

Putting the Community First



**London Borough of Barnet
Statement of Accounts
For the year ended 31st March 2007**

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SECTION 1

Introduction & Review of the year 2006/07

Explanatory Foreword

Foreword & Statement of responsibilities

This document sets out the Financial Statements for Barnet Council, the Council's Pension Fund Statements and Group Accounts.

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In Barnet that officer is the Chief Finance Officer (CFO), Clive Medlam.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

Internal Financial Control

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

The Chief Finance Officer reports to the Executive Director for Resources, Nick Walkley, though has direct access to the Chief Executive Officer, Leo Boland, when required. The Council's Corporate Governance Directorate, which includes the Internal Audit section, the Corporate Anti Fraud Team, and the Resources Directorate, holds the responsibility for leading on risk management strategy. The CDG maintain a regular review of the Council's financial systems and investigate any irregularities that arise. Further information is contained within the Statement on Internal Control.

The Chief Finance Officer's responsibilities

The CFO is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice in Local Authority Accounting in the United Kingdom.

In preparing the Statement of Accounts, the CFO has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The CFO has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities

The CFO should sign and date the Statement of Accounts for the year ended 31 March 2007.

The Statement of Accounts

This details out the process in place during 2006/07 for ensuring proper financial management and control. It then reviews the effectiveness and raises any major issues that have arisen in the year.

There have been significant changes in the format of the accounts for 2006/07 as a result of the application of the Statement of Recommended Practice (SORP) 2006 which has altered the presentation of these accounts when compared to previous years.

Statement of Accounting Policies

An explanation of the basis on which the accounts have been prepared and their compliance with the guidance of the relevant regulatory bodies.

The Authority's accounting statements comprise:

(i) The 'core' financial statements:

Income & Expenditure Account

This represents a summary of the resources generated and consumed by the Authority in the year. The Account also shows how the Council's services are funded: the four main sources being specific income, Council tax, redistributed non-domestic rates and government grants.

Statement of Movement on the General Fund Balance

This is a reconciliation statement which shows how the balance of resources generated/consumed in the year links in with the statutory requirements for raising Council tax.

Statement of Total Recognised Gains and Losses (STRGL)

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income & Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Balance Sheet

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

Cashflow Statement

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

(ii) The applicable supplementary single entity financial statements

Housing Revenue Account

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

Collection Fund Statement

The Council is responsible for collecting Council tax and non-domestic rates, the latter on behalf of the government. The proceeds of Council tax are distributed to two preceptors: the Council itself and the Greater London Authority. The Fund shows the income due from Council tax, non-domestic rates and the application of the proceeds.

(iii) Group Accounts

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

The SORP requires the Council to produce group versions of its 'core' financial statements:

- Group Income & Expenditure Account
- Group Statement of Total Recognised Gains and Losses
- Group Balance Sheet
- Group Cash Flow Statement

It also requires the production of a further statement which demonstrates how the group statement links to the Council's own Income & Expenditure Account:

- Reconciliation of the Single entity Income & Expenditure Account Surplus or Deficit to the Group Income & Expenditure Account Surplus or Deficit

(iv) Pension Fund Accounts

The Pension Fund Account shows the contributions to the fund during 2006/07 and the benefits paid from it. The Net Assets Statement sets out the financial position for the Fund as at 31 March 2007. The fund is separately managed by the Council acting as trustee and its accounts are separate from those of the Council.

Review of the Financial Year

Changes to the Statement of Accounts

Before reviewing the Council's performance within the previous financial year, it is important for me to first address the presentational changes made for 2006/07. The statements which follow are significantly altered from those which you would have seen in previous years in line with the changes to the Statement of Recommended Practice (SORP) for local authorities. The changes are intended to more accurately reflect the financial performance of local government and bring financial reporting closer to that of the private sector and other parts of the public sector such as central government and the National Health Service.

The most significant presentational change occurs with the new Income & Expenditure (I&E) Account replacing the old Consolidated Revenue Account (CRA). As the name implies the new statement focuses solely on the monies spent or received, by the Authority in the financial year without the various technical and other accounting adjustments which were previously contained within the CRA. Whilst the new statement has a certain elegance in its simplicity, if looked at in isolation it can be misleading, making it important that it is viewed alongside the Council's financial outturn reported to the Cabinet Resources Committee in June 2007. The I&E account is reconciled back to the outturn through a further two new statements, the Movement of General Fund Balances and the Statement of Recognised Gains & Losses, which, in effect, contain the technical and other accounting adjustments which ensure that certain liabilities do not impact on the Council tax payer.

The changes to the I&E account are also replicated in the Housing Revenue Account (HRA) statement and there are similar and consistent changes to the group accounts statements.

These changes are explained further within the Statement of Accounting Policies and to enable the reader to see this year's financial statements in context, the 2005/06 accounts have been restated and included in the new formats to provide a comparator.

Changes within the Council

Following on from the local elections in May 2006, the Council has launched its new Corporate Plan to represent the manifesto of the new administration. This has seen a restatement of the corporate priorities of the Council which are now:

- A bright future for children and young people
- Clean, green and safe
- Supporting the vulnerable
- Strong and healthy
- A successful suburb
- More choice, better value

To complement this, the Council also reorganised its senior management structure in 2006/07 to reflect the four areas of responsibility for the London Borough of Barnet.

- The *People* of Barnet (Children's Services, Adult Social Care)
- The *Place* that is Barnet (Environment & Transport, Planning & Environmental Protection, Housing, Strategic Development)
- Supporting the *Organisation* that is Barnet Council (Resources)
- How the Council governs and communicates (Corporate Governance, Communications)

Perhaps most significant of these corporate changes, in the context of the accounts and the financial environment, is the establishment of the Corporate Governance directorate. This brings together the vast majority of the functions that ensure a robust system of internal control and strong governance within the Council.

Overall financial performance and financial management

This year has seen a further significant improvement in the financial health of the organisation. The Council's general fund balance, which stood at less than £1m at the end of 2003/04, has increased to £12.1m and there are also additional reserves of £12.6m to take the total level of reserves and balances, excluding balances held by locally managed schools, to over £24m. This is a very significant achievement

for the Authority and the issuing of the section 11 notice by the external auditor in 2004, because of the very low level of general fund balances, now seems a distant memory.

This has, also, been achieved with sub inflation increases in the level of local taxation in the past three years and with significant reductions in the Council's budget. Over the last four years, there has been £48m of efficiencies and reductions taken from the base budget of the Authority.

This improvement in the financial health is reflected in the overall improvements in the Council's financial management. This has manifested in improvements in the financial systems, more detailed and more timely financial monitoring reports, development of financial risk registers and the approval of the Council's medium term financial strategy. This improvement was recognised by the Use of Resources harder test judgement from the Council's external auditor from level 2 to level 3 and positive comments about further improvements.

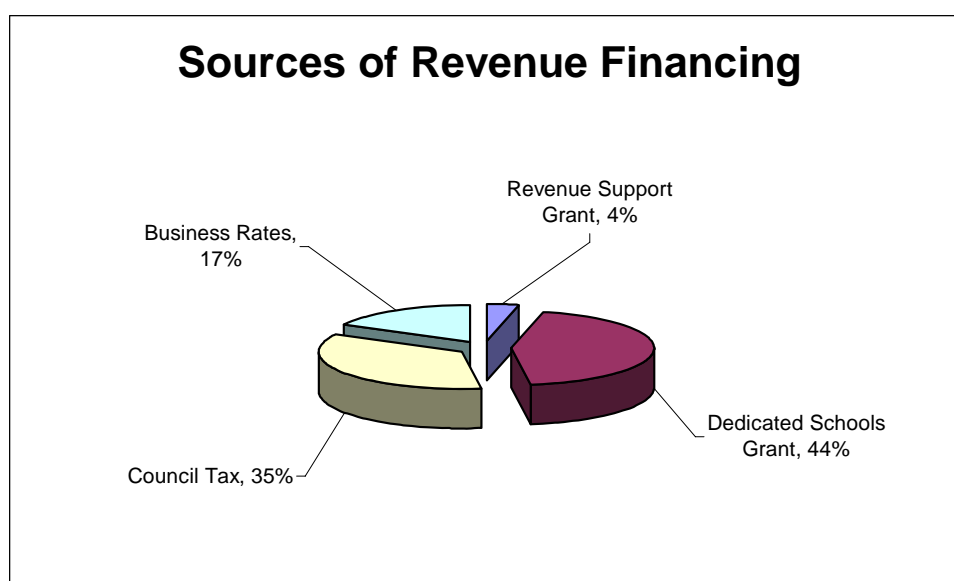
The overall corporate significance for the Authority of the improvement in balances should not be underestimated. In addition to the direct and obvious links to the Use of Resources judgement, it also impacts on the Direction of Travel and the corporate assessment of the Comprehensive Performance Assessment (CPA). Moreover, a low level of balances reduces the Council's ability to take risks and so reduces the opportunity to seek out innovative improvements and methods for service delivery.

The General Fund

The General Fund contains the income and expenditure relating to the services of the Council, other than Council housing. In 2006/07 the Council planned net expenditure of £404m as set out in the following table.

2006/07	Original Council Spending Plan	Actual Net Spend	Difference (Actual-Original)
	£'000	£'000	£'000
Individual School's Budget	187,005	187,528	523
Net Service Expenditure	216,953	214,899	(2,054)
Contribution (to)/from Balances	-	585	585
Budget Requirement	403,958	403,012	(946)

The detail of the Council's spending is set out in the Income and Expenditure Account which shows the majority of gross expenditure was on Education, Housing and Social Services. The gross expenditure totalled £775m and gross income £547m (including Dedicated Schools Grant) , to give a net expenditure of £227m. The following graph shows the main sources of revenue financing:



A key aspect is that 65% of expenditure is funded by government either through general or specific grants.

When the 2006/07 budget was approved by the Council in March 2006, the estimated 31 March 2007 General Fund balance was £10.63m (excluding schools). The Council also had specific earmarked reserves of £5.77m as at 1 April 2006.

Balances	General Fund	Schools	Total
	£'000	£'000	£'000
Brought Forward 01/04/2006	10,487	10,525	21,012
Contribution To Balances	-	-	-
2006/07 Outturn	1,612	459	2,071
Outstanding School Advances	-	(712)	(712)
Carried Forward 31/03/2007	12,099	10,272	22,371

The final position shows a General Fund balance of £12.10m and specific reserves of £12.39m. Whilst this is a significant improvement of the position at the end of 2005/06, the level of balances remains a key consideration when setting the annual budget.

Housing Revenue Account

The Housing Revenue Account is a statement of the income and expenditure on the Council's ring fenced social housing. The Council is landlord for 11,236 dwellings and the income and expenditure relating to these is, as said, ring-fenced, that is the Council is prevented by legislation from subsidising the cost of its social housing from its General Fund and vice versa.

In 2006/07, the Council spent over £60 million on its social housing and had income of just under £50m. After financing and appropriation adjustments, there was an in year surplus of £1.13m million on the account to take the accumulated HRA balances to £4.84m. This is an important increase as, as a result of the underwriting agreements relating to the major regeneration of some housing estates, the HRA was technically insolvent for part of 2006/07.

Despite the improved position for the HRA, there remains a concern about its long term sustainability due to the declining asset base. As the regeneration projects progress, the number of properties within the HRA will fall and this will lead to a significant reduction in rental income. There will not, however, be a proportionate fall in the associated costs which is likely to lead to an ongoing base budget problem for the HRA.

Capital Programme

The Council has continued its investment in priority areas over the last twelve months such as schools modernisation, bringing its housing stock up to the Decent Homes Standard, improvements to the highways and enabling major regeneration programmes. The commitment to modernising the Authority has also continued with the further development of its core systems and enhancement of its infrastructure. Such programmes have delivered considerable efficiencies in the back office and enabled the restructure of the support service functions of the Authority.

To do this the Council has maximised the use of both its own money, via receipts from the sale of surplus assets or via prudential borrowing, and external sources of funding, such as government grants and contributions from private developers.

In addition to the delivery of the schemes noted above, the Council has in the last twelve months given approval to some major programmes of work. The two most high profile of these are the Primary Schools Capital Investment Programme, a major undertaking to rebuild some of the most in need primary schools in the Borough as identified in the schools asset management plan, and the rebuilding of the East Barnet secondary school. Barnet has also taken further steps in realising its accommodation strategy by working in partnership with Middlesex University to maximise the benefits from the Hendon complex.

This year saw the further enhancement and embedding of the process to produce the approved capital programme for 2007/08 and beyond. Each scheme is required to produce a business case which identifies the contribution to the achievement of corporate priorities, potential options for the scheme, risks associated with its implementation, sources of financing and both the short and medium term revenue impact. This ensured that the approved capital programme is both in line with the objectives of the Authority and affordable without a significant impact on Council tax.

Treasury Management

The past twelve months has seen the Treasury Management team receive deserved recognition for the increasingly proactive management of the Council's investment and debt portfolios and funding requirements. This has included a reduction in the average rate of borrowing from 9.77% to 4.13% in the last three years, borrowing in advance to finance future capital investment plans at rates below both that of the Public Works Loan Board and the market currently, and delivery of investment interest income of £12.05m in excess of budget. The Council's current debt portfolio has been described as 'one of the best in the country' by the Authority's external treasury advisors, though due to the decisions to borrow in advance of need, the Council's balance sheet does look slightly skewed. This is because a proportion of the schemes are yet to commence in earnest and therefore the capital financing is being invested until such time as the expenditure is incurred.

Nonetheless, the Council's capital programme, as noted above, is heavily supported at present by prudential borrowing and this is having a significant impact on the revenue budget. As highlighted to Members in the 2007/08 budget setting report, this level of borrowing, or more specifically, the year on year increase in the level of borrowing is unsustainable in the long term and schemes in the future which require funding through this route will either need to replace existing projects or contain a significant invest to save element.

Pension Fund

The Pension Fund is part of the Local Government Pension Scheme with contributions into the fund coming from both members of the scheme and the employers (including Barnet). In 2006/07, the fund received contributions of £39.87m (£8.24m from members, £27.32m from the employers and £4.31m from transfers in) and made payments to pensioners of £28.24m.

The value of the fund as at 31 March 2007 was £539.50m, the majority of which is invested in the stock market. The fund increased in value by £39.67m during 2006/07 and had a return of 7.3%. The funding level was estimated by the Council's actuary to be 76% as at 31 March 2007, which is a slight improvement on the position twelve months ago.

The fund was ranked in the 39th percentile by WM Company Ltd who measures the performance of the pension fund against a peer group of other local Authority funds.

2006/07 saw a change in fund managers for the Barnet Pension Fund, with Midas Capital Partners Limited and Newton Investment Management Limited replacing Henderson Global Investors Limited and joining Schroders Investment Management Limited. The management of the fund also became more proactive with greater in year monitoring and clear decisions to give additional funds to those managers who were performing most strongly.

Looking Forward

As part of the approval of the annual budget, the Council also agrees the draft Financial Forward Plan which projects the potential Council tax requirement for future years. The current forward plan identifies a significant resource gap for each of the next three years to achieve an acceptable Council tax increase and this represents another considerable challenge for the Authority. This situation is expected to be exacerbated by another poor settlement from Central Government following the Comprehensive Spending Review which will be reported later this year.

There are further technical accounting changes which will impact on the Statement of Accounts for 2007/08 as part of the move towards uniform accounting across the public sector. The focus of the changes in the 2007 SORP will be on asset accounting, where the Council is relatively fortunate in having a modern integrated core system that will make the implementation of the requirements more straight forward, and accounting for treasury management instruments. These changes will also see local Authority accounts move closer to UK generally accepted accounting principles (UK GAAP) which are used in the private sector and the anticipation for the SORP for 2008/09 is that it will see the introduction of relevant international accounting standards.

The next twelve months will also see significant activity for the Pension Fund. The next fund valuation is due to be completed in the autumn and this will have a sizeable impact on the level of contributions for all the scheduled and admitted bodies to address the revised deficit level. In addition, in anticipation of Department for Communities and Local Government best practice guidance, the governance

arrangements for the fund are under review and there is likely to be a significant change in the governance arrangements. Thirdly, a new independent advisor is due to be appointed to advise officers and members on the management of the fund and provide an independent challenge to the appointed fund managers.

The Statement of the Chief Finance Officer

The required financial statements appear on pages 40-84 and have been prepared in accordance with the accounting policies set out on pages 34-39.

**Clive Medlam BSc., CPFA,
Chief Finance Officer**

Statement of the Chairman of the Audit Committee.

I confirm these accounts were approved by the Audit Committee on behalf of the London Borough of Barnet at the meeting held on 20 September 2007.

**Cllr Jeremy Davis
Chairman of Audit Committee**

Independent Auditors' Report to London Borough of Barnet

Opinion on the financial statements

We have audited the financial statements of London Borough of Barnet for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, the Statement of Movement of General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the supplementary statements and related notes and the Group accounts. The pension fund accounts comprise the Fund Account, the Net Assets Statement, and the related notes. The financial statements and pension fund accounts have been prepared under the accounting policies set out within them.

These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to 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 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority or its Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

We review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements.

We are not required to consider, nor have we considered, whether the Statement on Internal Control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority and its Group as at 31 March 2007 and its income and expenditure for the year then ended.

The pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial transactions of the Pension Fund during the year ended 31 March 2007 and the amount and disposition of the fund's assets and liabilities as at 31 March 2007 other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's Responsibilities

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 regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a Best Value Performance Plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the authority has made such proper arrangements. 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.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that we have done so
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July/August 2005, in all significant respects, London Borough of Barnet made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007.

Best Value Performance Plan

We issued our statutory report on the audit of the authority’s best value performance plan for the financial year 2006/07 in December 2006. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

We have carried out the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. The audit cannot be formally concluded and an audit certificate issued until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that these matters do not have a material effect on the financial statements.

Signature: Date:

**Grant Thornton UK LLP,
30 Finsbury Square,
London, EC2P 2YU**

SECTION 2

Statement of Internal Control and Accounting Policies

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

In compliance with the Accounts and Audit Regulations 2003 the Authority is required to provide a publication of a SIC with the annual financial statements.

Although it is published with the annual financial statements the SIC is a broad reflection of the whole governance of the Council, and sets out the controls in place that are designed to ensure:-

- the Council's policies are put into practice and that values are met;
- laws and regulations are complied with;
- required processes are adhered to;
- financial statements and other published information are accurate and reliable;
- human, financial and other resources are managed efficiently and effectively, and
- services are delivered efficiently and effectively.

After its approval by the Council, the SIC will be signed by the Leader of the Council and the Chief Executive, indicating the acceptance of the SIC by the Council.

In considering whether to approve the SIC, each Head of Service or Director has been asked to produce, and sign, a mini-SIC covering their area of responsibility focussing on the above criteria.

The process of creating the mini-SIC required all Directors to complete a comprehensive review of the controls within their own Service Area. During the process of review any areas of weakness need to be recorded and corrective action embedded in the coming year service delivery plan. It is made clear to all Directors that any statements made in the mini SIC must be evidenced and open to scrutiny. The mini SIC provides documented, relevant and reliable evidence to support the disclosures made. The mini SIC process requires all Directors to demonstrate that they have strong and robust processes and procedures to cover the following areas of a control environment;

- An executive summary of their control environment;
- A description of the core services provided;
- A review of the arrangements in place to manage contractual partnerships;
- The process used to monitor the performance of contractual partners;
- Identification of the IT systems used in delivering services;
- A description of the financial controls in place to manage their resources;
- Confirmation that an appropriate and effective scheme of delegation exists;
- A description of the overall control environment that exists within the Service;
- A statement on compliance with corporate policies and procedures;
- A statement on assurance that an appropriate risk management framework exists;
- Identification of key risks that have had an affect on service delivery, and
- A statement on assurance and understanding of the importance of the SIC

Internal Audit and Ethical Governance then use the mini-SICs to inform the audit programme and to become a key document in any coming audits of Service Areas.

Further consideration of the accuracy of the statements in the SIC have been conducted by key officers within the Council, including (but not exclusively) the Chief Financial Officer, and Head of Internal Audit and Ethical Governance.

This process is further evidenced by an Internal Control Checklist process which seeks assurance from line management of the effectiveness of the control environment operating across the Council, seeking to identify weaknesses in the processes and procedures that manage governance and control.

The process requires line managers to complete a survey of their own control environments that supports the areas of their responsibility. The survey asks line managers to consider all aspects of a good control environment by asking them to consider the following areas;

- Risk management
- Performance management

- Budget management
- Financial management
- Governance requirements
- Human resource management
- Procurement and contract management
- Information management
- Project management
- Partnership arrangements
- Business continuity planning, and
- Audit awareness.

It is made clear to line managers that any statements made must be substantiated with evidence and open to possible scrutiny.

Any areas of weakness are then documented and supported by either a Corporate Improvement Plan where the weakness is common across all services, or by a Team Improvement Plan where the weakness is specific to individual Departments.

2006/07 SIC

The SIC is divided into five sections, as follows:-

Section 1	Scope of Responsibility.
Section 2	Purpose of the System of Internal Control.
Section 3	Internal Control Environment.
Section 4	Review of Effectiveness.
Section 5	Significant Internal Control Issues.
Section 6	Sources of assurance

Guidance on the production of a SIC has been gained from publications by the Chartered Institute of Public Finance and Accountancy and our External Auditors, Grant Thornton UK LLP.

Section 1 – Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for, and used efficiently, economically and effectively in providing value for money services to its residents.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates effective delivery of the authority's functions and which includes monitoring compliance, providing assurance and the management of risk.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way it delivers services, having specific regard to a combination of economy, efficiency and effectiveness.

Regulation 4 of the Accounts and Audit Regulations (2003) requires audited bodies to conduct a review at least once a year of the effectiveness of its system of internal control and publish an accompanying SIC with each years financial statements.

CIPFA's proper practice requires the most senior officer and the most senior Member to sign the SIC, therefore they must be satisfied that the document is supported by reliable evidence and accurately reflects the internal control environment. This emphasises that the document is about all corporate controls and is not confined to financial issues.

Section 2 – Purpose of the System of Internal Control

The purpose of the SIC process is to provide a continuous review of the effectiveness of an organisation's internal control environment and risk management systems, so as to give assurance on their effectiveness and/or to produce a management action plan to address identified weaknesses in either process. The Statement on Internal Control will add value to the corporate governance and internal control framework of the Council.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It 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 the achievement of Council 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.

Section 3 – Internal Control Environment

The key elements of the internal control environment are set out below.

A. Corporate Priorities

The Council's corporate priorities are set out in the Corporate Plan 2007-2010. The Corporate Plan sets out the Council's vision for the organisation. It affirms the values and aspirations of Barnet for the place, the people and the organisations. The corporate priorities are clearly defined in the Corporate Plan which demonstrates how we will get to where we want to go over the next four years and it looks back at our progress to date.

These are cascaded through Service Plans and targets for service teams and individuals.

Monitoring is via the FirstStat process, Finance and Performance Review meetings, Member Challenge.

B. Policy and Decision Making

The Local Government Act 2000 and secondary legislation specify the local authority functions that are the distinct and quite separate responsibility of the Council and the Executive. Neither body can become involved with taking decisions on the functions of the other, with certain exceptions referred to below. The Act permits no other bodies in the formal decision-making structure other than those described below.

1. Council Functions.
2. Executive Functions.
3. Urgent and Emergency Decisions.
4. Overview and Scrutiny Committees.

The responsibilities of the above functions and their authorisations for decision making are clearly identified in the Council's Constitution. The Council's Constitution is reviewed annually by the Special Committee (Constitution Review) and recommendations are submitted to Council for consideration.

A record of the Special Committee (Constitution Review) with recommendations made can be found on the Council's record system COGNITE.

C. Compliance

Assurance on compliance with policies, procedures, laws and regulations is provided, in part, by Head of Internal Audit and Ethical Governance, which conducts risk based audits on the highest risk areas. Other sources of assurance on compliance come from external audit, other external inspectors (e.g. OFSTED, CSCI) and from service management's own internal control arrangements.

D. Risk Management

There has been continuous improvement in the arrangements for risk management in 2006-7, with further development of embedding risks management across the Council, thereby providing the basis for effective risk management policies and procedures.

Internal Audit continue to review and report on risk management arrangements in their interim and annual reports, and provide a statement on the adequacy of risk management arrangements across the Council.

The Finance and Performance Review (F&PR) process continues to review high level risks whilst encompassing close monitoring of service delivery performance, performance against budgets and budget reduction targets thus minimising the chances of unachievable savings being incorporated in the budget.

All committee reports include a section on risks, which contributes to Members being better informed prior to deciding on policy and decision making. This also raises the awareness and increases Member and Officer understanding of risk and the risk management process.

A comprehensive Corporate Risk Register exists, providing clarity and ownership of those potential risks that may have a direct impact to the corporate priorities. Each risk within the Corporate Risk Register is owned by a member of the Executive Management team who are required to monitor the risk and provide regular updates to the Corporate Risk Management team. Progress on the management of these risks and the inclusion of new corporate risks is discussed and agreed at Directors Group.

Risk management forums are now arranged between Corporate Risk Management and Service Area Performance Officers, who are responsible for risk management processes within their service areas. The forum allows for a two way communication process covering the continued effectiveness of the risk management processes within the Council, and allows an opportunity for continuous improvement in the risk management process and procedures used across the Council.

The risk management strategy, guidelines, standard risk register have been reviewed, updated and made available on the Corporate intranet. All three documents were presented and accepted by Council in March 2007. The revised documents formed part of an agenda item for discussion at the risk management forum.

As part of the annual budget and Council Tax setting, the Chief Finance Officer identifies the potential financial risks and contingent liabilities facing the authority in reaching his view on the adequacy of balances. These risks are captured and monitored in a comprehensive financial risk register which also tracks the mitigating actions required to minimise the likely impact on the Council.

The financial risk register is owned by the Chief Finance Officer and forms part of the regular financial monitoring programme to Cabinet Resources Committee.

E. Use of Resources

Effective and efficient use of resources is achieved through a range of review processes linked to the annual service planning cycle. These include:

The 'Better Use of Resources' project, established in November 2005, was successful in its initial ambition of raising the Council's rating to level 3 and the project board has continued to meet throughout 2006/07 as it has demonstrated to be an effective mechanism for driving corporate improvement. Amongst the many improvements implemented to ensure an effective and efficient use of resources have been:

Accessible information – development of mechanisms, such as summary Statement of Accounts and an annual report which fully integrates the review of finance and performance, which enable the Council's stakeholders to receive information on the performance of the authority in a more accessible way than through the documents required by statute.

FirstStat and Finance and Performance Review (F&PR) - both processes have been developed to monitor business performance (including financial performance). FirstStat and F&PR are led by the Lead Member for Policy and Performance and the Executive Director for Resources and undertaken on an in-year rolling basis as well as in reviewing and setting the forward financial plan.

Best Value reviews - conducted across a range of Council services in accordance with corporate priorities and in meeting legislative requirements. Business and service planning is well established and constantly reviewed by the Budget Board. Although it is no longer a statutory requirements for Local Authorities to carry out Best Value Reviews the council's Business Improvement team is delivering a annual programme of Value for Money Reviews.

Value for Money reviews – Council Directors Group have agreed a process for delivery of the Value for Money reviews which are underway. The significance of an effective Value for Money review programme and its impact on Use of Resources has been recognised to the extent that the Chief Executive is sponsoring the 2007/8 programme. The Value for Money process considers a wide range of elements including performance and efficiency, total cost of ownership, and customer satisfaction. The reviews

intend to deliver sustainable service delivery solutions which support the achievement of corporate priorities.

Member challenge - a rolling programme of finance and performance challenge is undertaken by the Leader.

Procurement - the Corporate Procurement Team provides advisory and support services on all corporate procurement activity to ensure value for money and compliance with procurement legislation. The Contract Procedure Rules and Procurement Code of Practice are essential policies that ensure the Council's procurement activities conform with the legislative requirements and demonstrate value for money. Both documents are regularly reviewed and published on the Corporate intranet providing ease of access to those in the Council performing procurement responsibilities.

Internal Audit and Ethical Governance – Internal Audit reviews consider the use of resources as part of the scoping exercise for each audit.

F. Financial Management

Financial management of the authority is organised through a wide range of processes and procedures which have been improved to deliver stronger financial control arrangements. Central to this are the Financial Regulations, which form part of the Council's constitution.

Corporate financial control is also exercised through targeted Finance and Performance Review meetings, challenge meetings for Heads of Service led by the Cabinet Members for Resources and Policy & Performance in addition to financial monitoring reports to every meeting of Cabinet Resources Committee.

Beyond this there are individual schemes of control for specific areas, e.g. Treasury Management Strategy.

There have been a wide range of improvements and areas of progress during 2006/07 including:-

- Approval of the Council's first, formal Medium Term Financial Strategy.
- Further embedding and development of the financial modules of SAP which has significantly enhanced the control environment for the core financial systems.
- The Statement of Accounts for 2005/06 were approved and the subsequent audit was completed with an unqualified audit opinion.
- A full review of the processes, procedures and guidance for both finance and non finance staff following the MCS implementation has been completed.
- All budget managers have been trained on SAP to enable them to take full responsibility for their budgets.
- Revenue balances have increased to over £12m with further earmarked reserves of the same order of magnitude giving the authority much greater financial flexibility and scope to manage risks.
- Development of the identification, quantification and monitoring of financial risks and contingent liabilities facing the Council.
- Embedding of the officer Budget Board as a mechanism to enhance corporate ownership of the forward planning process and to provide a clear mechanism for robust officer level challenge to service proposals.
- Establishment of the revised finance service within the Resources restructure to provide both support to front line services and clear strategic direction.
- Development of the officer Budget Steering Group and embedding of the officer Capital & Assets Group to ensure that available resources are directed to corporate priorities and away from non priority areas.
- Enhancement of the corporate financial monitoring report by combining revenue and capital monitors into a single document and through the inclusion of sections on the prudential indicators, debt management, collection rates and creditor payments performance.
- Complete update of the Council's financial regulations and contracting standing orders.

Further planned work to build on the progress and success already achieved includes:

- Introduction of a formal debt management policy to cover all monies owed to the Council.
- Further development of the wider corporate financial monitoring framework to enhance existing sections and incorporate cash flow, financial risks, insurance, section 106 and pensions.

G. Performance Management

The Corporate Plan is the single improvement document for the authority. It contains all the key priorities and indicators by which achievement against corporate goals are measured.

Progress against targets is monitored through a corporate performance management system based on regular meetings (FirstStat, Finance and Performance Review), regular data collection (monthly or quarterly returns from service areas) and Member challenge (Overview and Scrutiny) as well as by the Cabinet Member for Policy and Performance.

Replacement of Performance Management Plans (PMPs) with Key Priority Plans (KPPs) has ensured shared ownership across themed services for the delivery of key objectives. This has embedded a collaborative system based on robust data.

H. Best Value Performance Indicators (BVPs)

The Corporate Performance Office will continue to assist services to review and improve the data gathering and reporting processes around BVPs to ensure that the identified weaknesses are effectively addressed. This year's pre-audit review process has been streamlined and all data trail evidence is being gathered electronically. Current procedures ensure formal sign off actions at the appropriate level (Head of Service) for BVP data.

The Corporate Plan 2006/7 - 2009/10 reviews the performance of Barnet Council over the last twelve months and sets out the priorities and targets for service improvement over the next three years.

FirstStat monitors are priority based and monitor our performance against the Corporate Plan. Data is collected quarterly and the deadline is 17th of the month after the end of each quarter. The Business Improvement Team in the Corporate Performance Office (CPO) collect data from services for the Quarterly Performance Monitoring Tables (known as FirstStat monitors) and Best Value Performance Indicators (BVPs).

The information presented in the monitoring tables is assessed by the Corporate Performance Office and Heads of Service to provide a traffic light rating on performance for each key measure linked to service objectives.

This information is then reported quarterly to Scrutiny Committees, to Finance & Performance Review meetings (F&PR), and placed on the intranet.

Best Value Performance Indicators (BVPs) are collated annually in mid May. A new electronic audit sheet was introduced this year to aid the effective validation of BVP performance data. BVPs are reported in the Corporate Plan technical appendix and published by the 30th of June each year.

Services must ensure that the systems are in place to collect quarterly monitoring tables and BVP performance data all year round. It is the service's responsibility to ensure;

- the accuracy of the data provided
- the existence of detailed audit/management trails supporting this data
- that data is robust

Robust challenge and scrutiny through strengthened corporate governance (FirstStat, F&PR) has resulted in improving data quality, and performance improvement and a greater awareness, and ownership, of corporate and service priorities. The improvement in the Council's data quality has been formally recognised and reported on in the Annual Joint Audit and Inspection Letter 2005/06.

Section 4 – Review of Effectiveness

The Council has a responsibility to conduct, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of Internal Audit and Ethical Governance, which reviews the development, maintenance and implementation of internal control across the Council.

The Internal Control Checklist process also informs the review by providing an overview of the effective and efficient nature of the control environment as experienced by Line Managers across the Council. The process required Line Managers from all services to assess the strengths and weaknesses of their own internal controls covering the following areas;

General Risk Management	Performance Management	Legislation
Financial Management	Human Resources	Partnerships
Procurement & contracts	Information Technology	Audits
Project Management	Business Continuity Plans	

From the data collected, evidence was gathered that supports the effectiveness of the control environment. Where weaknesses were identified, continuous improvement plans are being developed to ensure actions and responsibilities are identified to strengthen the control environment.

The Internal Control Checklist process is now a key risk management tool which is conducted annually with reviews on progress of the Continuous Improvement Plans conducted through out the year.

Partnership management

The success of the Council rests on its' leadership role in bringing together all partners including other public services, the voluntary and community sector and the business community.

This work is co-ordinated through the Local Strategic Partnership (LSP). An Executive, chaired by the Leader of the Council, brings together the most senior leaders from the main agencies that deliver public services in the Council, and the Council has recruited a Community Steering Group, which represents the consumers of public services in Barnet and advises the Executive. The Council also holds a Civic Network twice a year to bring together the widest range of organisations in Barnet to help shape future strategy.

Barnet's Sustainable Community Strategy, 'Barnet: A First Class Suburb', was launched on 1 April 2006 following extensive analysis of the issues facing Barnet and residents' priorities. It sets out a shared vision for Barnet in 2016 and contains four themes:

Investing in children and young people;
Safer, stronger, and cleaner Barnet;
Growing successfully;
Healthier Barnet (including older people).

Each of these is supported by more detailed ambitions and an Action Plan of activities that will make a real impact on these priorities is updated annually and overseen by the LSP.

There are key partnership arrangements in the following areas, each have their own risk management and internal control processes that monitor and manage efficient and effective delivery;

1. Primary Schools Capital Investment Programme (PSCIP)

The Primary School Capital Investment Programme is at the procurement stage. The programme is procuring a strategic partner through the competitive dialogue process to take responsibility for the design and build of up to 9 primary schools. A programme board is in place with responsibility for delivery. A Programme Director manages activities on a day to day basis.

The council will establish a strategic partnering agreement with the selected contractor and will manage the individual builds through specific JCT design and build contracts for each school in the programme. It should be noted that at this stage of procurement there are dialogue meetings with three participating bidders to develop the contracts. We expect to select the successful contractor in April 2008 at which time the strategic partnering agreement will be signed.

The PSCIP Programme Board is responsible for the strategic direction of the programme and provides leadership to the Programme Team on any strategic or corporate issues arising. The Programme Board meets every 6 weeks and receive reports on the progress of the programme from the Programme Director who attends. The Director of Social Affairs and Deputy Chief Executive chairs the Board.

The risk management process is robust and is a continual process. The risk register is updated when appropriate and the High risks are reported to programme board every 6 weeks, and the full risk register is reported every quarter. The risk management group meets every quarter to update and scrutinise the register prior to the programme board. The risk management group lead ensures the owners of each risk take responsibility for their risk.

The revenue costs for the programme are forecasted up to the end of Stage 3 (procurement stage) and costs are monitored against this. This is updated monthly.

2. Private Finance Initiative (PFI) – Street Lighting

PFI contracts differ from the traditional type of contract as the Service Provider takes on additional responsibilities and risks. The contract documentation is output based with the authority identifying the required lighting standards for each road and the required response times in dealing with defects, contract management, administration and correspondence. It is for the Service Provider to identify how he will achieve the outputs by a series of method statements which are contractual. Traditionally the Authority would have specified methods, materials and outcomes and been involved in design, consultation and correspondence.

The authority role is to act purely as a monitor of performance against agreed contract requirements. The monitoring team consists of a senior Engineer, two Clerk of Works and a Technical Admin Officer as well as a contract lead who is the Highways Manager – Network Management.

The Service Provider is responsible for designing the lighting schemes for each road included in the Corporate Investment Programme (CIP). All designs are submitted to the authority for comment prior to the commencement of a consultation process with residents and ward members. Where the Service Provider can not comply with the required lighting standards they should apply for a Design Variation Approval from the authority prior to commencing consultation. In order for the authorities monitoring team to supply comments and/or approvals the Service Provider must provide adequate supporting design calculations and documentation.

The CIP includes for approximately 20,000 new lighting columns (replacement of 67% of the stock) to be designed and installed within the 5 year CIP programme. The first year programme includes the installation of approximately 2,707 new columns. The programme incorporates a number of milestones which must be met to avoid Default Termination Points (DTP) accruing. If the contractor accrues three DTP's the authority may terminate the contract due to non-performance.

Following installation of the new columns an independent certifier checks that the installation complies with the contract requirements (inspection includes a 90 item checklist) and assuming he is satisfied that compliance has been achieved the certified columns count towards the milestone.

There is a requirement for the contractor to inspect all Apparatus on a weekly basis to check for defects. Where defects have been identified these should be rectified within specific timescales depending on the type of defect.

The Service Provider is required to provide and maintain a Management Information System (MIS) and a Customer Care System in order to assist with the management of the contract and to hold records of all aspects of activity covered by the contract.

The MIS is a specialist street lighting IT package which holds a full inventory of all the items of apparatus which are the subject of the contract. The system incorporates mapping of all apparatus and provides detailed information on the description of each item of apparatus. The record information relating to each item of apparatus consist of up to 250 data sets. Prior to service commencement the authority provided the Service Provider with its MIS data which should have

formed the basis of the initial data held by the Service Provider. The Service Provider has been given one year to check the data for accuracy and to update the data as necessary to ensure that the data sets achieve 99% accuracy and are maintained at this level for the duration of the contract.

Due to the importance of maintaining an accurate MIS the contract requires the Service Provider to update the data sets within specific timescales and there are tests to ensure that the data entered is accurate. The Authority monitors the MIS on a daily basis to ensure that defects are logged, that response periods are identified are in accordance with contract requirements and that they have been completed and updated on time and with the correct information.

A Customer Care System (CCS) is also in place to record all correspondence and responses by the contractor. The authority monitoring team have read access to this system and can monitor how correspondence is being handled.

The Service Provider is required to provide a Monitoring Report and a Payment Report at the end of each month. The Monitoring Report should identify the performance related to all aspects of the contract during the previous month and this information is used to determine the payments which should be due to the Service Provider for that month. The contract sets out the detail of information which the Service Provider should include in the Monitoring Report. The MIS data is interrogated to provide the reporting data.

The Payment Report identifies the payments due to the contractor and this is identified by feeding the monitoring data into a Payment Mechanism. The Payment Mechanism is aligned with performance targets set out in the Output Specification. Where the service performance is identified as not meeting the specification, adjustments are applied to the payments which would have been due to the Service Provider. Where the performance is particularly bad a service Default Termination Point will accrue and when the adjustment level is at or above 25% of the monthly payment sum (assuming full compliance) a Default Termination Point accrues.

As well as the monthly monitoring reports and meetings further regular meetings are held to discuss and resolve issues relating to designs, communication and working practices.

A Project Board exists consisting of senior members of the Authority and Contractor which meets quarterly to discuss issues and attempt to find suitable guidance and solutions to operational managers.

The Director of Environment and Transport has also been keeping a close watching brief on the performance of the contract and as and when it has been considered necessary has met with the contractors Chief Executive to demand improvements and action plans for improvement.

3. Regeneration projects

The approach to the management of risk within major regeneration projects follows the general principle of risk transfer.

In all of the schemes the major component is a land/asset transaction which when developed delivers a comprehensive scheme and the regeneration impact. The land/asset is owned by the Council and it's immediate financial risks are to secure best consideration for this asset.

The Council uses a Principle Development Agreement as a vehicle to address delivery and risk. The principle of these agreements is that the Developer partner has responsibility for the development, financing and delivery of these schemes along with associated risk and risk management issues.

Specific risks within each project where the Council could be exposed to a financial penalty or other detriment (such as failure to transfer land at an agreed point in time with the necessary free of ties) will be addressed in specific programme risk registers when these programmes have been agreed with developers.

Until such time a number of high level strategic risks remain for the Council, such as delays and loss of reputation to the Council. These are covered in the Strategic Development Unit risk register.

Internal and External Audit Arrangements

The external auditors rely on the work of Internal Audit and Ethical Governance for their review of key financial systems and undertake selective reviews of internal control not included within the scope of internal audit. Other inspectorates also examine internal control as part of their work. The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control is set out below.

- **Council**

The constitution is reviewed annually by the Special Constitution (Review Committee), informed by an Officer Constitution Group. Recommendations of the Committee are reported to the Council for ratification.

- **Executive**

Cabinet bi-annually reviews progress on key corporate risks.

The Leader of the Council has risk management in their portfolio.

All committee reports include a section on risk.

The Audit Committee conducts an annual review of the budget process. In addition it reviews the Internal Audit and Ethical Governance Annual and Interim Annual Reports and the Annual (External) Audit and Inspection Letter, in addition to other key reports from Internal and External Audit during the year.

The Cabinet Overview and Scrutiny Committee is able (except where decisions are exempt from call-in) to review all Cabinet decisions, which happens infrequently and only when necessary. These are automatically placed on the Committee's agenda and not implemented until after the Committee has met, and can call-in any decision taken by the Cabinet Committee or a Cabinet Member. This exceeds the statutory requirement to have arrangements for calling-in Key Decisions.

- **Audit Committee**

The purpose of an Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

The terms of reference of the Audit Committee were as follows:

Audit Activity

1. To consider the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
2. To consider summaries of specific internal audit reports as requested.
3. To consider reports dealing with the management and performance of the providers of internal audit services.
4. To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
5. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
6. To consider specific reports as agreed with the external auditor.

7. To comment on the scope and depth of external audit work and to ensure it gives value for money.
8. To liaise with the Audit Commission over the appointment of the Council's external auditors.
9. To commission work from the internal and external audit.

Regulatory Framework

10. To maintain an overview of the Council's constitution in respect of contract procedure rules and financial regulations.
11. To review any issue referred to it by the Chief Executive or a Director, or any Council body.
12. To monitor the effective development and operation of risk management and corporate governance in the Council.
13. To monitor Council policies on 'Raising Concerns at Work' and the anti-fraud and anti-corruption strategy and the Council's complaints process.
14. To oversee the production of the authority's SIC and to recommend its adoption.
15. To consider the Council's compliance with its own and other published standards and controls.

Accounts

16. To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
17. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Review of Effectiveness

18. To conduct an annual review of the effectiveness of the Audit Committee.

• Internal Audit and Ethical Governance

The Council's Internal Audit and Ethical Governance Service is provided predominantly by an in-house team supplemented by two external partners as follows:-

ENPEYZ, who undertake all school audits and external assessment of Financial Management Standards in Schools.

Deloitte and Touche, who provide between 150 and 250 days risk based systems and follow-up audits a year.

All audit work is undertaken to the standards of the Institute of Internal Auditors and the CIPFA Code of Practice.

An annual audit plan is produced by the Head of Internal Audit and Ethical Governance, in consultation with key stakeholders, based on a risk analysis of all of the Council's auditable systems. In addition, the risks in each system are reviewed by the relevant Head of Service prior to the commencement of every audit review. The audit plan is agreed with our external auditors prior to finalisation to ensure that that plans are co-ordinated to add maximum value and avoid any duplication.

At the conclusion of each audit the audit findings and risks are discussed with the appropriate head of service and an action plan is agreed. There is a follow-up review of every internal audit to ascertain progress being made by the Head of Service in addressing the agreed action plan. The

Head of Internal Audit and Ethical Governance publishes an annual report to the Management Board and Audit Committee.

The Head of Internal Audit and Ethical Governance is a Chief Officer of the Council, with a reporting line to the Director of Corporate Governance. The Head of Internal Audit and Ethical Governance also reports to the Audit Committee on the following matters:-

- annual audit plan.
- regular progress reports on key findings and progress against the annual audit plan.
- annual report providing a final position on progress against the annual audit plan, a summary of all internal audit reviews completed, and an independent opinion of the Head of Internal Audit and Ethical Governance on the adequacy and effectiveness of the overall control environment.

Section 5 – Significant Internal Control Issues

When preparing the 2006/7 SIC, all significant risks that may impact on the Council's Corporate Objectives have been identified and actions required to mitigate these risks have been addressed.

An assessment of three key areas were conducted to identify the key risks to the authority. The three areas were

- A. Use of Resources Judgement for 2005 / 6.
- B. Risks identified in the Corporate Plan.
- C. Weaknesses identified in the Internal Control Checklist process.

A. Use of Resources Judgement for 2006/7

The use of resources judgement assess how well LB Barnet manage and use their financial resources. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services.

The key issues where they felt the Council needed to strengthen its arrangements in 2007 were:

- ***Having comprehensive working papers available at the start of the audit.***
- ***The level of non trivial errors within the Statement of Accounts.***
- ***The arrangements around partnerships.***
- ***Financial management arrangements.***
- ***The management and monitoring of debt management.***
- ***Procedure notes for key systems.***
- ***Demonstration of Value for Money outcomes.***

Further detail can be found in the "Use of Resources Judgements 2006" document.

B. Risks Identified in the Corporate Plan (See Appendix B for details)

The Corporate Plan 2007 - 2010 identified the following areas where key risks to achieving the Corporate Priorities are contained within them.

C. Weaknesses identified in the Internal Control Checklist process

An analysis of the results from the Internal Control Checklist process has identified a number of areas across the Council which are considered as "Corporate " issues.

i. Audit Awareness –

Need to raise the awareness across all Line Managers of the annual Internal Audit programme and the priority recommendations that are published at the conclusion of an audit.

ii. Risk management responsibilities –

Manager responsibilities for managing risk is clearly stated in the risk management strategy document but not all job descriptions include risk management as a core responsibility of managers in LB Barnet. Need to discuss including a standard core responsibility into all line manager and above job descriptions.

iii. Recording partnership arrangements in the Corporate Partnership Register –

Need to raise awareness of the Corporate Partnership Register and ensure all Line Managers are aware of and complying with the instruction to record all partnership arrangements held with LB Barnet.

iv. Business Continuity in general –

The Council recognised the need to improve its business continuity planning and has engaged external consultants to work with managers and staff to provide an injection of qualified and specialist support to address the most urgent needs but also to make recommendations about the longer term investment in business continuity.

The brief provides for the consultants to:

- Assess Barnet's current Business Continuity Management (BCM) policies and plans and identify shortfalls.
- Develop a Business Continuity Management action plan to ensure Barnet meets minimum Business Continuity Management standards.
- Provide support to develop the Impact Assessment methodology and to complete these to an acceptable professional standard.
- To identify and work with 'champions' in service areas to complete Business Continuity Management Plans.
- Consider longer term action and future planning for the delivery of business continuity to ensure it is fit for purpose.

The detailed action plan with milestones and responsibilities is attached and these are summarised below.

- a. The nine 'risks' identified by Internal Audit are used as the starting point to develop and implement a comprehensive BCM programme for the borough.
- b. The proposed action plan should be considered by internal audit before a final report is issued.
- c. Some of the timescales set to deliver Priority 1 risks within 3 months, and Priority 2 risks within 6 months should be re-considered.
- d. Some of the draft audit report issues should be re-prioritised.
- e. Embedding BCM should be a continuous process and should therefore not be prioritised in the audit risk summary and is likely to be the responsibility of an internal, dedicated resource.
- f. The first step in Barnet's effective BCM programme development is to agree an action plan which plugs the immediate critical gaps.

- g. A further action plan which outlines the actions required in the in the medium to long term should be developed and agreed.
- h. It is recommended that a new Business Impact Assessment (BIA) template is developed through a fully facilitated BIA process across all service areas to quality assure existing BIA data and to fill in the BIA gaps.
- i. The BIA data should be interpreted into actions within BCM plans.
- j. A process similar to that which was used to develop the council's risk assessments should be considered for developing BCM plans.
- k. LB Barnet employs a full time, permanent, Business Continuity Officer to work in the corporate team.

Section 6 – Sources of assurance

A. Internal Audit and Ethical Governance annual report 2006/7

The most recurring areas of control weakness across the Council identified in the 2006/7 Internal Audit & Ethical Governance annual report are:

- Resources not used economically or effectively
- Either no or inadequate policies and procedures

Findings in this area do not necessarily mean that policies and/or procedures do not exist but that improvements or additions to existing policies and/or procedures may be required. The generic risks that result from these omissions include potentially: lack of consistency; standards not being set, understood or complied with; loss of knowledge due to staff changes; increased training time for new staff.

- Inadequate monitoring controls over resources

The generic risks that result from these omissions include potentially: failure to achieve optimum benefit from resources; management unaware of misuse of resources or potential adverse budget circumstances.

Management action to address weaknesses has been agreed and recorded in the respective reports, which, if implemented, will improve the overall control environment.

17% of risks were assessed by internal audit as 'Priority 1', signifying that there was a 'significant risk that either objectives will not be met efficiently and effectively or that fraud or irregularity is unlikely to be prevented or detected'.

78% of risks were 'Priority 2', signifying 'only limited assurance that objectives will be met efficiently and effectively or that fraud or irregularity will be prevented or detected'.

All Internal Audit work is followed up as a matter of course. The annual report provides summaries of the findings at follow-up audits. Follow-ups indicate how the level of audit assurance has changed as a result of management implementation of agreed actions. Details of the assurance revisions on the 26 follow-ups conducted in the report period are detailed below.

Analysis of Assurance Levels on Follow-up	No.
Limited assurance still limited assurance	5
Satisfactory assurance to limited assurance	1
No or limited assurance to satisfactory	12
Satisfactory assurance still satisfactory assurance	6
Satisfactory assurance to full assurance	2
Total	26

B. External Audit Reports 2006/7

External Audit play a significant role in maintaining the control environment within the London Borough of Barnet through continuous assessments of the processes and procedures that contribute towards it.

In 2006/7, external audit issued reports on the following:

MCS Phase 2 Review.	BVPI/Data Quality report
Use of resources	Annual Audit Letter 2005/06
Barnet IT/IS Infrastructure Review	Grants report

These reports have been agreed by the Council and management action has resulted from any identified weaknesses. The Audit Committee is responsible for receipt of external audit report and ensures that recommendations are followed up and monitored until satisfactory completion.

Whilst each report contained a number of recommendations, it was not viewed that any of these recommendations contained a significant weakness to the Council's Internal Control Environment.

C. CPA assessment by the Audit Commission.

The Audit Commission assess all Councils nationally, and judged Barnet to be a Council that is improving well and demonstrating 3 star overall performance.

The assessment is based on a number of inspections including:

- Inspections of individual services

Service area	2006
Benefits - The Council's performance in providing housing and Council tax benefit services. The assessment is made by the Benefit Fraud Inspectorate and is based on achievement against housing benefits/Council tax benefits performance standards.	3
Children and young people - Barnet's performance in providing children's services, such as children's education and social care. The joint assessment is made by the Commission for Social Care Inspection and Ofsted following a review of the Council's overall performance and key indicators.	3
Culture – The Council's performance in services, such as libraries and leisure, as assessed by the Audit Commission.	3
Environment - Barnet's performance in services, such as transport, planning and waste.	3
Housing – The Council's performance in community housing and housing management services.	2
Social care (adults) - The Council's performance in adult social care services. The assessment is made by the Commission for Social Care Inspection following a review of the Council's overall performance and key indicators.	2

- A Corporate Assessment of how the Council is run, which considers what the Council, together with its partners, is trying to achieve. The Council received a '3' (performing well) in this assessment which was conducted in June 2006.
- A Use of Resources judgement from the Audit Commission, which assesses how well local authorities manage their finances and provide value for money. The Council received a 3 (performing well) which was an improvement on our previous standing. (See Appendix B for further details)
- Capacity is increasing and the organisation continues to modernise. There are no significant failures in corporate governance that would prevent sustained improvement.

SIC 2006-7

The process used to create the SIC ensures that all services effectively contribute to the assurance assessment and continuous improvements to the control environment. This provides further assurance on the effectiveness of the Council's ability to achieve its commitment to ensure;

- laws and regulations are complied with
- required processes are adhered to

- financial statements and other published information are accurate and reliable
- human, financial and other resources are managed efficiently and effectively
- services are delivered efficiently and effectively

The processes mentioned within this report have provided input into the annual statement prepared on behalf of the Chief Executive and Leader for the Annual Accounts, and will provide supporting documentation for internal and external scrutiny.

.....
Leo Boland
Chief Executive

.....
Michael Freer
Leader of the Council

Statement of Accounting Policies

The accounting policies set out below apply to the Financial Statements of the Council and the Pension Fund.

General

This Statement of Accounts has been prepared according to the Accounts and Audit Regulations 2003. The general principles adopted in compiling the accounts are those recommended by the Code of Practice on Local Authority Accounting and the Statement of Recommended Practice (SORP) relating thereto Published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The code and related SORP meet all requirements of proper accounting practice for local authorities in England.

As part of the general move toward aligning public sector accounting with that of the private sector and international accounting standards, the 2006 Code of Practice requires a number of changes to the presentation of the accounts together with consequent restatement of prior year's figures. The main changes are: -

- The replacement of the Consolidated Revenue Account and Statement on Reserves with an Income and Expenditure Account, Statement of Movement on the General Fund Balance, and Statement of Total Recognised Gains and Losses;
- The Housing Revenue Account (HRA) format has changed in line with the new single entity format. The HRA now comprises an HRA Income and Expenditure Account and a Statement of Movement on the HRA Balance;
- The removal of the requirement to make a capital financing charge;
- Consequent on the above the format of the Group Accounts has changed, removing unnecessary differences between group accounts and single entity accounts;
- Any profit or loss on the disposal of general fund property, and in certain circumstances HRA property, has now to be recognised in the accounts.

Best Value Accounting Code of Practice (BVACOP)

BVACOP provides guidance in three key areas. The definition of total cost, trading accounts and service expenditure analysis.

Associated and Subsidiary Companies (FRS2)

The 2006 SORP requires authorities to produce group accounts where group relationships occur with associated and subsidiary companies.

Accounting for Retirement Benefits (FRS17) within Housing Revenue Account (HRA)

As day to day housing management is carried out by Barnet Homes, Barnet's HRA employs very few staff directly. Because of 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 a FRS17 basis, no attempt has been made to show a separate liability related to defined benefit provision.

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. This approach includes customer and client receipts, employee costs, interest and supplies and services.

Bad Debt

Barnet makes provision to adjust the carrying amount of debtors that may prove uncollectible. Once a decision has been reached that it is no longer economic to pursue a debt, it is written off against this provision.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local Authority's control.

Contingent Liability

A contingent liability is either:

- i. a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control, or
- ii. a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
- iii. Detail of any contingent liability is given in notes to the balance sheet.

Fixed Assets

• Recognition

All expenditure where the Authority will benefit for more than one year, buying or improving fixed assets is capitalised in the accounts and accrued. By definition this excludes routine repairs and maintenance which are charged directly to service revenue accounts.

• Measurement

Valuation of land and buildings accords with the statements of asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors (RICS), as recommended by CIPFA.

The current asset values are based on certificates issued by the Borough Valuer. All assets are valued on a rolling programme over five years, with the exception of housing stock which is re-valued annually.

• Depreciation

All fixed assets, including infrastructure, are depreciated using the straight-line method with no residual value, over their useful life. The useful life of each of the Authority's buildings is determined by the Borough Valuer while vehicles, plant and equipment can vary. Exceptions to these are land and investment properties, in accordance with current regulations these are not depreciated.

• Impairment

The Borough Valuer reviews our assets annually for impairment. Impairment is provided for assets where there is a material reduction in value at the year end over and above normal depreciation. It is accounted for in the year in which it arises.

Where the Authority transfers Housing stock (HRA) to a Housing Association at a nil or nominal value this is treated as an impairment loss rather than a gain/loss on disposal.

• Profit or Loss on disposal

Where the Authority disposes of an asset, the asset is revalued by the Borough Valuer prior to disposal. The profit or loss is then calculated with reference to this updated carrying value. The exception to this is the transfer of housing stock to a Housing Association at nil or nominal value which is treated as an impairment (see above).

Charges to revenue in respect of capital

Service revenue accounts, including the Housing Revenue Account (HRA) are charged with a capital charge for all capital assets used in the provision of services. Capital charge under the new SORP is now equal only to the depreciation of the fixed assets consumed in delivering services. Previously services also received a notional interest rate charge in addition to depreciation.

Services are charged with impairment loss in respect of economic consumption should this arise.

Capital charges have a neutral impact on the amounts to be raised from local taxation (Council tax), as they are reversed in the Reconciliation of General Fund Balance.

Intangible Assets

Intangible assets are created when the Council incurs capital expenditure without a tangible fixed asset being created, such as the payment of capital grants and spending on computer software. Intangible assets are written off to revenue in the year they arise, or where there is no long term benefit, they are treated in the same way as tangible fixed assets, i.e. it is written off over a specified period.

Intra Group Transactions

FRS2 requires intra group transactions to be eliminated in full.

Capital Receipts

A capital receipt is income received on the disposal of a fixed asset. It is held in the capital receipts unapplied account until either used to fund capital spend or repay debt. Legislation requires a percentage of HRA capital receipts to be transferred to a central pool for redistribution by the government.

Government Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis. They are shown in the accounting statements when the conditions for their receipts have been complied with and there is reasonable assurance that the grant or contribution is to be received.

Grants and contributions relating to fixed assets are credited to the Government Grants Deferred Account and released to Service Revenue Accounts in line with depreciation. As per depreciation, these amounts are reversed in the Reconciliation of General Fund Balance to avoid impact on local taxation.

Leasing

The Council has no material finance leases. Operating lease rentals are charged to revenue over the life of the agreement.

Redemption of debt

In accordance with the requirements of the Local Government and Housing Act 1989, the Council has set aside a minimum revenue provision of 4% for the General Fund. There is no longer a statutory requirement for a minimum revenue provision for the Housing Revenue Account and the Council has not set aside a voluntary amount.

Reserves

Expenditure is charged to revenue and not directly to any reserve. For each reserve established, the purpose, usage and basis of transactions are identified in the notes to the Council's financial statements. The net effect of revenue sums set aside appears as an adjustment in the Income and Expenditure Account. The movements are reflected in the notes to the core financial statements.

Provisions

The Council has made a number of provisions for liabilities that are certain to occur, but the timing and amounts are uncertain.

- **Insurance Provision**

Apart from bad debts, the most significant provision is for insurance. The level of the provision should reflect the value of outstanding liabilities. Internal insurance premiums charged to services are credited to insurance and in most years this sum, together with commission earned, more than covers the claims paid out. The accumulated funds therefore would meet any individual year's shortfall.

Estimations

The only significant estimations in the accounts are in respect of certain community care services where revenue accruals have been made based on clients receiving care within the year for when invoices have not been received until after the end of the financial year and Special Parking Account predicted income recovery from unpaid penalty charge notices issued in 2006/07.

Investments

Investments are shown on the balance sheet at cost.

Pension Costs

Under Financial Reporting Standard 17 (FRS 17) the Council is required to account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. In line with the requirements of the SORP the Council's actuary uses the AA Corporate Bond rate to calculate future liabilities.

- **Pension Reserve**

The Pension Reserve is the financial accounting mechanism to ensure that FRS17 has no impact on Council tax.

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 Authority'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 Income and Expenditure Account.

- **Classification of Schemes**

The Council participates in two different pension schemes, one for teachers, an unfunded scheme administered by the Department for Children Schools and Families (DCFS) and the Local Government Pension Scheme for our other staff. The schemes provide members with a defined benefit pension related to pay and service. The teachers' scheme is, as said, unfunded, but the other is a funded scheme.

For the purposes of FRS17 pension schemes are classified into two categories, Defined Benefit or Defined Contribution. The Barnet scheme is classified as Defined Benefit. The teachers' schemes of the DCFS, although a Defined Benefit scheme, is treated as Defined Contribution scheme because it does not allow the allocation of its liabilities and assets consistently and reliably to participant authorities

- **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 Teachers 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.

- **Cash**

As at 31st March 2007 the London Borough of Barnet pension fund had £29.3m cash in hand which was managed with the Council's cash as part of the Council's temporary investment strategy.

- **Pensions**

Further information on pension costs and the Pension Fund appear in the individual statements within the accounts.

Stocks and work in progress

Stocks and stores are in the accounts at the lower of latest price paid or net realisable value. Work in progress on uncompleted jobs is valued at cost, including overhead allocations.

Support service allocations

The cost of central departments has been allocated to direct services on a variety of bases, reflecting the work provided by these support services.

Exceptional Items, Extraordinary Items and Prior Period Adjustments

Where applicable and relevant exceptional items and extraordinary items are disclosed in the Income and Expenditure Account with full supporting notes.

The majority of prior period adjustments arise from corrections and adjustments and are accounted for in the year they are identified. Material adjustments applicable to prior years arising from changes in accounting policy or correction of fundamental errors are accounted for by restating comparative figures for the preceding year in the statement of account and notes and adjusting the opening balance of reserves for the cumulative effect. More details and fuller explanations are given in the individual relevant financial statements.

Post Balance Sheet Events

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements were authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and
- those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date)

The Euro

The position regarding the possible replacement of sterling by the euro continues to be monitored and the Council is ready to take prompt action should the need arise. As yet, no assessment, and thus no provision, has been made in the accounts for any cost implications associated with the possible change.

**Clive Medlam BSc., CPFA,
Chief Finance Officer**

SECTION 3

Core Financial Statements

Income & Expenditure Account

This shows expenditure on and income received from the Council's day-to-day activities

		2006/07			2005/06
	Notes	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000
<i>On its services the Council spent:-</i>	1				
Central services to the public		5,580	(4,397)	1,183	(848)
Cultural, environmental & planning services		63,812	(14,996)	48,816	47,642
Education services	2	284,049	(254,604)	29,445	186,402
Highways, roads & transport services		32,467	(17,365)	15,102	12,507
Housing services		241,225	(226,044)	15,181	20,146
Social services		128,515	(22,221)	106,294	103,068
Corporate & Democratic Core		4,793	(268)	4,525	4,491
Non distributed costs		14,076	(7,255)	6,821	10,859
NET COST OF SERVICES		774,517	(547,150)	227,366	384,267
Redundancy Costs				1,144	959
Precepts & Levies	5			1,143	1,195
(Surpluses)/Deficits on trading undertakings	6			1,318	816
Interest payable and similar charges				5,840	2,037
Contribution of housing capital receipts to Government Pool				2,239	2,063
Interest and investment income				(7,655)	(2,709)
Pensions interest cost and expected return on pensions assets	10			6,304	10,290
NET OPERATING EXPENDITURE				237,699	398,918
Demand on collection fund				(136,565)	(134,172)
General government grants				(13,614)	(130,374)
Non-domestic rates redistribution				(67,586)	(108,094)
Transfer of Collection Fund deficit				1,471	1,303
(Surplus)/Deficit for the Year				21,406	27,581

Statement of Movement on the General Fund Balance

The Statement of Movement on General Fund Balance compares the Council's spending against the Council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. It is a reconciliation statement that summarises differences between the outturn on the income and expenditure Account and the General Fund Balance.

	2006/07 £'000	2005/06 £'000
Deficit for the year on the Income & Expenditure Account	21,406	27,581
Net additional amount required by proper practices to be debited or credited to the General Fund Balance for the year	(22,765)	(33,541)
Increase in General Fund Balance for the Year	(1,359)	(5,960)
General Fund Balance brought forward	(21,012)	(15,052)
General Fund Balance carried forward	(22,371)	(21,012)
Amount of General Fund Balance held by schools	(10,272)	(10,525)
Amount of General Fund Balance generally available for new expenditure	(12,099)	(10,487)
	(22,371)	(21,012)

General Fund Balance Reconciliation Statement

Net additional amount to be credited to the General Fund Balance for the year

Comprising:

Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year

	2006/07 £'000	2005/06 £'000
Amortisation of intangible fixed assets	(5,151)	(5,379)
Depreciation and impairment of fixed assets	(10,274)	(18,260)
Excess of depreciation charged to HRA services over the MRA	(9,777)	(7,524)
Redundancy costs approved by the Secretary of State as capital expenditure	(1,144)	(959)
Government Grants deferred amortisation	6,782	7,279
Net charges made for retirement benefits in accordance with FRS 17	(34,144)	(25,530)

Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year

Minimum revenue provision for capital financing	3,212	2,130
Capital expenditure charged in-year to the General Fund Balance	16	0
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Employer's contributions payable to the	(2,239)	(2,063)
Pension Fund and retirement benefits payable	21,998	14,330

Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year

Housing Revenue Account balance	1,131	(2,093)
Net transfer to or from earmarked reserves	6,825	4,528
	(22,765)	(33,541)

Statement of Total Recognised Gains and Losses

The Statement of Total Recognised Gains and Losses demonstrates how the movement in net worth in the Balance Sheet is reconciled to the Income & Expenditure account surplus or deficit for the year and to other unrealised gains and losses.

	2006/07	2005/06
	£'000	£'000
(Surplus)/Deficit for the year on the Income & Expenditure Account	21,406	27,581
Surplus arising on revaluation of fixed assets	(54,228)	(375,360)
Actuarial (gains)/losses on pension fund assets and liabilities	(35,714)	(13,770)
Movement on the Collection Fund	1,792	(621)
Other gains/(losses) included in the Balance Sheet	(8,112)	(24,038)
Total recognised gains for the year	(74,856)	(386,208)

Balance Sheet

This statement summarises the Council's assets and liabilities as at 31st March 2007.

		31st March 2007		31st March 2006	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Operational assets					
Council dwellings		1,090,000		1,093,000	
Other land and buildings		467,140		449,104	
Community Assets		7,433		6,452	
Vehicles, plant, furniture and equipment		7,021		6,437	
Infrastructure assets		51,894	1,623,488	55,311	1,610,304
Non-operational assets					
Investment Properties		34,889		18,570	
Surplus Assets Awaiting Disposal		38,555		12,525	
Assets Under Construction		34,747	108,191	25,368	56,463
	20		1,731,679		1,666,767
Intangible Assets		23,082			14,195
Unamortised Debt Premiums	22	2,351			2,729
Long term debtors	23	3,254			3,941
Long term investments		38,410			11
Total long term assets			1,798,776		1,687,643
Current assets					
Stocks and works in progress	27	1,591		1,446	
Temporary investments		181,500		191,050	
Debtors	28	51,600		47,313	
Payments in advance		6,226		2,890	
Imprest accounts and school balances		18,391		19,151	
		259,308		261,850	
Current liabilities					
Creditors	28	(104,180)		(176,128)	
Borrowing repayable within 12 months		(5,087)		(139)	
Bank overdraft		(14,866)		(14,993)	
Provisions	29	(9,356)		(9,373)	
		(133,489)		(200,633)	
Net current assets			125,819		61,217
Long-term liabilities					
Long term borrowing	30	(210,500)		(105,500)	
Government grants - deferred	37	(76,811)		(57,526)	
Liability related to defined benefit pension	35	(242,634)		(266,040)	
Total assets less liabilities			1,394,650		1,319,794
Financed by					
Fixed asset restatement account			1,211,451		1,155,496
Capital financing account			339,282		364,026
Usable capital receipts			35,925		30,851
Deferred capital receipts	36		1,264		1,552
Pension reserve	35		(242,634)		(266,040)
Major Repairs Reserve			9,580		5,030
Specific reserves	32		12,389		5,768
Balances – general fund	31		22,371		21,012
Balances – collection fund	34		187		(1,605)
Balances – housing revenue account			4,835		3,704
Total equity			1,394,650		1,319,794

Cashflow Statement

This consolidated statement summarises the movement between the Authority and third parties, both for capital and revenue purposes.

	2006/07		Restated 2005/06	
	£'000	£'000	£'000	£'000
REVENUE ACTIVITIES				
Cash Outflows:				
Cash paid to and for employees	319,136		301,450	
Other operating costs	402,352		305,038	
Housing benefits	140,732		129,605	
Non-domestic rate pool	86,054		78,682	
Collection fund precept payments	38,614		34,463	
Payments to housing capital receipts pool	2,239	989,127	2,063	851,301
Cash Inflows:				
Council tax etc. receipts	(150,134)		(146,966)	
NDR receipt from national pool	(67,586)		(108,094)	
Local business rates	(83,755)		(83,351)	
Revenue support grant	(13,614)		(130,374)	
Rents	(51,858)		(50,269)	
DSS Rebate grants	(159,323)		(149,372)	
Other Government grants	(263,718)		(77,668)	
Cash received for goods and services (see note 40)	(138,479)	(928,467)	(137,467)	(883,561)
		60,660		(32,260)
SERVICING OF FINANCE				
Cash Outflows:				
Interest paid	5,202		1,250	
Cash Inflows:				
Interest received	(6,850)	(1,648)	(2,146)	(896)
CAPITAL ACTIVITIES				
Cash Outflows:				
Purchase of fixed assets	56,786		70,986	
Deferred charges and long term debtors	6,026		6,287	
	62,812		77,273	
Cash Inflows:				
Sale of fixed assets	(13,339)		(6,592)	
Capital grants received	(26,068)		(28,298)	
Other cash income	(687)		(6,266)	
	(40,094)	22,718	(41,156)	36,117
Net cash inflow before financing		81,730		2,961
MANAGEMENT OF LIQUID RESOURCES				
Net (increase)/decrease in short term deposits		(9,550)		(84,578)
FINANCING				
Cash Outflows				
New Long term investments	38,400		151,655	
Repayment of long term borrowing	-	38,400	-	151,655
Long term investment				
Cash Inflows				
New short term loans	(4,948)		(9)	
New long term loans	(105,000)		(77,000)	
Long term investment	-	(109,948)	-	(77,009)
(INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS (SEE NOTE 42)		632		(6,971)

Notes to the Core Financial Statements

NOTES TO THE INCOME & EXPENDITURE ACCOUNT

1. Prior Period Adjustment – Restatement of 2005/06 accounts

In the 2006/07 Statement of Accounts, the Council has adopted recommended policy and adopted three significant new changes that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

(i) the Consolidated Revenue Account (CRA) and Statement of total movement in reserves has been replaced by an Income & Expenditure Account, Statement of movement on the General Fund and Statement of total recognised gains and losses (STRGL);

(ii) capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts, and the Asset Management Revenue Account (AMRA) is no longer required;

(iii) credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item;

(iv) gains and losses on the disposal of fixed assets where applicable are now recognised in the Income and Expenditure Account;

(v) where the Authority transfers Housing stock (HRA) to a Housing Association at a nil or nominal value this is treated as an impairment loss rather than a gain/loss on disposal.

These changes have had the following impact on the net costs of services comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the table):

	Consolidated Revenue Account in 2005/06 Statement of Accounts	Removal of capital financing charges	Relocation of government grants deferred credits & capitalised redundancies	Recognition of gains and losses on disposal/ impairment of fixed assets	Income and Expenditure Account 2005/06 comparatives
	£000	£000	£000	£000	£000
Central services to the public	1,862	(2,710)	-	-	(848)
Cultural, environmental and planning services	51,875	(3,537)	(696)	-	47,642
Education services	197,932	(8,906)	(2,623)	-	186,402
Highways, roads and transport services	16,168	(2,257)	(1,404)	-	12,507
Housing Services	55,858	(39,287)	-	3,574	20,146
Social services	103,501	(244)	(189)	-	103,068
Corporate and democratic core	4,491	-	-	-	4,491
Non Distributed Costs	13,225	-	(2,367)	-	10,859
Impact on Net Cost of Services	444,912	(56,941)	(7,279)	3,574	384,267
Loss on the disposal of fixed assets	-	-	-	-	-
Redundancy costs	-	-	959	-	959
Asset management revenue account (Interest payable and similar charges in 2006/07)	-	56,941	7,279	-	64,221
Impact on Net Operating	444,912	-	-	3,574	449,447

2. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded by grant monies provided by the Department for Education and Skills, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an Authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over- and under-spends on the two elements are required to be accounted for separately. The Council is able to supplement the Schools Budget from its own resources and in 2006/07 applied an addition of £167,000 in this manner.

Details of the deployment of DSG 2006/07 are as follows:

	Central Expenditure	Individual Schools Budget (ISB)	Total
Details	£'000	£'000	£'000
DSG allocation	19,496	154,553	174,049
Adjustment for finalised grant	(258)	-	(258)
Final DSG Allocation	19,238	154,553	173,791
Reallocation of DSG by LBB	(1,105)	1,105	-
ISB top up	167	-	167
Actual Expenditure	(17,468)	-	(17,468)
School Share	-	(155,658)	(155,658)
Transfer to DSG Reserve	832	-	832

The increase in the schools spending of £1.1m is due to the allocation of schools contingency funding (which was initially held in centrally retained budgets) during the year. This has led to an apparent under-spend on the central budgets of £1.9m and an overspend on schools of £1.1m. In fact the contingency funding is meant to be allocated to schools and the net under-spend on central budgets carried forward to 2008/09 is £0.832m.

Note regarding the disclosure of change in basis of government support for schools:

For 2006/07, the arrangements for government support for the funding of schools changed. Previously funds were provided as part of the Council's overall Revenue Support Grant. In 2006/07, the Council has received a specific grant - the Dedicated Schools Grant. £173.7m has therefore been credited against the Education service outturn in the Income and Expenditure Account that would previously have been treated as part of Revenue Support Grant in corporate income. The difference between 2006/07 figures and comparative figures for 2005/06 for these two lines is substantially explained by this change.

3. Building Control & Inspection

Local authorities are required to prepare a Building Control Statement under the Building (Local Authority Charges) Regulations 1998. The results of trading were:-

	2006/07	Restated 2005/06
	£'000	£'000
Employee Expenses	940	829
Transport	24	35
Supplies & Services	266	235
Central & Support Services	291	208
Capital Finance	4	10
Total Expenditure	1,525	1,317
Building Regulation Charges	(1,274)	(1,242)
Miscellaneous Income	(15)	-
Total Income	(1,289)	(1,242)
Deficit / (Surplus) on activities for year	236	75

These figures form part of the Net cost of Services within the Income & Expenditure account. The figures for 2005/06 are restated as Building Inspection is now included in these figures.

4. Gain or Loss on Disposal of Fixed Assets

In 2006/07 the Council disposed of 3 General Fund assets and 15 HRA assets. The disposal of these assets came to a combined sale value of £5.7m (Note:- In addition to this sum the Council disposed of 22 Social Housing Units under the 'Right-to Buy' scheme generating £3.3m).

In accordance with guidance from SORP the Council realised neither a gain nor loss on these disposals, but did record impairments on 3 of the HRA assets prior to disposal, as these transactions were stock transfers to Housing Associations. These impairments are recognised in the Income & Expenditure Account within the net cost of Housing Services and the Housing Revenue Account (HRA) expenditure (see Note 7 to the HRA).

5. Analysis of Levies and precepts

The Authority helps defray the costs of other organisations. It does this either as a statutory duty or voluntarily, where it benefits the Council. Some contributions are made to London wide organisations.

	2006/07	2005/06 Restated
	£'000	£'000
Miscellaneous levies:-		
Coroners' service	217	223
Environment Agency (land drainage)	156	250
Lee Valley Regional Park Authority	402	394
London Pensions Fund Authority	368	328
	1,143	1,195
Levies and contributions included in net cost of services:-		
London boroughs' grant scheme (Social Services)	1,143	1,163
Concessionary fares scheme (Highways, Roads & Transport)	10,238	9,502
North London Waste Authority (Cultural, Environment & Planning)	7,955	9,802
TFL - Traffic Control Signals (Highways, Roads & Transport)	402	-
Other (Corporate & Democratic Core)	5	-
	19,743	20,467
Total	20,886	21,662

6. Trading Undertakings

A number of operations that the Council undertakes are technically classified as trading operations. However as these tend to be purely internal to the Authority, full recharges are not applied to specific operations, they are subsumed within services. The activities of these areas are reported below but the apparent deficits only reflect internal recharges that would otherwise be made.

	2006/07			2005/06
	Income £'000	Expenditure £'000	Deficit £'000	Net £'000
Included within Service Expenditure				
Catering	(4,172)	5,129	957	757
Stores	(944)	988	44	79
Transport	(1,391)	1,486	95	(44)
Building Cleaning	(91)	92	1	-
Schools Finance	(653)	833	180	-
Other	(19)	60	41	24
Total included within Service Expenditure	(7,270)	8,588	1,318	816

7. Local Government Act 1972 – Section 137

Almost all the provisions of this section of the Local Government Act 1972 have been superseded through the granting of general enabling powers to local authorities in the Local Government Act 2000. (Chapter 22 part 1). Barnet has reviewed its activities in the light of this and concluded that no expenditure was incurred under any residual Section 137 powers for the past year.

8. Expenditure on publicity

Section 5 of the Local Government Act 1986 requires a separate account of expenditure on publicity.

	2006/07 £'000	2005/06 £'000
Information service – staff	377	395
Information service – other costs	80	144
Staff recruitment and advertising	661	638
	1,118	1,177

9. Local Government Goods and Services Act 1970

This Act empowers the Council to provide goods and services to others. Income from providing printing services in 2006/07 produced income of £125,000 (the equivalent figure was £148,000 for 2005/06).

10. Pension interest cost and expected return on pension assets

The Authority has its own local government pension scheme. The costs of contributing to pensions earned by employees in the year of account are included in the net cost of services. The net of pension interest cost less expected return on assets counts against net operating expenditure. Pension interest cost is the amount, under the projected unit method used by the Council's actuary, by which current service cost increases as the members of the scheme approach retirement. These are all notional costs calculated to show the Authority's true liability change for the year. They are produced by the Council's actuary in line with accounting regulations. To ensure the net figure left in the account is the amount actually paid to the pension fund, that is real rather than notional, the FRS 17 figure is reversed out of the General Fund Balance Reconciliation Statement and replaced with the actual figure:

	2006/07		2005/06	
	£000	£000	£000	£000
Net Cost of Services				
Current Service Cost	20,677		12,020	
Curtailment & Settlements	6,856		2,760	
Past Service cost	307	27,840	460	15,240
Net Operating Expenditure				
Interest Cost	31,661		30,940	
Expected Return on Assets in the Scheme	(25,357)	6,304	(20,650)	10,290
Amounts to be met from Government Grants and Local Taxation				
Movement on Pensions Reserve		(12,146)		(11,200)
Amount charged for pensions in the year		21,998		14,330

Note 35 to the Core Financial Statements contains the assumptions made in estimating the figures included in this note.

The Authority also contributes to the Department for Education and Skills' Teachers Pension Fund at a rate of 13.5% of pensionable pay. The amount paid in the year, £10.3m is included in the education service costs.

11. Senior staff remuneration

The numbers of staff who received taxable remuneration in excess of £50,000 for the year was:

	2006/07	2005/06 restated
£50,000 to £59,999	184	162
£60,000 to £69,999	80	53
£70,000 to £79,999	17	10
£80,000 to £89,999	6	8
£90,000 to £99,999	7	5
£100,000 to £109,999	3	5
£110,000 to £119,999	4	0
£120,000 to £129,999	3	2
£130,000 to £139,999	2	3
£140,000 to £149,999	1	0
£150,000 to £159,999	0	0
£160,000 to £169,999	0	0
£170,000 to £179,999	1	1
Total	308	249

12. Leasing

The Council leases rather than owns some of the property and the majority of the vehicles it uses to provide services to residents. At the same time it also leases property, such as shops etc to other organisations or individuals. Current lease commitments, both inwards and outwards are summarised below:

Years	Vehicles, Plant & Equipment £000	Property Leased in £000	Property Leased Out £000
2006/07	2,747	2,856	(1,789)
2007/08	2,207	2,202	(2,278)
2008 to 2012	2,750	5,613	(6,797)
Beyond 2012	8	12,720	(72,008)

13. Members Allowances

The total amount of members' allowances payable in 2006/07 was £1,017,947 (£988,219 in 2005/06).

14. Related Party Transactions

Under law, all members and chief officers are required to declare any 'Related Party Transactions'. In essence, these are financial transactions taking place in 2006/07 between the Council and external organisations over which they have control or influence.

All members and chief officers have submitted a declaration form to this effect. The vast majority of these were nil returns, whilst a handful of members act as directors or trustees of charitable bodies that received grants from the Council. The number and size of these grants are not significant and as a director/trustee of a charity, the member/officer concerned would not have benefited personally.

Further details are available on request.

15. Pooled Budgets

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

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

	2006/07			2005/06		
	Total	LBB	⁽¹⁾	Total	LBB	PCT ⁽¹⁾
	£'000	£'000	£'000	£'000	£'000	£'000
Purchasing of equipment	1,352	979	373	1,436	1,005	431
Contract Management	482	318	164	468	309	159
Stock adjustment ⁽²⁾	(401)	(401)	-	(255)	(255)	-
	1,433	896	537	1,649	1,059	590
Contributions	(1,685)	(1,148)	(537)	(1,320)	(730)	(590)
	(252)	(252)	-	329	329	-

⁽¹⁾ in the Council's revenue accounts

⁽²⁾ stock adjustment reflects re-valued stock. The Council's accounts only shows its share of the stock and is included in the figures shown note 27 of the balance sheet.

16. Audit Fees

The costs to the Authority for external audit and inspection fees were:-

	2006/07 £'000	2005/06 £'000
Fees payable to Grant Thornton UK LLP, who were auditors of the Council appointed by the Audit Commission, with regard to external audit services carried out	420	516
Fees payable to the Audit Commission, in respect of statutory inspection	138	35
Fees payable to Grant Thornton UK LLP, who were auditors of the Council appointed by the Audit Commission, for the certification of grant claims and returns	100	119
Total	658	670

17. Public Finance Initiative (PFI)

Following the submission of the Outline Business Case, the Council obtained government approval to procure jointly with Enfield a PFI street lighting contract worth (for Barnet) £132m, over 25 years. Actual annual payments are made in accordance with contractor performance. The contract commenced in April 2006. This will involve 6,000 items of street furniture and increasing the number of public lighting columns to around 30,000. As the benefits and risks of this contract lie with the operator the assets do not form part of the Authority's balance sheet.

18. Schemes under the Transport Act

No road charging schemes or workplace charge levies operational within the Authority in 2006/07.

19. Minimum revenue provision

The government 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 benefit received in the year from the use of capital assets. The depreciation charge is treated as the Council's revenue provision and any variation from the statutory minimum is transferred between the capital financing account and the income and expenditure account. Barnet Council's practice is to not exceed the minimum required.

The figures were:

	2006/07 £'000	2005/06 £'000
General Fund Minimum revenue provision	3,212	2,130
Less - depreciation charges	(18,423)	(14,687)
Balance transferred from capital financing Account	(15,211)	(12,557)

NOTES TO THE BALANCE SHEET

20. Movement of Fixed Assets 2006/07

Category	Council Dwellings	Other Land & Buildings	Community Assets	Vehicles, Plant & Equipment	Infrastructure	Investment Property	Surplus Assets	Assets Under Construction	Totals
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value 1 April 2006	1,108,205	463,247	6,467	14,182	73,093	18,570	12,525	25,368	1,721,657
Accumulated Depreciation b/f	(15,205)	(14,143)	(15)	(7,745)	(17,782)	-	-	-	(54,890)
Net Value b/f	1,093,000	449,104	6,452	6,437	55,311	18,570	12,525	25,368	1,666,767
Revaluations & adjustments	(6,871)	17,137	1,080	129	376	16,402	26,118	(143)	54,228
Depreciation adjustments	-	11,035	3	-	-	-	-	-	11,038
Reclassifications	327	3,116	-	277	61	(83)	-	(11,415)	(7,717)
Additions	25,589	5,928	-	2,506	3,203	-	-	20,937	58,163
Impairments	(3,484)	-	-	-	-	-	-	-	(3,484)
Disposals	(3,389)	(5,711)	-	-	-	-	-	-	(9,100)
Depreciation for year	(15,172)	(13,469)	(102)	(2,328)	(7,057)	-	(88)	-	(38,216)
Net book value 31 March 2007	1,090,000	467,140	7,433	7,021	51,894	34,889	38,555	34,747	1,731,679
Accumulated Depreciation c/f	(30,377)	(16,660)	(114)	(10,073)	(24,839)	-	(88)	-	(82,151)

21. Financing of capital expenditure

Below is the financing of the year's capital expenditure on fixed assets and deferred charges:

	£'000	£'000
Capital Receipts	8,000	
MRA	3,568	
Contributions including Section 106 receipts	26,068	
Revenue contributions	16	
Borrowing	25,160	62,812
Less:- 2005/06 expenditure financed in 2006/07		(1,657)
Plus:- 2006/07/ expenditure financed in 2007/08		3,034
		<u>64,189</u>

The money was spent on:-

Barnet's fixed assets	58,163
Intangible assets (see note 3)	6,026
	<u>64,189</u>

22. Intangibles Assets

Intangibles assets are assets that have no physical form but produce benefit to the Council for more than just the year they are acquired.

	Software £'000	Other £'000	Totals £'000
Gross Book Value 1 April 2006	5,201	17,102	22,303
Accumulated Amortisation b/f	(578)	(4,801)	(5,379)
Net Value b/f	4,623	12,301	16,924
Reclassifications	6,641	993	7,634
Additions	2,598	3,428	6,026
Amortisation for year	(578)	(4,573)	(5,151)
Net book value 31 March 2007	13,284	12,149	25,433
Accumulated Amortisation c/f	(1,156)	(9,374)	(10,530)

Included within Other Intangible Assets are:

- The capitalised cost of redundancy payments and pension enhancements for staff granted early retirements on the basis of identified efficiency savings in line with government guidelines. This is amortised over five years.
- HRA capitalised debt redemption premium which is amortised over ten years.
- The capital spend on voluntary aided schools where the Council does not actually own the buildings but uses them to provide education amortised over ten years.

All intangible assets are amortised using the straight line method.

23. Long Term Debtors

There was a decrease in the investment position during the year from an opening balance of £3.941m to a closing position of £3.254m.

24. Assets Held

Below is a guide to the number of assets owned by the Authority: -

Assets	31 st March 2007	31 st March 2006
Schools – nursery and primary *	49	49
Schools – secondary and special *	18	18
Schools – referral units	1	1
Youth service facilities	5	7
Other educational establishments	2	2
Libraries	14	16
Museums	2	2
Children's homes and hostels	2	2
Homes for people with learning disabilities	0	3
Adolescent Resource Centre	1	1
Children and family centres	6	5
Day centres for the physically disabled	1	1
Day centres for the mentally ill	2	2
Council dwellings	11,236	11,264
Garages	2,667	2,892
Car parks	25	24
Memorials, etc	8	23
Parks and open spaces	174	174
Sports grounds	28	28
Golf courses	3	3
All weather playing areas	2	2
Athletics tracks	1	1
Swimming pools	3	3
Allotments (area in hectares)	91	91
Public offices	7	8
Other Buildings	3	5
Vacant awaiting disposal	28	26
School Land not attached to schools	14	14
Borough roads and footpaths (length in km)	725	696

* Excludes 41 voluntary aided schools, as the Council does not own these.

25. Capital Commitments

At 31st March 2007, the Council was contractually committed to expenditure amounting to some £17.391m. The schemes are summarised across services as follows:-

	£'000
Education	1,941
Housing	13,549
Environment & Highways	1,093
Resources	808
TOTAL	17,391

26. Fixed Asset Valuation

The Council's Chief Valuer, Brian Smart (MRICS) values the Authority's freehold property portfolio following the statements of asset valuation practice and the guidance notes of the Royal Institution of Chartered Surveyors. The values are updated as part of a rolling five-year programme.

Operational properties are at either open market value, for existing use, or the depreciated replacement cost where no market for the asset exists. Houses in the balance sheet are at a discounted value to take account of the properties being social housing. Non-operational assets and investment properties are priced on an open market basis. Valuations do not include equipment and infrastructure (e.g. roads) that are included at historic cost.

27. Stocks and Works in Progress

		2006/07 £'000	2005/06 £'000
Works in progress	- works in default	52	27
Stores	- housing & central stores	30	208
	- transport stores	43	73
	- road signs and equipment	68	138
	- social services aids for the disabled	1,171	770
	- on-site engineering and catering stocks	0	136
	- libraries & museums	27	-
	- grounds maintenance	37	-
	- other	163	94
		1,591	1,446

Under a pooled budget agreement with Barnet PCT, ownership of the stock relating to community equipment stores (classified as "social services aids for the disabled") passed to the Council on 1 July 2003, but will be split and apportioned between the PCT and the Council pro rata to their respective contributions in the event that this agreement be terminated.

28. Debtors and Creditors

The analysis of debtors and creditors at the year end is as follows:-

		2006/07 £'000	2005/06 £'000
Debtors			
Other local authorities		2,213	1,577
Government departments		12,557	11,419
Ratepayers and taxpayers		22,533	20,661
Tenants (including temporary accommodation)		13,332	9,904
Other public bodies		2,249	364
Utilities		0	(90)
Sundry debtors		31,005	33,565
		83,889	77,400
Less: Provision for bad debts		(32,289)	(30,087)
	Net Debtor Total	51,600	47,313
Creditors			
Other local authorities		10,593	6,442
Government departments		1,382	3,091
Ratepayers and taxpayers		4,844	6,119
Other public bodies		2,147	671
Utilities		903	429
Sundry creditors		43,587	33,750
Pension Fund		29,304	116,449
Receipts in advance		11,420	9,177
	Creditor Total	104,180	176,128

29. Provisions

Provisions are amounts set aside to meet future liabilities arising from past events which are likely to give rise to future economic benefit, but where the amount or timing is uncertain. Provisions are charged to the Net Cost of Services on Income and Expenditure Account.

	Balance 01/04/2006 £'000	Expenditure/ Reductions £'000	New Provisions raised in year £'000	Balance 31/03/2007 £'000
Planning Costs	(21)	21	-	-
Grants to Voluntary Sector	(90)	79	(47)	(58) i
Insurance	(6,750)	34	(1,133)	(7,849) ii
Pension provision	(1,486)	1,486	0	0
Legal	(542)	325	(258)	(475) iii
Housing & Property	(303)	22	(673)	(954) iv
Other provisions	(181)	181	(20)	(20)
	(9,373)	2,148	(2,131)	(9,356)

Note: 2005/06 figures classification has been amended.

- i. This sum represents retentions of grants awarded in principle but awaiting recipients compliance with conditions attached to the award.
- ii. The insurance provision is for liabilities that have occurred but the timing of the payment is dependent upon the claim settlement process. This is to meet in the year insurance claim payments which fall within the excess and aggregate limits of external insurance cover. The provision reflects 100% of its ultimate projected liabilities. Further information on this provision and its future requirements are set out in the Statement of Accounting Policies.
- iii. The legal provision is for the investigative and insurance costs relating to a case referred to the Ombudsman and the inquiry into the sale of the Underhill football ground.
- iv. This provision relates to likely loss of Housing Revenue Subsidy and for the Council's liability for repairs necessary to lease hold properties.

30. Long term borrowing

	2006/07 £'000	2005/06 £'000
Lenders:		
Public Works Loan Board	148,000	81,000
Other	62,500	24,500
	210,500	105,500
Maturing within more than 1 and up to 2 years	0	5,000
Maturing within more than 2 and up to 5 years	21,500	11,500
Maturing within more than 5 and up to 10 years	50,000	2,000
Maturing with more than 15 and up to 20 years	2,000	2,000
Maturing with more than 20 and up to 25 years	50,000	28,000
Maturing with more than 25 and up to 30 years	22,000	22,000
Maturing over 30 years	65,000	35,000
	210,500	105,500

31. Revenue balances

	2006/07 £'000	2005/06 £'000
General fund - general surplus (i)	12,099	10,487
- earmarked school balances (ii)	10,272	10,525
	22,371	21,012

i) The general surplus is the Authority's buffer against unpredictable events that are too large to be met from reductions in current budgeted expenditure.

ii) In the general fund are locally managed schools' balances. Schools may carry balances, surplus or deficit, forward to subsequent years.

32. Specific Reserves

Reserves are resources unspent at the end of the financial year which do not form part of general balances, as they have been set aside (or reserved) for future spending on specific projects. Many of the Reserves relate to grant income received from Central Government which the Council has not fully spent at the end of March but which, under the terms of the grant, is obliged to spend on defined activities in the new financial year.

The Council's specific Reserves as at 31.03.2007 were as follows: -

Nature of Reserve	Reserve b/f as at 1st April 2007	Transfers from Reserves	Transfers to Reserve c/f as Reserves at 31st March 2007	Note
	£'000	£'000	£'000	£'000
Capital related projects	1,000	-	1,000	2,000
Restructure, Redundancy & Severance Scheme	3,000	814	1,500	3,686
Software & IS Licences	500	-	400	900
Utilities	500	-	-	500
Litigation Action	-	-	1,000	1,000
Dedicated Schools Grant (DSG)	-	-	832	832
Street Lighting	-	-	1,716	1,716
Special Parking Account	70	70	100	100
Section 106 Revenue Contributions	188	28	44	204
Other	510	428	1,369	1,451
Total	5,768	1,340	7,961	12,389

1. The Severance Scheme reserve is in place to meet the cost of the revised severance scheme that was approved during 2006/07.

2. The DSG is a ring-fenced grant paid to the Council from central government, which the it must spend on it's School's Budget. The amount unspent at 31.03.07 is to be applied to the Schools Budget in 2007-08.

3. This reserve relates to the Street Lighting Private Finance Initiative (PFI). The contract is worked on the basis that any surplus arising from the early years of the contract operation is re-invested to meet expenditure in the later years.

4. By law the Authority must maintain a ring fenced Special Parking Account. This holds income received from street parking charges. The money must initially be spent to improve parking facilities but any surplus money left over can be used for certain highway projects.

5. Includes various other reserves set aside to meet future spending on defined projects.

33. Trust funds

The Authority is trustee of two charitable trusts. Only one is significant, the Avenue House bequest. This is managed and administered by the Avenue House Estate Management Charity (AHM). AHM are a charity in their own right totally independent of Barnet as such no balances or transactions of the trust appear in Barnet's accounts.

The Council does hold small sums for two children in the Authority's guardianship and for the New College of Speech and Drama charity.

34. Collection Fund balances

	2006/07	2005/06
	£000	£000
Barnet	145	(1,284)
Greater London Authority	42	(321)
	187	(1,605)

The Council has to record transactions for Council tax, business rates and residual community charge in the collection fund account. The balance will be paid to or recovered from the Council and its preceptor in future years.

35. Pension Reserve

Note 10 to the Core Financial Statements contains details of the Authority's participation in pension schemes. The Pension Fund accounts also provide further information.

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

	2006/07	2005/06
	£000	£000
	LBB	LBB
Estimated liabilities in scheme	(647,455)	(640,480)
Estimated assets in scheme	404,821	374,440
Net asset/(liability)	(242,634)	(266,040)

	2006/07	2005/06
	%	%
Rate of inflation	3.20	3.10
Salary increases (NB based on 1.5% real)	4.70	4.60
Pension increases	3.20	3.10
Rate for discounting scheme liabilities (NB based on 2.4% real)	5.40	4.90

The liabilities show the underlying commitments that the Authority has, in the long-run, to pay retirement benefits. The total liability of £242.634m has a substantial impact on the net worth of the Authority as recorded in the balance sheet. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme.

An actuarial review was carried out in order to calculate the figures required under FRS 17. In calculating the Authority's assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future, meaning that the result of actuarial calculations are subject to uncertainties and assumptions within a range of possible values.

The figures in the table above make an allowance for the effect of members electing to exchange part of their LGPS pension for additional tax-free cash at retirement, as permitted from 6th April 2006.

The following actuarial assumptions were made: -

Assets in the funds are valued at fair value, principally market value for investments and consist of the following categories, by percentage of the total assets held by the fund: -

	Long-term return	Assets Held 2006/07	Assets Held 2005/06
	%	%	%
Equities	7.90	72.00	73.00
Bonds	4.90	13.00	12.00
Property	5.90	10.00	9.00
Cash	4.90	5.00	6.00

36. Deferred Capital Receipts

Deferred capital receipts largely reflect mortgage loans given to Council tenants to purchase Council dwellings. The amounts are written down by the annual repayments which are then transferred to usable capital receipts.

37. Government Grants Deferred

Government grants deferred includes capital grants and any other external capital contributions (including Section 106 planning gain monies, gifts, bequests, etc) that are credited to the balance sheet and amortised to revenue over the life of the relevant asset to offset charges for depreciation.

38. Post Balance Sheet Events

There are no post balance sheet events to report on.

39. Contingent Liabilities

The Council is subject to a substantial deficit claim from one of its service providers. The claim has been reviewed by officers in conjunction with the Council's legal advisors and is being vigorously disputed. Nonetheless, in the event of the worst case scenario, the claim could result in a significant call on Council balances.

Notes to the Cashflow Statement

40. Revenue reconciliation

	2006/07		2005/06	
	£'000	£'000	£'000	£'000
(Surplus)/deficit for year:				
-General fund	(1,359)		(4,976)	
-Housing revenue account	(1,131)		2,093	
	(2,490)		(2,883)	
-Collection fund	(1,793)	(4,283)	621	(2,262)
Minimum revenue provision and capital expenditure funded by revenue activities	(7,213)		(3,411)	
Contributions to (from) reserves and provisions	(11,275)		(14,502)	
Capital creditors (net movement as capital accounts matrix)	1,377	(17,111)	1,372	(16,541)
Interest: -paid	(5,202)		(1,250)	
-received	6,850	1,648	2,146	896
(Increase)/decrease in creditors	73,325		(94,473)	
(Increase)/decrease in payments in advance	3,336		939	
Increase in stock and work in progress	145		224	
Increase/(decrease) in debtors	3,600	80,406	(5,621)	(98,931)
Pension Fund Cash		-		84,578
		60,659		(32,260)

41. Movement in other current assets

	Balance Sheet	2006/07 Movement	Balance Sheet	2005/06 Movement
	31/3/07		31/3/06	
	£'000	£'000	£'000	£'000
Debtors	51,600	4,287	47,313	(5,621)
LT debtors	3,254	(687)	3,941	3,941
Creditors	(104,180)	71,948	(176,128)	(94,473)
Stocks and works in progress	1,591	145	1,446	224
Payments in advance	6,226	3,336	2,890	939
	(41,510)	79,028	(120,538)	(94,990)

42. Movement in liquid resources

	Balance Sheet	2006/07 Movement	Balance Sheet	2005/06 Movement
	31/3/07		31/3/06	
	£'000	£'000	£'000	£'000
Temporary Investments	181,500	(9,550)	191,050	151,655
Pension Fund Creditor	(29,304)	87,149	(116,449)	(84,578)
Temporary Investments	152,196	77,599	74,601	67,077

43. Movements in long term borrowing

	Balance Sheet 31/3/07 £'000	2006/07 Movement £'000	Balance Sheet 31/3/06 £'000	2005/06 Movement £'000
Long term borrowing	210,500	105,000	105,500	77,000

44. Movements in cash and cash equivalents

	Balance Sheet 31/3/05 £'000	2006/07 Movement £'000	Balance Sheet 31/3/04 £'000	2005/06 Movement £'000
Imprest accounts	18,391	(760)	19,151	8,878
Cash overdrawn	(14,866)	127	(14,993)	(1,907)
Totals	3,525	(633)	4,158	6,971

45. Reconciliation of net cashflow to movement in net debt

	2006/07 £'000	2005/06 £'000
movement in net debt		
Movement of cash in year	(633)	6,971
Cash outflow from long term borrowing	(105,000)	(77,000)
Short term borrowing cashflow	(4,948)	(9)
Movement in net debt in the year	(110,581)	(70,038)
Opening net debt	(101,481)	(31,443)
	<u>(212,062)</u>	<u>(101,481)</u>
Analysis of net debt		
Temporary borrowing	(5,087)	(139)
Long term borrowing	(210,500)	(105,500)
Imprests	18,391	19,151
Cash	(14,866)	(14,993)
	<u>(212,062)</u>	<u>(101,481)</u>

46. Other government grants

	2005/06	2004/05
	£'000	£'000
Education (excluding DSG)	55,826	46,618
DSG	173,792	-
Community care and other social services	22,033	23,206
Asylum Seekers	781	1,512
Council tax benefits administration	2,229	2,175
Local Authority Business Incentive Grant	3,441	2,591
Street Lighting PFI	2,141	-
Other	3,475	1,566
Totals	263,718	77,668

47. Capital expenditure and income

Capital expenditure appears higher in the cashflow than in the notes to the balance sheet as gross expenditure on, and grants to, long term debtors are shown here whereas in the balance sheet notes they are netted off.

SECTION 4

Supplementary Financial Statements

Housing Revenue Account

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

	Notes	2006/07		2005/06	
		£'000	£'000	£'000	£'000
Income					
Rents (gross) – dwellings		(41,428)		(38,489)	
- garages		(638)		(709)	
- other		(611)	(42,677)	(815)	(40,013)
Charges for services and facilities			(7,129)		(6,983)
Total Income			(49,806)		(46,996)
Expenditure					
Repairs and maintenance			8,180		8,667
Supervision and management			21,159		20,185
Rents, rates, taxes etc.			145		1,276
HRA Subsidy payable	9		9,331		9,153
Depreciation & Impairment	6,7		21,201		19,210
Debt Management Expenses			31		63
Rent Rebates			-		540
Increase in bad debt provision			330		330
Total Expenditure			60,377		59,424
Net Cost of Services			10,571		12,428
HRA Share of Corporate Democratic Core	11		43		-
HRA share of Non Distributed Costs	11		72		-
Net Cost of HRA Services			10,686		12,428
HRA share of the operating income and expenditure included in the whole authority Income and Expenditure					
Interest Payable			1,386		693
Amortisation of premium on early repayment of debt			378		378
Interest on mortgages		(81)		(96)	
Interest on balances		(239)	(320)	(312)	(408)
(Surplus)/deficit on HRA services			12,130		13,091
Statement of Movement on the Housing Revenue Account Balance					
Deficit for year on HRA services			12,130		13,091
Impairment Reversal	7		(3,484)		(3,574)
Capital Expenditure funded by the HRA			-		100
Transfer to/(from) Major Repairs Reserve	3		(9,777)		(7,524)
			(1,131)		2,093
HRA Revenue Balances			£'000		£'000
HRA Balances at the beginning of the year			(3,704)		(5,797)
(Surplus)/deficit for the year			(1,131)		2,093
HRA Balance at the year end			(4,835)		(3,704)

Housing Revenue Account Notes

1. Dwelling Stock

The authority's dwelling stock comprised, at 31st March

	2007	2006
Houses	3,573	3,583
Bungalows	183	184
Flats	5,979	5,994
Maisonettes	1,417	1,419
Hostels	54	54
Bed sits	30	30
	<u>11,236</u>	<u>11,264</u>

2. Balance Sheet Value of HRA Assets

	Dwellings £'000	Land and Buildings £'000	Totals £'000
Balance Sheet Value at 1st April 2006	1,093,000	16,657	1,109,657
Balance Sheet Value at 31st March 2007	<u>1,090,000</u>	<u>52,834</u>	<u>1,142,834</u>
Vacant Possession value of Dwellings at 31st March 2007	<u>1,730,000</u>		
Vacant Possession value of Dwellings at 31st March 2006	<u>1,735,000</u>		

The vacant possession value of dwellings within the HRA at 31st March 2007 is as said above, £1,730m. The difference between this value and the balance sheet value represents the economic cost of providing Council housing.

3. Major Repairs Reserve

The major repairs allowance was introduced in 2001/02. It represents the estimated long-term average amount of capital spending required to maintain the housing stock in its current condition.

Direction 7(5) of the HRA (Accounting Practices) Directions 2000 requires authorities to disclose in the HRA accounts a note setting out an analysis of movements in the Major Repairs Reserve.

	2006/07 £'000	2005/06 £'000
Opening Balance as at 1 st April	(5,030)	(235)
Capital expenditure charged to reserve (dwellings)	3,568	3,421
Depreciation		
- dwellings (MRA)	(15,172)	(15,205)
- non-dwellings	(2,545)	(431)
Transfer to Housing Revenue Account		
- dwellings (MRA)	7,233	7,093
- non-dwellings	2,544	431
Interest on Balances	(179)	(104)
Closing Balance as at 31 st March	<u>(9,580)</u>	<u>(5,030)</u>

4. HRA Capital Expenditure

The analysis of HRA capital expenditure and financing was as follows:-

	2006/07	2005/06
	£'000	£'000
<u>Expenditure</u>		
Houses	24,743	25,924
Other property	985	-
Total	25,728	25,924

	2006/07	2005/06
	£'000	£'000
<u>Financing</u>		
Credit approvals	18,281	17,977
Useable capital receipts	1,822	4,127
Revenue contributions	-	100
Major repairs reserve	3,568	3,421
Other contributions	2,057	299
Total	25,728	25,924

5. Capital Receipts from Disposals

Capital receipts from disposals within the Authority's HRA were as follows:-

	2006/07	2005/06
	£'000	£'000
Land	4,334	-
Houses	3,389	6,258
Paid over to pool	(2,239)	(2,063)
Total	5,484	4,195

6. Depreciation Charge

The total charge for depreciation within the HRA is:-

	2006/07	2005/06
	£'000	£'000
Houses	15,172	15,205
Other property	2,545	431
Total depreciation charged	17,717	15,636

7. Impairment Charges

The value of impairment charges within the HRA is:-

	2006/07	2005/06
	£'000	£'000
Land	-	-
Houses	3,484	3,574
Other property	-	-
Total impairment charges	3,484	3,574

8. Debt premium written down

	2006/07	2005/06
	£'000	£'000
Amount amortised in year	378	378

Cash incentive grants , although capitalised are now written out in the year they are created.

9. HRA Subsidy

The HRA subsidy relating to the Authority was as follows:

	2006/07	2005/06
	£'000	£'000
Management and maintenance	19,337	18,363
Major repairs allowance	7,939	8,112
Admissable Allowance	50	100
Charges for capital	3,270	2,652
Other items of reckonable expenditure	57	57
Interest on receipts	(75)	(83)
Rent	(40,089)	(37,792)
Rent constraint allowance	233	-
Total for year	(9,278)	(8,591)
Prior year adjustments	(53)	(562)
Total Receivable/(Payable)	(9,331)	(9,153)

10. Arrears

Arrears owed to the HRA at the year end:	2006/07		2005/06	
	£'000	£'000	£'000	£'000
Leaseholder service charges	3,817		2,275	
less bad debt provision	(752)	3,065	(739)	1,536
Housing rents	3,587		3,153	
less bad debt provision	(1,779)	1,808	(1,447)	1,706
Commercial rents	204		140	
less bad debt provision	(24)	180	(45)	95
Net arrears position at 31 st March		5,053		3,337

11. Corporate and Democratic Core and Non-Distributed Costs

In accordance with SORP 2006 the Authority has debited a sum of expenditure to the HRA that represents elements of the Corporate and Democratic Core that can be either directly apportioned to the HRA or fairly apportioned under the principles of BVACOP overhead apportionment. A proportion of past retirement costs included within the Non-Distributed costs have also been debited to the HRA Net Cost of Services.

12. ALMO – Barnet Homes Ltd

With effect from 1 April 2004, the management of all the housing stock of the Council was transferred to Barnet Homes Ltd, an Arms Length Management Organisation (ALMO) wholly owned by the Authority.

13. Accounting for Pensions in the HRA

As day to day housing management is carried out by Barnet Homes, Barnet's 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 FRS17 basis, no attempt has been made to show a separate liability related to defined benefit provision.

Collection Fund

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

Income and Disbursement Account 2006/07

	Note	2006/07		2005/06	
		£'000	£'000	£'000	£'000
Income					
Council Tax	1		153,147		147,208
Council Tax Benefits			24,331		22,570
Collectable business rates	2		85,982		79,117
			<u>263,460</u>		<u>248,895</u>
Disbursement					
Precepts:					
- London Borough of Barnet		136,565		134,172	
- Greater London Authority		<u>38,992</u>	175,557	<u>34,463</u>	168,635
Estimated deficit on collection fund:	3				
- London Borough of Barnet		(1,471)		(1,303)	
- Greater London Authority		<u>(380)</u>	(1,851)	<u>(323)</u>	(1,626)
Non-Domestic Rates					
- Payment to national pool		85,550		78,682	
- Cost of collection allowance		<u>432</u>	85,982	<u>435</u>	79,117
Total disbursed			259,688		246,126
Increase in bad debt provision		834		2,536	
Written off	4	<u>1,146</u>	1,980	<u>854</u>	3,390
Fund surplus / (deficit) for year			1,792		(621)
			<u>263,460</u>		<u>248,895</u>
Fund balance brought forward			(1,605)		(984)
Fund surplus / (deficit) for year			1,792		(621)
Fund balance carried forward			<u>187</u>		<u>(1,605)</u>

Notes to Collection Fund

1. Council Tax

Council tax is charged according to the Government's valuation of residential properties as at 1 April 1991. The spread of valuations is classified into eight bands on which individual charges are calculated. The standard charge is found by taking the total amount of income required by the collection fund's two preceptors and dividing this by the Council tax base. 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 amount of Council tax required from a property in any tax band is the band D charge (£1,299.43 for 2006/07) multiplied by the ratio specified for that band. The figures at the time of tax base calculation for the bands A to H were:

Band	Ratio	No. of Band D Equivalents
A	0.67	924
B	0.78	5,419
C	0.89	18,814
D	1.00	24,081
E	1.22	31,406
F	1.44	24,200
G	1.67	23,327
H	2.00	6,659
MOD contribution		273
Tax Base		<u>135,103</u>

2. National non-domestic rates

Barnet collects non-domestic rates (NDR) from local businesses and organisations and pays them into the Government's central NDR pool. The Government's national uniform rate, 43.3p in 2006/07 (42.2p in 2005/06) multiplied by the property's rateable value determine the amount charged. The aggregate business valuation for the borough at 31st March 2007 was £235.8m (£234.7m at 31/3/2006).

The amount paid into the central NDR pool is redistributed to local authorities, including Barnet, in line with their overall Formula Grant allocations. In 2006/7, the Pool funded 84% of the Formula Grant distribution in England, which for Barnet was £67.586m. This was paid directly into the general fund.

3. Collection fund surplus and deficit

The preceptors share Council tax surpluses and deficits.

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.

SECTION 5
Group Accounts

Group Income and Expenditure Account

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

On provision of services the Group spent:-

	2006/07 Consolidated Net Expenditure £'000	2005/06 Consolidated Net Expenditure (Re-stated) £'000
Central services to the public	1,183	(848)
Cultural, environmental & planning services	48,816	47,642
Education Services	29,445	186,402
Highways, roads & transport services	15,102	12,507
Housing services	10,585	19,104
Social services	106,294	103,068
Corporate & democratic core	4,525	4,491
Non distributed costs	11,961	11,818
NET COST OF SERVICES	227,910	384,184
Redundancy Costs	1,144	959
Precepts & Levies	1,143	1,195
Trading undertakings	1,318	816
Interest payable and similar charges	5,830	2,047
Contribution of housing capital receipts to Government Pool	2,239	2,063
Investment losses	0	0
Interest & investment income	(8,061)	(2,994)
Corporation Tax	115	97
Pension interest costs & expected return on pension assets	6,454	10,129
NET OPERATING EXPENDITURE	238,092	398,496
Net operating expenditure was financed by: -		
Demand on Collection Fund	(136,565)	(134,172)
General Government Grant	(13,614)	(130,374)
Non-domestic rates redistribution	(67,586)	(108,094)
Transfer of Collection Fund deficit	1,471	1,303
DEFICIT FOR THE YEAR	21,799	27,159

Reconciliation of the Single Entity Deficit to the Group Deficit

	2006/07 £'000	2005/06 £'000
Deficit from LBB's Income & Expenditure Account	21,406	27,581
Deficit arising from other entities included in the Group Accounts		
Subsidiaries (Barnet Homes Ltd)	393	(422)
Associates	-	-
Joint Ventures	-	-
Group Account Deficit for the Year	21,799	27,159

Group Statement of the Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Group for the year and shows the aggregate increase in its net worth. In addition to the deficit sustained on the Group Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	Group Consolidated 2006/07 £'000	Group Consolidated 2005/06 £'000
Deficit for the year on the Income and Expenditure Account	21,799	27,159
Surplus arising on revaluation of fixed assets	(54,228)	(375,360)
Actuarial gains on pension fund assets and liabilities	(37,834)	(12,960)
Movement on the Collection Fund	1,792	(621)
Other Movement	(488)	23,990
Total recognised gains for the year	(68,960)	(337,792)

Group Balance Sheet

This statement summarises the Group's assets and liabilities as at 31st March 2007.

	Group Balance Sheet as at		Group Balance Sheet as	
	£'000	£'000	£'000	£'000
Fixed assets				
Operational assets				
Council dwellings	1,090,000		1,093,000	
Other land and buildings	467,140		449,104	
Community Assets	7,433		6,452	
Vehicles, plant, furniture and equipment	7,431		6,882	
Infrastructure assets	51,895		55,311	
		1,623,898		1,610,749
Non-operational assets				
Investment Properties	34,926		18,570	
Surplus Assets Awaiting Disposal	38,555		12,525	
Assets Under Construction	34,747		25,368	
		108,227		56,463
Intangible Assets	23,082			14,195
Unamortised Debt Premiums	2,351			2,729
Long term debtors	3,254			3,941
Long term investments	38,411			11
Total long term assets		1,799,223		1,688,088
Current assets				
Stocks and works in progress	1,603		1,471	
Temporary investments	186,500		190,550	
Debtors	48,815		44,827	
Payments in advance	6,226		2,890	
Cash at Bank and in Hand	18,821		19,151	
	261,965		258,889	
Current liabilities				
Creditors	(106,138)		(176,273)	
Borrowing repayable within 12 months	(5,087)		(139)	
Bank overdraft	(14,866)		(11,830)	
Provisions	(9,376)		(9,385)	
	(135,467)		(197,627)	
Net current assets		126,498		61,262
Long-term liabilities				
Long term borrowing	(210,500)		(105,500)	
Government grants - deferred	(76,811)		(57,526)	
Liability related to defined benefit pension	(251,212)		(268,086)	
Total assets less liabilities		1,387,198		1,318,238
Financed by				
Fixed asset restatement account	1,211,451		1,155,495	
Capital financing account	339,282		364,026	
Usable capital receipts	35,925		30,851	
Deferred capital receipts	1,264		1,552	
Pension reserve	(251,212)		(266,040)	
Major Repairs Reserve	9,580		5,030	
Specific reserves	12,389		5,768	
Balances	23,497		19,456	
Balances – collection fund	187		(1,604)	
Balances – housing revenue account	4,835		3,704	
Total equity		1,387,198		1,318,238

Group Cashflow

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

	Group Cash Flow 2006/07		Group Cash Flow 2005/06	
	£'000	£'000	£'000	£'000
REVENUE ACTIVITIES				
Cash outflows				
Cash paid to and for employees	319,136		301,450	
Other operating costs	376,039		327,607	
Housing benefits	140,732		129,605	
Non-domestic rate pool	86,054		78,682	
Collection fund precept payments	38,614		34,463	
Payments to housing capital receipts pool	2,239		2,063	
	<u>962,814</u>		<u>873,870</u>	
Cash inflows				
Council tax etc.	(150,133)		(169,535)	
Non-domestic rate pool	(67,586)		(108,094)	
Local business rates	(83,755)		(83,351)	
Revenue support grant	(13,614)		(130,374)	
Rents	(51,858)		(43,031)	
DSS rebate grants	(159,323)		(149,372)	
Other Government grants	(263,718)		(77,668)	
Cash received for goods and services	(114,598)		(146,088)	
	<u>(904,586)</u>	58,228	<u>(907,513)</u>	(33,643)
SERVICING OF FINANCE				
Cash outflows				
Interest paid	5,202		1,250	
Cash inflows				
Interest received	(7,254)	(2,052)	(2,431)	(1,181)
CAPITAL ACTIVITIES				
Cash outflows				
Purchase of fixed assets	56,855		71,033	
Deferred charges and long term debtors	6,026		6,287	
	<u>62,881</u>		<u>77,320</u>	
Cash inflows				
Sale of fixed assets	(13,339)		(6,597)	
Capital grants received	(26,068)		(28,298)	
Other cash income	(687)		(6,266)	
	<u>(40,094)</u>	22,787	<u>(41,161)</u>	36,159
Net cash inflow before financing		78,964		34,978
MANAGEMENT OF LIQUID RESOURCES				
Net increase in short term deposits		(4,550)		(84,578)
FINANCING				
Cash outflows				
New Long Term Investments	38,400		-	
Repayment of long term borrowing	-		151,655	
Repayment of short term loans	-		30	
	<u>38,400</u>		<u>151,685</u>	
Cash inflows				
New short term loans	(4,448)		(9)	
New long term loans	(105,000)		(77,000)	
	<u>(109,448)</u>	(71,048)	<u>(77,009)</u>	74,676
DECREASE/(INCREASE) IN CASH AND CASH EQUIVALENTS		<u>3,366</u>		<u>25,076</u>

Notes to Group Accounts

1. Introduction

The Authority has only one subsidiary company which it has full control and influence over. The primary aim in establishing this company is to remove it from public sector borrowing controls to allow greater commercial freedom.

The Accounting Code of Practice requires that, where an Authority has material interests in one or more subsidiary and associated companies, it should prepare Group Accounts. The aim of consolidation is to give an overall picture of the Group's financial activities and resources employed in carrying out those activities. Following the establishment of Barnet Homes Ltd in April 2004, the Authority now has an interest in it as a subsidiary of the Council which is considered material, and the Group Accounts have been prepared.

2. Basis of Consolidation

The Group Income and Expenditure Account and Balance Sheet have been prepared by consolidating the accounts of the subsidiary on a line by line basis. It should be noted that the accounts of the Group Company have been prepared under similar accounting policies to the Authority. However some accounting policies of Barnet Homes Ltd may differ in some respects from the Authority's due to legislative requirements. Any material differences are noted in the Notes to the Consolidated Accounts.

3. Arms Length Management Organisation for Housing – Barnet Homes Ltd (Companies House Registration 4948659)

i) Nature of the Business

Barnet Homes Ltd was created by Barnet Council to manage and improve its Council homes and estates. It is a non-profit making company. Barnet Homes Ltd took over responsibility for managing approximately 11,000 Council homes in Barnet from the 1st April 2004. It also took responsibility for almost 400 staff from the Council's Housing Services Department. Barnet Homes Ltd is managed by a Board of 15 members made up of 5 Council nominees, 4 tenants, 1 lease holder and 5 independent persons with professional skills and experience to help run the services. Board members are volunteers and only receive out of pocket expenses.

ii) Relationship with the Authority

Under the SORP it is a wholly owned subsidiary of Barnet Council and is therefore required to consolidate the financial statements into the group financial statements on a 100% basis. As the Council holds all the share capital it is required to contribute £2 if the company is wound up.

iii) Financial Performance

In 2006/07 the Company made an operating loss of £393,000, this compares to a (re-stated) operating surplus of £422,000 in 2005/06.

iv) Transactions with the Company

The Authority paid the Company £28.066m in 2006/07 for the provision of housing management services and repair & maintenance works to housing stock (£27.722m was paid to the Company in 2005/06). The Authority provides the following services to the Company: -

The company uses the premises at Barnet House, which are leased from the Authority, and is charged as part of the management charge to Barnet Homes Ltd.

The Authority also provides various support services to Barnet Homes Ltd for which charges are made under service level agreements.

4. Group Cash Flow Statement

The Group Cash Flow statement is prepared in accordance with the 2006 Statement of Recommended Practice and forms part of the Group Statements. The Group Cash Flow Statement shows the movement of cash in and out of the Group. However, cash flows relating internally to the Group are eliminated as are any intra-group gains and losses. Only cash receipts and payments that flow to and from the Group as a whole are included.

5. Accounts

The full set of Financial Statement for Barnet Homes Ltd can be obtained from : -

The Head of Financial Services
Barnet Homes Ltd
9th Floor
Barnet House
1255 High Street
Whetstone
London N20 0EJ

SECTION 6

Pension Fund

Pension Fund Financial Statements

Administered under the Local Government Superannuation and Pension Fund Acts

FUND ACCOUNT

	Notes	2006/07		2005/06	
		£'000	£'000	£'000	£'000
Contributions and Similar Receipts					
Contributions - from employees	5, 2	8,240		7,147	
- from employers	5, 2	27,317		20,360	
Transfers in	2	4,313	39,870	6,578	34,085
Benefits and Other Payments					
Pensions payable	2	(22,082)		(20,261)	
Lump sum benefits payable	2	(6,028)		(5,142)	
Death benefits	2	(132)	(28,242)	(438)	(25,841)
Refund of contributions	2	(23)		(105)	
Transfers out	2	(5,150)	(5,173)	(5,593)	(5,698)
Administration and other expenses	8		(840)		(703)
Net additions from dealings with fund members			5,615		1,843
Returns on Investments					
Investment Income:	2				
Interest on fixed interest securities		4,811		4,092	
Dividends from equities		8,957		7,984	
Income from Index - Linked		180		380	
Interest on cash deposits		1,785		1,485	
Other Income		88	15,821	80	14,021
Change in market value of:	7				
- realised investments		19,362		26,858	
- unrealised investments		619		50,851	
Investment management expenses	6	(1,424)		(1,188)	
Tax		(321)	18,236	(14)	76,507
Net returns on investments			34,057		90,528
Net fund increase during the year			39,672		92,371
Opening net assets of the scheme			499,830		407,459
Closing net assets of the scheme			539,502		499,830

NET ASSETS STATEMENT AS AT 31st March 2007

	Notes	2007		2006	
		£'000	£'000	£'000	£'000
Government securities -fixed interest	2, 6, 7	46,547		45,944	
- index linked	2, 6, 7	11,919	58,466	13,334	59,278
Non Government -fixed interest	2, 6, 7	1,640		2,241	
- index linked	2, 6, 7	-	1,640	597	2,838
Pooled investment vehicles	2, 6, 7	9,906		-	
Property unit trusts	2, 6, 7	53,468		45,579	
UK equities	2, 6, 7	196,735		185,092	
Overseas equities / funds	2, 6, 7	178,198		86,311	
Overseas bonds	2, 6, 7	9,180	447,487	2,243	319,225
			507,593		381,341
Current net assets					
- sundry debtors	4	3,618		3,510	
- sundry creditors	4	(1,013)	2,605	(1,470)	2,040
Cash	6		29,304		116,449
Total net assets			539,502		499,830

Notes to Pension Fund Statement

1. Fund Operation and Membership

The Pension Fund is a defined benefit scheme for employees administered by the London Borough of Barnet (the Council) under the provisions of the Local Government Superannuation and Pension Fund Acts. It provides retirement and death grants besides retirement and widow's pensions. Contributions from the Authority, 18 scheduled bodies (Middlesex University, two colleges, one academy and fourteen schools) and various other Admitted bodies, further details of which can be found at Note 5. Contributions are also made by the employees with the basic contributions rates set at 6% of pay except for manual workers employed prior to 1st April 1998 for whom it is 5%. The funds investments will generate returns that when combined with the contributions will balance the future liabilities of the fund.

At 31st March 2007 there were 6,882 employees contributing to the fund with 5,700 in receipt of benefit and 4,996 entitled to deferred benefits. A Government scheme supplies teacher's pensions; they are not provided for under these arrangements.

The funding policy is 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.

2. Accounting Policies

These accounts are drawn up on the basis of the accruals concept and comply with the recommendations of CIPFA and the Statement of Recommended Practice (SORP), as applicable to local authorities.

Contributions

The Council adheres to the provisions of the Local Government Pension Scheme. Contributions receivable are included in the accounts on an accruals basis. Under the provisions of this Scheme, the rate of contributions requested from employees is set at 6% (5% for manual workers who entered the scheme before 1st April 1998), and the employer's contribution rate is adjusted to bring the Fund to the required level. Further details of employer contributions policy is set out in Note 5 to these accounts.

Benefits

Benefits are provided in accordance with the provisions of the Local Government Pension Scheme, which states that retiring employees are entitled to a pension equal to 1/80 of their final salary for each full year of their employment, calculated on a daily basis and restricted to a maximum of 40/80ths of the employee's final salary. They are accounted for in the period in which they fall due. Full details of the other benefits payable can be seen on the Borough's Intranet page at www.barnetpensions.org.

Investment Expenses

Investment management expenses are accounted for on an accruals basis.

Administration Expenses

These are a percentage of the London Borough of Barnet's expenses plus the direct costs of the Pension's section of the Authority.

Interest

Interest is calculated on the cash held on behalf of the Pension Fund at a rate equivalent to 7 day LIBOR and added to the amount of cash due to the Pension Fund on a monthly basis. Interest income from investments is accounted for on an accruals basis, if not received by year end.

Dividends

Dividends are accounted for on an accruals basis, but are included in the accounts only when dividends are declared on or before 31 March and the amount to be paid is reasonably known.

Purchase and Sale of Investments

The purchase and sale of investments is delegated to the fund managers and all settlements are accrued on the day of trading. Investments in the managed funds are valued at the average mid price quoted by the fund managers, while investments in Property Unit Trusts are valued at mid market price. See note 6 for fuller details. The three fund managers: Schroder Investment Management Ltd, Midas Capital Partners Ltd and Newton investment Management Ltd, are required to produce a return on investments within benchmarks set by the London Borough of Barnet, and must limit the amounts invested in each class of asset to ranges set by the Authority. These restrictions and the fund managers' analysis of the assets and issuing bodies, dictates the timing of sales and purchases of investments. Approximately 10% of the Fund is held in property unit trusts and cash arising from these unit trusts is administered by London Borough of Barnet staff acting on advice received from the Authority's independent investment advisor.

Transfers into and out of the Fund

Transfers into the Fund are accounted for when received and undertaken at the request of staff joining the borough or one of its admitted or scheduled bodies with pension rights accrued elsewhere. Transfers out are accounted for on the payment basis and performed upon request from staff leaving the employment of the Borough or one of its admitted or scheduled bodies who wish to transfer their accrued pension contributions to their new employer. Transfers are undertaken in accordance with the provisions of the Local Government Pension Scheme.

Foreign Currency Translation

Foreign currency receipts and payments are translated into sterling at the rate ruling on the date of the transaction. Investments held in foreign currencies as at year-end have been translated at the rates prevailing on 31 March 2007.

SSAP 24

The pension costs included in the accounts accord with current Government regulations. These regulations allow non-compliance with SSAP 24 'Accounting for Pension Costs'. The liabilities included in the balance sheet are understated in SSAP 24's terms (see note 4 below).

3. Statement of Investment Principles

The Council approved the Statement of Investment Principles for the fund in May 2000. The Statement can be viewed on the pension's website www.barnetpensions.org. Copies are also available from the Directorate of Resources.

4. Net Current Assets

Net Current Assets at 31st March 2007 totalled £2.6m and comprised:

	Debtors £'000	Creditors £'000	Net £'000
Settlements on purchases/sales	875	(295)	580
Investment income	2,227	-	2,227
Fund manager's fees	-	(571)	(571)
Tax to be reclaimed	463	-	463
Payments in advance (Newton Invest Mngt)	20	-	20
Pension fund invoices	-	(144)	(144)
Sundry debtors/creditors	33	(3)	30
Total	3,618	(1,013)	2,605

The Fund's financial statements do not take account of liabilities to pay pensions and other liabilities arising after the year end.

5. Actuarial Position

The Local Government Superannuation Regulations 1986 set out legal requirements for actuarial valuations. Their main purpose is to assess the amount the Council must pay towards the fund's liabilities. Hymans Robertson, the independent actuary to the fund, reviews the accounts every 3 years. The latest informal valuation, as at 31st March 2007 per the requirements of FRS17, used the roll – forward approach together with the following assumptions (the figures in brackets relate to 31st March 2006, and are given for comparison):

Assumed price inflation	3.20% (3.10%)
Rate of return on investments	
Equities	7.90% (7.40%) per annum
Bonds	4.90% (4.60%) per annum
Property	5.90% (5.50%) per annum
Cash	4.90% (4.60%) per annum
Overall	7.20% (6.70%) per annum
Future pay increases	4.70% (4.60%) per annum
Future pension increases	3.20% (3.10%) per annum
Discount rate	5.40% (4.90%) per annum

The market valuation of assets for past service appraisal was £531.2m (£489.01m). This valuation indicates that assets held at 31st March 2007 were sufficient to cover 76% of the accrued liabilities assessed on an ongoing basis. The financial statements do not take account of liabilities to pay pensions and other benefits after the year-end.

The fund should receive input sufficient to meet 100% of its overall liabilities (Local Government Superannuation (Amendment) Regulations 1993). The Government has allowed local authorities to decide themselves how long to phase in this requirement. Barnet has chosen a period of twenty years, which commenced 1st April 2004. The actual employer's contribution for 2006/07 was £27.3m, the common rate of contribution payable by each employing Authority under Regulation 77 for the period 1st April 2005 to 31st March 2008 is 21.3% of pensionable pay.

	2006/07		
	Contributions		Benefits payable
	Employees	Employers	
	£'000	£'000	£'000
L B Barnet	5,253	17,878	24,466
Scheduled Bodies:			
Middlesex University	1,299	4,633	3,031
Schools & Colleges	623	1,947	128
Admitted bodies:			
Barnet Homes	547	1,879	202
Fremantle Trust	156	547	301
Open Learning Partnership	12	23	-
Housing 21	85	231	41
Greenwich Leisure	34	74	-
Others	17	47	73
Additional Contributions for Early Retirement	214	58	-
Totals	8,240	27,317	28,242

6. Management of the Fund

The Superannuation Fund Management Advisory Panel appointed by the Council comprises three elected members (one from each political party). This panel counsels the Deputy Director of Resources and Chief Finance Officer about investment of the fund. The W.M. Company also provides an independent performance measurement service.

Apart from internally managed holdings in property unit trusts, the fund is split between three balanced-fund managers, Midas Capital Partners Ltd, Newton Investment Management Ltd, and Schroder Investment Management Ltd. Midas and Newton were appointed in April 2006. They now manage that part of the fund previously looked after by Henderson Global Investors. The fund managers report transaction details at quarterly meetings with the Advisory Panel. An independent fund advisor monitors the three fund managers for the Council and advises Council officers on the in-house managed property unit trust portfolio.

Cash in hand and the market value of funds as at 31st March 2007 held by the managers totalled £507.6m. Schroders managed 43% of the fund, Midas 11% managed of the fund, and Newton managed 31% of the fund. The property unit trust part of the fund represents 10% and the remaining 5% of the fund is held in cash.

The property part of the fund is managed in-house and is invested in property unit trusts, the total market value of this fund (excluding income earned) was £52.0m. The independent advisor to the fund provides guidance in the selection of these holdings.

The cash element of the fund is also managed in-house by the Council's treasury team; interest totalling £1.8m (£1.5m)¹ was earned during the year. The average cash balance held during the year was £35.9m (£31.9m) and the average interest rate applied was 4.9% (4.7%), which represents the average 7-day LIBOR² rate. The average daily interest was £4,610 (£4,064). The year-end cash balance was £29.3m (£116.4m).

Current market valuation of the assets is based on current market convention where they are primarily traded. This is either the last traded or middle market price. When representative prices are unavailable, investments are valued on the most appropriate basis in the opinion of the relevant fund manager.

7. Investment Transactions and Performance

Purchases of investments during 2006/07 were £305.5m (£171.8m) and sales proceeds were £199.0m (£241.8m). Profits on realisation were £19.4m (£26.9m). the figures in parentheses are for 2005/06.

As shown in the net asset statement, the fund invests in fixed interest stocks, UK equities, property (indirectly through unit trusts) and overseas equities and bonds. There were no investments in unlisted securities during the financial year under review. The fund also holds an interest earning cash balance, invested with the Council as mentioned above.

The fund made a general return in 2006/07 of 7.3%. the W.M. Company's statistics show that the average return for local Authority pension funds was 7.0% and that Barnet was in the 39th percentile of funds measured.

¹ Figures in parentheses are for 2005/06.

² London inter-bank offered rate.

8. Related Party Transactions

The administration expenses of £0.84m shown in the main accounts above were incurred by the London Borough of Barnet and are broken down as follows:

	2006/07	2005/06
	£'000	£'000
Pensions section administration	648	567
Accountancy administration	72	-
Payroll	120	136
Total	<u>840</u>	<u>703</u>

There were no material transactions between the Fund and the Trustees of the Fund, or between the Fund and the senior officers of the borough, during the financial years 2006/07 and 2005/06.

The independent Fund Advisor who also monitors the fund managers on behalf of the Council was paid a fee of £9,500 for this service during the financial year under review.

9. Prior Year Adjustments

There were no prior year adjustments

10. Post Balance Sheet Events

There were no post Balance sheet events in the year under consideration.

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 aid it standardisation, making 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:

- Fixed assets – tangible assets that give benefits to the Authority for more than one year.
- 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 – includes land and buildings held by the Authority that are awaiting sale or development. This category also includes some property let on a commercial basis as well as some property that is for the good of the community.
- Non-operational assets – fixed 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.

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.

Benefits

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

Best Value Accounting Code of Practice (BVACOP)

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

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

Capital Expenditure

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

Defined Benefit Scheme

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

Defined Contribution Scheme

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

Depreciation

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes wearing out, using up or other reduction in the useful life of a fixed 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.

Fixed Asset Restatement Account

An account showing the surpluses or deficits on revaluation of fixed assets. This reserve is a device to allow the accounts to balance and is not available for general use in the financing of capital expenditure.

FRS's

Financial Reporting Standards issued by the Accounting Standards Board requiring information to be shown in accounts.

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.

Government Grants Deferred

Capital grants that are credited to the balance sheet and amortised to revenue over the life of the relevant assets to offset charges made for depreciation.

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.

Impairment

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

Joint Venture

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

Leases

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

Liabilities

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

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.

Non-domestic rate (NDR)

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

Operational Assets

Fixed 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.

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.

Public Works Loan Board (PWLB)

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

Rateable Value

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

Related Parties

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

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

Related Party Transactions

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

Reserves

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

Revenue Support Grant

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

Stocks

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.

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

Financial Reporting Standard 5 requires 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.