced household spending power. For the council, these pressures were increased by the Government's need to reduce public expenditure resulting in the council having to make substantial savings across the services it delivers. At the same time, the council has faced significant demographic pressures in it services, particularly in Adult Social Care as people live longer and Children's services due to rising population and migration into the borough. The council's response has been to protect front line service delivery, minimise further impact on household budgets by freezing Council Tax while making substantial savings by improving and transforming its back office support services.

Barnet is facing a significant period of change as it responds to the impact of significant demographic changes in the community it serves while managing a 26% reduction in its funding from central government. Despite these pressures, Barnet remains a great place to live and work with a vibrant economy reflected in the third highest business base and start-up rate in London and over 7,000 new homes built in recent years.

During 2012/13 the council has continued to invest in the community and to meet its needs by spending an additional £3.5 million on roads and pavements, £1 million in early intervention with vulnerable people and £1 million to support local businesses and assist young people into employment. The Council continued to focus on ensuring that resources are channelled to delivering services that meet the needs of local residents despite the challenging financial constraints and uncertain economic conditions; which are expected to continue into 2013/14.

The London Borough of Barnet manages **a net budget of £280.856 million** to deliver key services to the community it serves. The actual expenditure of the council is subject to regular financial and operational monitoring which is summarised in the financial outturn reported to Council. For the year ended 31 March 2013 the outturn resulted in a small surplus as set out in the table below

Directorate	2012/13 Budget £000's	**2012/13 Actual £000's**	2012/13 (Under)/ Overspend £000's
Adult Social Care	96,987	**96,797**	(190)
Children's Services (including schools funded by DSG*)	57,619	**56,781**	(838)
Environment, Planning and Regeneration	24,734	**24,754**	20
Chief Executive	17,044	**17,034**	(10)
Commercial Services	14,736	**14,907**	171
Deputy Chief Executive	6,195	**6,187**	(8)
Corporate Governance	5,848	**6,013**	165
Services Net Expenditure for the year	223,163	**222,473**	**(690)**
Central Expenses (including reserves/ funding)	57,693	**58,333**	640
Council's budget and Outturn for the year	**280,856**	**280,806**	**(50)**

*DSG – Direct Schools Grant; this is received from the Government and distributed to the council's schools

The council's outturn illustrates the control exercised during these difficult economic conditions but is adjusted in the financial statements by a number of factors. The following table illustrates the impact of these adjustments which arise mainly from accounting adjustments required by statute or reporting standards to reconcile the outturn to the Comprehensive Income and Expenditure Account:

	2011/12 £000's	**2012/13 £000's**
Council's outturn for the year	283,689	**280,806**
Settlement of HRA self-financing	102,580	**-**
Revaluations and Pension costs charged to services	12,659	**(15,155)**
(Surplus)/Deficit on Continuing Operations	398,928	**265,651**
Loss on transfer of Schools to Academies	102,163	**13,655**
Other operating expenditure	4,037	**7,115**
Net Interest received or paid on investments and loans	5,086	**10,017**
Council Tax, Business Rates and Grant Income	(323,375)	**(320,994)**
(Surplus)/Deficit on the Provision of Services	186,839	**(24,556)**
I(Surplus)/Deficit on revaluation of non-current assets	17,563	**20,504**
(Gains) or Losses on the pension fund	114,852	**28,252**
Total Comprehensive Income and Expenditure	319,254	**24,200**

Key events in the year

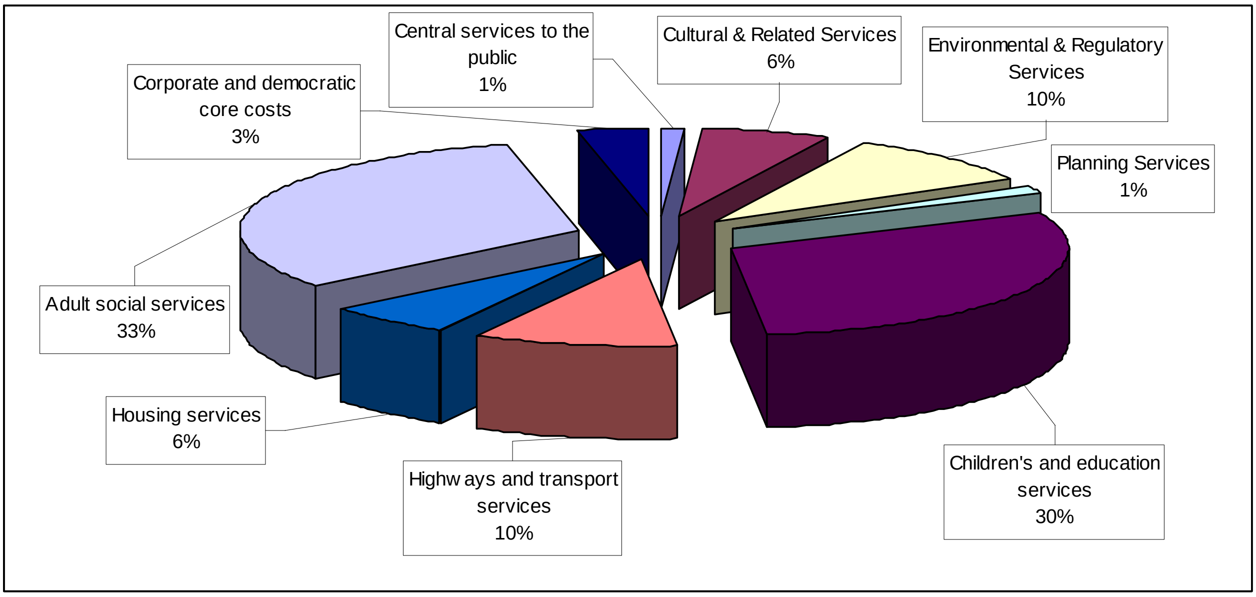
During the year the council continued to change the way it manages the delivery of services to residents of the borough by streamlining its management structure, reducing waste and focussing resources on key areas such as:

- supporting residents in their later years
- protecting vulnerable children
- enhancing waste collection; with further changes to start in October 2013
- improving our roads and open spaces
- expanding schools to meet the challenge of increasing primary school children

Explanatory Foreword

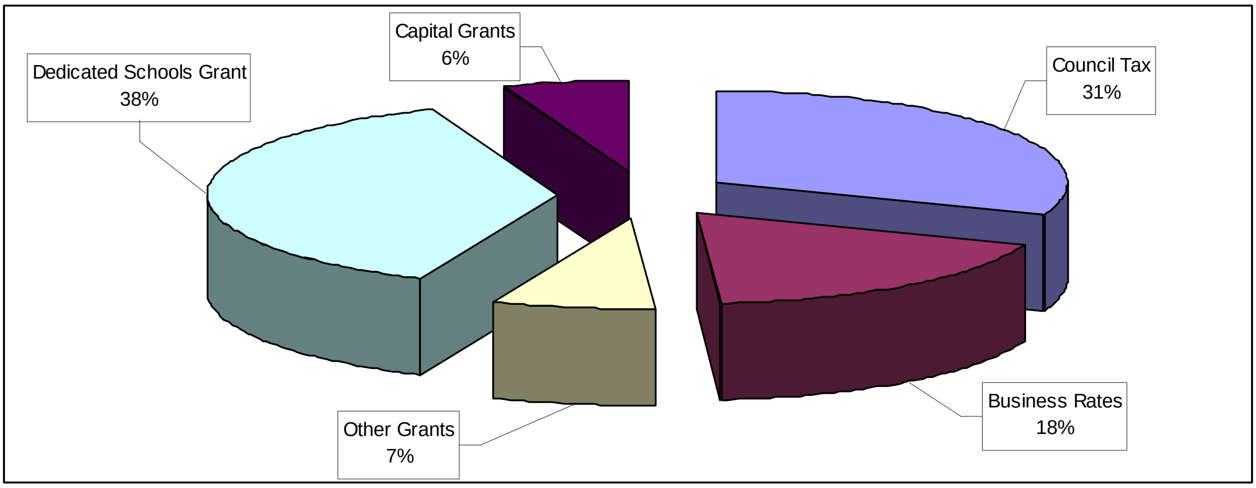
Where the money was spent

The Comprehensive Income and Expenditure Statement shows the gross expenditure for the Council and the income allocated to each service area. The graph below shows the net expenditure by service area for the total cost of services for the council in 2012/13:



Where the money came from

The Council receives income from many sources but the main ones are Council Tax, business Rates, Government grants and Capital grants which are provided in note 11 to the accounts. The graph below shows these major income streams including Direct Schools Grant; disclosed in note 38.

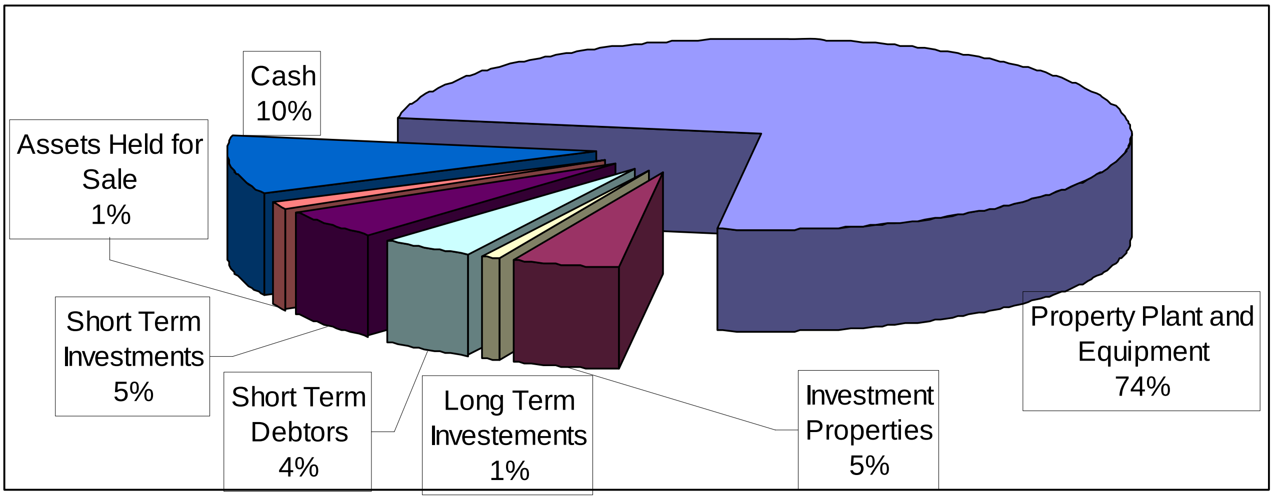


Capital Investment

The council supports a major capital investment programme to continue to improve the council's buildings, roads, schools, housing and service assets (e.g. libraries) and this is summarised by directorate in note 39.

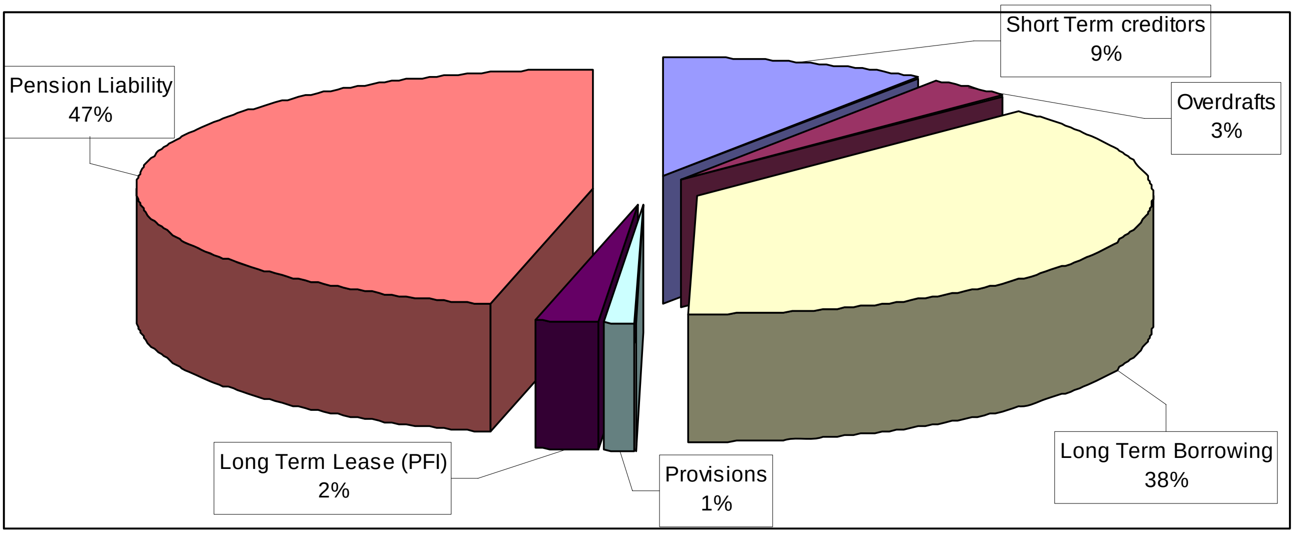
What the Council owns

The chart below summarises the assets held by the council which include its property, plant and equipment (detailed in note 12 of the accounts) together with debtors (money owed to the council) and cash. In total this adds up to £1,412 million and demonstrates the financial strength of the council.



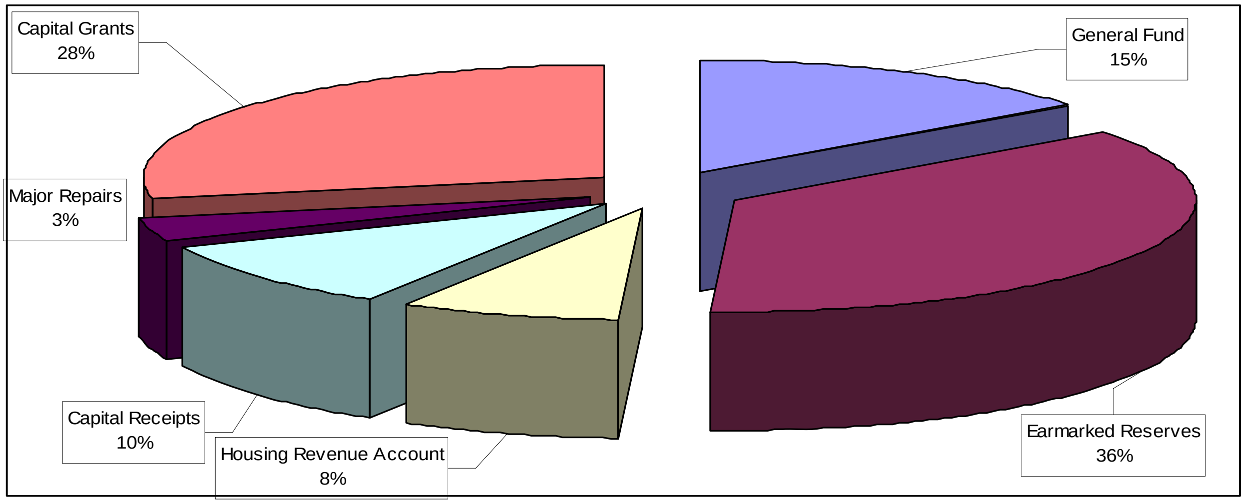
What the Council owes

This chart provides a summary of the amounts owed by the council which are mainly in respect of long term loans and the long term liability commitment to its pension fund, together with creditors (money owed by the council to suppliers) and lease commitment, including its Private Finance Initiative to invest in street lighting (note 41 of the accounts). The Council has no plans to increase its borrowing in the next few years as it has sufficient cash to fund future investments.

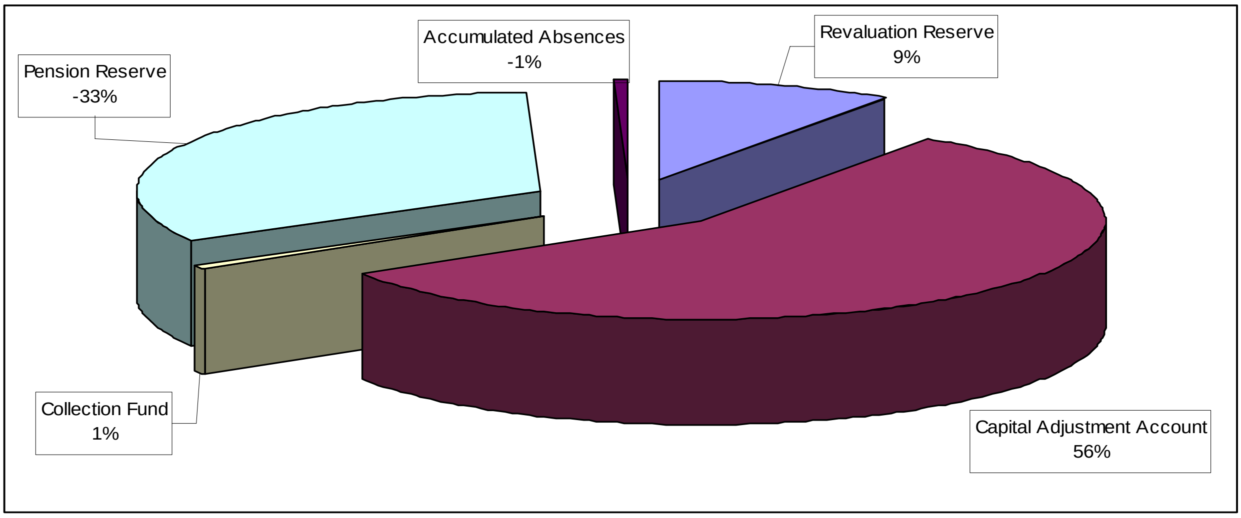


The Councils Reserves

The Council retains some monies for future use as reserves, these are useable reserves and provide a cushion to protect the council against unforeseen events or to specifically fund known obligations as set out below. The HRA (Housing Revenue Account) balance can only be used to support the council's housing stock.



The council is also required to create reserves as the result of accounting adjustments such as revaluations of its properties or to meet projected future pension liabilities. These are unusable reserves (see note 24 in the accounts) and are shown below:



The Housing Revenue Account
Summary of the year

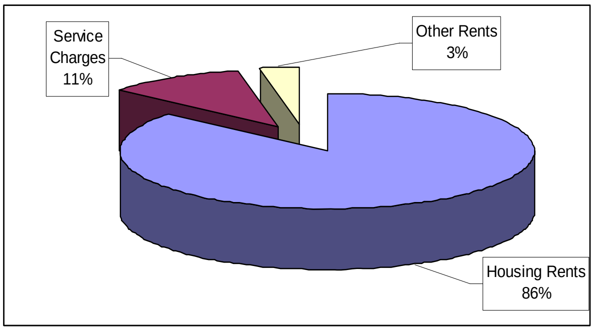
The council has **10,840 homes** with which to house its residents with a **value of £2,215 million** at vacant possession value. These assets are carried in the balance sheet at social use value to reflect the commitment and cost to maintain the dwellings over time at a valuation £561.8 million.

The rents paid by residents are used to re-invest in the housing stock through day to day repairs and maintenance costs, management and supervision expenses and depreciation charges. In addition the council invests in the housing stock through major repairs programmes to replace windows and doors, kitchens and bathrooms or central heating systems, together with building new dwellings.

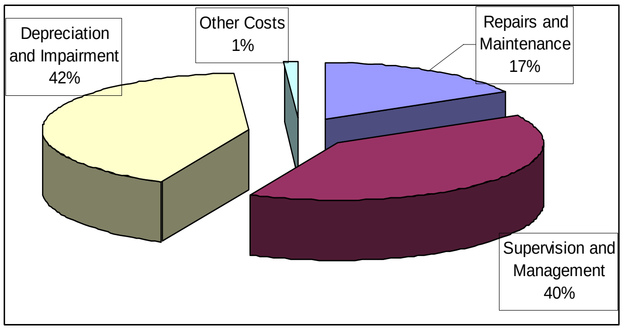
During the year the council **invested almost £16.5million** in its housing stock ensuring its homes met the Decent Homes standard and building new houses for residents to live.

The following charts provide a summary analysis of where the income was generated and spent during the year:

Revenues from Housing



Where the money was spent



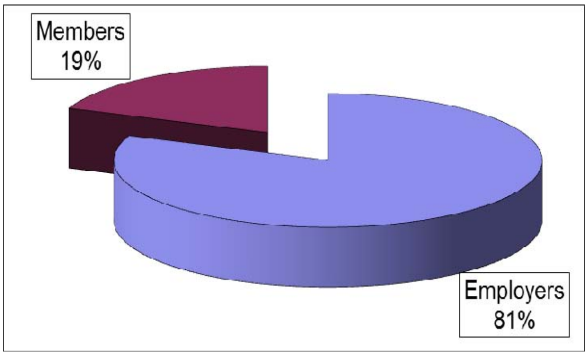
The graphs demonstrate how much revenue is generated from rent collection (an income stream which could be subject to change due to welfare system reforms; such as the introduction of Universal Credit and benefit changes through occupancy assessment) and service charges together with where the income is used to support the management of the housing stock through rent collection, control of housing maintenance and the planning of major capital programmes.

The Pension Fund

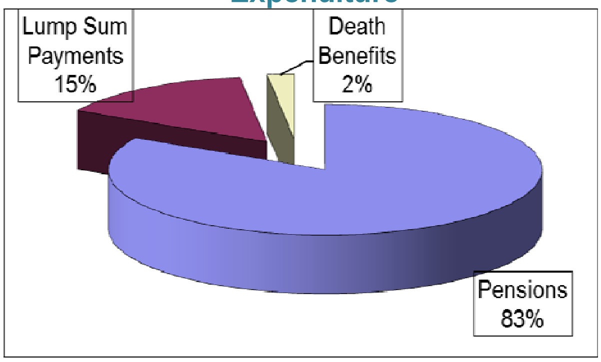
The Fund is financed by member and employer contributions and returns from investments in order to provide for pensions in retirement for employees. The membership of the fund has remained fairly stable during the year while the value of investments in the fund has increased by £87.9 million. The graphs below show where contributions come from and how the fund spends its funds during the year:

Contributions to and expenditure by the Fund

Contributions



Expenditure



Looking forward for the council

In the review of the year it was noted how the council continues to focus its resources on delivering services required by local residents. For the forthcoming year, the council needs to go further to ensure that residents continue to receive the quality of service that they expect and that the borough continues to prosper. The council will need to **make savings of £54.4 million** over the next three years, the majority of which is being delivered through efficiency and “back office” savings. In particular, significant savings to be achieved through the planned New Support and Customer Service Organisation (**NSCSO**) and Development and Regulatory Services (**DRS**) contracts.

At the same time as prioritising resources and cutting back on waste and inefficiency, the council needs to invest now in order to meet the challenges of the future. Children’s Services have been

investing £1 million a year in Early Intervention activity to support vulnerable children and families since 2011/12. The council has also **set aside £4.7 million** to meet the cost of expected increases in services due to increasing population pressures within the borough.

The council's regeneration programme will see **£6 billion** of private sector investment over the next twenty five years to ensure that the borough remains an attractive place to live and do business.

Residents from across the borough continue to share in the benefits of growth with increasing housing development leading to an increase in the council's tax base and subsequently lower Council Tax bills for residents. That is why the council is freezing Council Tax in 2013/14 and 2014/15 and will limit the Council Tax increase in 2015/16 to 2%.

The council's priorities to support the future development of the borough are as follows:

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

2012/13 was a challenging year and the future is more so but also remains full of opportunities as the government's commitment to localism will provide the council with more freedom to manage its income (New Homes Bonus and Business Rates) and influence growth and development within the borough.

Conclusion

The production of the Statement of Accounts takes a great deal of effort and this year the council has worked hard to have its accounts audited and approved two months earlier than last year. I would therefore like to take this opportunity to recognise the hard work and dedication of the finance team and also to thank the directorate teams for their support and assistance in ensuring the accounts were prepared on time.

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

Chris Naylor
Chief Operating Officer

Further information

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

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

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

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of Barnet Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy 2012/13 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the London Borough of Barnet Council at 31 March 2013 and its income and expenditure for the year then ended. The draft accounts were published on 31 May 2013.

C Naylor

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

Approval of Accounts

In accordance with the Accounts and Audit Regulations 2012, I certify that the Statement of Accounts was approved by the Audit Committee on 24 July 2013.

Lord Palmer
Chair of Audit Committee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF BARNET

Opinion on the Authority financial statements

We have audited the financial statements of London Borough of Barnet for the year ended 31 March 2013under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on the Housing Revenue Balance and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of London Borough of Barnet in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Operating Officer and auditor

As explained more fully in the Statement of the Chief Operating Officer's Responsibilities, the Chief Operating Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Operating Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of London Borough of Barnet as at 31 March 2013and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:
- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:
- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, London Borough of Barnet put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority’s Whole of Government Accounts consolidation pack. In addition we have received objections to the accounts from a local government elector which are not yet fully concluded. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Paul Hughes
Senior Statutory Auditor, for and on behalf of Grant Thornton UK LLP

Grant Thornton House
Melton Street
London
NW1 2EP

14 August 2013

Movement in Reserves Statement (MiRS)

This statement shows the movement on the different reserves held by the authority, analysed into usable and unusable reserve and shows the increase or decrease in net worth of the council. It provides and explanation of the changes in, and movements between, reserve accounts to increase or reduce the resources available to the Council. It shows how the council's total Comprehensive Income and Expenditure of £24.200 million is allocated to the council's reserves. The Surplus on Provision of Services, Other Comprehensive Income & Expenditure and Total Comprehensive Income & Expenditure are shown in more detail on the face of the Comprehensive Income and Expenditure Statement.

*The 2011/12 comparatives have been restated to disclose the HRA movements separately to bring it in line with accounting requirements

	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
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2012		**30,870**	**65,105**	**7,806**	**17,854**	**4,259**	**28,820**	**154,714**	**465,347**	**620,061**
Surplus on provision of services		**18,465**	**-**	**6,091**	**-**	**-**	**-**	**24,556**	**-**	**24,556**
Other comprehensive expenditure and income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(48,756)**	**(48,756)**
Total comprehensive income and expenditure		**18,465**	**-**	**6,091**	**-**	**-**	**-**	**24,556**	**(48,756)**	**(24,200)**
Adjustments between accounting basis and funding basis under regulations	7	**(8,335)**	**-**	**2,175**	**3,373**	**2,378**	**29,908**	**29,499**	**(29,499)**	**-**
Net increase/(decrease) before transfers to earmarked reserves		**10,130**	**-**	**8,266**	**3,373**	**2,378**	**29,908**	**54,055**	**(78,255)**	**(24,200)**
Transfer to / from earmarked reserves	8	**(10,408)**	**10,408**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Increase/(decrease) in year		**(278)**	**10,408**	**8,266**	**3,373**	**2,378**	**29,908**	**54,055**	**(78,255)**	**(24,200)**
Balance at 31 March 2013		**30,592**	**75,513**	**16,072**	**21,227**	**6,637**	**58,728**	**208,769**	**387,092**	**595,861**
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2011		30,509	40,513	4,230	21,541	10,256	25,582	132,631	806,684	939,315
Deficit on provision of services*		(73,368)	-	(113,471)	-	-	-	(186,839)	-	(186,839)
Other comprehensive expenditure and income		-	-	-	-	-	-	-	(132,415)	(132,415)
Total comprehensive income and expenditure		(73,368)	-	(113,471)	-	-	-	(186,839)	(132,415)	(319,254)
Adjustments between accounting basis and funding basis under regulations*	7	98,321	-	117,047	(3,687)	(5,997)	3,238	208,922	(208,922)	-
Net increase/(decrease) before transfers to earmarked reserves		24,953	-	3,576	(3,687)	(5,997)	3,238	22,083	(341,337)	(319,254)
Transfer to / from earmarked reserves	8	(24,592)	24,592	-	-	-	-	-	-	-
Increase/(decrease) in year		361	24,592	3,576	(3,687)	(5,997)	3,238	22,083	(341,337)	(319,254)
Balance at 31 March 2012		30,870	65,105	7,806	17,854	4,259	28,820	154,714	465,347	620,061

Comprehensive Income and Expenditure Statement (CIES)

This summarises the income generated and expenditure made by the council in providing services during 2012/13. The account also shows how the council's services are funded through Council Tax, business rates, government grants and fees and charges made by the council for its services.

*The 2011/12 comparatives for Planning and Taxation and non-specific grant Income have been restated to reflect the correct treatment of Section 106 monies.

	Note	2011/12 Gross expenditure £'000	2011/12 Gross income £'000	2011/12 Net expenditure £'000	2012/13 Gross expenditure £'000	2012/13 Gross income £'000	2012/13 Net expenditure £'000
Central services to the public		9,478	(3,472)	6,006	**7,531**	**(4,194)**	**3,337**
Cultural & Related Services		24,548	(1,993)	22,555	**21,004**	**(2,045)**	**18,959**
Environmental & Regulatory Services		32,399	(6,488)	25,911	**37,081**	**(7,063)**	**30,018**
Planning Services*		13,719	(8,983)	4,736	**9,942**	**(14,550)**	**(4,608)**
Children's and education services		343,069	(259,674)	83,395	**320,010**	**(226,872)**	**93,138**
Highways and transport services		47,239	(17,647)	29,592	**46,235**	**(15,309)**	**30,926**
Housing services		358,802	(344,316)	14,486	**359,299**	**(378,068)**	**(18,769)**
Local Authority Housing - settlement payment to Government for HRA self-financing		102,580	-	102,580	**-**	**-**	**-**
Adult social services		120,889	(20,156)	100,733	**122,123**	**(21,516)**	**100,607**
Corporate and democratic core costs		9,955	(1,064)	8,891	**12,158**	**(1,447)**	**10,711**
Non distributed costs		10,377	(15,732)	(5,355)	**4,383**	**(3,051)**	**1,332**
Deficit on Continuing Operations		1,073,055	(679,525)	393,530	**939,766**	**(674,115)**	**265,651**
Other Operating Expenditure	9	106,200	-	106,200	**20,770**	**-**	**20,770**
Financing and Investment Income & Expenditure	10	48,168	(37,684)	10,484	**43,533**	**(33,516)**	**10,017**
Taxation and Non-Specific Grant Income *	11	-	(323,375)	(323,375)	**-**	**(320,994)**	**(320,994)**
(Surplus)/Deficit on Provision of Services				186,839			**(24,556)**
Deficit on revaluation of non-current assets				17,563			**20,504**
Actuarial losses on pension assets / liabilities	48			114,852			**28,252**
Other Comprehensive Income and Expenditure				132,415			**48,756**
Deficit on Total Comprehensive Income and Expenditure				319,254			**24,200**

BARNET LONDON BOROUGH

Balance Sheet

The Balance Sheet provides a summary of what the council owns and owes together with the council's reserves, as set out in the Movement of Reserves Statement, as at 31March 2013. Only useable reserves are available to support the delivery of the council's services to residents. Details of the Usable Reserves can be seen in the Movement in Reserves Statement.

	Note		2011/12		2012/13
		£'000	£'000	£'000	£'000
Property, Plant and Equipment	12	1,077,351		**1,043,685**	
Heritage Assets	13	1,057		**1,057**	
Investment Properties	14	65,090		**66,280**	
Intangible Assets	15	3,353		**2,655**	
Long Term Debtors		1,471		**1,309**	
Long Term Investments	16	11,437		**11,559**	
Total Long Term Assets			1,159,759		**1,126,545**
Inventories	17	546		**594**	
Short Term Investments	16	-		**70,045**	
Short Term Debtors	19	51,920		**57,543**	
Assets held for Sale	20	27,074		**15,332**	
Cash and Cash Equivalents	21	181,227		**140,248**	
Total Current Assets			260,767		**283,762**
Short Term Creditors	22	(100,270)		**(77,112)**	
Overdrafts and Cash Equivalents	21	(23,877)		**(24,942)**	
Provisions	23	(1,733)		**(5,210)**	
Total Current Liabilities			(125,880)		**(107,264)**
Long Term Borrowing	16	(305,944)		**(305,947)**	
Provisions	23	(8,568)		**(5,970)**	
Other Long Term Liabilities		(360,073)		**(395,265)**	
Total Long Term Liabilities			(674,585)		**(707,182)**
Net Assets of the Council			620,061		**595,861**
Usable Reserves	24	154,714		**208,769**	
Unusable Reserves	25	465,347		**387,092**	
Total Reserves of the Council			620,061		**595,861**

Cash Flow Statement

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

	Note	2011/12		2012/13	
		£'000	£'000	£'000	£'000
Net surplus or (deficit) on the provision of services		(186,839)		**24,556**	
Adjustment to surplus or deficit on the provision of services for noncash movements	26	207,475		**48,821**	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(36,295)		**(50,074)**	
Net Cash flows from Operating Activities			(15,659)		**23,303**
Net Cash flows from Investing Activities	27		28,886		**(65,116)**
Net Cash flows from Financing Activities	28		100,471		**(231)**
Net increase or decrease in Cash and Cash equivalents			113,698		**(42,044)**
Cash and cash equivalents at the beginning of the reporting period			43,652		**157,350**
Cash and cash equivalents at the end of the reporting period	21		157,350		**115,306**

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the London Borough of Barnet's transactions for the financial year 2012/13 and its position at the year end of 31 March 2013. The London Borough of Barnet is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

ii. Accruals of Income and Expenditure

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

iii. Cash and Cash Equivalents

Cash is presented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that have a maturity date of less than three months at the Balance Sheet date. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

iv. Exceptional Items

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

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

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

vi. Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service

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

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

vii. Employee Benefits

Benefits Payable during Employment

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

The basis used to estimate the accrual is three fold:

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

Defined benefit schemes

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

Defined contribution schemes

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

Accounting for Retirement Benefits within HRA

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

Pension reserve

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

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

viii. Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a

material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

ix. Financial Instruments

The accounting standards in respect of financial instruments were incorporated into the Local Authority SORP in 2007. The 2012/13 Code of Practice notes that where they continue to be relevant, the transitional provisions of the UK standards adopted by the 2007 SORP remain. The definition of the financial instrument is: "Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity."
The term "financial instrument" covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payable to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing, service concession arrangements (PFI and finance leases), and investment transactions are classified as financial instruments.

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

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

x. Government Grants and Contributions

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

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

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.
Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Adjustment

Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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

xi. Heritage Assets

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

Property Heritage Assets

These are held on the Balance Sheet at value and are revalued every five years as part of the council's rolling programme of revaluations.

Mayor's Regalia and Silverware

These assets are held at insurance valuation and are valued every 3 years.

Heritage Assets not held on the Balance Sheet

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

General

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

xii. Intangible Assets

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

xiii. Interests in Subsidiaries

The council has controlling interests in The Barnet Group Ltd, Your Choice Barnet Ltd and Barnet Homes Ltd. These entities have the nature of subsidiaries and the council is therefore required to prepare group accounts, unless the overall impact on the Group Accounts is not material.

The council reviews annually the extent to which other entities (over which the council has a controlling interest) need to be consolidated into Group Accounts.

xiv. Inventories and Long Term Contracts

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

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

xv. Investment Property

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

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

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

xvi. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

xvii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2012/13* (SeRCOP). The costs are recharged through the internal recharge mechanism using various apportionment bases (e.g. headcount, time spent, area occupied, invoices processed, etc) in proportion to the benefits received, with the exception of:

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

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

xviii. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

The DRC method of valuation provides the current cost of replacing an asset with its Modern Equivalent Asset (MEA) less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. The London Borough of Barnet, where possible, has used direct evidence from its own capital programmes to determine the MEA cost basis for specialist assets. Where this evidence is not available, Building Cost Information Service construction cost figures have been used.

The council has schools in the following categories: community schools, foundation schools, voluntary aided schools and academies. Community and foundation schools are treated on balance sheet based on the risks and rewards the council is deemed to have, and voluntary aided schools and academies are not treated on balance sheet. This is under constant review and is updated in line with guidance from CIPFA.

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Deprecation is calculated on the following bases:

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

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

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

Componentisation

Under IFRS, each asset owned or leased by the council is divided up into significant component parts. A component is considered significant when the cost of the component is 20% or greater than the total cost of the asset and has a differing useful life. Each component is depreciated separately and where there is more than one significant component of the same asset which has the same useful life and depreciation method, such components may be grouped in determining the depreciation charge.

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

The written-off value of disposals is not a charge against council tax, as the cost of 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 (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xxi. Reserves

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

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

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

xxii. Revenue Expenditure Funded from Capital under Statue

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

xxiii. Value Added Tax (VAT)

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

xxiv. Collection Fund

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

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

From 2012/13 Local Authorities are required to show Business Rate Supplements (BRS) transactions on the face of the Collection Fund, this is in line with the 2012/13 Code of Practice.

xxv. Minimum Revenue Provision

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

The MRP is calculated in accordance with the 2009/10 MRP Policy Statement agreed by Council on 03 March 2009 and CLG Guidance on MRP. The Council's Policy is to:

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

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

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

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

The only significant estimations in the accounts relate to:

Bad debt

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

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

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

Useful lives of depreciable assets

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

Asset Category	Maximum Useful Life Years Estimated
Land & Building	50
PFI street lights	25
Vehicles, Plant & Equipment	20
Intangibles	5
Infrastructure	30

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

Other
- Community Care Services - estimates are made in respect of clients who have received care but where the invoices from the Care Provider have not been received until after the end of the financial year.
- Pension Fund - estimates are made based on the triennial review which was undertaken in 2010.
- Property valuations - some estimates are made based on market forces.
- Special Parking Account - estimates are made over likely income recoverable from unpaid penalty charge notices issued in 2012/13.

xxvii. Carbon Reduction Commitment Scheme
The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

• Accounting Standards Issued, Not Adopted

The adoption of amendments to the Code of Practice on Local Authority Accounting may require changes to the council's accounting policies from 1 April 2013 in respect of the following:

IFRS 7 – Financial Instruments: Disclosures. It is unlikely that this standard will have a material effect on the council's financial statements but will provide users of the accounts with additional information on:

the risk and exposure relating to the transfer of financial assets; and
the effect of these risks on the council's financial [position.

IAS 1 – Presentation of Financial Statements. This standard revises the presentation of other comprehensive income in the financial statements

IAS 12 - Income Taxes: Deferred Taxation re Investment Properties. As the council is not liable to Corporation Tax the standard will not apply to the council's accounts.

IAS 19 – Employee Benefits. This standard refines the existing calculation and disclosure of pension costs within the council's financial statements. If adopted the impact on the councils Comprehensive Income and Expenditure Statement would be to increase the pension charge by £4.775 million.

• Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The council is deemed to control the services provided under the agreement for street lighting and also to control the residual value of the assets at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the street lights are recognised as Property, Plant and Equipment on the council's Balance Sheet.
- The council has deposits in two Icelandic banks which are in administration. The value of these deposits being held on the council's balance sheet is determined by CIPFA's Local Authority Accounting Panel guidance and impairment calculator updated in May 2013.
- A number of judgements have been made as a result of the implementation of IFRS accounting concerning the classification of and the accounting for Non Current Assets, Leases, PFI and other major contracts, Capital and Revenue Grants and other miscellaneous items. There are no material changes to these judgements for the 2012/13 accounts to those adopted in 2011/12.

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

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

The items in the council's Balance Sheet at 31 March 2013 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 of pension funds.	The effect of the net pension liability due to changes in individual assumptions can be measured although the assumptions interact in complex ways. During 2012/13 the council's actuaries advised that the net pension liability had increased by £35.453 million.

Item	Uncertainties	Effect if actual results differ from assumptions
Asset Lives	Assets are depreciated over their estimated useful lives which are dependent on assumptions on the level of repairs and maintenance, technical obsolescence or unplanned failure. The reduction in central government funding may restrict the extent of investment in maintenance and repairs and so reduce asset lives or, conversely force the council to operate assets beyond their planned use so creating uncertainty in the useful lives assigned to assets.	If the assumptions around asset lives are reduced depreciation charges will need to be revised and the carrying value of the asset will fall or rise. The estimated impact of all assets having their useful lives reduced by one year would be an increase in the year's depreciation costs of £2.141 million. The impact of this change would not be required to e reflected in the level of Council Tax charges.
Debts	The Council has a substantial amount of debts outstanding at the year-end against which an appropriate provision for bad debt has been made. However the continuing economic climate and expected changes in welfare benefits could give rise to a greater level of non-payment of the Council's charges.	To mitigate the risk of increasing non-payment and subsequent bad debt additional reserves have been set aside to protect the council against this risk

In addition to the risks at the balance sheet date, the Council faces further uncertainty as to its future funding from central government; as noted in the Chief Operating Officer's comments in the explanatory forward. To mitigate this risk, reserves have been increased by more than £33.206 million (£37.365 million 2011/12) to minimise the need to raise Council Tax and meet the challenges of reduced funding in the coming years (as per note 8).

• Material Items of Income and Expenditure

The council made a payment of £102.580m in 2011/12 to the Secretary of State in preparation for the commencement of self-financing of the Housing Revenue account (HRA) from 1 April 2012. This expenditure falls within the Housing Services category of the Comprehensive Income and Expenditure Statement, but due to its material nature it is disclosed as a separate line on the face of the statement for comparative purposes.

• Events After the Balance Sheet Date

Since the balance sheet date of 31 March 2013, the following non-adjusting events have occurred:

- The Council has lost its court case regarding its decision to increase parking fees.
- Following a decision in its favour by the High Court, the Council entered into formal contracts in respect of its One Barnet programme.

These matters were included in the Council's contingent liabilities as at 31 March 2013 (see note 46).

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

	Note	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Useable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2011		30,509	40,513	4,230	21,541	10,256	25,582	132,631	806,684	939,315
Movement in reserves during 2011/12										
Surplus / (Deficit) on provision of services		(73,368)	-	(113,471)	-	-	-	(186,839)	-	(186,839)
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	(132,415)	(132,415)
Total Comprehensive Income and Expenditure		(73,368)	-	(113,471)	-	-	-	(186,839)	(132,415)	(319,254)
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		39,639	-	3,838	-	-	-	43,477	(43,477)	-
Revaluation losses / (gains) on Property Plant and Equipment (charged to SDPS)		(7,792)	-	-	-	-	-	(7,792)	7,792	-
Movements in the Market value of Investment Properties		3,600	-	-	-	-	-	3,600	(3,600)	-
Amortisation of Intangible assets		2,018	-	-	-	-	-	2,018	(2,018)	-
Capital Grants and contributions applied		(17,241)	-	-	-	-	-	(17,241)	17,241	-
Movement in donated assets account		13,910	-	-	-	-	-	13,910	(13,910)	-
Revenue Expenditure Funded From Capital Under Statute		101,270	-	721	-	-	-	101,991	(101,991)	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES		-	-	102,580	-	-	-	102,580	(102,580)	-
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement										
Statutory provision for the financing of capital investment		(7,036)	-	-	-	-	-	(7,036)	7,036	-
Capital expenditure charged against the General Fund and HRA balances		(914)	-	-	-	-	-	(914)	914	-
Adjustments involving the Capital Grants Unapplied Account:										
Capital Grants and contributions unapplied credited to CIES		(16,022)	-	-	-	-	16,022	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account		-	-	-	-	-	(12,784)	(12,784)	12,784	-
Adjustments involving the Capital Receipts Reserve:										
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES		(176)	-	346	2,972	-	-	3,142	(3,142)	-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	-	-	(5,505)	-	-	(5,505)	5,505	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		1,329	-	-	(1,329)	-	-	-	-	-
Adjustments involving the Major Repairs Reserve:				-						
Reversal of Major Repairs Allowance credited to the HRA		-	-	9,901	-	(9,901)	-	-	-	-
Use of the Major Repairs reserve to finance new capital expenditure		-	-	-	115	3,836	-	3,951	(3,951)	-
Adjustments involving the Financial Instruments Adjustment Account:										
Amount by which finance costs charged to the CIES are different from finance coasts chargeable in the year in accordance with statutory requirements		(122)	-	(339)	60	68	-	(333)	333	-
Adjustments involving the Pension Reserve:										
Reversal of items relating to retirement benefits debited or credited to the comprehensive Income and Expenditure Statement		16,210	-	-	-	-	-	16,210	(16,210)	-
Employer's pensions contributions and direct payments to pensioners payable in the year		(25,144)	-	-	-	-	-	(25,144)	25,144	-
Adjustments involving the Collection Fund Adjustment Account:										
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements		(3,506)	-	-	-	-	-	(3,506)	3,506	-
Adjustment involving the Accumulated Absences Account:										
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1,702)	-	-	-	-	-	(1,702)	1,702	-
Adjustments between accounting basis & funding basis under regulations		98,321	-	117,047	(3,687)	(5,997)	3,238	208,922	(208,922)	-
Net Increase / Decrease before Transfers to Earmarked Reserves		24,953	-	3,576	(3,687)	(5,997)	3,238	22,083	(341,337)	(319,254)
Transfer to / from Earmarked Reserves	8	(24,592)	24,592	-	-	-	-	-	-	-
Increase / Decrease in Year		361	24,592	3,576	(3,687)	(5,997)	3,238	22,083	(341,337)	(319,254)
Balance at 31 March 2012 carried forward		**30,870**	**65,105**	**7,806**	**17,854**	**4,259**	**28,820**	**154,714**	**465,347**	**620,061**

Note that the 2011/12 comparatives have been restated to disclose the HRA movements separately to bring it in line with accounting requirements

8. Transfers to / from Earmarked Reserves

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

	Reserves at 1/4/2011 £'000	In year related expenditure £'000	Written back in year £'000	New reserves raised £'000	**Reserves at 1/4/2012 £'000**	**In year related expenditure £'000**	**Written back in year £'000**	**New reserves raised £'000**	**Reserves at 31/3/2013 £'000**
Central - Capital & Financing (i)	-	(302)	-	4,138	**3,836**	**(920)**	**-**	**111**	**3,027**
Central - Infrastructure (ii)	-	-	-	1,518	**1,518**	**(13)**	**-**	**13,451**	**14,956**
Central - Risk (iii)	13,220	(526)	-	4,406	**17,100**	**(1,941)**	**-**	**1,108**	**16,267**
Central - Service Development (iv)	-	-	-	5,100	**5,100**	**(3,583)**	**-**	**5,000**	**6,517**
Central - Transformation (v)	9,396	(4,398)	-	10,000	**14,998**	**(8,173)**	**-**	**6,719**	**13,544**
Service - DSG (vi)	2,350	(2,350)	-	2,109	**2,109**	**(2,109)**	**-**	**2,333**	**2,333**
Service - Housing Benefits	4,568	(660)	-	241	**4,149**	**(806)**	**-**	**95**	**3,438**
Service - NLSR	1,440	(193)	-	2,020	**3,267**	**(529)**	**-**	**-**	**2,738**
Service - Other	5,562	(3,652)	(359)	5,732	**7,283**	**(3,953)**	**(4)**	**4,312**	**7,638**
Service - PFI (vii)	3,568	(333)	-	-	**3,235**	**-**	**(767)**	**77**	**2,545**
Service - Street Lighting	-	-	-	2,101	**2,101**	**-**	**-**	**-**	**2,101**
Sub Total	40,104	(12,414)	(359)	37,365	**64,696**	**(22,027)**	**(771)**	**33,206**	**75,104**
Special Parking Account	409	-	-	-	**409**	**-**	**-**	**-**	**409**
Total	40,513	(12,414)	(359)	37,365	**65,105**	**(22,027)**	**(771)**	**33,206**	**75,513**

i) Capital and Financing - receipts not yet applied to capital expenditure and financing the effective management of the medium term financial strategy;
ii) Infrastructure - the new homes bonus will be set aside in this reserve to fund the cost of infrastructure in Barnet;
iii) Risk – to manage litigation and other corporate risks not otherwise recognised;
iv) Service development - to support new commissions and service transformation proposals;
v) Transformation – to fund the transformation programme to change, protect and improve council services;
vi) Dedicated Schools Grant (DSG) - balances in respect of delegated school budgets;
vii) PFI - to manage the profile of grants and payments in respect of PFI projects.

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.

9. Other Operating Expenditure

	2011/12 £'000	**2012/13 £'000**
Precepts and Levies	1,499	**1,418**
Trading operations	1,209	**1,033**
Contribution to government housing pool	1,329	**1,286**
Loss on disposal *	102,163	**17,033**
	106,200	**20,770**

* £13.655 million relates to a loss on disposal from 2 schools transferring to Academy status in 2012/13 (2011/12 £102.052m in respect of 7 schools).

10. Financing and Investment Income and Expenditure

	2011/12 £'000	**2012/13 £'000**
Interest and Investment Income	(6,273)	**(4,861)**
Pension interest costs and expected return on pension assets	7,897	**11,272**
Interest payable and similar charges	5,260	**5,396**
Movement in investment property valuation	3,600	**(1,790)**
	10,484	**10,017**

Note that the 2011/12 comparatives have been restated to disclose the previous impairment reversed by an upward valuation within the Deficit on Continuing Operations, rather than within Financing and Investment Income and Expenditure, and also to disclose the income from investment properties within the Financing and Investment Income and Expenditure rather than the Deficit on Continuing Operations

11. Taxation and Non-Specific Grant Income

	2011/12 £'000	**2012/13 £'000**
Demand on Collection Fund	158,973	**158,833**
Non-domestic rates redistribution	76,010	**92,724**
Revenue grant support	23,495	**1,797**
Non-specific grants	35,837	**38,336**
Capital grants unapplied*	12,659	**22,105**
Capital grants applied*	16,401	**7,199**
	323,375	**320,994**

* 2011/12 comparatives restated to reflect correct analysis of S.106 monies

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

The council's Valuation Manager, Judith Ellis MRICS, values the authority's freehold property portfolio in accordance with the statements of asset valuation practice and the guidance notes of the Royal Institute of Chartered Surveyors (RICS).

The valuation basis for each of the asset categories included in the council's balance sheet is detailed in the accounting policies. The valuation date for council dwellings was 31 March 2013. The valuation date for all other assets was 1 April 2012, as directed by the RICS, to allow sufficient time to collect and assess valuation information.

At 31 March 2013 the council had entered into a number of contracts for the construction or enhancement of property plant and equipment in 2013/14 and future years at an estimated cost of £6.851 million (2011/12 £20.105 million).

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

	Property, Plant and Equipment												
	Council House Dwellings	Other land and Buildings	Vehicles Plant and Equipment	Infrastructure	Community Assets	Surplus assets	Assets under construction	**Total PPE**	Heritage Assets	Investment Properties	Intangible assets	Assets Held for Sale	**Total Assets**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000	£'000	£'000	£'000	**£'000**
Value of assets at 31 March 2012	841,412	467,829	43,047	143,266	2,158	7,661	23,290	**1,528,663**	1,091	80,563	7,323	28,676	**1,646,316**
Reclassifications	-	(754)	-	-	(657)	6,896	-	**5,485**	-	972	-	(6,457)	**-**
Additions from AUC	16,198	8,928	559	8,329	-	-	(34,458)	**(444)**	-	-	444	-	**-**
Additions	-	-	-	386	-	-	33,187	**33,573**	-	-	(9)	-	**33,564**
Revaluation increases recognised in the Revaluation Reserve	133	4,451	0	-	-	180	-	**4,764**	-	-	-	-	**4,764**
Revaluation decreases recognised in the Revaluation Reserve	-	(26,512)	-	-	(49)	(334)	-	**(26,895)**	-	-	-	-	**(26,895)**
Revaluation increases recognised in the Surplus/Deficit on the Provision of Service	-	-	-	-	-	-	-	**-**	-	2,721	-	-	**2,721**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	**-**	-	(490)	-	-	**(490)**
Derecognition - Disposals	(4,550)	(14,626)	(53)	-	-	-	-	**(19,229)**	-	(464)	-	(5,040)	**(24,733)**
Derecognition - Other	-	-	-	-	-	-	-	**-**	-	(400)	-	-	**(400)**
Other								**-**					**-**
Value of assets at 31 March 2013	**853,193**	**439,316**	**43,553**	**151,981**	**1,452**	**14,403**	**22,019**	**1,525,917**	**1,091**	**82,902**	**7,758**	**17,179**	**1,634,847**
Accumulated Depreciation at 31 March 2012	(296,755)	(66,183)	(30,247)	(56,896)	(1,060)	(171)	-	**(451,312)**	(34)	(15,473)	(3,970)	(1,602)	**(472,391)**
Reclassifications	-	1,138	-	-	-	(83)	-	**1,055**	-	(730)	-	(325)	**0**
Writeback of depreciation on revaluation	24,135	4,224	-	-	-	-	-	**28,359**	-	653	-	-	**29,012**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	(17,664)	-	-	(23)	-	-	**(17,687)**	-	(1,094)	-	-	**(18,781)**
Derecognition - Disposals	-	1,336	6	-	-	-	-	**1,342**	-	22	-	80	**1,444**
Derecognition - Other	-	-	-	-	-	-	-	**0**	-	0	-	-	**-**
Depreciation charge	(18,788)	(11,005)	(3,977)	(10,207)	-	(12)	-	**(43,989)**	-	0	(1,133)	-	**(45,122)**
Accumulated Depreciation at 31 March 2013	**(291,408)**	**(88,154)**	**(34,218)**	**(67,103)**	**(1,083)**	**(266)**	**-**	**(482,232)**	**(34)**	**(16,622)**	**(5,103)**	**(1,847)**	**(505,838)**
Net book value of Asset at 31 March 2013	**561,785**	**351,162**	**9,335**	**84,878**	**369**	**14,137**	**22,019**	**1,043,685**	**1,057**	**66,280**	**2,655**	**15,332**	**1,129,009**
Net book value of Asset at 31 March 2012	544,657	401,646	12,800	86,370	1,098	7,490	23,290	1,077,351	1,057	65,090	3,353	27,074	1,173,925

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

	Property, Plant and Equipment												
	Council House Dwellings	Other land and Buildings	Vehicles Plant and Equipment	Infrastructure	Community Assets	Surplus assets	Assets under construction	**Total PPE**	Heritage Assets	Investment Properties	Intangible assets	Assets Held for Sale	**Total Assets**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000	£'000	£'000	£'000	**£'000**
Value of assets at 31 March 2011	821,507	610,745	38,642	134,785	2,408	26,296	30,945	1,665,328	1,075	69,517	5,103	3,986	1,745,009
Reclassifications	-	(9,001)	-	-	(171)	(18,192)	-	(27,364)	-	6,139	-	21,225	-
Additions from AUC	-	15,515	4,426	8,125	-	-	(30,386)	(2,320)	-	-	2,320	-	-
Additions	21,264	1	-	356	-	-	22,731	44,352	-	-	(100)	-	44,252
Revaluation increases recognised in the Revaluation Reserve	260	14,016	-	-	4	4,960	-	19,240	16	-	-	3,980	23,236
Revaluation decreases recognised in the Revaluation Reserve	-	(38,865)	-	-	(83)	(4,791)	-	(43,739)	-	-	-	-	(43,739)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Service	-	-	-	-	-	-	-	-	-	5,773	-	-	5,773
Revaluation decreases recognised in the Surplus/Deficit	-	-	-	-	-	-	-	-	-	(141)	-	-	(141)
Derecognition - Disposals	(1,619)	(111,178)	-	-	-	(612)	-	(113,409)	-	(425)	-	(515)	(114,349)
Derecognition - Other	-	(13,404)	(21)	-	-	-	-	(13,425)	-	(300)	-	-	(13,725)
Value of assets at 31 March 2012	841,412	467,829	43,047	143,266	2,158	7,661	23,290	1,528,663	1,091	80,563	7,323	28,676	1,646,316
Accumulated Depreciation at 31 March 2011	(284,979)	(65,615)	(25,443)	(47,531)	(8)	(259)	-	(423,835)	(42)	(5,344)	(1,951)	(946)	(432,118)
Reclassifications	-	1,609	-	-	-	57	-	1,666	-	(1,024)	-	(642)	-
Writeback of depreciation on revaluation	6,972	3,423	-	-	-	-	-	10,395	8	659	-	-	11,062
Revaluation decreases recognised in the Surplus/Deficit	-	(12,539)	-	-	(1,052)	-	-	(13,591)	-	(9,824)	-	(14)	(23,429)
Derecognition - Disposals	-	9,051	-	-	-	47	-	9,098	-	60	-	-	9,158
Derecognition - Other	-	13,404	21	-	-	-	-	13,425	-	-	-	-	13,425
Depreciation charge	(18,748)	(15,516)	(4,825)	(9,365)	-	(16)	-	(48,470)	-	-	(2,019)	-	(50,489)
Accumulated Depreciation at 31 March 2012	(296,755)	(66,183)	(30,247)	(56,896)	(1,060)	(171)	0	(451,312)	(34)	(15,473)	(3,970)	(1,602)	(472,391)
Net book value of Asset at 31 March 2012	544,657	401,646	12,800	86,370	1,098	7,490	23,290	1,077,351	1,057	65,090	3,353	27,074	1,173,925
Net book value of Asset at 31 March 2011	536,528	545,130	13,199	87,254	2,400	26,037	30,945	1,241,493	1,033	64,173	3,152	3,040	1,312,891

13. Heritage Assets

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

14. Investment Properties

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

	2011/12	**2012/13**
	£'000	**£'000**
Rental income from investment property	2,394	**2,511**
Direct operating expenses arising from investment property	-	**-**
Net gain	2,394	**2,511**

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

15. Intangible Assets

The council accounts for its software as intangible assets, unless the software is an integral part of a particular IT system in which case it is accounted for as part of the hardware item of Property, Plant and Equipment. None of the intangible assets have been internally generated.

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

16. Financial Instruments

Financial Instruments - Classifications

The accounting standards in respect of financial instruments were incorporated into the Local Authority SORP in 2007. The 2012/13 Code of Practice notes that where they continue to be relevant, the transitional provisions of the UK standards adopted by the 2007 SORP remain.

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

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

Financial Liabilities

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

The Council's loan portfolio at year end consisted of PWLB and market debt. Under the 2012/13 Code of Practice these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Comprehensive Income and Expenditure Statement.

Financial Assets

A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The three classifications for financial assets under the Code of Practice are:

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

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

Balances in money market funds and call accounts at 31 March 2013 are shown under 'cash and cash equivalents' in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value.

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

Transaction Costs

Measurement at amortised cost permits transaction costs relating to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred. The Council has adopted this latter approach in 2012/13.

Financial Instruments - Balances

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

	Long Term 31/3/2012 £'000	**Long Term 31/3/2013 £'000**	Current 31/3/2012 £'000	**Current 31/3/2013 £'000**
Borrowing*	305,944	**305,947**	-	**-**
Trade Creditors	-	**-**	99,659	**76,851**
Bank Overdraft	-	**-**	23,877	**24,942**
PFI/Finance Lease Liabilities	17,671	**17,410**	611	**261**
Total Financial Liabilities	323,615	**323,357**	124,147	**102,054**
Loans and Receivables	12,908	**12,868**	230,051	**268,080**
Total Financial Assets	12,908	**12,868**	230,051	**268,080**

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

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

	Long Term 31/3/2012 £'000	**Long Term 31/3/2013 £'000**	Current 31/3/2012 £'000	**Current 31/3/2013 £'000**
Borrowing				
Nominal Amount	304,080	**304,080**	-	**-**
Accrued Interest	1,266	**1,222**	-	**-**
Unamortised Discounts/(Premiums) on Modified Loan(s)	598	**645**	-	**-**
Total Borrowings on Balance Sheet	305,944	**305,947**	-	**-**
Investments				
Nominal Amount	11,437	**11,445**	148,700	**175,000**
Accrued Interest	-	**114**	146	**141**
Total Investments on Balance Sheet	11,437	**11,559**	148,846	**175,141**

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under 'current liabilities' or 'current investments'. This would include accrued interest on long term liabilities and investments that are payable/receivable in 2012/13.

Soft Loans – Balances

Where loans are advanced at below market rates they are classed as 'Soft Loans'. The 2012/13 Code of Practice sets out specific accounting and disclosure requirements for soft loans. The Council does not have any soft loan.

Financial Instruments - Gains and Losses

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

	Financial Liabilities Liabilities measured at amortised cost £'000	**Financial Assets** Loans and Receivables £'000	**Total 2012/13 £'000**
Interest payable and similar charges	11,826	-	**11,826**
Interest Income	-	(1,302)	**(1,302)**
Net gain/(loss) for the year	**11,826**	**(1,302)**	**10,524**

Financial Instruments - Fair Values

For each class of financial assets and financial liabilities, an authority is required to disclose the fair value of that class of assets and liabilities in such a way that a comparison with the carrying amount is possible.

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

The 2012/13 Code of Practice requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2012 and 31 March 2013 consisted of loans from the Public Works Loan Board (PWLB) and market loans. The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have had to pay to extinguish the loans on these dates. In the case of market loans, the Council wrote to the lender. Due to no response, the Council's Treasury Adviser has calculated the fair value based on equivalent swap rates at the Balance Sheet date.

The Council's investment portfolio at the Balance Sheet date consisted almost entirely of term deposits with Banks and Building Societies, call/notice account deposits and Money Market Fund investments. The maturity dates of these investments were all within 12 months of the Balance Sheet date. In the case of short term instruments and deferred liabilities (PFI, finance leases, etc.) the authority deems the carrying amount to be a reasonable approximation of the fair value:

	Carrying Amount 31/3/2012	Fair Value 31/3/2012	**Carrying amount 31/3/2013**	**Fair Value 31/3/2013**
Financial Liabilities	£'000	£'000	**£'000**	**£'000**
Long Term borrowing	305,944	344,255	**305,947**	**371,732**
Deferred Liabilities	10,301	10,301	**11,180**	**11,180**
Trade Payables (Creditors)	99,659	99,659	**77,112**	**77,112**
Total Financial Liabilities	415,904	454,215	**394,239**	**460,024**
Financial Assets				
Long Term Investments	11,437	11,437	**11,559**	**12,306**
Short term deposits	-	-	**70,045**	**70,045**
Short Term Investments	148,846	148,846	**105,096**	**105,096**
Trade Receivables (Debtors)	81,205	81,205	**90,755**	**90,755**
Total Financial Assets	241,488	241,488	**277,455**	**278,202**

Financial Liabilities

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

Financial Assets

The fair value for long term investments at the Balance Sheet date includes **£9.549 million** representing the council's outstanding investment in Icelandic banks.

In May 2013 CIPFA's Local Authority Accounting Panel issued revised guidance on the level of impairment to be recognised on the 2012/13 accounts by local authorities who had deposits with Icelandic banks.

The value of the impairment of the Icelandic investments that had previously been recognised in the accounts was £3.144 million. In the 2012/13 Accounts this impairment has been reduced by £0.801 million to £2.343 million. The value of the impairment has reduced in 2012/13 compared to previous years due to payments received by local authorities during 2012/13 and payments expected to be received in the future, as projected by CIPFA's impairment calculator.

17. Inventories

	31 March 2012 £'000	31 March 2013 £'000
Work in progress	7	**7**
Stock	539	**587**
	546	**594**

18. Construction Contracts

At 31 March 2013 the council had one construction contract in progress: the construction of a school. The value of work completed has been established using a stage of completion methodology based on architects' certificates obtained. The amounts received from the Department for Education (**DfE**) at 31 March 2013 are as follows:

	31 March 2012 £'000	31 March 2013 £'000
Costs incurred to date	415	**1,823**
Revenue recognised: - before 1st April 2011	(3)	**-**
Revenue recognised: - before 1st April 2012	(412)	**-**
Revenue recognised: - before 1st April 2013	-	**(1,823)**
Profit / (loss)	-	**-**
Advances received	(365)	**(263)**
Comprising:- works to be carried out	365	**263**

19. Debtors

An analysis of the council's debtors as at 31 March 2013 is as follows:

	2011/12 £'000	2012/13 £'000
Central Government Bodies	8,222	**15,947**
Other Local Authorities	2,054	**2,510**
Public Corporations, NHS and Trading Funds	584	**454**
Bodies External to General Government	58,904	**67,781**
Payment in advance	3,096	**1,940**
Sub total	72,860	**88,632**
Less: provision for bad debts	(20,940)	**(31,089)**
Net debtor total	51,920	**57,543**

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 subgroups:

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

Historical data shows that each of these sub-groups has different characteristics as to the debtors' propensity to pay all amounts due. An assessment of impairment of debtors of each sub group was undertaken at the balance sheet date based primarily on historical loss experience are adjusted to reflect current economic 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 £31.089 million and the level of debtors carried on the balance sheet as a current asset was reduced from £88.632 million by this amount to £57.543 million, as the latter figure represents the amount of total debt that is deemed to be reasonably recoverable.

20. Assets Held for Sale

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

21. Cash and Cash Equivalents

	2011/12 £'000	**2012/13 £'000**
Cash	32,381	**35,152**
Short term deposits	148,846	**105,096**
Amount disclosed in Current Assets	181,227	**140,248**
Overdraft: disclosed in Current Liabilities	(23,877)	**(24,942)**
Total Cash and Cash Equivalents	157,350	**115,306**

22. Creditors

	2011/12 £'000	**2012/13 £'000**
Central Government Bodies	15,065	**12,351**
Other Local Authorities	13,979	**10,853**
Public Corporations, NHS and Trading Funds	8,034	**3,746**
Bodies External to General Government	55,748	**42,951**
Receipts in advance	7,444	**7,211**
Creditor total	100,270	**77,112**

23. Provisions

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

Provisions

	As at 1/4/2011 £'000	In year related payments £'000	Written back in year £'000	New provisions raised £'000	As at 1/4/2012 £'000	**In year related payments £'000**	**Written back in year £'000**	**New provisions raised £'000**	**As at 31/3/2013 £'000**
Carbon Reduction Commitment (i)	-	-	-	387	387	**(382)**	**-**	**378**	**383**
Central Expenses	1,609	(1,205)	(404)	-	-	**-**	**-**	**-**	**-**
Grants to Voluntary Sector (ii)	137	(110)	(4)	81	104	**(81)**	**(2)**	**85**	**106**
Housing & Property (iii)	1,473	(1,234)	(50)	512	701	**(319)**	**(99)**	**36**	**319**
Insurance (iv)	8,068	-	-	500	8,568	**-**	**-**	**606**	**9,174**
Legal (v)	35	-	(25)	220	230	**-**	**-**	**74**	**304**
Services Provision Related (vi)	261	(239)	(22)	311	311	**(295)**	**(10)**	**396**	**402**
Redundancy costs	-	-	-	-	-	**(6)**	**-**	**498**	**492**
	11,583	(2,788)	(505)	2,011	10,301	**(1,083)**	**(111)**	**2,073**	**11,180**
					1,733			**Short Term**	**5,210**
					8,568			**Long Term**	**5,970**

i) Carbon Reduction Commitment - The provision relates to covering the costs for 2012/13 Carbon Reduction Scheme.

ii) Grants to Voluntary Sector - Awards, or proportions of awards, to voluntary and community groups from the corporate grants budget in 2012/13 remain outstanding pending compliance with special conditions in each case.

iii) Housing & Property - Relates predominately to NNDR bills with regards to part of the ground floor at North London Business Park, the bills are higher than had been expected due to extra space taken on the ground floor in prior years.

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

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

vi) Service Provision - The majority relates to Hospital Recoupment for 2012/13, which cannot be claimed until 2013/14 as the calculation cannot occur until the accounts are closed.

24. Usable Reserves

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

25. Unusable Reserves

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

	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Collection Fund Adjustment account	Pension Reserve	Accumulating Compensated Absences Adjustment Account	Deferred Capital Receipts	Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2012	**143,269**	**660,342**	**(1,016)**	**11,227**	**(342,402)**	**(6,531)**	**458**	**465,347**
Movement in reserves during 2012/13								
Other Comprehensive Expenditure and Income	(20,504)	-	-	-	(28,252)	-	-	**(48,756)**
Total Comprehensive Income and Expenditure	(20,504)	-	-	-	(28,252)	-	-	**(48,756)**
Adjustments between accounting basis & funding basis under regulations	(13,725)	(8,949)	263	(553)	(7,201)	757	(91)	**(29,499)**
Net Increase / Decrease before Transfers to Earmarked Reserves	(34,229)	(8,949)	263	(553)	(35,453)	757	(91)	**(78,255)**
Increase / Decrease in Year	**(34,229)**	**(8,949)**	**263**	**(553)**	**(35,453)**	**757**	**(91)**	**(78,255)**
Balance at 31 March 2013 carried forward	**109,040**	**651,393**	**(753)**	**10,674**	**(377,855)**	**(5,774)**	**367**	**387,092**

	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Collection Fund Adjustment account	Pension Reserve	Accumulating Compensated Absences Adjustment Account	Deferred Capital Receipts	Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2011	183,938	860,518	(1,349)	7,721	(236,484)	(8,233)	573	806,684
Movement in reserves during 2011/12								
Other Comprehensive Expenditure and Income	(17,563)	-	-	-	(114,852)	-	-	(132,415)
Total Comprehensive Income and Expenditure	(17,563)	-	-	-	(114,852)	-	-	(132,415)
Adjustments between accounting basis & funding basis under regulations	(23,106)	(200,176)	333	3,506	8,934	1,702	(115)	(208,922)
Net Increase / Decrease before Transfers to Earmarked Reserves	(40,669)	(200,176)	333	3,506	(105,918)	1,702	(115)	(341,337)
Increase / Decrease in Year	(40,669)	(200,176)	333	3,506	(105,918)	1,702	(115)	(341,337)
Balance at 31 March 2012 carried forward	143,269	660,342	(1,016)	11,227	(342,402)	(6,531)	458	465,347

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.

Unusable Reserves – continued

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 balance is neutralised by transfers to or from the account.

26. Operating Activities

Net Cash Flows from Operating Activities	2011/12		2012/13	
	£'000	£'000	£'000	£'000
Net Surplus or (Deficit) on the Provision of Services		(186,839)		**24,556**
Adjust net surplus or deficit on the provision of services for non cash movements				
Depreciation	74,018		**54,634**	
Amortisation	2,018		**1,133**	
Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss a/c	(2,795)		**(1,108)**	
Reductions in fair value of Soft Loans (non Subsidiary) made in the year	145		**-**	
Adjustments for effective interest rates	-		**47**	
Increase/Decrease in Interest Creditors	-		**(44)**	
Increase/Decrease in Creditors	2,144		**(22,807)**	
Increase/Decrease in Interest and Dividend Debtors	155		**429**	
Increase/Decrease in Debtors	44,630		**(7,347)**	
Increase/Decrease in Inventories	28		**(48)**	
Movement in Pension Liability	(8,934)		**7,201**	
Contributions to/(from) Provisions	(1,282)		**879**	
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	103,572		**18,739**	
Movement in Investment Property Values	(6,224)		**(2,887)**	
		207,475		**48,821**
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities				
Capital Grants credited to surplus or deficit on the provision of services	(33,263)		**(43,380)**	
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(3,032)	(36,295)	**(6,694)**	**(50,074)**
Net Cash Flows from Operating Activities		(15,659)		**23,303**

Operating activities within the cash flow statement include the following cash flows relating to interest:

	2011/12		**2012/13**	
	£'000	£'000	**£'000**	**£'000**
Ordinary interest received	3,879		**1,242**	
Opening Debtor	155		**429**	
Interest Received		4,034		**1,671**
Interest charge for year	(5,260)		**(5,396)**	
Adjustments for differences between Effective Interest Rates and actual interest payable	-		**47**	
Adjustment for internal interest charged to balance sheet funds				
Opening Creditor	-		**(1,266)**	
Closing Creditor	-		**1,222**	
Interest Paid		(5,260)		**(5,393)**

27. Investing Activities

	2011/12		**2012/13**	
	£'000	£'000	**£'000**	**£'000**
Property, Plant and Equipment Purchased	(57,806)		**(47,678)**	
Opening Capital Creditors	(1,522)		**(493)**	
Closing Capital Creditors	493		**492**	
Purchase of Property, Plant and Equipment, investment property and intangible assets		(58,835)		**(47,679)**
Purchase of short term investments	-		**(70,045)**	
Purchase of long term investments	-		**(2,000)**	
Purchase of short and long term investments		-		**(72,045)**
Proceeds from the sale of property plant and equipment, investment property and intangible assets		2,319		**8,242**
Proceeds from the sale of short term investments	37,468		**-**	
Proceeds from long term investments	15,800		**2,986**	
Proceeds from short-term and long-term investments		53,268		**2,986**
Other capital cash receipts	828		**-**	
Capital Grants Received	31,306		**43,380**	
Other Receipts from Investing Activities		32,134		**43,380**
Total Cash Flows from Investing Activities		28,886		**(65,116)**

28. Financing Activities

	2011/12		2012/13	
	£'000	£'000	£'000	£'000
Cash receipts of short and long term borrowing		102,580		-
Billing Authorities - Council Tax and NNDR adjustments		(400)		-
Repayment of Short-Term and Long-Term Borrowing		(1,152)		-
Other receipts from financing activities				
Payments for the reduction of a finance lease liability	(303)		-	
Payments for the reduction of a PFI liability	(254)		**(231)**	
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		(557)		**(231)**
Total Cash Flows from Financing Activities		100,471		**(231)**

29. Amounts Reported for Resource Allocation Decisions

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

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

	Revised Budget 2012/13 £'000	**Actual Outturn 2012/13 £'000**	**Outturn overspend/ (underspend) £'000**
Adult Social Care	96,987	**96,797**	(190)
Children's Services (including schools funded by DSG)	57,619	**56,781**	(838)
Environment, Planning and Regeneration	24,734	**24,754**	20
Chief Executive	17,044	**17,034**	(10)
Commercial Services	14,736	**14,907**	171
Deputy Chief Executive	6,195	**6,187**	(8)
Corporate Governance	5,848	**6,013**	165
Services Underspend	223,163	**222,473**	(690)
Central Expenses (including reserves/ funding)	57,693	**58,333**	640
2012/13 General Fund Outturn	280,856	**280,806**	(50)
Decrease in school balances			328
Movement on General Fund (MiRS)			278

Schools balances at 31 March 2013 were £14.761 million (£15.089 million at 31 March 2012). This is a decrease in the schools balances of £0.328 million which combined with the outturn increase in the General Fund of £0.050 million shown in the table above gives the overall decrease of £0.278 million seen in the Movement in Reserves Statement.

Subjective Analysis by Directorate

Directorate Income and Expenditure 2012/13	Adult Social Care	Children's Services	Environment, Planning and Regeneration	Chief Executive	Commercial Services	Deputy Chief Executive	Corporate Governance	Central Expenses	Total
Income	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grants, Fees and Charges	21,513	244,171	39,861	275,521	5,186	2,927	1,292	2,809	**593,280**
	21,513	244,171	39,861	275,521	5,186	2,927	1,292	2,809	**593,280**
Expenditure									
Employment Costs	16,109	190,504	26,441	15,262	6,858	8,845	5,076	4,219	**273,314**
Other Service Costs	102,201	110,448	38,174	277,293	13,235	269	2,229	56,923	**600,772**
	118,310	300,952	64,615	292,555	20,093	9,114	7,305	61,142	**874,086**
Out turn reported to Management	**96,797**	**56,781**	**24,754**	**17,034**	**14,907**	**6,187**	**6,013**	**58,333**	**280,806**
Recharges	5,001	11,760	9,723	(1,958)	(17,465)	(5,589)	(1,482)	10	**-**
Capital charges	218	31,426	20,235	1,357	3,516	-	51	(56,803)	**-**
Directorate Outturn	102,016	99,967	54,712	16,433	958	598	4,582	1,540	**280,806**

Directorate Income and Expenditure 2011/12	Adult Social Care	Children's Services	Environment, Planning and Regeneration	Chief Executive	Commercial Services	Deputy Chief Executive	Corporate Governance	Central	Total
Income	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees and Charges	20,269	264,419	38,781	1,503	4,792	271,822	1,197	5,702	608,485
	20,269	264,419	38,781	1,503	4,792	271,822	1,197	5,702	608,485
Expenditure									
Employment Costs	18,706	207,527	29,880	8,631	7,047	15,651	6,016	9,838	303,296
Other Service Costs	100,459	111,404	34,502	3,691	13,596	269,158	859	55,209	588,878
Out turn reported to Management	119,165	318,931	64,382	12,322	20,643	284,809	6,875	65,047	892,174
Directorate Outturn	98,896	54,512	25,601	10,819	15,851	12,987	5,678	59,345	283,689
Recharges	5,771	12,034	13,089	(5,214)	(21,195)	(3,021)	(1,542)	78	-
Capital charges	3,038	21,642	23,378	2,527	12,260	291	52	(63,188)	-
Directorate Outturn	104,667	66,546	38,690	5,605	(5,344)	9,966	4,136	59,423	283,689

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

Reconciliation to Subjective Analysis 2011/12	Directorate Analysis	Services not in Analysis	Amounts not reported to Cabinet	Amounts not included CIES	Allocation of Recharges	Deficit on Continuing Operations	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees and Charges	608,485	62,103	-	-	-	670,588	-	670,588
Depreciation, Amortisation and Impairment	-	-	3,539	-	-	3,539	-	3,539
Interest and Investment Income	-	-	-	-	-	-	43,082	43,082
Income from Taxation and non-specific grants	-	-	-	-	-	-	323,375	323,375
Income	608,485	62,103	3,539	-	-	674,127	366,457	1,040,584
Employment Costs	303,296	1,980	-	-	-	305,276	114,852	420,128
Other Service Costs	588,878	40,564	102,580	-	-	732,022	-	732,022
Depreciation, Amortisation and Impairment	-	19,559	9,120	-	-	28,679	17,563	46,242
Interest Payments	-	-	-	-	-	-	48,168	48,168
Gain/Loss on disposal of non current assets	-	-	-	-	-	-	106,200	106,200
Expenditure	892,174	62,103	111,700	-	-	1,065,977	286,783	1,352,760
Surplus/deficit on the Provision of Services	(283,689)	-	(108,161)	-	-	(391,850)	79,674	(312,176)

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

	2011/12 £000's	2012/13 £000's
Outturn reported to Council	283,689	**280,806**
Settlement of HRA self-financing	102,580	**-**
Revaluations and Pension costs charged to services	12,659	**(15,155)**
(Surplus)/Deficit on Continuing Operations	398,928	**265,651**
Loss on transfer of Schools to Academies	102,052	**13,655**
Other operating expenditure	4,148	**7,115**
Net Interest received or paid on investments and loans	5,086	**10,017**
Council Tax, Business Rates and Grant Income	(323,375)	**(320,994)**
(Surplus)/Deficit on the Provision of Services	**186,839**	**(24,556)**
(Surplus)/Deficit on revaluation of non-current assets	17,563	**20,504**
(Gains) or Losses on the pension fund	114,852	**28,252**
Total Comprehensive Income and Expenditure	**319,254**	**24,200**

30. Acquired and Discontinued Operations

No material operations have been acquired or discontinued in the year ended 31 March 2013.

31. Trading Operations

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

	2011/12 Trading surplus /(deficit) £000	Income £000	Internal recharges £000	Expenditure £000	2012/13 Trading surplus /(deficit) £000
Catering	(935)	6,801	(1,171)	(6,651)	**(1,021)**
Transport	(274)	635	7,450	(8,097)	**(12)**
Other	-	19	653	(672)	**-**
	(1,209)	**7,455**	**6,932**	**(15,420)**	**(1,033)**

32. Pooled Budgets

The Authority has two pooled budget arrangement for the provision of community equipment services and learning disability services to meet the needs of people living in the London Borough of Barnet, the services being provided by the Authority or the NHS depending upon the mix required by clients.

The Authority and the NHS have an agreement in place for funding these services, with the partners contributing funds to the agreed budget. The agreement details the proportions used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

Section 75 agreement in respect of Community Equipment Services

	2011/12			**2012/13**		
	Total £000	Barnet £000	NHS Barnet £000	**Total £000**	**Barnet £000**	**NHS Barnet £000**
Equipment, servicing and repairs	1,362	741	621	**1,559**	**961**	**598**
Contract management (including delivery, collection and storage)	732	475	257	**801**	**515**	**286**
	2,094	1,216	878	**2,360**	**1,476**	**884**

Section 75 Agreement in respect of Learning Disabilities Services

	2011/12*			**2012/13**		
	Total £000	Barnet £000	NHS Barnet £000	**Total £000**	**Barnet £000**	**NHS Barnet £000**
Social Work Team	411	161	249	**2,546**	**1,049**	**1,497**
Head of Service Contribution	54	27	27	**88**	**44**	**44**
Transition Team	34	34	-	**-**	**-**	**-**
Accommodation and IT Support	121	-	121	**175**	**-**	**175**
	619	222	397	**2,809**	**1,093**	**1,716**

* The S75 Agreement in respect of Learning Disabilities Services commenced in February 2012 and so 2011/12 only reflects two months activity.

33. Members' Allowances

	2011/12 £'000	**2012/13 £'000**
Member Allowances	1,087	**1,080**
Member Expenses	29	**41**
	1,116	**1,121**

34. Officers' Remuneration

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

Band			2011/12 Number of Employees	**2012/13 Number of Employees**
£50,000	to	£54,999	181	**149**
£55,000	to	£59,999	94	**66**
£60,000	to	£64,999	54	**49**
£65,000	to	£69,999	61	**40**
£70,000	to	£74,999	43	**37**
£75,000	to	£79,999	13	**22**
£80,000	to	£84,999	7	**12**
£85,000	to	£89,999	8	**8**
£90,000	to	£94,999	14	**13**
£95,000	to	£99,999	6	**3**
£100,000	to	£104,999	1	**2**
£105,000	to	£109,999	2	**1**
£110,000	to	£114,999	1	**-**
£115,000	to	£119,999	1	**2**
£120,000	to	£124,999	2	**2**
£125,000	to	£129,999	-	**1**
£130,000	to	£134,999	4	**3**
£135,000	to	£139,999	-	**-**
£140,000	to	£144,999	-	**2**
£145,000	to	£149,999	1	**-**
>£150,000			5	**2**
			498	**411**

The following tables set out the remuneration disclosures for Senior Officers (Directors, Assistant Directors and Heads of Service reporting to Directors) whose salary is less than £150,000 but equal to or more than £50,000 per year.

Teachers do not fall within the definition of Senior Officers and therefore not included in these tables.

Senior Officer Remuneration 2012/13	Note	Salary (including fees & allowances)	Expenses Allowances	Compensation for loss of office	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration
Post Title		£	£	£	£	£	£
Interim Assistant Director - Performance and Resources	i & ii	46,500	-	-	46,500	-	**46,500**
Interim Assistant Director - Adult Social Care	i & ii	27,825	-	-	27,825	-	**27,825**
Interim Assistant Director - Education	i & ii	51,800			51,800		**51,800**
Assistant Director Community Wellbeing		92,006	-	-	92,006	22,613	**114,619**
Adults & Communities Director		121,523	-	-	121,523	29,247	**150,770**
Assistant Director Children's Social Care		92,006	-	-	92,006	22,613	**114,619**
Deputy Director - Children's Services		118,500	-	-	118,500	28,517	**147,017**
Assistant Director Policy, Planning & Performance/Schools, Skills & Learning Lead Commissioner		92,006	-	-	92,006	22,613	**114,619**
Assistant Director Schools and Learning	i	76,013	25	66,224	142,261	18,851	**161,113**
Transformation Manager/Asst Director	i & ii	45,565	-	-	45,565	-	**45,565**
Senior Project Manager	ii	96,500	-	-	96,500	-	**96,500**
Director of Corporate Governance		132,480	-	-	132,480	32,568	**165,048**
Assistant Director Operational Assurance		69,261	-	-	69,261	17,022	**86,283**
Head of Governance	i	67,206	14	17,371	84,592	16,637	**101,228**
Acting Head of Legal	i	31,887	-	-	31,887	7,660	**39,547**
Head of Insurance		57,066	-	-	57,066	14,029	**71,095**
Interim Director Environment, Planning & Regeneration/Director for Place		133,039	-	-	133,039	32,701	**165,740**
Assistant Director Highways & Transportation/Housing & Environment Lead Commissioner		90,299	-	-	90,299	22,189	**112,488**
Assistant Director Operations		91,215	-	-	91,215	22,424	**113,639**
Assistant Director Regulation & Community Safety		88,637	48	-	88,686	21,789	**110,475**
Assistant Director Strategy & Regeneration		88,986	-	-	88,986	21,876	**110,862**
Assistant Director Strategy & Regeneration	i	74,296	-	-	74,296	18,425	**92,722**
Assistant Director Planning & Building Control		82,482	-	-	82,482	20,277	**102,759**
Head of Strategy and Performance		63,727	117	-	63,844	14,683	**78,527**
Director of Commercial Services		132,480	-	-	132,480	32,568	**165,048**
Assistant Director Estates	i & ii	50,429			50,429		**50,429**
Head of Information Systems		65,011	-	-	65,011	15,981	**80,992**
Project Director & Service Lead NSCSO		79,169	-	-	79,169	19,158	**98,327**
Assistant Chief Executive	i & ii	138,240	-	-	138,240	-	**138,240**
Assistant Director Strategy & Policy		90,650			90,650	-	**90,650**
Head of Performance		65,277	-	-	65,277	16,047	**81,324**
Assistant Director of Customer Services	ii	88,750	-	-	88,750	-	**88,750**
Assistant Director Communications	ii	117,432	-	-	117,432	-	**117,432**
Later Years Lead Commissioner	i	8,333	-	-	8,333	1,850	**10,183**
Enterprise & Regen Lead Commissioner	i	20,344	-	-	20,344	4,840	**25,184**
Assistant Director - Financial Services		91,215	-	-	91,215	22,424	**113,639**
Assistant Director - Human Resources		86,777	-	-	86,777	21,333	**108,110**
Assistant Director - One Barnet	i	68,685	-	-	68,685	17,034	**85,719**
Assistant Director - Strategic Finance/Deputy Chief Operating Officer		109,849	-	-	109,849	26,511	**136,359**
Assistant Director of Finance – Audit and Risk Management/ Assurance Director		92,461	-	-	92,461	22,705	**115,167**
		3,235,928	**205**	**83,595**	**3,319,727**	**607,183**	**3,926,911**

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

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

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

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

The following table sets out the remuneration disclosures for Senior Officers whose salary is equal to or more than £150,000. Teachers do not fall within the definition of Senior Officers and therefore are not included in this note. In 2012/13 no Director received expenses allowances or compensation for loss of office (2011/12 none).

Senior Officer Remuneration 2012/13

	Note	Salary (including fees & allowances) £	Remuneration excluding pension contributions £	Pension Contributions £	Total Remuneration £
Chief Executive - Mr N Walkley	i & iii	141,244	141,244	34,166	**175,410**
Deputy Chief Executive/ Interim Chief Executive - Mr A Travers	i, ii & iv	143,529	143,529	14,853	**158,382**
Chief Operating Officer - Mr C Naylor	i & v	37,060	37,060	8,848	**45,908**
Director - Children's Services - Mr R McCulloch-Graham	vi	165,504	165,504	40,686	**206,190**
Director for People/ Director ADS & Interim Director Children - Ms K Kennally	i & vii	150,546	150,546	36,357	**186,903**
Assistant Director Commercial Assurance - Ms L Meeks	ii	179,250	179,250	-	**179,250**
		817,133	**817,133**	**134,910**	**952,043**

i) These personnel were not in post for the full financial year
ii) This figure represents the fee paid in respect of interim appointments
iii) Mr N Walkley was an employee at Barnet until 7 December 2012.
iv) Mr A Travers was the Deputy Chief Executive from 1 April 2012 to 3 December 2012. He was then appointed as Interim Chief Executive on Barnet's payroll until 31 March 2013.
v) Mr C Naylor was appointed to the post of Chief Operating Officer from January 2013.
vi) Mr McCullock-Graham was on secondment from 22 June 2012
vii) Ms K Kennally was the Director ADS & Interim Director Children from 1 April 2012 to 6 January 2013. She was then appointed to Director of People until 31 March 2013.

Senior Officer Remuneration 2011/12

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

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

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

			2011/12 Exit Packages by Band number	2011/12 Exit Packages by Band £'000	**2012/13 Exit Packages by Band number**	**2012/13 Exit Packages by Band £'000**
£nil	to	£20,000	67	593	**59**	**491**
£20,001		£40,000	25	710	**26**	**719**
£40,001		£60,000	12	613	**2**	**87**
£60,001		£80,000	4	251	**3**	**203**
£80,001		£100,000	2	181	**-**	**-**
£100,001		£150,000	1	123	**-**	**-**
£150,001		£200,000	1	167	**-**	**-**
over £200,000			-	-	**-**	**-**
			112	2638	**90**	**1,500**

35. Audit Costs

The cost to the council of external audit and inspection fees for the audit and inspection relating to the year 2012/13 are shown below:

Fees payable to Grant Thornton UK LLP, the council's appointed external auditors	2011/12 £000	**2012/13 £000**
Audit and inspection fee	374	**224**
Certification of grant claims and returns	87	**41**
Pension Fund audit	35	**20**
Questions and objections from the public	30	**-**
Total	526	**285**

36. 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). The DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008.

The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. The ISB is regarded for DSG purposes as spent by the authority once it is deployed to schools' budget shares.

	2011/12 £'000	**2012/13 £'000**
Final DSG for year	212,026	**195,348**
Brought forward from previous year	2,350	**2,109**
Carry forward to following year agreed in advance	-	**-**
	214,376	**197,457**

Details of the deployment of DSG receivable for 21012/13 are as follows:

	Central Expenditure £'000	ISB £'000	Total £'000
Agreed budgeted distribution in 2012/13	24,864	172,593	**197,457**
Actual Central Expenditure	(23,035)	(172,339)	**(195,374)**
Carry forward to 2013/14	**1,829**	**254**	**2,083**
Agreed budgeted distribution in 2011/12	23,221	191,155	214,376
Actual Central Expenditure	(22,920)	(189,347)	(212,267)
Carry forward to 2012/13	301	1,808	2,109

37. Grant Income

The grants and contributions credited to the taxation and non-specific grant income line on the CIES are disclosed in Note 11 of the Core statements. The council credited the following grants, contributions to services in the comprehensive income and expenditure statement in 2012/13:

Credited to services	2011/12 £'000	**2012/13 £'000**
Education (excluding DSG)	25,510	**18,305**
DSG	212,026	**195,348**
Community Care and Other Social Services	434	**2,037**
Asylum Seekers	395	**635**
Other	313	**2,002**
	238,678	**218,327**

The council has received a number of grants and contributions that have conditions attached to them. As long as the council intends to use the capital grant in accordance with the condition, the income is to be shown in the CIES and then moved to the Capital Grants Unapplied Account via the Movement in Reserves Statement. The balance at 31 March 2013 is:

Capital Grants Unapplied	2011/12 £'000	**2012/13 £'000**
S106	6,818	**14,764**
Grants and Contributions	22,002	**43,964**
	28,820	**58,728**

38. Related Parties

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

Central government has effective control over the general operations of the council. It is responsible for the statutory framework within which the council operates, provides the majority of its funding, in the form of grants, and prescribes the terms of many of the transactions that the council has with other parties e.g. housing benefits. Grant income is shown in note 37.

Members of the council have direct control over the authority's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in note 33. By virtue of their office, through their residence in the borough and/or as active members of the community, members of the council participate in and are members of a variety of other public bodies and community groups.

The council has well established mechanisms and procedures for preventing undue influence. Part of these mechanisms is the disclosure of interests in the register of members' interest. In addition, every year members are asked to complete a Declaration of any Related Party Transactions. In financial year 2012/13 several members declared that they had acted as Trustees for local Voluntary Organisations and as School Governors.

The Council paid grants totalling £0.650 million (£0.782 million in 2011/12) to voluntary organisations in which twelve members (nine members in 2011/12) had positions on the governing body. The council paid £26.124 million (£13.160million in 2011/12) to schools in which fourteen members (eight members in 2011/12) had positions on the governing body.

The Council has a pooled budget arrangement details of which are in note 32.

The council has a number of significant transactions with other local authorities and local health authorities. In particular the authority places pupils into neighbouring authorities' schools, the expenditure for which is included within the children's and education services line of the income and expenditure account. In 2012/13 there was a total of £17.011 million of investments placed with other local authorities as at the financial year end (no investments in 2011/12).

Every year all chief officers are required to complete a related party transactions declaration. For the financial year 2012/13 one officer (the Deputy Chief Executive/Interim Chief Executive) was also a director, nominated by the Council, for a company (The Inglis Consortium LLP). This company is a partner in a regeneration project and £0.290 million was paid to them in 2012/13. The funding to the Inglis Consortium is approved by Cabinet.

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The Pension Fund accounts are set out on pages 85 to 99 of these accounts. In 2012/13 the council's employer's contributions to the Fund were £18.790 million (£24.353 million in 2011/12). The council's member's contributions to the Fund were £5.581million (6.326 million in 2011/12). The Council charged the Fund £0.852 million (£0.842 million in 2011/12) for administering the Fund.

The London Borough of Barnet owns 100% of the share capital of The Barnet Group Ltd which in turn owns 100% of the share capital of Your Choice (Barnet) Ltd. The Barnet Group is the sole member and guarantor of Barnet Homes Ltd a company limited by guarantee. The London Borough of Barnet contracts with the Barnet Group Ltd for the provision of Adult Social Care and Housing Management services. The Barnet Group Ltd then contracts, on a back to back basis, with Your Choice (Barnet) Ltd and Barnet Homes Ltd for Adult Social Care and Housing Management services respectively. As a result the Barnet Group Ltd receives the management fee from the London Borough of Barnet on behalf of Barnet Homes Ltd and Your Choice (Barnet) Ltd. The Barnet Group Ltd also invoices for ad hoc services on behalf of the two companies.

The Barnet Group Ltd reports a loss after tax of £0.034 million in its 2012/13 accounts (there is no 2011/12 comparison figure as this is the companies first set of accounts following its creation). Barnet Homes Ltd reports a loss after tax of £1.859 million in its 2012/13 accounts (£0.342m surplus in 2011/12). Your Choice (Barnet) Ltd reports a loss after tax of £0.238 million in its 2012/13 accounts (there is no 2011/12 comparison figure as this is the companies first set of accounts following its creation). The Barnet Group Ltd has a Board consisting of nine members, two of which are Members of the Council.

Group Accounts have not been produced in 2012/13 because the interest in the three subsidiary companies set out above is not considered material.

39. Capital Expenditure and Capital Financing

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

Capital Investment:	2011/12 £'000	**2012/13 £'000**
Adult Social Care & Health	838	**534**
Central Expenses	410	**-**
Chief Executive Services	990	**744**
Children's Services	19,942	**14,604**
Commercial Services	1,193	**893**
Corporate Governance	2	**2**
Deputy Chief Executive Services	37	**-**
Environment, Planning and Regeneration	12,731	**14,386**
Housing Revenue Account	21,663	**16,515**
	57,806	**47,678**

Sources of Finance:	Capital financed in 2011/12 £'000	**Capital financed in 2012/13 £'000**
Capital receipts	5,505	**2,127**
General fund revenue contributions	914	**13,966**
HRA revenue contributions/MRA	15,380	**16,197**
Contributions including S106 receipts	5,576	**677**
Borrowing	5,982	**3,184**
Grants	24,449	**11,527**
	57,806	**47,678**

The total capital expenditure of £47.678 million is made up of the £33.564 million (2011/12, £44.252 million) of additions shown in note 12 (less the £0.386 million (2011/12, £0.356 million) of Infrastructure that relates to PFI) and the £14.500 million (2011/12, £13.910 million) of Revenue Expenditure Funded from Capital Under Statute shown in note 7.

The Capital Financing Requirement as at 31 March 2013 was £372.333 million (at 31 March 2012 it was £379.129 million).

40. Leases

Operating Leases

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

In the year 2012/13 the council paid £6.496 million (2011/12, £6.594 million) in respect of Operating leases and there are commitments in place of £66.838 million (2011/12 £50.687 million) for future years.

Properties are leased out and in 2012/13 this produced an income of £4.014 million (2011/12 £3.816 million) with £129.939 million (2011/12 £126.420 million) contracted for future years. The following table sets out the payments to be made (leased in) and received (leased out) over the life of the lease commitments in respect of these properties together with non-property operating leases:

Years	Vehicles, plant and equipment leased in £'000	Property leased in £'000	Property leased out £'000
2012/13	2,011	4,485	(4,014)
2013/14	1,217	4,315	(3,540)
2014/5 - 2017/18	162	17,229	(8,163)
2018/19 to completion	-	43,915	(118,236)
	3,390	**69,944**	**(133,953)**

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:

	2011/12 £'000	2012/13 £'000
Vehicles	310	-
	310	-

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:

Finance Lease liabilities (net present value of minimum lease payments):	2011/12 £'000	2012/13 £'000
Current	380	-
Finance costs payable in future years	-	-
Minimum Lease payments	380	-

There were no further minimum lease payments as the lease has expired (2011/12 £0.380 million).

41. 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) was for the first 5 years. The post CIP Operating period is for a further 19 years and 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.:

PFI Street Lights	2011/12 £'000	Additions in year £'000	2012/13 £'000
Gross book value	24,705	**386**	**25,091**
Accumulated depreciation	(2,780)	**(1,332)**	**(4,112)**
Net book value	21,925	**(946)**	**20,979**

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

	2011/12 £'000	Decrease in year £'000	2012/13 £'000
Lease liability	17,902	**(231)**	**17,671**
	17,902	**(231)**	**17,671**

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

Years	Repayment of liability £'000	Interest £'000	Service charges £'000	Other charges £'000	Total £'000
2013/14	261	2,376	1,417	965	**5,019**
2014/15 - 2017/18	1,435	9,102	6,117	4,456	**21,110**
2018/19 - 2022/23	3,149	9,994	8,768	7,486	**29,397**
2023/24 - 2027/28	5,827	7,241	10,204	11,037	**34,309**
2028/29 - 2031/32	6,999	2,082	7,106	5,322	**21,509**
Total Commitments	**17,671**	**30,795**	**33,612**	**29,266**	**111,344**

42. Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 12,13,14 and 15 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

The impairment reversals in 2012/13 were £26.695 million and related to PPE asset class.

43. Termination Benefits

The authority terminated the contracts of a number of employees in 2012/13, incurring liabilities of £2.080 million (£2.845m in 2011/12) of which £1.500 million was payable to the employees and £0.580 million related to pension strain.

Of the £1.500 million payable to employees, £0.084 million was payable to senior officers as disclosed in note 34. The remaining £1.416 million was payable to other officers who were made redundant as part of the authority's rationalisation of the service.

44. 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, £16.413 million is included in the education service costs (2011/12 £12.020 million).

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

The authority contributions to March 2013 for the Local Government Pension Scheme (LGPS) are 24.8% and expected contributions to March 2014 are 24.8%

45. Defined Benefit Pension Schemes

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

The actuary's calculation of the net deficit on the pension fund is shown below. The change in the net value of the pension fund includes actuarial losses of £28.252 million (£114.852 million 2011/12). These arise from the differences between actual events as they have turned out and assumptions that were made at the date of the earlier actuarial valuation, known as experience gains and losses as well as changes in actuarial assumptions.

		2011/12		**2012/13**
	£'000	£'000	**£'000**	**£'000**
Deficit at the beginning of the year		(236,484)		**(342,402)**
Net cost of services				
Current cost of services	(18,428)		**(21,165)**	
Curtailment and settlements	10,115	(8,313)	**3,051**	**(18,114)**
Net operating expenditure				
Interest cost	(39,308)		**(38,137)**	
Expected return on assets in the scheme	31,411	(7,897)	**26,865**	**(11,272)**
Amount charged for pensions in the year		25,144		**22,185**
Net actuarial gain/(loss)		(114,852)		**(28,252)**
Fund deficit at end of the year		(342,402)		**(377,855)**

To ensure that the net figure in the accounts is the actual amount paid to the pension fund rather than a notional sum, the IAS 19 figure is reversed out of the general fund balance reconciliation statement and replaced with the actual figure. Barnet as the administrating authority receives administration expenses that were £0.852 million in 2012/13 (£0.842million in 2011/12).

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

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	**2012/13 £'000**
Estimated liabilities of the scheme	(561,260)	(886,078)	(720,595)	(849,881)	**(932,387)**
Estimated assets of the scheme	339,224	444,918	484,111	507,479	**554,532**
Net Liability	(222,036)	(441,160)	(236,484)	(342,402)	**(377,855)**

Reconciliation of present value of the scheme liabilities	2011/12 £'000	**2012/13 £'000**
Opening defined benefit obligation	720,595	**849,881**
Service cost	18,428	**21,165**
Interest cost	39,308	**38,137**
Actuarial loss/(gain)	107,685	**56,133**
Losses on curtailments	212	**342**
Liabilities extinguished on settlements	(11,654)	**(6,347)**
Estimated benefits paid (net of transfers in)	(29,557)	**(30,917)**
Contributions by scheme participants	6,398	**5,576**
Unfunded pension payments	(1,534)	**(1,583)**
Closing defined benefit obligation	849,881	**932,387**

Reconciliation of fair value of the scheme assets	2011/12 £'000	**2012/13 £'000**
Opening fair value of scheme assets	484,111	**507,479**
Expected return on scheme assets	31,411	**26,865**
Actuarial gain/(loss)	(7,167)	**27,881**
Contributions by employer	25,144	**22,185**
Contributions by scheme participants	6,398	**5,576**
Estimated benefits paid (net of transfers in)	(31,091)	**(32,500)**
Receipt of bulk transfer	(1,327)	**(2,954)**
Fair value of scheme assets at end of period	507,479	**554,532**

The estimated asset allocation for London Borough of Barnet as at 31 March 2013 is as follows:

Employer Asset Share - Bid Value	2011/12 £'000	%	**2012/13 £'000**	**%**
Equities	263,889	52	**377,082**	**68**
Gilts	50,748	10	**-**	**-**
Other Bonds	167,468	33	**171,905**	**31**
Cash	20,299	4	**5,545**	**1**
Alternative Assets	5,075	1	**-**	**-**
	507,479	100	**554,532**	**100**

Basis for estimating assets and liabilities

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

Assumed life expectancy from age 65 years		Years
Retiring today	Males	**20.1**
	Females	**24.1**
Retiring in 20 years	Males	**22.1**
	Females	**26.0**

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

Assumptions

	2011/12		**2012/13**	
	£'000	%	**£'000**	**%**
Price increases	3.3	-	**3.3**	**-**
CPI increases	2.5	(0.8)	**2.5**	**(0.8)**
Salary increases	4.7	1.4	**4.7**	**1.4**
Pension increases	2.5	(0.8)	**2.5**	**(0.8)**
Discount rate	4.6	1.3	**4.6**	**1.0**

The figures are from the Barnett Waddingham, IAS 19 Disclosures report, and these assumptions are set with reference to market conditions at 31 March 2013:

- The discount rate is the yield on the ibox AA rated over 15 year corporate bond index as at this date which has been chosen to meet the requirements of IAS 19.
- The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilts at the accounting date using data published by the Bank of England. This measure has historically overestimated future increases in the RPI and so we have made a deduction of 0.25% to get the RPI assumption of 3.3%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.5%.

Expected return on assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2012 for the year to 31 March 2013). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

For the year ended 31 March 2013, the expected returns on assets was 5.4% per annum. The returns for 2011/12 were as set out below:

Equities	6.4%
Gilts	3.3%
Bonds	4.6%
Property	4.3%
Cash	3.0%
Alternative Assets	6.4%

The amounts recognised in the Comprehensive Income & Expenditure Statement for the year to 31 March 2013 are set out below:

	2011/12 £'000	2012/13 £'000
Current service cost	18,428	**21,165**
Interest on Obligation	39,308	**38,137**
Expected return on Scheme assets	(31,411)	**(26,865)**
Losses (gains) on curtailments and settlements	(10,115)	**(3,051)**
Total recognised in CI&E Statement	16,210	**29,386**
Actual return on Scheme assets	24,244	**54,746**

The following table sets out the total amounts recognised in the Statement of Accounts for the Current and Previous Periods:

Amounts for the current and previous four periods	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Defined Benefit Obligation	(561,260)	(886,078)	(720,595)	(849,881)	**(932,387)**
Scheme assets	339,224	444,918	484,111	507,479	**544,532**
Surplus (Deficit)	(222,036)	(441,160)	(236,484)	(342,402)	**(377,855)**
Experience adjustments on Scheme liabilities	-	7,544	64,522	(1,000)	**(1,276)**
Percentage of liabilities	-	0.9%	9.0%	(0.1%)	**(0.1%)**
Experience adjustments on Scheme assets	(93,735)	80,560	7,802	(7,167)	**27,881**
Percentage of assets	(27.6%)	18.1%	1.6%	(1.4%)	**5.0%**
Cumulative Actuarial Gains and Losses	76,987	(138,200)	5,263	(109,589)	**(137,841)**

Projected Pension Expenses for the year to 31 March 2014	**£'000**
Service Cost	**23,456**
Net interest on the defined liability	**15,810**
Administration Expenses	**993**
Pension costs	**40,259**
Employer Contributions	**20,502**

46. Contingent Liabilities

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

- At the 31 March 2013 the Council had an on-going court case regarding the Council's decision to increase parking fees. On 22 July 2013 the council lost this court case, and a call will be made on the council's resources in 2013/14 to meet the estimated liability of £2.240m.

- Learning Disabilities have a case currently going through the Court of Protection. An adverse finding would result in a call in Council resources which would need to be managed through consideration of earmarked reserves.
- The Council is involved with the Trade Unions in an Employment Tribunal in relation to the agency workers regulations. The costs of any award against the Council are uncertain and would be met from reserves.
- The outcome of the judicial review in respect of the One Barnet programme is currently subject to an appeal in the high court. There is a risk that if the Council is unsuccessful, or if the delay in entering into the contracts continues, this could result in a financial loss to the authority.
- The Council has been successful in two judicial review applications where permission to appeal is being sought. An adverse finding would result in a call on Council resources which would need to be managed through consideration of earmarked reserves.
- The Council is involved in litigation relating to search fees. An adverse finding would result in a call on Council resources which would need to be managed through consideration of earmarked reserves.

47. Contingent Assets

In the financial year 2012/13 the Council had no contingent assets at the balance sheet date.

48. Nature and Extent of Risks Arising from Financial Instruments

Financial Instruments - Risks

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

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

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

The main risks covered are:

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

Credit Risk

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, AAA-rated money market funds and Banks and Building Societies of sufficiently high credit quality as set out in the Treasury Management Strategy. A limit of £25m is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. The Council's current Treasury Management Strategy allows deposits to be placed for a maximum period of 364 days in specified investments and £100 million, in total, in non-specified investments with a £40 million total limit for investment durations of more than 364 days.

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of credit indicators. All investments have been made in line with the Council's Treasury Management Strategy Statement for 2012/13, approved by Council on 6 March 2012.

The table below summarises the nominal value of the Council's investment portfolio at 31 March 2013, and confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment:

Counterparty	Credit Rating Criteria Met When Investment Placed Yes/No	Credit Rating Criteria Met on 31 March 2014 Yes/No	Balance Invested as at 31 March 2013 Up to 1 month £'000	>1 month and <3 months £'000	>3 months and <6 months £'000	>6 months and <12 months £'000	Total £'000
Other Local Authorities	N/A	N/A	-	-	-	15,000	15,000
Banks – UK	Yes	Yes		15,000	40,000	-	55,000
Banks – Non UK	Yes	Yes	25,000	-	30,000	-	55,000
			25,000	**15,000**	**70,000**	**15,000**	**125,000**
Building Societies – UK	N/A	N/A	16,500	8,500	-	-	25,000
Money Market Funds	Yes	N/A	-	-	-	-	-
Call Accounts	Yes	Yes	25,000	-	-	-	25,000
			41,500	**8,500**	**0**	**0**	**50,000**
			66,500	**23,500**	**70,000**	**15,000**	**175,000**

The above analysis shows that all deposits outstanding as at 31 March 2013 met the Council's credit rating criteria on the 31 March 2013. The above analysis excludes the estimated carrying value of the Council's Icelandic Bank investment of £9.549 million.

Trade Receivables

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

Trade Receivables	Gross Debtors £'000	Average % Default based on Previous Experience 5 years to 2009/10	Average % Default based on Previous Experience for 2012/13	Bad Debt Provision for 2012/13 £'000
Sundry Debtors	**60,863**	**5%**	**5%**	**14,132**

Liquidity Risk

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

The Council would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities. The maturity analysis of the nominal value of the Council's debt at 31 March 2013 was as follows:

Maturity analysis	Years	31 March 2013 £'000	% of total debt portfolio
Short Term Borrowing	Less than 1 year	2,000	0.66
Long Term Borrowing	Over 1 but not over 2	-	-
	Over 2 but not over 5	-	-
	Over 5 but not over 10	-	-
	Over 10 but not over 15	22,516	7.40
	Over 15 but not over 20	70,516	23.19
	Over 20 but not over 25	42,516	13.98
	Over 25 but not over 30	65,516	21.54
	Over 30 but not over 35	20,516	6.75
	Over 35 but not over 40	-	-
	Over 40 but not over 45	22,500	7.40
	Over 45	58,000	19.08
Total Long Term Borrowing		**304,080**	**99.34**
Total Borrowing		**304,080**	**100.00**

Loans and other long term liabilities outstanding (nominal value):	2011/12 £'000	2012/13 £'000
Public Works Loans Board	241,580	**241,580**
Market Debt	62,500	**62,500**
Temporary Borrowing	-	**-**
Deferred Liabilities – PFI and finance leases	18,893	**17,671**
Other	-	**-**
	322,973	**321,751**

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 2013, 100% of the debt portfolio was held in fixed rate instruments. If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	1,315
Increase in government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	**-**
Share of overall impact debited/credited to HRA	
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*	7,204

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

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the 'Fair Value' disclosure note (Note 16).

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

- Price Risk*:* The Council does not invest in equity shares and therefore is not subject to any price risk (i.e. the risk that the Council will suffer loss as a result of adverse movements in the price of financial instruments).
- Foreign Exchange Risk*:* The Council currently has approximately £2.6 million in Icelandic Krona (ISK) remaining in escrow in Iceland. The Council is currently working with the LGA, Bevan Brittan and other affected authorities to research ways of converting the ISK element of the impaired Icelandic deposit into foreign exchange

Unusable Reserves

The Financial Instruments Adjustment Account (FIAA) was established on 1 April 2007 when Financial Reporting Standards 25, 26 and 29 relating to Financial Instruments were adopted into the SORP (2007 SORP). The balance in the FIAA account at the end of the financial year represents the amount that should have been charged to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practices under the Code of Practice, but which Statutory Provisions allow or require to be deferred over future years. In the case of the Housing Revenue Account premiums and discounts are applied over a maximum 10 year period in all circumstances in accordance with Statutory Requirements. The transactions reflected in the FIAA for 2012/13 are as follows:

	2011/12	2012/13
Financial Instrument Adjustment Account	**£'000**	**£'000**
Balance at 1 April	1,349	1,016
Effective Interest Rate Adjustment	9	9
HRA Adjustment	(342)	(272)
Balance at 31 March	1,016	753

HRA Income and Expenditure Statement

2011/12 £'000		2012/13 £'000	£'000
	Income		
49,762	Dwelling rents	**53,149**	
1,463	Non-dwelling rents	**1,669**	
6,245	Charges for service and facilities	**6,745**	
57,470	**Total Income**		**61,563**
	Expenditure		
8,337	Repairs and maintenance	**8,116**	
20,358	Supervision and management	**19,534**	
101	Rents, rates and other charges	**107**	
11,827	Housing Subsidy payable	**-**	
102,580	Settlement payment to Government for self-financing	**-**	
23,054	Depreciation and impairment of fixed assets	**20,595**	
39	Debt management costs	**5**	
436	Increase in bad debt provision	**396**	
721	Revenue expenditure funded from capital under statute	**26**	
167,453	**Total Expenditure**		**48,779**
(109,983)	**Net cost of HRA services included in the Comprehensive Income and Expenditure Account**		**12,784**
(346)	Gain/(loss) on sale of HRA non-current assets		**5**
(3,231)	Interest payable and similar charges		**(6,775)**
89	Interest and investment income		**77**
(113,471)	**Surplus/(deficit) for the year on HRA services**		**6,091**

Statement of Movement on the HRA Balance

2011/12 £'000		Note	2012/13 £'000
(113,471)	**Surplus/(deficit)for the year on the HRA Income and Expenditure Statement**		**6,091**
3	EIR interest costs on stepped loans		**5**
(342)	Amortisation of premium on early repayment of loans		**(272)**
102,580	HRA movement on HRA subsidy		**-**
4,559	Difference between and other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements		**26**
346	Gain/(loss) on HRA fixed assets		**(5)**
9,901	Transfer from Major Repairs Reserve		**2,421**
3,576	**Balance on HRA at end of current year**		**8,266**
4,230	**Balance on the HRA at end of previous year**		**7,806**
3,576	Surplus/(Deficit) for the year		**8,266**
7,806	**Housing Revenue Account balance carried forward**		**16,072**

Notes to the Housing Revenue Account

1. Number of Dwellings

	2011/12 units	2012/13 units
Houses	3,532	**3,519**
Bungalows	181	**179**
Flats	5,733	**5,729**
Maisonettes	1,320	**1,311**
Hostels	72	**72**
Bedsits	30	**30**
	10,888	**10,840**

2. Value of HRA Assets

	2011/12 £'000	2012/13 £'000
Valuation for Social Housing use		
Dwellings	544,657	**561,785**
Other land and buildings	50,781	**49,333**
	595,438	**611,118**
Vacant Possession Valuation	2,148,000	**2,215,000**

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

3. Major Repairs Reserve

	2011/12 £'000	2012/13 £'000
Balance as at 1 April	(10,256)	**(4,259)**
Capital expenditure charged to reserve	15,380	**14,490**
Depreciation - dwellings	(18,747)	**(18,788)**
- non dwellings	(469)	**(484)**
Transfer to HRA - dwellings	9,432	**5,921**
- non-dwelliings	469	**-**
Interest on balances	(68)	**(17)**
Voluntary Contribution		**(3,500)**
Balance as at 31 March	(4,259)	**(6,637)**

The major repairs allowance (MRA) represents the capital cost of keeping the council's dwelling stock in its current condition. Authorities have the flexibility to spend MRA resources outside of the financial year in which they are allocated, enabling the more efficient planning of works or repayment of debt. The Major Repairs Reserve (MRR) represents balances carried forward. Under the item 8 determination, local authorities have a five year transitional period to use the MRA, after which traditional depreciation methods are required.

4. Capital Expenditure and Financing

	2011/12 £'000	**2012/13 £'000**
Capital Expenditure		
Dwellings	21,264	**16,489**
Other Property	399	**26**
	21,663	**16,515**
Financed by		
Capital Receipts Reserve	-	**-**
Borrowing	-	**261**
Major Repairs Reserve	15,380	**14,490**
Other contributions	6,283	**1,764**
	21,663	**16,515**

Included in Other Property expenditure is Revenue Expenditure Funded from Capital Under Statute (REFCUS) which is charged to the Comprehensive Income and Expenditure Statement; although there is no effect on the bottom line on the Housing Revenue Account.

5. Capital Receipts from disposals

	2011/12 £'000	**2012/13 £'000**
Other	611	**571**
Dwellings	1,792	**4,644**
Paid over to "pool"	(1,329)	**(1,286)**
	1,074	**3,929**

The authority has to pay a portion of the receipts from the sale of council houses into a government housing pool on the basis that the original cost of the housing would have been partly paid by government grant. New guidance in 2012/13 has enabled local authorities to retain further amounts of right to buy receipts upon agreement with Department of Communities and Local Government (DCLG). These funds must be spent on the provision of new build dwellings.

6. Depreciation

	2011/12 £'000	**2012/13 £'000**
Dwellings	18,747	**18,788**
Other property	469	**484**
	19,216	**19,272**

7. Impairments

	2011/12 £'000	**2012/13 £'000**
Dwellings	-	**-**
Other property	3,838	**1,323**
Investments	-	**-**
	3,838	**1,323**

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

8. Debt Premium amortised in year

	2011/12 £'000	2012/13 £'000
	342	272

9. HRA Subsidy

	2011/12 £'000	2012/13 £'000
	(11,827)	-

In April 2012 the government introduced a new self-financing regime for the Housing Revenue Account which was introduced by the Localism Act 2011. As a result the Housing Subsidy system was terminated and the council took on £102.580 million in new loans to settle its liability to the Government.

Under the self-financing regime the council now maintains a rolling thirty year financial plan for its social housing stock to ensure that the stock portfolio remains financially viable. A summary of the current financial plan is provided in note 13 to this statement.

10. Arrears

	2011/12 £'000	2012/13 £'000
Leaseholder service charges	2,650	**2,580**
less bad debt provision	(718)	**(573)**
	1,932	**2,007**
Housing rents	2,496	**2,462**
less bad debt provision	(1,008)	**(925)**
	1,488	**1,537**
Commercial Rents	235	**297**
less bad debt provision	(32)	**(32)**
	203	**265**
	3,623	**3,809**

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

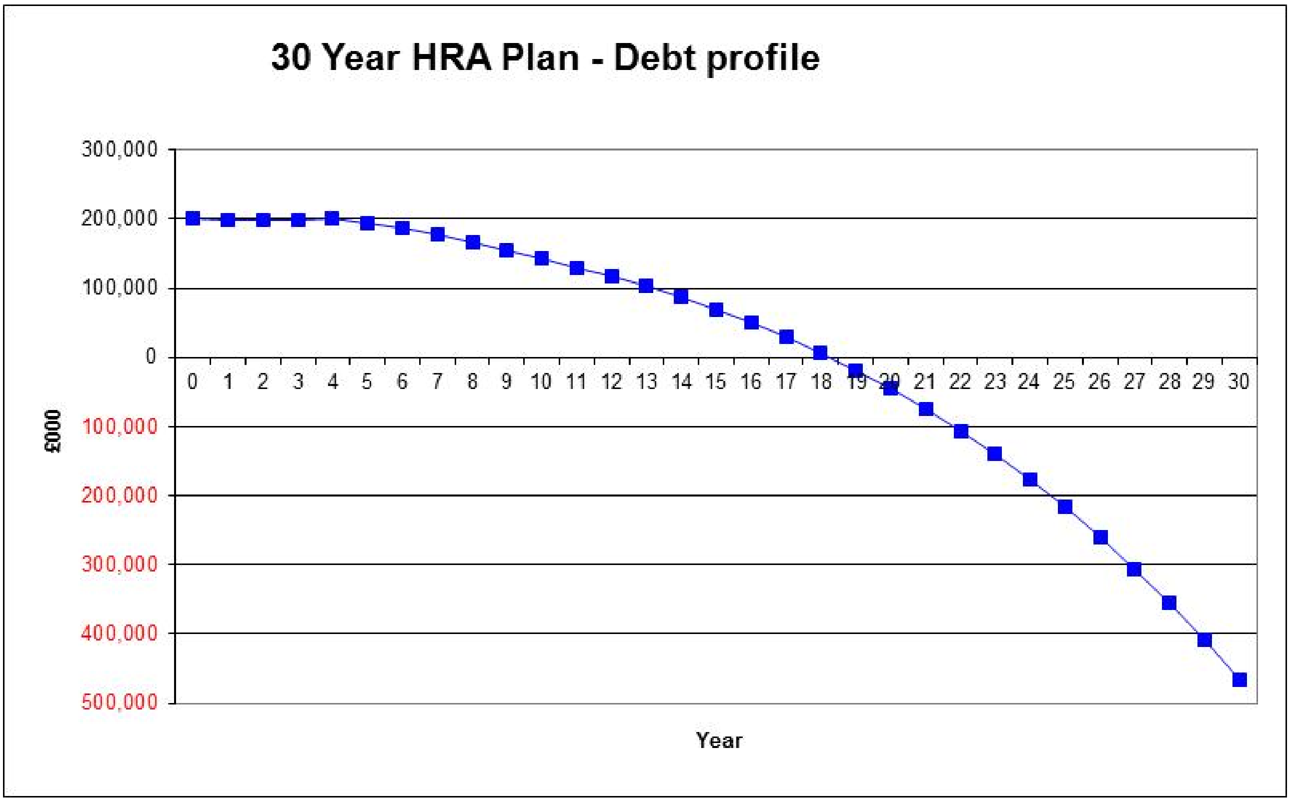
As day to day housing management is carried out by Barnet Homes Ltd, the HRA employs very few staff directly. Because of this, the cost of obtaining a separate HRA actuarial report, to split the notional cost of HRA staff from those employed by the general fund, cannot be justified. Therefore although 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.

13. Thirty Year Plan Summary

At the end of 2012 the Government changed the way in which council owned social housing was funded, ending the existing HRA subsidy system and creating a self-financing structure as summarised in note 9.

The impact of this change was that the London Borough of Barnet took on additional borrowings of £102.580 million to support its plans for social housing across the borough. An important element of adopting the additional borrowing was to prepare a thirty year plan to demonstrate that the continued operation and investment requirement of its social housing stock could generate sufficient returns to repay the loan.

The graph below illustrates the expected repayment curve of the additional borrowings and existing loans from the start of April 2012. The graph shows that total borrowings are expected to be repaid within nineteen years and that further cash surpluses can be generated for future re-investment in the council's housing stock.



The Collection Fund

	Note	2011/12 £'000	2011/12 £'000	2012/13 £'000	2012/13 £'000
Income					
Council Tax	1		174,440		175,043
Council Tax Benefits			31,546		31,674
Collectable business rates	2		102,158		108,331
BRS Income			3,146		2,677
			311,290		317,725
Disbursements					
Precepts:					
- London Borough of Barnet		155,466		159,386	
- Greater London Authority		43,269	198,735	43,916	203,302
Estimated surplus on collection fund:	3				
- London Borough of Barnet		-		-	
- Greater London Authority		-	-	-	-
Non-domestic rates					
- Payment to national pool		101,735		104,152	
- Cost of collection allowance		423		423	
- NNDR impairment of debt		-		3,756	
- Payment to BRS Crossrail		3,032		3,020	
- Cost of collection allowance BRS		17		15	
- BRS (Debtor)/Creditor		97	105,304	(358)	111,008
Total disbursed			304,039		314,310
Council tax					
Change in bad debt provision		2,588		4,122	
Written off	4	211	2,799	-	4,122
Fund surplus / (deficit) for year			4,452		(707)
			311,290		317,725

Fund Balance	2011/12 £'000	2012/13 £'000
Fund balance brought forward	9,870	14,322
Fund surplus / (deficit) for year	4,452	(707)
Fund balance carried forward	14,322	13,615

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 of £1,419.92 (2011/12, £1,423.02) multiplied by the ratio specified for that band. The figures at the time of tax base calculation for the bands A to H were:

Band	Ratio	Number of Band 'D' equivalents
A	0.67	1,189
B	0.78	5,873
C	0.89	20,189
D	1.00	27,471
E	1.22	32,548
F	1.44	24,896
G	1.67	23,763
H	2.00	7,165
MOD Contribution		84
Tax Base		**143,178**

2. Non-Domestic rateable value

The total non-domestic rateable value for Barnet at the year-end was £283,029,621 (2011/12 £286,006,858) and the national non-domestic rate multiplier for the year was 45.8p (2011/12 45.4p).

3. Collection fund surplus or deficit

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

4. Council tax written off

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

5. Collection Fund Balances

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

	2011/12 £'000	**2012/13 £'000**
London Borough of Barnet	11,229	**10,674**
Greater London Authority	3,093	**2,941**
	14,322	**13,615**

Pension Fund Account

	Note		2011/12		2012/13
		£000's	£000's	**£000's**	**£000's**
Contributions and Benefits					
Contributions Receivable	3	50,064		**53,999**	
Transfers in	4	5,294		**2,670**	
Other income		2		**-**	
		55,360	55,360	**56,669**	**56,669**
Benefits Payable Account	5	(38,584)		**43,648**	
Payments to and on behalf of Leavers	6	(4,810)		**2,636**	
Administrative Expenses	7	(1,106)		**1,023**	
		(44,500)	(44,500)	**47,307**	**47,307**
Net additions from dealings with members			10,860		**9,362**
Return on investments					
Investment income	8	1,273		**68**	
Change in market value of investments	9	17,079		**78,273**	
Investment management expenses	11	(1,920)		**(1,851)**	
Net returns on investments		16,432	16,432	**76,490**	**76,490**
Net increase in the fund during the year			27,292		**85,852**

Net Assets of the Scheme

	2011/12 £000's	**2012/13 £000's**
At 1 April	685,193	712,485
At 31 March	712,485	**798,337**

Net Assets Statement

	Note	2011/12 £000's	**2012/13 £000's**
Investment assets	9	703,630	**791,598**
Current assets	12	11,204	**13,788**
Current liabilities	13	(2,349)	**(7,049)**
		712,485	**798,337**

Notes to the Pension Fund Accounts for the year ended 31 March 013

1. Introduction

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

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

Further details of the management, operation and investment objectives of the fund are provided in the Fund's Annual Report for 2012/13, the Actuary's report (contained in Appendix 2 to these accounts), the Superannuation Act 1972 and the LGPS regulations which provide the underlying statutory powers underpinning the scheme.

General

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

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

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

Membership

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

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

(employers with active members)

Fremantle Trust	London Care
Greenwich Leisure	Personnel Care Bank
Birkins	Blue 9 Security Ltd
Servite/Viridian	Birkin and St James Catholic
Go Plant Ltd	Housing 21 (2)
Mears Group	The Music Service (BEAT)
NSL Ltd	

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

Barnet Voluntary Service Council	Barnet MENCAP
Enterprise Cleaning	KGB

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

Ashmole Academy
LB Barnet
Your Choice Barnet
Barnet Homes
Barnet & Southgate College
Bishop Douglass School
Christ's College (Academy)
Compton Academy
Copthall School (Academy)
Deansbrook Junior School (Academy)
Dollis G.M.Junior School
East Barnet Academy
ETZ Chaim Jewish Primary
Finchley Catholic G.M High School
Grasvenor Avenue School (Academy)
Hasmonean High School (Academy)
Hendon School (Academy)
Henrietta Barnet School (Academy)
Independent Jewish Day School (Academy)
London Academy
Menorah Foundation G.M.School
Middlesex University
Mill Hill GM High School(Academy)
Osidge G.M Primary School
Queen Elizabeth Boys (Academy)
Queen Elizabeth Girls (Academy
Rimon Jewish Priimary
St James High School
St Mary's CE High School
St Michael's Grammar School
The Totteridge Academy
Whitefield Trust School (Academy)
Woodhouse College
Wren Academy

Connaught Partnership, previously an Admitted Body, went into administration with effect from 31/08/2010. A pension fund deficit of £1.492 million 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. The Actuary is including the impact of the Connaught Pension deficit on the employer contribution rate in the actuarial valuation of the fund as at 31 March 2013.

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

The number of employees contributing to the fund decreased during the year from 6,790 to 6,768 at 31 March 2013*. During the same period the number of pensioners increased from 6,585 to 6,709 and the number of deferred pensioners increased from 7,346 to 7,952.

*The numbers of members have been extracted from the underlying membership records in the live system as at 11 May 2013; including the comparative figures A detailed analysis of membership movement in the year is provided in note 19 of these accounts.

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

2. Accounting Policies

Accounting Standards

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

Basis of Preparation

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 Fair Value. Fair Value has been determined as:

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

Sale and Purchase of Investments

The purchase and sale of investments is delegated to the fund managers and all settlements are accrued on the day of trading (the costs of acquiring investments are included in the value of the assets). The main fund managers are: Schroder Investment Management, Newton with the remaining funds (5%) held with Legal and General.

Investment Management are required to produce a return on investment within benchmarks set by the Authority. These restrictions and the fund managers analysis of the assets and issuing bodies, dictates the timing of sales and purchases of investments.

Administration Expenses

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

Benefits Payable

Benefits are provided in accordance with the provisions of the Local Government Pension Scheme. Benefits are accounted for in the period in which they fall due. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities. Full details of all benefits payable are available on the Borough's internet at www.barnet.gov.uk/pensions

Contribution Income

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

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

Investment Income

i. Interest Income: Interest income is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of the financial instrument and its amount as at the date of acquisition or origination. Income includes the amount of any amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis

ii. Dividend Income: Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii. Distribution from pooled funds: Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv. Movement in the net market value of investments: Changes in the net market value of investments are recognised as income and comprise all realised profits/losses during the year.

Taxation

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

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

Investment Management Expenses

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

3. Contributions Receivable

	2011/12	2012/13
Employers	£000's	**£000's**
Council	24,353	**22,654**
Scheduled bodies	14,426	**16,968**
Admitted bodies	1,329	**4,729**
	40,108	**44,351**
Members		
Council	6,326	**5,581**
Scheduled bodies	3,348	**3,713**
Admitted bodies	282	**354**
	9,956	**9,648**
Total Contributions	50,064	**53,999**

4. Transfers In

	2011/12 £000's	2012/13 £000's
Individual transfers in from other schemes	5,294	**2,670**

5. Benefits Payable

	2011/12 £000's	2012/13 £000's
Pensions	30,245	**36,364**
Commutations and lump sum payments	7,116	**6,361**
Lump sum death benefits	1,223	**923**
	38,584	**43,648**

6. Payments to and on Account of Leavers

	2011/12 £000's	2012/13 £000's
Refunds to members leaving service	6	**13**
Group transfers to other schemes	1	**-**
Individual transfers to other schemes	4,803	**2,623**
	4,810	**2,636**

7. Administrative Expenses

	2011/12 £000's	2012/13 £000's
Administration and processing	960	**927**
Actuarial fees	110	**66**
Audit fees	36	**30**
	1,106	**1,023**

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

8. Investment Income

	2011/12 £000's	2012/13 £000's
Income from property unit trusts	788	**-**
Interest on cash deposits	86	**26**
Other income	399	**42**
	1,273	**68**
Irrecoverable withholding tax	-	**-**
Total investment income	1,273	**68**

9. Investments

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

2011/12	Value at 1 April 2011	Purchases at Cost	Sales Proceeds	Unrecog-nised Losses	Change in Market Value	Value at 31 March 2012
	£000's	£000's	£000's	£000's	£000's	£000's
Pooled investment vehicles	638,391	57,101	(9,350)	-	16,267	702,409
Properties	23,160	-	(23,972)	-	812	-
	661,551	57,101	(33,322)	-	17,079	702,409
Cash Deposits	727					1,221
	662,278					703,630

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. The unrecognised losses relate to unrealised losses generated in previous periods and were not required to be disclosed in earlier Statement of Reporting Practice. Any income attributed to the unitised funds are reinvested and accounted for as a change in market value as opposed to income. As a result of these changes the investment income for 2012/13 reduced to £0.068 million; 2011/12 £1.273 million.

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

All the financial instruments of the fund are classified as level 1, where their fair values are derived from unadjusted quoted prices for identical assets or liabilities. The carrying value of investments is not materially different to their fair value. The carrying amount of investments held under management by the Fund's investment managers at year end including cash deposits totalled £791.598 million. This was split as follows:

Investment Portfolio	2012/13 £000's	%
Schroder Investment Management	**358,204**	**45.25**
Newton Investment Management	**376,022**	**47.50**
Legal & General	**57,372**	**7.25**
	791,598	**100.00**

Major Investments

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

Value 2011/12 £000's	as % of investment assets		Value 2012/13 £000's	as % of investment assets
226,349	32.17%	Newton Real Return Fund	**252,864**	**31.94**
105,552	15.00%	Newton Long Corporate Bond Fund	**118,908**	**15.02**
220,342	31.32%	Schroder Life Diversified Growth Fund	**243,716**	**30.79**
100,767	14.32%	Schroder All Maturities Corporate Bond Fund	**113,904**	**14.39**
34,053	4.84%	Legal and General Index Linked Tracker Fund	**40,214**	**5.08**
687,063			**769,606**	**97.22**

	2011/12 £000's	**2012/13 £000's**
Pooled investment Vehicles		
UK Managed funds	653,010	**732,734**
UK Unit Trusts	49,399	**57,372**
	702,409	**790,106**
Cash Deposits		
Sterling	1,221	**1,492**
	703,630	**791,598**

Pooled Investment Vehicles

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

Newton's Portfolio	**Long Corporate Bonds**	**Global High Yield Bonds**	**Long Gilt**	**Newton's Real Return**
Equities (%)				
UK	-	-	-	13.05
North America	-	0.14	-	11.41
Europe Ex UK	-	-	-	18.82
Japan	-	-	-	2.89
Pacific Ex Japan	-	-	-	2.44
Other	-	-	-	2.54
		0.14		**51.15**

Fixed Interest (%)	**Long Corporate Bonds**	**Global High Yield Bonds**	**Long Gilt**	**Newton's Real Return**
UK Gilts	-	-	93.02	9.51
UK Index Linked Gilts	-	-	1.68	-
UK Corporate Bonds	97.18	18.44	5.14	2.40
Overseas Government Bonds	-	1.06	-	13.16
Overseas Corporate Bonds	-	71.76	-	8.61
Overseas Index Linked Corporate Bonds	-	-	-	2.37
	97.18	**91.26**	**99.84**	**36.05**

Other Assets				
Commodities	-	-	-	3.93
Derivatives	-	-	-	(0.34)
Cash	2.82	8.60	0.16	9.21
	2.82	**8.60**	**0.16**	**12.80**
Total %	**100.00**	**100.00**	**100.00**	**100.00**

	Diversified Growth Fund	Schroder All Maturities Corporate Bond
Equities		
Schroder QEP Global Dynamic Blend Portfolio	17.00	-
Schroder UK Alpha Plus Fund	5.00	-
Schroder European Alpha Plus Fund	3.00	-
Schroder ISF Asian Equity Yield	3.00	-
Schroder ISF US Small & Mid Cap	2.00	-
Schroder US Mid Cap Fund	2.00	-
Schroder Income Fund	1.00	-
Schroder Global Emerging Markets Fund	1.00	-
Passive Equities	10.00	-
	44.00	
Commodities		
UBS Bloomberg CMCI Composite	7.00	-
UBS Bloomberg CMCI Energy	4.00	-
ETF Gold	3.00	-
Schroder ISF Global Energy	3.00	-
	17.00	-
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	-
	15.00	
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	-
	9.00	
Property		
Passive Property	2.00	-
Schroder ISF Asia Pacific Property Securities	1.00	-
	3.00	

Absolute Return		
JPMorgan Highbridge Statistical Market Neutral Fund	1.00	-
Opus Multi-Strategy Fund Note	1.00	-
Opus Macro Fund Note	1.00	-
	3.00	
Infrastructure		
International Public Partnerships Limited	1.00	-
HSBC Infrastructure Company Limited	1.00	
John Laing Infrastructure Limited	1.00	-
	3.00	
Other Assets		
Private Equity	1.00	-
Asset Backed Securities Portfolio	2.00	-
Cash	3.00	-
	6.00	
Corporate Bonds		
Sovereign	-	6.20
Securitised	-	11.50
Government Related	-	79.30
Corporate	-	3.00
		100.00
Total	**100.00**	**100.00**

10. AVC Investments

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

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

2012/13 AVC Investments	2011/12 £000's	Contributions £000's	Income £000's	Expenditure £000's	2012/13 £000's
Aviva /NorwichUnion	648	**20**	**13**	**-**	**680**
Prudential					
With Profits	507	**84**	**26**	**(85)**	**532**
Deposit	289	**63**	**2**	**(29)**	**325**
Unit Linked	448	**99**	**131**	**(13)**	**665**
Total Prudential AVCs	1,244	**246**	**159**	**(127)**	**1,522**
Total AVC's	1,892	**266**	**172**	**(127)**	**2,202**

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2011/12 AVC Investments	2010/11 £000's	Contributions £000's	Income £000's	Expenditure £000's	2011/12 **£000's**
Aviva /NorwichUnion	779	35	7	(173)	648
Prudential					
With Profits	444	76	47	(60)	507
Deposit	359	93	2	(165)	289
Unit Linked	319	105	51	(27)	448
Total Prudential AVCs	1,122	274	100	(252)	1,244
Total AVC's	1,901	309	107	(425)	1,892

The fund does not participate in stock lending arrangements.

11. Investment Management Expenses

	2011/12 £000's	**2012/13 £000's**
Administration, management and custody	1,835	**1,796**
Performance Measurement Services	7	**11**
Other advisory fees	78	**44**
	1,920	**1,851**

12. Current Assets

	2011/12 £000's	**2012/13 £000's**
Contributions due from employers in respect of		
Employer contributions	4,081	**1,120**
Member contributions	260	**225**
Sundry Debtors	434	**2,348**
Cash Balances	6,429	**10,095**
	11,204	**13,788**

13. Current Liabilities

	2011/12 £000's	**2012/13 £000's**
Unpaid Benefits	1,547	**795**
Unsettled Purchases	32	**40**
Accrued Expenses	770	**6,214**
	2,349	**7,049**

14. Statement of Investment Principles

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

15. Related Party Transactions

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

	2011/12 £000's	2012/13 £000's
Human Resources	417	**451**
Accountancy Administration	455	**401**
	872	**852**

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

16. 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.

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

The 2010 valuation actuarially assessed the value of the Fund's assets as £609.68 million, being sufficient to meet 76% of the Fund's liabilities. The latest valuation as at 31st March 2013 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.

17. Classification of Financial Assets

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

31 March 2013	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	£'000	£'000	£'000
Financial Assets			
Pooled Investments	790,106	-	-
Pooled Property		-	-
Cash Deposits	-	11,589	-
Investment income due	-	-	-
Debtors	-	2,348	-
Financial Liabilities			
Creditors	-	-	(7.049)
	790,106	**13,937**	**(7,049)**

31 March 2012	£'000	£'000	£'000
Financial Assets			
Pooled Investments	638,391	-	-
Pooled Property	23,160	-	-
Cash Deposits	-	26,012	-
Investment income due	-	-	-
Debtors	-	2,682	-
Financial Liabilities			
Creditors	-	-	(2,349)
	661,551	28,694	(2,349)

18. Nature and Extent of Risks Arising from Financial Instruments

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

Overall procedures for managing risk

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

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

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

Performance of Pension Fund investments managed by external Investment Managers is compared to benchmark returns.

Credit and counterparty risk

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

The Pension Fund investment assets are held in pooled funds by Custodians who have acceptable credit ratings determined by three Credit rating agencies. As at 31 March 2013 working capital was held in the Pension Fund Bank account with the Co-operative Bank in a call account with the Bank of Scotland and in accordance with the Council's Treasury management strategy credit rating criteria.

	Long Term Credit Rating	Source	Holding 31/3/2012 £'000	**Holding 31/3/2013 £'000**
Schroder Group	AA3	Moodys		
JP Morgan (Schroder Custodian)	AA-	Standard and Poors	321,516	**358,204**
Newton –Bank of New York Mellon (Parent)	A+	Standard and Poors	332,715	**376,022**
Bank of Scotland	A1	Moodys	2,272	**-**
Co-operative Bank	BBB+	Fitch	4,085	**10,097**

Liquidity Risk

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

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

Market risk

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

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

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

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

2012/13

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

2011/12

Asset Type	Market Value 31.3.2012 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Pooled Investments	702,409	10.0	772,650	632,168
Cash Deposits	7,650	1.0	7,727	7,574

Exchange rate risk

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

Refinancing risk

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

19. Membership of the Pension Fund

		2012/13
Employees		
Number of Employees at start of year		6,790
Employees joining during the year		933
		7,723
Members leaving during the year:		
Normal retirements	171	
Ill-health retirements	7	
Deaths in service	9	
Refunds of Contributions	16	
Deferred pensions	752	955
Number of Employees at end of year		**6,768**
Pensioners		
Number of Pensioners at start of year		6,585
New pensioners during the year:		
Normal retirements	107	
Ill-health retirements	7	
Dependants' pensions	56	
Deferred pensions becoming payable	112	282
		6,867
Deaths/dependants ceasing to be eligible		158
Number of Pensioners at end of year		**6,709**
Deferred Pensioners		
Number of Deferred Pensioners at start of year		7,346
New deferred pensioners during the year:		753
		8,099
Deferred Pensioners leaving the fund during the year		
Normal retirements	78	
Ill-health retirements	4	
Transferred	63	
Back to active status	2	
Deaths	-	147
Number of Deferred Pensioners at end of year		**7,952**
Total Membership at 31 March 2013		**21,429**

20. Assumptions made about the future and other major sources of estimation and uncertainty

The statement of accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty, actual results could be materially different in the forthcoming year as follows:

Actuarial present value of promised retirement benefits
Estimation of the net liability to 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 fund assets. The actuary makes prudent assumptions, to manage the potential impact of downside risk.

21. Events after the Balance Sheet date

Since the Balance Sheet date of 31 March 2013, there have been no post balance sheet events to report. The only non-adjusting event that is reported is the latest value of the total investments of the Fund which increased slightly from £801.692m to £808.438m, (as valued at 31 May 2013) .This represents a change of £6.745m.

Glossary

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

Accounting policies

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

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

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

Accounting standards

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

Accrual

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

Actuarial gains and losses

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

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

Assets

These can either be:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Outturn
Actual income and expenditure in a financial year.

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

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

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

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

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

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

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

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

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)
REFCUS represents expenditure that may be classified under legislation as capital, but does not result in the creation of a fixed asset on the Balance Sheet.

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

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

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

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

Service Reporting code of practice (SeRCOP)
SeRCOP sets the financial reporting guidelines for local authorities. It supplements the principles and practice set out in the code of practice on local authority accounting, by establishing practice for consistent reporting. It provides guidance in three key areas:
- The definition of total cost
- Trading accounts
- Service expenditure analysis

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

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

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

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

London Borough of Barnet Pension Fund

IAS26 Disclosures as at 31 March 2013

Barnett Waddingham
Public Sector Consulting

9 May 2013

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 2013.

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 2013;
- Estimated whole fund returns for the period to 31 March 2013 based on assets used for the purpose of the IAS26 valuation as at 31 March 2012 and the whole fund asset value as at 31 March 2013;
- Details of any new early retirements for the period to 31 March 2013 that have been paid out on an unreduced basis, which are not anticipated in the normal 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.

Fund 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 2013 is estimated to be 11%. 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 2013 is as follows:

Employer Asset Share - Bid Value	31 March 2013		31 March 2012	
	£000's	%	£000's	%
Equities	545,151	68%	372,337	52%
Gilts	-	-	71,603	10%
Other Bonds	248,525	31%	236,291	33%
Cash	8,017	1%	28,641	4%
Alternative Assets	-	-	7,160	1%
Total	**801,693**	**100%**	**716,032**	**100%**

The final asset allocation of the Fund assets as at 31 March 2013 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 Fund's liabilities as at 31 March 2013, we have rolled forward the value of the Fund'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 2013 without completing a full valuation. However we are satisfied that the approach of rolling forward the previous valuation results to 31 March 2013 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears no evidence that this approach is inappropriate.

Demographic/Statistical Assumptions

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

The assumed life expectations from age 65 are:

Life Expectancy from age 65 (years)		31 March 2013	31 March 2012
Retiring today			
	Males	20.1	20.0
	Females	24.1	24.0
Retiring in 20 years			
	Males	22.1	22.0
	Females	26.0	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 2013		31 March 2012		31 March 2011	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI Increases	3.4%	-	3.3%	-	3.5%	-
CPI increases	2.6%	-0.8%	2.5%	-0.8%	2.7%	-0.8%
Salary Increases	4.8%	1.4%	4.7%	1.4%	5.0%	1.5%
Pension Increases	2.6%	-0.8%	2.5%	-0.8%	2.7%	-0.8%
Discount Rate	4.6%	1.2%	4.6%	1.3%	5.5%	1.9%

These assumptions are set with reference to market conditions at 31 March 2013.

Our estimate of the duration of the Fund's liabilities is 23 years.

The discount rate is the annualised yield at the 23 year point on the Merill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Fund's liabilities. This approach has been updated from previous disclosures when the yield on the iBoxx AA rated over 15 year corporate bond index was used as a standard assumption for the Fund.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 23 year point on the BoE spot inflation curve. Previously, the 20 year point was used and so this has been updated to reflect the duration of the Fund's liabilities.

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 3.4%. 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. 2.6%. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are then assumed to be 1.4% above RPI in addition to a promotional scale.

Expected Return on Assets

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost will be replaced with a single net interest cost, which will effectively set the expected return equal to the IAS19 discount rate.

Therefore we are not required to disclose an expected return assumption for the year to 31 March 2014.

4. Results and Disclosures

The results of our calculations for the year ended 31 March 2013 are set out in Appendix 1. We estimate that the net liability as at 31 March 2013 is a liability of £503,757,000.

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.

Anna Short FFA
Associate

Appendix 1. Balance Sheet Disclosure as at 31 March 2013

Net Pension Asset as at	31 Mar 2013 £000's	31 Mar 2012 £000's	31 Mar 2011 £000's
Present Value of Funded Obligation	1,305,450	1,212,469	989,896
Fair Value of Scheme Assets (bid value)	801,693	716,032	671,505
Net Liability	**503,757**	**496,437**	**318,391**

*Present Value of Funded Obligation consists of £1,066,310,000 in respect of Vested Obligation and £239,140,000 in respect of Non-Vested Obligation.

Appendix 2. Asset and Benefit Obligation Reconciliation for the Year to 31 March 2013

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 March 2013 £000's	Year to 31 March 2012 £000's
Opening Defined Benefit Obligation	**1,212,469**	**989,896**
Service cost	37,366	35,286
Interest cost	55,136	54,528
Actuarial losses (gains)	28,011	163,238
Losses (gains) on curtailments	1,565	1,730
Liabilities extinguished on settlements	-	-
Liabilities assumed in a business combination	-	-
Estimated benefits paid net of transfers in	(38,759)	(44,242)
Past service cost	-	-
Contributions by Scheme participants	9,662	12,033
Unfunded pension payments	-	-
Closing Defined Benefit Obligation	**1,305,450**	**1,212,469**

Reconciliation of opening & closing balances of the fair value of Scheme assets	Year to 31 March 2013 £000's	Year to 31 March 2012 £000's
Opening fair value of Scheme assets	**716,032**	**671,505**
Expected return on Scheme assets	38,566	43,845
Actuarial gains (losses)	40,020	(12,064)
Contributions by employer including unfunded	36,172	44,955
Contributions by Scheme participants	9,662	12,033
Assets acquired in a business combination	-	-
Estimated benefits paid net of transfers in and including unfunded	(38,759)	(44,242)
Receipt / (Payment) of bulk transfer value	-	-
Fair value of Scheme assets at end of period	**801,693**	**716,032**

Reconciliation of opening & closing surplus	Year to 31 March 2013 £000's	Year to 31 March 2012 £000's
Surplus (Deficit) at beginning of the year	**(496,437)**	**(318,391)**
Current Service Cost	(37,366)	(35,286)
Employer Contributions	36,172	44,955
Unfunded pension payments	-	-
Past Service Costs	-	-
Other Finance Income	(16,570)	(10,683)
Settlements and Curtailments	(1,565)	(1,730)
Actuarial gains (losses)	12,009	(175,302)
Surplus (Deficit) at end of the year	**(503,757)**	**(496,437)**

Annual Governance Statement

2012-13

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 Assurance Director completed her biennial review of the Code of Corporate Governance during 2012-13. The Code of Corporate Governance is included within the Constitution.

2. The Purpose of the Governance Framework

- The governance framework encompasses the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to achievement of London Borough of Barnet policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- The governance framework has been in place within Barnet London Borough Council for the year ended 31st March 2013 and up to the date of approval of the annual report and accounts.

Assurance Cycle

Understand

What are we seeking to receive assurances on?

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

Plan

What sources of assurance do we require?

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

Do

How we will arrange ourselves to receive adequate assurances?

Officer and Member Structures working together

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

Review

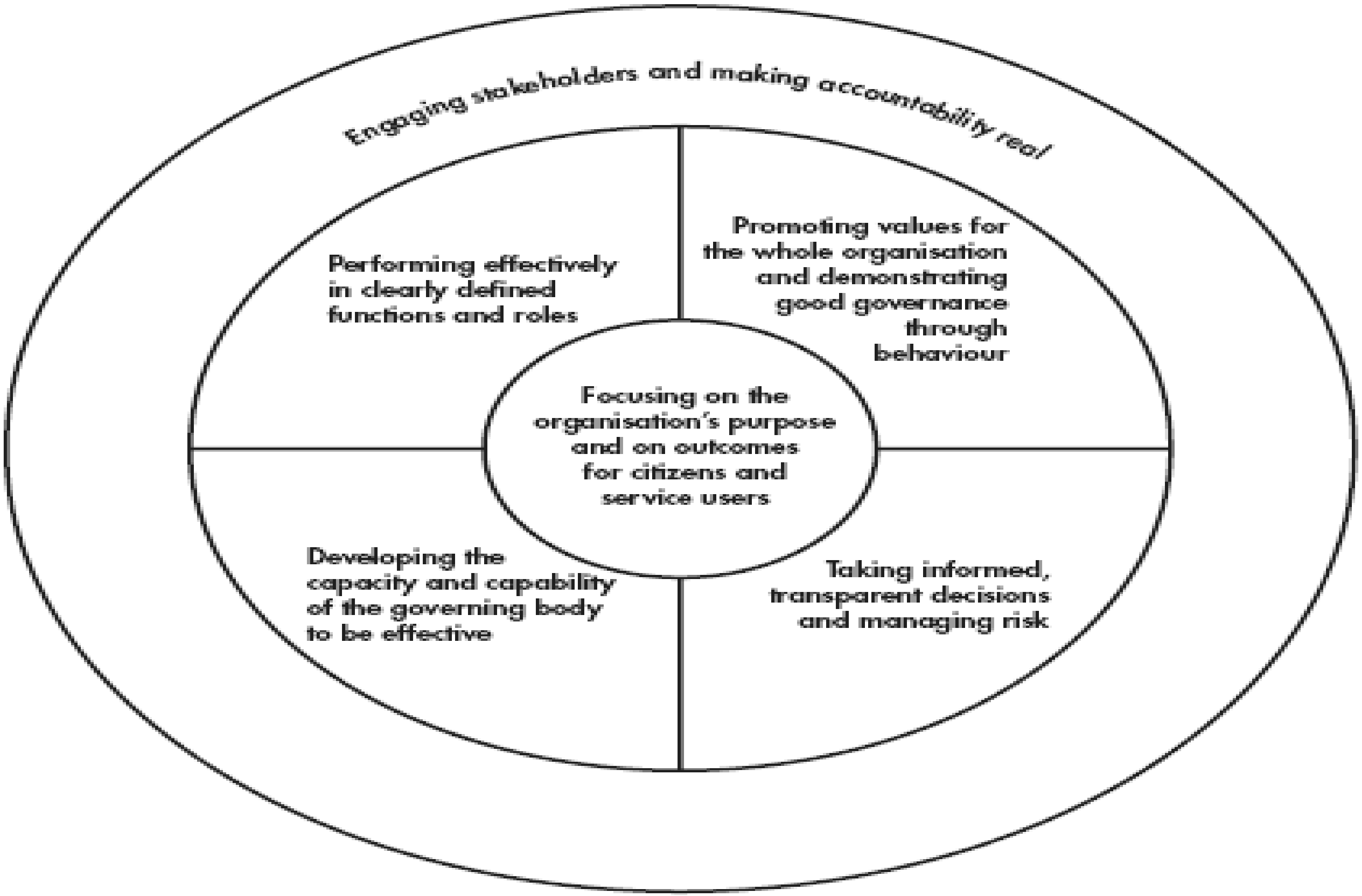
How we know that we are effective?

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

Annual Governance Statement

3. The Governance Framework

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



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

Principle	Description of Governance Mechanisms	Assurances received
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles	• Elected Members are collectively responsible for the governance of the Council. Decision making and scrutiny of these decisions has been separated through the executive arrangements introduced by the Local Government Act 2000. • The Constitution includes a statement on the roles of the Executive and clarifies the Scheme of Delegation in place. • Statutory Officers are also documented within the Constitution. The (Interim) Chief Executive (Head of Paid Service) is documented in the Constitution and works with Members and Strategic Directors to deliver the council's themes. • Role of the Chief Finance Officer (s.151 officer), as documented in the constitution, has responsibility for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and maintaining an effective system of internal financial control • The Monitoring Officer is in place and, in accordance the Constitution, is responsible for ensuring agreed procedures are followed and that all applicable statutes and regulations are complied with. • Formal procedures and rules govern the Council's business: Constitution, Scheme of Delegation, Financial Regulations, Contract Procedure Rules • The Special Constitution Review Committee is in place to monitor and agree changes to the Constitution, making recommendations to full council. • Published Pay Policy 2012/13 is in place in accordance with the Localism Act section 38 (1) and the Remuneration Committee has been set up for 2012/13 whose remit will be the review of pay and pay policy • General Functions Committee continues to be in place whose remit it is to review conditions of service and appointments • Arrangements exist within services and corporate performance to evaluate value for money. Benchmark information is collated and reported quarterly along with an overall corporate value for money indicator • Work was undertaken in 2012 to reshape the senior management structure of the council to become more flexible and capable of providing senior leadership capacity and delivering change to achieve the councils ambitions in the new operating model	• Internal Audit Annual Report satisfactory assurance over the fundamental and key financial systems and satisfactory assurance over system of internal control for 2012-13 • Monthly Statutory Officer reporting receiving internal and external sources of assurance • Performance reporting through the Budget and Performance Overview and Scrutiny Committee on a quarterly basis provides information regarding value for money • Performance challenge session with Deputy Leader every quarter • Formal Quarterly Performance reporting to Cabinet Resource Committee • Audit Committee in place providing independent oversight of internal control environment and corporate governance Weaknesses identified : •Data quality •Records Management and •Data sharing •Business Continuity and •Resilience •Evidence of embedding process to support Commissioning Council model

Principle	Description of Governance Mechanisms	Assurances received
3. Values of Good Governance and Standards of Behaviour	• The Council recognises that good governance is underpinned by shared values demonstrated in the behaviours of its Members and staff. • The four core values of the Council were launched in 2011. The values are intended to shape the culture and define the character of the organisation now and into the future. The values are positioned at the core of all we do, guiding our decision making and informing our behaviour. • The Assurance Director is the Monitoring Officer and is responsible for ensuring that the Council acts in accordance with the Constitution • Directors have the primary responsibility for ensuring that decisions are properly made within operations of the Scheme of Delegation • Standards of conduct and behaviour expected of Members and officers exist and are communicated and training programmes were in operation during the year to support good governance • Arrangements are in place for Members and Officers to manage conflicts of interest • A Performance management framework is in place to embed values with staff • There are plans for the values to be reflected within partnerships with private, public and voluntary sector bodies. • The council has published its strategic equality objective as being ‘our commitment is that citizens will be treated equally, with understanding and respect, have equal opportunity with other citizens; and receive quality services provided to Best Value principles’. These will be delivered through three corporate priorities which will act as the Barnet Standards : reducing disadvantage, promoting community cohesion, and delivering our values.	• Values Awards Nomination Panel made decisions on who embodied the Values Awards • Monitoring Officer reports to Statutory Officer Group • Minutes and Decisions of all Committees observed by Monitoring/Deputy Monitoring Officer • Half-yearly and Annual Performance Review RAGG ratings for staff, explicitly linking to achievement of objectives • Equalities Impact Assessments carried out for the 2013-14 budget process • Member training and development programme provides assurance that skill and capability is focussed on annually

Principle	Description of Governance Mechanisms	Assurances received
4. Making transparent decisions which are subject to scrutiny and risk management	• The Council has processes in place to demonstrate that decision makers followed due process, the decisions were properly documented and were taken having regard to all relevant considerations • The Scrutiny function is in place to challenge policy development and performance and to be a 'critical friend' to the Executive. The Scrutiny function is supported by Task and Finish Groups and Scrutiny Panels, who comprise 5 elected councillors who work together to undertake in-depth reviews of a service, policy or issue of concern to local people • Decision making is supported by adequate risk management arrangements, with the Risk Management Strategy and Policy Statement reviewed annually by the Audit Committee and approved by the Cabinet Resources Committee • Arrangements exist for the consideration of assurances from the Council's major partners/providers • Corporate Risks are considered quarterly by the Cabinet Resources Committee, Audit Committee and officer groups. Operational day to day risk management exists at an officer level with lead member involvement at trigger points • The Council's arrangements for providing economy, efficiency and effectiveness are reviewed by the external auditors on an annual basis. Their Annual Audit Letter provides a summary of the activity undertaken during the year • The Council is complying with minimum requirements of the Code of Recommended Practice for Local Authorities on data transparency, a standard which aims to enable residents to hold the Council to account. The Council has developed is website further to provide more information to the public.	• Overview and Scrutiny Annual Report Statutory Officer monthly reporting • Barnet Homes/Barnet Group Annual Internal Audit Report • External Audit Annual Audit Letter 2010-11 and 2011-12

Principle	Description of Governance Mechanisms	Assurances received
4. Making transparent decisions which are subject to scrutiny and risk management (continued)	• An effective Audit Committee is in place whose purpose is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. The Audit Committee is chaired by a member of an opposition party and has two independent members. • The Chief Internal Auditor supports the Audit Committee and reviews its effectiveness on an annual basis • The Internal Audit function operates in line with the Code of Practice for Internal Audit on Local Government. There is a 'managed audit approach' with the Council's external auditor in place which ensures there is no duplication of effort. The internal Audit plan is based on the high risks reported within the risk registers. • The Constitution makes it clear that management have the responsibility for operating a sound system of internal control. Internal Audit collaboratively works with services to make recommendations around improvement to the control environment. • The Head of Internal Audit and Anti-Fraud supports the Audit Committee and reports to Statutory Officers. CAFT fulfils the Council's statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. The council have zero tolerance to fraud and other irregularity. • Operational Assurance Assistant Director is the designated Whistle blowing officer which is accessible by officers, staff and those contracting with or appointed by the Council. There is an improved Counter Fraud Framework in place designed to prevent and detect fraud. • The system of internal financial control is based upon a framework of regular management information, financial regulations, administrative procedures and a structure of delegation and accountability. The Medium Term Financial Strategy is updated each year and includes a risk assessment of budget options, the MTFS is agreed by Full Council. • Improvements have been made in the Complaints processes reflected by the 'no findings of failure' for the period by the Local Government Ombudsmen and the improvement in response time from 28 days down to 19.5 days. The Corporate Complaints Officer has set up a user group with a view to learning from complaints across all service areas and to ensure mistakes are not being repeated. Children's Service have an existing 'closing the loop' in place which is proving very successful.	• Audit Committee Annual Report 2011-12 & 2012-13 • Audit Committee workplan and terms of reference stipulating the way in which responsibility is discharged • Internal Audit review on risk management arrangements 2011-12., 2012-13 • Internal Audit Annual Report 2011-12, 2012-13 • CAFT Annual Report • Information Management Annual Report • RIPA – Commissioner Office Surveillance control • Finance and Business Planning group reviews budget risks on a monthly basis • Ofsted report rating the Council as Good for Safeguarding and Looked after Children 2012 • Medium Term Financial Strategy and signed Statement of Accounts

Principle	Description of Governance Mechanisms	Assurances received
5. Developing the capacity of members and officers to be effective	• The Council is committed to having Leaders with the right skills to direct and control staff. A Leadership framework was developed as part of the senior management restructure. In addition, a member development programme was carried forward into 2012-13. The Council's learning and development needs are met through training, e-learning and other methods. • Member Development sessions not only covered functional roles and responsibilities of the Council but also related to good governance and standards of behaviours such as Corporate Anti Fraud, Audit/probity, Code of Conduct for planning and Local Government Finance & Budget setting. • The Council has an Employee Performance Management Strategy to strengthen the relationship between corporate objectives and individual performance. Employees have half year and year end performance reviews and are rated under the RAGG (red, amber, green and gold) methodology. • The Council's value set have been incorporated within the Council's Leadership Framework and form the basis of individual performance reviews. • The Localism Act redefined the standards regime and Full Council in May 2012 accepted changes to the Constitution to reflect the new requirements. A group leaders panel was formed during 2012-13 to consider complaints against the Member Code of Conduct. • All aspects of the Constitution were reviewed during 2012-13 including the Members Code of Conduct, Member and Officers Protocol and Planning and Licensing Code of Member Conduct. These were ratified by Full Council in April 2013	• Individual performance review ratings give assurances that staff are carrying out their work in accordance with Council priorities and objectives • Member role Profile establish role and appraisal system agreed by General Functions Committee • Attendance at Member Development sessions • Constitution Review 2012-13

Principle	Description of Governance Mechanisms	Assurances received
6. Engaging with local people and stakeholders	• The council is committed to engaging with our citizens so that we can improve our services and plan for the future. The council is also committed to publishing the results of all our consultations and engagement activities, explaining how we will use the results. • A consultation hub 'Barnet Citizen Space' is available on the web to allow residents to take part in consultations, this also includes a section on 'We Asked, You Said, We Did' feeding back the results of consultations • We also have an on-going dialogue between community and voluntary organisations via CommUnity Barnet, the umbrella organisation for community and voluntary groups in Barnet businesses via our quarterly themed Business Breakfast meetings. • The council has a Barnet Citizen's Panel, the panel is statistically representative of the population of Barnet, and has been invaluable to the council and its partners in researching how Barnet residents feel on issues. It also acts a sounding-board for future policies and decisions. • The council consults widely on its Finance and Business Planning process, as part of this year's consultation process Citizen Panel members were invited to a consultative event to understand residents priorities in depth and to obtain their views on the Corporate Plan • The website was re-launched in April 2012 and assists in ensuring transparent decision making processes take place and encourages public engagement with the council and the decision making process. More recently 'My Voice' was added to the front page of the councils website which serves as a central place where residents can find out how to get involved in council engagement mechanisms. • Pledge bank is also another way in which residents can interact with the Council, against the priority of 'new relationship with citizens' this initiative looked to involve citizens by making part contributions to their community. • In October 2012 the council conducted a Resident's Perception Survey with over 1600 residents from across the borough. The survey asked residents for their views on local services and various aspects of life in their local area • Public Participation & Engagement rules are included within the Constitution guiding public participation at Council meetings.	• Barnet Adults Social Care in Focus: Your Local Account 2012 residents • Citizen Panel Corporate Plan Consultation findings • Residents Perception Survey, October 2012 The 2012 Residents Perception Survey shows an improvement on engagement and image of the council but the council remains below the London benchmark

4. Review of Effectiveness

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

Governance Issues – progress

The table below describes the governance issues identified during 2011-12 and the progress made against these during 2012-13:

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2013-14
Governance, accountabilities and decision-making – the change in organisational form to support the externalisation of elements of support services and regulatory services requires an updated governance model which clarifies accountabilities and responsibilities and provides assurance to decision-making bodies.	Assistant Chief Executive and Director of Corporate Governance	Phase 1 of this exercise has been complete. The senior management restructure was successfully implemented by the 31st March 2013. A constitutional review was also undertaken during 2012-13 to align the senior management restructure with the current Constitution. Phase 2 carried forward to 2013-14 is to review the entire system of governance to ensure the current organisation fits into the decision making structures..	Carried forward under "System of Governance" for 2013-14
Operating around outcomes – whilst the council is currently progressing the implementation of different models of delivery, its own policies and procedures will need to be aligned to ensure organisational boundaries are removed and there is a shift change is designing processes that focus on operating around outcomes for local people.	Assistant Chief Executive	Council policies and procedures were reviewed and updated where appropriate to align with the organisations business model. A list of Council policies and responsibility/method of compliance was incorporated into the procurement exercise/contracts. The Customer Access Strategy was developed and included in the NSCSO bid proposals. Outcome focussed commissioning is the basis of the new commissioning delivery model. The 2013-16 Corporate Plan reinforces outcome focussed commissioning, defining three strategic objectives which will be delivered by focussing on six key outcomes.	Carried forward under "Commissioning Outcomes" for 2013-14

Governance Issues – progress

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2013-14
Devolving decision making to local people – the Localism Act requires devolving governance closer to local neighbourhoods and being cost effective in the process. Work is currently progressing to determine methods to grant communities more power to enable them to influence their local area.	Director of Corporate Governance and the Assistant Chief Executive	A Localism Project Board was in place to ensure delivery against the Localism Act responsibilities. The project discharged all of its responsibilities under the Act, an internal audit provided satisfactory assurance over the outcomes from the Board. Further work is planned through the change in system of governance work to review resident participation in decision making.	Found under 2013-14 "System of Governance "
Complaints – there is more work to do to embed arrangements to be effective, particularly to 'close the loop' and learn from complaints.	Assistant Chief Executive	Improvements have been made in the Complaints processes reflected by the 'no findings of failure' for the period by the Local Government Ombudsmen and the improvement in response time from 28 days down to 19.5 days. The Corporate Complaints Officer has set up a user group with a view to learning from complaints across all service areas and to ensure mistakes are not being repeated. Children's Service have an existing 'closing the loop' in place which is proving very successful.	Complete

Governance Issues – progress

Key Improvement Area	Lead Officer	Update on position	Carry forward for 2013-14
Contract compliance and management post implementation of controls – continuing the progress in implementing an improved framework for contract compliance. The Procurement Controls and Monitoring Action Plan details the specific control improvements required.	Commercial Director	The compliance aspects of the procurement controls and monitoring action plan are considered complete and satisfactory. In addition, through the senior management restructure the Commercial team is in place to manage the high risk contracts. There is some further work to complete within Delivery Units to ensure monitoring of contracts is consistent, however this is not considered a significant governance issue.	Complete
Data Quality – embedding the updated data quality policy across the authority and its delivery partners. The data quality policy contains the expected implementation plan.	Assistant Chief Executive	The Data Quality policy implementation plan is complete including communications, requested training, completion of 'data quality sheets' for key indicators and data quality spot checks. The policy was well received across the organisation by setting out clear roles and responsibilities and providing a method (through the 'data quality sheets' of documenting the approach to data collection and assurance on how quality is maintained. The annual audit opinion noted progress in that no issues on accuracy of data were reported, however, there were reoccurring themes around collection of non corporate data, data baselines, storage of data and unrealistic target setting.	Continue to develop and improve data quality standards. 2013-14 issue carried forward under "data quality"
Data Protection – the Information Governance Council is progressing the Data Protection Compliance Project ensuring that areas such as records retention and management are being addressed with the roll out of Delivery Unit Governance Groups (DUGG) that sit within each service area. Third party interactions and processing are the focus of the project in the short term.	Director of Corporate Governance	Satisfactory assurance was given in 2012/13, an improvement from limited assurance in 2011-12. A number of improvements were achieved over the year including the establishment of a management structure, the Delivery Unit Governance Group (DUGG), and a Head of Information Management joined in January and will be responsible for the new information management team in the Commissioning Group. Overall assurance has been given that data protection is not considered a significant governance issue, however the need to have fit for purpose systems and processes to manage sensitive data remains a priority	Taken forward under 2013-14 titled "Information Management"

5. Governance Issues for 2013-14

The table below describes the governance issues identified during this review period 2012-13 to carry forward for monitoring within 2013-14.

Key Improvement Area	Lead Officer	Reporting through	Expected Delivery of Actions
System of Governance – a whole scale review of the system of governance will take place to ensure that the organisational structure, corporate objectives and priorities and member engagement tie into effective decision making structures. Of particular focus will be a review of public participation and engagement rules to consider improvements to resident engagement in decision making, further improvements into the transparency of decision making, overall addressing the concerns raised within the residents perception survey and other sources of assurance.	Assurance Director & (Interim) Chief Executive Leader of the Council	Constitution, Ethics and Probity Committee Full Council	June 2014
Commissioning Outcomes – with the organisational structure in operation from April 2013 it is important that the benefits of commissioning are realised through developing and embedding a commissioning framework that focuses on the delivery of outcomes for local people.	Lead Commissioners	Strategic Commissioning Board Cabinet	April 2014

5. Governance Issues for 2011-12

Key Improvement Area	Lead Officer	Reporting through	Expected Delivery of Actions
Business Continuity and Resilience - means that the core/critical businesses (mission critical activities) of the Council can continue functioning in the event of an unforeseen adverse (impacting on the ability of the Council to maintain service delivery) event. Overall the direction of travel for improvements to business continuity and disaster recovery resilience has been gradual since 2007 with the overall assessment of the controls remaining limited over a five year period and not considered sufficient to prevent large scale failures in service provision. This is particularly the case for information systems. As plans to rectify this through the NSCSO contract are on hold, due to the judicial review, there remains a significant risk to the Council if plans remain delayed.	Head of Information Management Cabinet Member for Performance and Resources	Customer and Information Management Board Cabinet and Resources Committee	March 2014
Data Quality – given the focus on commissioning and the reliance on data in respect of third party providers the performance management framework requires development and focus on data quality. The focus should be on setting up an appropriate quality assurance framework to support decision making.	Head of Information Management Cabinet Member for Performance and Resources	Customer and Information Management Board Cabinet and Resources Committee	December 2014
Information Management – There is a requirement to align systems and processes to support good information and records management practice. Across the organisation.	Head of Information Management Cabinet Member for Performance and Resources	Customer Service and Information Board Cabinet and Resources Committee	March 2014

6. Certification

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

Leader of the Council: ___________________________

Date: __________________

Chief Executive: ________________________________

Date: __________________

Appendix A: Published sources of Assurance

- Code of Corporate Governance
- Corporate Plan 2012-13, specifically the equalities page 18
- Quarterly Performance Reports 2012-13
- Internal Audit, Risk Management and CAFT Annual Plan 2012-13
- Internal Audit Annual Report 2012-13
- Pay Policy 2012-13
- CAFT Annual Report 2012-13
- External Audit Annual Audit Letter 2011-12
- Overview and Scrutiny Annual Report 2012-13
- Task and Finish Group reports
- Audit Committee Annual Report 2012-13
- Audit Committee Terms of Reference and workplan 2012-13
- Oftsed report into Safeguarding and Looked After Children 2012
- Corporate Plan Citizen Panel Report 2012
- Barnet Adults Social Care in Focus: Your Local Account 2013
- Statement of Accounts and Medium Term Financial Strategy
- Residents Perception Survey 2012
- Committee minutes, agendas and reports 2012-13
- Safeguarding Adults Peer Review, Overview and Scrutiny Summary Paper June 2013
- Summary Headlines Barnet Safeguarding Children Board Annual Report (Draft)
- Barnet Safeguarding Adults Board Annual Report (Draft)
- Information Management Annual Report (Draft)