



Draft Statement of Accounts

for the year ended

31 March 2016

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An Introduction to the Statement of Accounts

The Statement of Accounts for the London Borough of Barnet provides a picture of the council's financial position at 31 March 2016 and a summary of its income and expenditure in 2015/16. It is, in parts, a complex document which is prepared in accordance with legislation and accounting guidance which ensures that the accounts of all Government funded bodies provide comparable and consistent information and comply with International Financial Reporting Standards.

The Accounts will be approved by the Audit Committee on 28 July 2016 and the Independent Auditor's Report to the Members of the London Borough of Barnet will confirm whether the accounts provide a true and fair view of the council's financial position.

The accounts are published in full on the council's website at: <http://www.barnet.gov.uk>

Review of the Year

The **Corporate Plan 2015-20** sets out the council's vision and strategy for the next five years based on the core principles of fairness, responsibility and opportunity to make sure Barnet is a place:

- of opportunity, where people can further their quality of life
- where people are helped to help themselves, recognising that prevention is better than cure
- where responsibility is shared, fairly
- where services are delivered efficiently to get value for money for the taxpayer

A suite of indicators is included in the Corporate Plan to help us monitor performance; and targets have been set to encourage improvement against the strategic priorities. 59% (47) of indicators achieved target in 2015/16 and 66% (49) improved on last year (2014/15).

Residents have continued to be highly satisfied with Barnet as a place to live (88%) and with the way the council runs things (74%) – both scores being above the national average (82% and 67% respectively).

Both council tax and business rates collection have improved, with an additional £5.1m of council tax collected compared with last year, primarily driven by an increase in the property base and a change to the council tax support scheme. The business rates in-year collection rate has risen to 96.74%.

The percentage of residents unemployed has fallen to 5.8% (compared with 6.1% in London), which has been helped by an increased number of 16-18 year olds in education, employment and training.

Barnet schools continue to be amongst the highest ranking in the country, achieving fifth place for attainment of five or more A*-C grades at Key Stage Four (including English and Maths) and first place for the proportion of pupils achieving the English Baccalaureate. 92% of schools have been rated as good or outstanding by Ofsted.

The council and its partners have continued to deliver quality services to residents and businesses. The recycling rate has marginally increased to 36.6% (December 2015) and residents' satisfaction with recycling (75%) and refuse (80%) collection services have remained above the London average (66% and 69% respectively).

Barnet has remained a safe place to live with the Mayor's Office for Policing and Crime (MOPAC) set of crimes (burglary, vandalism, criminal damage, theft of/from motor vehicle, violence with injury, robbery and theft from the person) falling by 17.4% since 2011/12, compared with 19.8% across London.

Customer satisfaction has been high at 76%. This has been driven by an increase in positive ratings for the council's website, which has been a major focus of improvement over the year, as well as an increase in positive ratings from telephone and face to face customers.

Narrative Report

In addition to the suite of indicators included in the Corporate Plan, targets have been set to monitor service performance. Across the Council, 70% (200) of service indicators achieved target in 2015/16 and 6% (163) improved on last year.

Good progress has been made on the council's regeneration programme, including submission of a full business case for the Thameslink Station in Brent Cross, Cricklewood and the completion of hundreds of new homes, including 257 affordable homes in Dollis Valley, Grahame Park, Mill Hill and Stonegrove – contributing to the provision of an additional 20,000 new homes over the coming years. The council has prevented 905 instances of homelessness and helped 491 households to find homes in the private rented sector. These successes have helped to reduce the number of households in emergency temporary accommodation from 455 in 2014/15 to 251.

The Council's Transformation Programme consists of 90 projects required to deliver the Medium Term Financial Strategy and the Corporate Plan. The majority of projects within the Transformation Programme are on track to deliver to time, cost and quality.

Financial Performance

The council managed a net budget of £277.965m during 2015/16, which included planned savings of £17.269m, of which £13.980m were achieved – 81 per cent of those planned for the year.

Revenue Outturn

The 2015/16 revenue outturn resulted in a 0.8 per cent over spend of £2.328m as set below:

Service Area	Budget £000	Actual £000	(Under)/ Overspend £000
Adults and Communities	87,756	90,591	2,835
Assurance	4,193	4,132	(61)
Central Expenses	49,279	47,216	(2,063)
Education and Skills	7,248	7,248	-
Family Services	48,415	48,466	51
Commissioning Group	21,019	21,019	-
Customer and Support Group	22,107	22,607	500
HB Public Law	2,011	2,329	318
Housing Needs and Resources	5,560	5,772	212
Parking and Infrastructure	(717)	(752)	(35)
Public Health	15,835	15,835	-
Regional Enterprise	1,130	1,712	582
Registrar Service	(161)	(34)	127
Street Scene	14,290	14,152	(138)
Council's Budget and Outturn for the Year	277,965	280,293	2,328
Financed by			
Council Tax		(149,539)	
Grant Income		(88,215)	
Business Rates		(30,793)	
Transfers to Reserves		4,133	
Public Health Grant		(15,879)	
Total Financing		(280,293)	

Narrative Report

The actual expenditure of the council is subject to regular financial and operational monitoring and reported publically to the Performance and Contract Management Committee. The year end financial position was reported to the Performance and Contract Monitoring Committee on 31 May 2016.

During the course of the financial year, service managers have been proactively managing their financial positions, balancing the competing challenges of delivering savings and managing increasing levels of demand. The principal reasons for the overspend in 2015/16 are as follows:

- Adults and communities have experienced an increase in demand for adult social care services generally. In particular, there have been increases in the number of clients with learning disabilities transitioning from children's services and also in the number of clients with dementia, both groups requiring increasingly complex packages of care. This is coupled with an increasing number of clients who were previously self-funders but whose funds have depleted and who are now the responsibility of the council.

To offset these demand pressures, the service has achieved savings in third party contracts in the prevention and wellbeing area and has made significant staff savings across the delivery unit.

- Within central expenses, £1m of the total underspend of £2.063m relates to the Minimum Revenue Provision, a review of which resulted in an ongoing saving of £1m per annum. There were also savings on early retirement costs for teachers and non-teachers, levies and external audit fees.

Despite the overspend of £2.328m, the council's final position illustrates the robust management of finances during ongoing difficult economic and demographic conditions. The overspend is funded from the General Fund balance, resulting in a balance of £12.543 compared with £14.871m at 31 March 2015. The reduction in the General Fund balance will be managed through the Council's medium term financial strategy to ensure the balance is replenished to the level of £15m set by the Section 151 Officer as the amount necessary to enable the council to manage risk and volatility of spend over the medium term.

The outturn for the year is adjusted in the financial statements for a number of factors, mainly due to accounting adjustments required by statute or reporting standards, in order to allow the accounts to be comparable against other local authorities and public sector bodies. The full detail of these adjustments is contained in Note 29 of the accounts; however a summary of the adjustments is listed below.

	2015/16	2014/15
	£000	£000
Council's outturn for the year	280,293	287,491
Assurance	(22,138)	(56,200)
Deficit on continuing operations	258,155	231,291
Plus: Loss on transfer of Schools to Academies	5,280	-
Less Other operating expenditure	8,211	4,255
Net interest paid/(received) on investments and loans	8,615	(2,526)
Less: Council Tax, Business Rates and Grant Income (incl. capital)	(306,003)	(325,462)
Surplus on the Provision of Services	(31,022)	(92,442)
Surplus on revaluation of non-current assets	(33,794)	(8,164)
(Gains)/Losses on the pension fund	(23,592)	88,315
Total Comprehensive Income and Expenditure surplus	(88,408)	(12,291)

Narrative Report

Capital Programme

The council spent £132.336m on its capital programme in 2015/16, which is summarised in the table below. The in-year underspend of £66.763m will be profiled and subsequently spent in 2016/17 and future years.

Service Area	2015/16 Actual £000	2014/15 Actual £000
Adults and Communities	3,977	956
Education and Skills	24,430	31,183
Family Services	961	1,240
Commissioning Group	18,445	1,308
Housing Needs and Resources	-	1
Commercial – Parking and Infrastructure	364	-
Re delivery unit	44,629	15,272
Street Scene	743	2,525
Housing Revenue Account	38,787	25,572
Total Capital Expenditure	132,336	78,057
Financed by		
Grants and other contributions	(32,006)	(32,519)
Capital receipts	(25,137)	(8,516)
Borrowing	(28,709)	(24,555)
HRA revenue / Major Repairs Allowance	(27,525)	(2,268)
Reserves	(18,302)	(6,679)
General Fund revenue	(657)	(3,520)
	(132,336)	(78,057)

The most significant items of capital investment in 2015/16 included the primary and secondary school expansion programmes to meet demand for school places (£19.428m), land acquisitions as part of the Brent Cross redevelopment scheme (£14.800m), investment in highways infrastructure (including Transport for London schemes) (£20.545m), expenditure relating to the relocation of the depot (£14.603m), tranche 1 of the Development Pipeline (£4.223m) and the Housing Revenue Account capital programme (£38.787m).

Earmarked Reserves

The council is holding £110.087m of earmarked General Fund reserves as at 31 March 2016. Earmarked reserves are amounts of money set aside to fund expenditure on specific capital or revenue projects or initiatives in future years. Earmarked reserves have decreased by £4.133m compared with last year.

Balance Sheet

The Balance Sheet shows a net movement in the council's net worth between 31 March 2015 and 31 March 2016 of £88.408m.

Long term assets have increased by £112.225m, due largely to investment in council housing, infrastructure assets and regeneration sites, as well as general increases in asset valuations.

Narrative Report

Current assets as at 31 March 2016 decreased by £32.432m compared to the previous year, mainly due to short term cash deposits maturing and being invested in long term deposits and infrastructure assets, offset by Government grants and Transport for London claims due to the council and increased payments in advance.

Within short term liabilities, short term creditors have increased by £15.035m due mainly to an increase in payments to Barnet Homes and payments for adult social care placements outstanding at the year end. This is offset by a reduction in bank overdrafts of £15.590m due to the timing of transfers between bank accounts at the year end.

Long term liabilities have reduced by £6.723m, the majority of which relates to the Pension Fund liability.

Looking forward for the Council

The next five years pose both challenges and opportunities for Barnet. Through its five year Corporate Plan, the council has set long reaching, innovative and ambitious plans for the future, capitalising on the opportunities of a strengthening local economy and locally led investment in regeneration, skills and economic development. Over the next five years, this growth will bring opportunities for residents, businesses and the council alike.

The Corporate Plan is supported by a robust medium term financial strategy which has enabled the council to deliver £75m of savings to meet the financial challenges of the last four years. However, we face a further budget gap of £81m by 2020. As well as delivering savings by continuing to reduce bureaucracy, our focus will turn to how we can help manage demand for services, in particular from the growing number of older residents. Despite needing to reduce our day to day spending, however, we will continue to invest in the essential infrastructure of the borough - in transport, housing and leisure and community facilities.

Conclusion

With five year plans now in place the prospects for the future look more certain, albeit challenges still remain. The council will continue to work hard to ensure high quality services at the lowest possible cost are delivered to residents and businesses.

As indicated earlier, the published statutory accounts of the council are a complex, technical document and I therefore hope that the summary accounts, also published, provide a clearer picture of the council's financial position for the year ended 31 March 2016.

Should you require further information about the accounting statements please contact the Finance Team at the London Borough of Barnet at: Ground Floor Building 4, North London Business Park, Oakleigh Road South, Barnet, N11 1NP, or email inspectionofaccounts@barnet.gov.uk.

John Hooton, Chief Operating Officer and Director of Finance (Section 151 Officer)

Statement of Responsibilities

The Authority's Responsibilities

The authority is required to:

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

The Chief Operating Officer and Director of Finance's Responsibilities

The Chief Operating Officer and Director of Finance is responsible for the preparation of the London Borough of Barnet's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the London Borough of Barnet Council at 31 March 2016 and its income and expenditure for the year then ended. The draft accounts were published on 31 May 2016.



John Hooton
Chief Operating Officer and Director of Finance (Section 151 Officer)

Approval of Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit Committee on 28th July 2016

Chair of Audit Committee

Core Financial Statements

Movement in Reserves Statement (MIRS)

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

Movements in Reserves 2015/16

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2015	27,951	116,155	14,942	45,602	17,930	75,532	298,112	368,173	666,285
(Deficit)/Surplus on provision of services	(17,432)	-	48,454	-	-	-	31,022	-	31,022
Other comprehensive income and expenditure	-	-	-	-	-	-	-	57,386	57,386
Total comprehensive income and expenditure	(17,432)	-	48,454	-	-	-	31,022	57,386	88,408
Adjustments between accounting basis and funding basis under regulations	27,807	-	(54,576)	(5,427)	5,283	(289)	(27,202)	27,202	-
Net increase / (decrease) before transfers to earmarked reserves	10,375	-	(6,122)	(5,427)	5,283	(289)	3,820	84,588	88,408
Transfer from/to earmarked reserves	(14,147)	(4,155)	-	-	-	-	(18,302)	18,302	-
Balance as at 31 March 2016	24,179	112,000	8,820	40,175	23,213	75,243	283,630	471,063	754,693

Movements in Reserves 2014/15

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2014	31,140	91,624	14,831	24,326	10,921	64,788	237,630	416,364	653,994
(Deficit)/Surplus on provision of services	18,663	-	73,779	-	-	-	92,442	-	92,442
Other comprehensive income and expenditure	-	-	-	-	-	-	-	(80,151)	(80,151)
Total comprehensive income and expenditure	18,663	-	73,779	-	-	-	92,442	(80,151)	12,291
Adjustments between accounting basis and funding basis under regulations	1,929	3,479	(73,668)	17,797	7,009	11,494	(31,960)	31,960	-
Net increase / (decrease) before transfers to earmarked reserves	20,592	3,479	111	17,797	7,009	11,494	60,482	(48,191)	12,291
Transfer from/to earmarked reserves	(23,781)	21,052	-	3,479	-	(750)	-	-	-
Balance as at 31 March 2015	27,951	116,155	14,942	45,602	17,930	75,532	298,112	368,173	666,285

Core Financial Statements

Comprehensive Income and Expenditure Statement

This statement summarises the income and expenditure of the council in providing services during 2015/16. The statement also shows how the council's services are funded through council tax, business rates, government grants and fees and charges made by the council for its services.

Comprehensive Income and Expenditure Statement	Note	2015/16			2014/15		
		Gross expenditure	Gross income	Net expenditure	Gross expenditure*	Gross income	Net expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Central services to the public		2,552	(2,918)	(366)	2,807	(2,616)	191
Cultural & related services		16,622	(2,105)	14,517	18,514	(3,610)	14,904
Environmental & regulatory services		38,963	(8,356)	30,607	41,012	(9,220)	31,792
Planning services		3,443	(17,030)	(13,587)	12,007	(22,006)	(9,999)
Public health		16,195	(312)	15,883	14,383	-	14,383
Children's and education services		338,270	(234,416)	103,854	339,527	(233,402)	106,125
Highways and transport services		43,342	(15,860)	27,482	46,351	(17,783)	28,568
Housing services		322,136	(355,562)	(33,426)	280,221	(344,349)	(64,128)
Adult social services		138,025	(34,567)	103,458	132,235	(28,972)	103,263
Corporate and democratic core costs		6,131	(1,022)	5,109	7,156	(1,376)	5,780
Non distributed costs		4,628	(4)	4,624	832	(420)	412
Deficit on Continuing Operations		930,307	(672,152)	258,155	895,045	(663,754)	231,291
Other Operating Expenditure	9	8,211	-	8,211	5,061	(806)	4,255
Financing and Investment Income and Expenditure	10	20,961	(12,346)	8,615	22,317	(24,843)	(2,526)
Taxation and Non-Specific Grant Income	11	-	(306,003)	(306,003)	-	(325,462)	(325,462)
Surplus on Provision of Services				(31,022)			(92,442)
Surplus on revaluation of non-current assets				(33,794)			(8,164)
Remeasurement of the net defined benefit liability	45			(23,592)			88,315
Other Comprehensive Income and Expenditure				(57,386)			80,151
Total Comprehensive Income and Expenditure				(88,408)			(12,291)

*Re-stated

Core Financial Statements

Balance Sheet

The Balance Sheet provides a summary of what the council owns and owes together with the council's reserves, as set out in the Movement in Reserves Statement, as at 31 March 2016. Only usable reserves are available to support the delivery of the council's services to residents. Details of the Usable Reserves can be seen in the Movement in Reserves Statement.

	Note	31 March 2016		31 March 2015	
		£'000	£'000	£'000	£'000
Property plant and equipment	12	1,225,733		1,119,193	
Heritage assets	12	1,567		1,080	
Investment properties	12	117,124		101,264	
Intangible assets	12	6,650		7,200	
Long term debtors	16	830		825	
Long term investments	16	12,973		23,090	
Total Long Term Assets			1,364,877		1,252,652
Inventories	17	608		612	
Short term investments	16	46,615		33,241	
Short term debtors	19	126,980		94,200	
Assets held for sale	12	-		350	
Cash and cash equivalents	21	128,305		206,537	
Total Current Assets			302,508		334,940
Short term borrowing	16	(1,433)		(2,777)	
Short term creditors	22	(105,472)		(90,437)	
Cash and cash equivalents	21	(1,290)		(16,880)	
Provisions	23	(7,698)		(7,691)	
Total Current Liabilities			(115,893)		(117,785)
Long term borrowing	16	(304,704)		(304,735)	
Provisions	23	(6,557)		(5,753)	
Pension scheme	45	(469,137)		(476,254)	
Long term lease	41	(16,401)		(16,780)	
Total Long Term Liabilities			(796,799)		(803,522)
Net Assets			754,693		666,285
Usable reserves	24	283,630		298,112	
Unusable reserves	25	471,063		368,173	
Total Reserves			754,693		666,285

Core Financial Statements

Cash Flow Statement

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

	Note	2015/16		2014/15	
		£'000	£'000	£'000	£'000
Net surplus on the provision of services		31,022		92,442	
Adjustment to the surplus on the provision of services for non-cash movements	26	15,895		21,954	
Adjustment for items included in the net surplus on the provision of services that are investing and financing activities	26	(54,176)		(73,776)	
Net cash flows from operating activities			(7,259)		40,620
Net cash flows from Investing activities	27		(52,767)		8,708
Net cash flows from Financing activities	28		(2,616)		2,575
Net (decrease)/ increase in cash and cash equivalents			(62,642)		51,903
Cash and cash equivalents at the beginning of the reporting period			189,657		137,754
Cash and cash equivalents at the end of the reporting period	21		127,015		189,657

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the London Borough of Barnet's transactions for the financial year 2015/16 and its position at the year end of 31 March 2016. The London Borough of Barnet is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income and Expenditure

The accounts of the council are prepared on an accruals basis in accordance with the Code. This means that sums due to and from the council during the year are included in the accounts whether or not the cash has actually been paid or received in the year. Such amounts are included as part of the current assets and liabilities figures on the Balance Sheet.

- Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Revenue from the provision of services is recognised when the council can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for retrospectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where NNDR and council tax have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Notes to the Accounts

iii. Cash and Cash Equivalents

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

iv. Exceptional Items

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

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

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

vi. Charges to Revenue for Non-Current Assets

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

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

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

vii. Employee Benefits

Benefits Payable during Employment

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

The basis used to estimate the accrual is three fold:

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These costs are charged on an accruals basis to the appropriate service or where applicable to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement.

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

Post-Employment Benefits

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

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

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

Defined benefit schemes

The attributable assets of the LGPS 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:

- service cost comprising both current and past service cost and net interest on the net defined benefit liability. The increase in liabilities as a result of years of service earned this year (current service cost) and the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years (past service cost). The current and past service cost is charged to the 'surplus on provision of services' line within the Comprehensive Income and Expenditure Statement. Services are charged a pro-rata apportionment based on the amount paid by each service to the pension fund. Net interest on the net defined benefit liability i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises in the passage of time, charged to the Comprehensive Income and Expenditure Statement against the 'financing and investment income and expenditure' line.
- re-measurements comprising the return on plan assets excluding amounts included in net interest on the net defined benefit liability charged to the pension reserve and actuarial gains and losses, changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the pension reserve.
- contributions paid to the pension fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

Defined contribution schemes

The teachers' pension 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 are equal to the contributions payable for the scheme for the same period. The costs are recognised within net cost of services.

Accounting for Retirement Benefits within HRA

Day to day housing management is carried out by Barnet Homes therefore Barnet's HRA employs very few staff directly. The cost of obtaining a separate HRA actuarial report to split the notional cost of HRA staff from those employed by the general fund cannot be justified. For this reason

Notes to the Accounts

although the HRA has been reported on an IAS19 basis, no attempt has been made to show a separate liability related to defined benefit provision.

Pension reserve

The pension reserve is the financial accounting mechanism to ensure that IAS19 has no impact on council tax; this is where the re-measurement of the net defined benefit liability is shown. The cost of providing pensions for employees is funded in accordance with the statutory requirements governing each scheme.

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

viii. Events after the Reporting Period

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

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

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

ix. Financial Instruments

The accounting standards in respect of financial instruments were incorporated into the Local Authority SORP in 2007. The 2015/16 Code of Practice notes that where they continue to be relevant, the transitional provisions of the UK standards adopted by the 2007 SORP remain. The definition of the financial instrument is: "Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity".

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

The council's financial liabilities and financial assets are carried on the balance sheet at amortised cost. The amortised cost is derived by taking the amount of the instrument at its inception, deducting the value of cash repayments made in year and adding on the interest charged / credited to the Comprehensive Income and Expenditure Statement.

Notes to the Accounts

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

The 2015/16 Code has been updated to incorporate the adoption of IFRS 13 Fair Value Measurement, which includes the definition of fair value as above. Under the Code, all financial instruments must initially be measured at fair value, with subsequent measurement depending on the nature of the asset or liability concerned.

The Code requires the fair value of each class of financial asset and liability to be disclosed in the Notes to the Statement of Accounts to enable it to be compared to its carrying amount in the Balance Sheet. The 2015/16 Code sets out the fair value valuation hierarchy that authorities are required to follow to increase consistency and comparability in fair value measurements and related disclosures.

The purpose of the valuation is to allow the user to evaluate quantitatively the authority's financial position and performance with regard to each class of financial instrument, and also to indicate the extent of the authority's risk exposure arising as a result of these transactions.

The fair value hierarchy gives the highest priority to quoted (unadjusted) prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The valuation basis adopted is based on independently measured Level 2 Inputs – i.e. inputs other than quoted prices that are observable for the financial asset/liability. Further disclosure on the basis of valuation is set out in Note 16.

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

x. Fair value measurement

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

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

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

Notes to the Accounts

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

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

xi. Government Grants and Contributions

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

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

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

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

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

The authority has elected to charge a Community Infrastructure Levy. The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and

Notes to the Accounts

schools) to support the development of the area. The Community Infrastructure Levy is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. The Community Infrastructure Levy charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

xii. Heritage Assets

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

Property Heritage Assets

These are held on the Balance Sheet at valuation where the valuation is calculated using which ever method of valuation that is deemed appropriate and relevant. The assets are revalued every five years as part of the council's rolling programme of revaluations.

Mayor's Regalia and Silverware

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

Heritage Assets not held on the Balance Sheet

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

General

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

xiii. Intangible Assets

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

xiv. Interests in Subsidiaries

The council has controlling interests in The Barnet Group Ltd (which includes Your Choice Barnet Ltd and Barnet Homes Ltd), Barnet Holdings Ltd, Regional Enterprise Ltd and The Inglis Consortium. These entities have the nature of subsidiaries and / or joint ventures and the council is therefore required to prepare group accounts, unless the overall impact on the group accounts is not material.

The council reviews annually the extent to which other entities (over which the council has a controlling interest) need to be consolidated into group accounts. The situation has been reviewed for 2015/16 in consultation with auditors and the decision was that group accounts are required for 2015/16.

From 2014/15, CIPFA/LASAAC is of the view that local authority maintained schools are capable of being treated as separate entities for control purposes. This brings the school as an entity within the scope of the control criteria in IFRS 10. As a consequence, schools transactions, including income, expenditure, assets, liabilities and reserves will be recognised in the council's single entity accounts where applicable.

Income, expenditure, assets (excluding non-current assets), liabilities and reserves will all be consolidated into the single entity financial accounts of the council as these transactions are deemed to be within the control of the local maintained school as entities within themselves. In regards to non-current assets, the approach adopted will be to consider, on a school by school basis, whether the local maintained school controls the non-current assets (including land, property, plant, equipment and playing fields) to identify whether 'control' exists to ascertain if consolidation is required.

xv. Inventories and Long Term Contracts

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

Long term contracts are accounted for on the basis of charging the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement with the value of works and services received under the contract during the financial year.

xvi. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. As a non-financial asset, investment properties are measured at highest and best use. Properties are

Notes to the Accounts

not depreciated but are revalued on a five-year cycle according to market conditions at year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xvii. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue

Notes to the Accounts

contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Notes to the Accounts

Operating Leases

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

xviii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The costs are recharged through the internal recharge mechanism using various apportionment bases (e.g. headcount, time spent, area occupied, invoices processed, etc.) in proportion to the benefits received, with the exception of:

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

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

xix. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

Notes to the Accounts

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

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

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

- Infrastructure (including street lighting PFI), community assets and assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUVSH)
- School buildings - current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value.
- Surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

Notes to the Accounts

The freehold and leasehold properties that comprise the council's property portfolio are subject to a five year rolling programme of revaluation, although the top ten properties, shops and industrial sites, all schools and all DRC's are valued every year, which is 90% of the council's property portfolio. This ensures that where market conditions or rebuilding costs alter, all affected assets are considered over a reasonable period of time. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

Notes to the Accounts

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

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

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

Componentisation

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

Notes to the Accounts

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

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

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

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

xx. Private Finance Initiative (PFI)

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

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

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

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

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

Notes to the Accounts

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out

xxi. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

A full breakdown of the council's provisions as at the Balance Sheet date is disclosed in the Notes to the accounts.

Contingent Liabilities

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

Notes to the Accounts

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

Contingent Assets

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

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

xxii. Reserves

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

All applications for specific reserves are subject to approval by the Chief Operating Officer and Director of Finance. Specific reserves are discretionary not mandatory. The council discloses a full breakdown of its specific reserves as at the Balance Sheet date in the Notes to the accounts.

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

xxiii. Revenue Expenditure Funded from Capital under Statute

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

xxiv. Value Added Tax (VAT)

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

xxv. Collection Fund

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

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

Local authorities are required to show Business Rate Supplements (BRS) transactions on the face of the Collection Fund.

From the year commencing 1 April 2013, in its capacity as a billing authority, the council no longer acts solely as an agent for non-domestic rates on behalf of central government. The council now collects and distributes NNDR income not only on behalf of central government, but on behalf of itself and major preceptors.

xxvi. Minimum Revenue Provision

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

The MRP is calculated in accordance with the 2015/16 MRP Policy Statement agreed by council on 3 March 2015 and Communities and Local Government Guidance on MRP. The Council's Policy is to:

- Continue to charge 4% on capital expenditure incurred before 1 April 2008 and on future supported capital expenditure (Option 1 of Government guidance)
- Capital expenditure incurred on or after 1 April 2008 and funded by prudential borrowing will be repaid based on the useful asset life of the asset using equal annual instalments (Option 3 of Government guidance)
- The Council will also consider taking a MRP 'holiday' in relation to Council capital borrowing to fund the Council's contribution to the Thameslink project. MRP will commence once income streams from business rates are received. This development will attract MRP but over the life of the asset. There is not a right-off in the year of borrowing as it is not the Council's asset.

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

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

The only significant estimations in the accounts relate to:

Bad debt

Bad debt is the extent to which an original amount of money owed to the council is impaired (no longer recoverable). The council's policy for estimating the provision required for bad debt is to firstly consider any specific debts which are regarded as being individually significant, e.g.

Notes to the Accounts

bankruptcy of a company that owes a significant amount of money to the council. The remaining debt is then divided into the following groups:

- Tenants
- Council tax
- Business rates
- Other local authorities
- Sundry (trade) receivables

Each group has particular characteristics with regards to the debtor's propensity to pay the amount due. An assessment of impairment of debt for each group is then undertaken at the balance sheet date, based on historical loss experience but adjusted to reflect the current economic climate. The provision for bad debt is then estimated on this basis and the amount is reflected in the Balance Sheet carrying figure for receivables. A movement on the outstanding debt of 1-2% has been considered and deemed to not materially affect the provision.

Useful lives of depreciable assets

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

Asset Category	Maximum Years Estimated Useful Life
Land, Building and Schools	50
PFI street lights	25
Vehicles, Plant & Equipment	20
Intangibles	10
Infrastructure	30

Fair value of financial instruments

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

Other

- Community Care Services - estimates are made in respect of clients who have received care but where the invoices from the care provider have not been received until after the end of the financial year.
- Pension Fund - estimates are made based on the triennial review which was undertaken in 2013.
- Property valuations - some estimates are made based on market forces.

Notes to the Accounts

- Special Parking Account - estimates are made over likely income recoverable from unpaid penalty charge notices issued in 2015/16.

xxviii Carbon Reduction Commitment Scheme

The authority is required to participate in the mandatory Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the second financial year of Phase 2 which commenced on 1 April 2014 and ends on 31 March 2019.

The authority is required to purchase and surrender allowances retrospectively, on the basis of emissions i.e. carbon dioxide produced as a result of its energy usage as defined under the terms of CRC scheme. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by purchasing and surrendering allowances to cover its annual emissions.

The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

2. Accounting Standards Issued, Not Adopted

The Code requires that the authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question.

These amendments relate to:

- The requirements of International Financial Reporting Standards and other pronouncements by the International Accounting Standards Board in effect for accounting periods commencing on the 1 January 2015 (as adopted by the EU) apply unless specifically adapted by the Code.
- Amendments to IFRS 11 Joint Arrangements
- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IAS 19 Employee benefits

It is anticipated that the above amendments will not have a material impact on the information provided in the statement of Accounts

It is anticipated that details of the disclosure requirements for most of these changes will be included in the Code of Practice issued for 2016/17.

3. Critical Judgements in Applying Accounting Policies

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

Notes to the Accounts

- There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The council is deemed to control the services provided under the agreement for street lighting and also to control the residual value of the assets at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the street lights are recognised as Property, Plant and Equipment on the council's Balance Sheet.
- The council has deposits in one Icelandic bank, Glitnir, which is in administration. The deposits being held on the council's Balance Sheet are held in Icelandic Kroner in an escrow account. The timing of the release of the funds is subject to the lifting of the Icelandic Government's restrictions on the export of foreign currency.

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

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

The items in the council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differs from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns of pension funds.	The effect of the net pension liability due to changes in individual assumptions can be measured although the assumptions interact in complex ways. During 2015/16 the council's actuaries advised that the net pension liability has decreased by £7.12m.
Asset Lives	Assets are depreciated over their estimated useful lives which are dependent on assumptions on the level of repairs and maintenance, technical obsolescence or unplanned failure. The reductions being experienced in central government funding may restrict the extent of investment in maintenance and repairs and so reduce asset lives or, conversely force the council to operate assets beyond their planned use so creating uncertainty in the useful lives assigned to assets.	If the assumptions around asset lives are increased depreciation charges will need to be revised and the carrying value of the asset will fall or rise. The estimated impact of all assets having their useful lives increased by one year would be a reduction in the annual depreciation costs of £5.557m. The impact of this change would not be required to be reflected in the level of council tax charge.

Notes to the Accounts

<p>Fair Value Measurement</p>	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data (Level 2), but where this is not possible judgement is required in establishing fair values (Level 3). These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the principle valuation manager). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 14 and 16.</p>	<p>The authority uses Level 2 observable inputs for valuing both its Investment properties and financial instruments. The inputs are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. Significant changes in any of the observable inputs would result in significantly lower or higher fair values.</p>
<p>Debts</p>	<p>The council has debts outstanding at the year end against which a provision for bad debt has been made. However the continuing economic climate and the effect of changes in welfare benefits could give rise to a greater level of non-payment of the council's charges.</p>	<p>To mitigate the risk of increasing non-payment and subsequent bad debt additional reserves have been set aside to protect the council against this risk.</p>

5. Material Items of Income and Expenditure

There were no material items of income or expenditure to report for 2015/16.

6. Events After the Balance Sheet Date

Since the Balance Sheet date of 31 March 2016 there have been no material events which would require an adjustment to the financial statements. A further review of post balance sheet events will be conducted prior to the approval of the accounts.

Notes to the Accounts

7. Adjustments between Accounting Basis and Funding Basis under Regulations 2015/16

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2015	27,951	116,155	14,942	45,602	17,930	75,532	298,112	368,173	666,285
Movement in reserves during 2015/16									
(Deficit)/Surplus on provision of services	(17,432)	-	48,454	-	-	-	31,022	-	31,022
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	57,386	57,386
Total Comprehensive Income and Expenditure	(17,432)	-	48,454	-	-	-	31,022	57,386	88,408
Adjustments involving the Capital Adjustment Account:									
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:									
Charges for depreciation and impairment of non current assets	30,671	-	22,146	-	-	-	52,817	(52,817)	-
Revaluation losses on Property Plant and Equipment	(6,572)	-	(43,475)	-	-	-	(50,047)	50,047	-
Movements in the market value of Investment Properties	(6,957)	-	-	-	-	-	(6,957)	6,957	-
Amortisation of Intangible Assets	1,265	-	-	-	-	-	1,265	(1,265)	-
Capital Grants and Contributions applied	(13,959)	-	-	-	-	-	(13,959)	13,959	-
Revenue Expenditure Funded From Capital Under Statute	23,380	-	-	-	-	-	23,380	(23,380)	-
Amounts of Non- Current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	-	-	-
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement									
Statutory provision for the financing of capital investment	(5,460)	-	-	-	-	-	(5,460)	5,460	-
Capital expenditure charged against the General Fund and HRA balances	(426)	-	-	-	-	-	(426)	426	-
Adjustments involving the Capital Grants Unapplied Account:									
Capital Grants and Contributions unapplied credited to CIES	(17,987)	-	-	-	-	17,987	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	(18,276)	(18,276)	18,276	-
Adjustments involving the Capital Receipts Reserve:									
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	3,259	-	(526)	22,230	-	-	24,963	(24,963)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	(25,137)	-	-	(25,137)	25,137	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2,585	-	-	(2,585)	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	65	-	-	65	(65)	-
Adjustments involving the Major Repairs Reserve:									
Reversal of Major Repairs Allowance credited to the HRA	(88)	-	(32,720)	-	32,808	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(27,525)	-	(27,525)	27,525	-
Adjustments involving the Financial Instruments Adjustment Account:									
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(1)	-	(1)	-	-	-	(2)	2	-
Adjustments involving the Pension Reserve:									
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	38,679	-	-	-	-	-	38,679	(38,679)	-
Employer's pension contributions and direct payments to pensioners payable in the year	(22,204)	-	-	-	-	-	(22,204)	22,204	-
Adjustments involving the Collection Fund Adjustment Account:									
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	1,385	-	-	-	-	-	1,385	(1,385)	-
Adjustment involving the Accumulated Absences Account:									
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	237	-	-	-	-	-	237	(237)	-
Adjustments between accounting basis and funding basis under regulations	27,807	-	(54,576)	(5,427)	5,283	(289)	(27,202)	27,202	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	10,375	-	(6,122)	(5,427)	5,283	(289)	3,820	84,588	88,408
Transfer from/to Earmarked Reserves	(14,147)	(4,155)	-	-	-	-	(18,302)	18,302	-
(Decrease) /Increase in Year	(3,772)	(4,155)	(6,122)	(5,427)	5,283	(289)	(14,482)	102,890	88,408
Balance as at 31 March 2016 carried forward	24,179	112,000	8,820	40,175	23,213	75,243	283,630	471,063	754,693

Notes to the Accounts

Adjustments between Accounting Basis and Funding Basis under Regulations 2014/15

Note	General Fund Balance £'000 *	Earmarked Reserves £'000	Housing Revenue Account £'000 *	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance as at 31 March 2014	31,140	91,624	14,831	24,326	10,921	64,788	237,630	416,364	653,994
Movement in reserves during 2014/15									
(Deficit)/Surplus on provision of services	18,663	-	73,779	-	-	-	92,442	-	92,442
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(80,151)	(80,151)
Total Comprehensive Income and Expenditure	18,663	-	73,779	-	-	-	92,442	(80,151)	12,291
Adjustments involving the Capital Adjustment Account:									
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:									
Charges for depreciation and impairment of non current assets	26,674	-	20,180	-	-	-	46,854	(46,854)	-
Revaluation losses on Property Plant and Equipment	(3,256)	-	(63,350)	-	-	-	(66,606)	66,606	-
Movements in the market value of Investment Properties	(14,253)	-	-	-	-	-	(14,253)	14,253	-
Amortisation of Intangible Assets	659	-	-	-	-	-	659	(659)	-
Capital Grants and Contributions applied	(17,912)	-	-	-	-	-	(17,912)	17,912	-
Movement in donated assets account	-	-	-	-	-	-	-	-	-
Revenue Expenditure Funded From Capital Under Statute	32,396	-	-	-	-	-	32,396	(32,396)	-
Amounts of Non- Current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	-	-	-
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement									
Statutory provision for the financing of capital investment	(713)	-	-	-	-	-	(713)	713	-
Capital expenditure charged against the General Fund and HRA balances	(6,628)	-	-	-	-	-	(6,628)	6,628	-
Adjustments involving the Capital Grants Unapplied Account:									
Capital Grants and Contributions unapplied credited to CIES	(29,557)	-	-	-	-	29,557	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	(18,063)	(18,063)	18,063	-
Adjustments involving the Capital Receipts Reserve:									
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(556)	3,479	(2,394)	22,827	-	-	23,356	(23,356)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	(2,268)	-	-	(3,520)	-	-	(5,788)	5,788	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,582	-	-	(1,582)	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	72	-	-	72	(72)	-
Adjustments involving the Major Repairs Reserve:									
Reversal of Major Repairs Allowance credited to the HRA	(49)	-	(28,109)	-	28,158	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	(21,149)	-	(21,149)	21,149	-
Adjustments involving the Financial Instruments Adjustment Account:									
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	5	-	5	-	-	-	10	(10)	-
Adjustments involving the Pension Reserve:									
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	36,218	-	-	-	-	-	36,218	(36,218)	-
Employer's pension contributions and direct payments to pensioners payable in the year	(21,944)	-	-	-	-	-	(21,944)	21,944	-
Adjustments involving the Collection Fund Adjustment Account:									
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	2,463	-	-	-	-	-	2,463	(2,463)	-
Adjustment involving the Accumulated Absences Account:									
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(932)	-	-	-	-	-	(932)	932	-
Adjustments between accounting basis and funding basis under regulations	1,929	3,479	(73,668)	17,797	7,009	11,494	(31,960)	31,960	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	20,592	3,479	111	17,797	7,009	11,494	60,482	(48,191)	12,291
Transfer from/to Earmarked Reserves	(23,781)	21,052	-	3,479	-	(750)	-	-	-
(Decrease) /Increase in Year	(3,189)	24,531	111	21,276	7,009	10,744	60,482	(48,191)	12,291
Balance as at 31 March 2015 carried forward	27,951	116,155	14,942	45,602	17,930	75,532	298,112	368,173	666,285

Notes to the Accounts

8. Transfers to / from Earmarked Reserves

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

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

	Reserve b/fwd at 31 March 2014	In year related Expenditure	Written back in year	New Reserves Raised	Reserve c/fwd at 31 March 2015	In year related Expenditure	Written back in year	New Reserves Raised	Reserve c/fwd at 31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central - Capital Financing (i)	2,672	(1,735)	-	3,111	4,048	(2,119)	-	1,261	3,190
Central - Infrastructure (ii)	22,565	(533)	-	12,507	34,539	(16,923)	-	17,842	35,458
Central - Risk (iii)	15,500	(4,885)	-	1,653	12,268	(2,936)	-	-	9,332
Central - Service Development (iv)	9,577	(13,578)	-	11,945	7,944	(11,144)	-	13,782	10,582
Central - Transformation (v)	11,293	(7,213)	-	11,000	15,080	(6,727)	-	4,300	12,653
Service - Other (vi)	29,608	(13,604)	-	24,336	40,340	(15,122)	-	13,653	38,871
Sub Total General Fund Earmarked	91,215	(41,548)	-	64,553	114,219	(54,971)	-	50,838	110,086
Special Parking Account (SPA)	409	-	-	1,527	1,936	(22)	-	-	1,914
Total Earmarked Reserves	91,624	(41,548)	-	66,080	116,155	(54,993)	-	50,838	112,000

- i) Capital financing - receipts not yet applied to capital expenditure to enable the effective management of the medium term financial strategy
- ii) Infrastructure - the new homes bonus is set aside in this reserve to fund the cost of infrastructure in Barnet
- iii) Risk – to manage litigation and other corporate risks not otherwise recognised
- iv) Service development - to fund new commissions and service transformation proposals
- v) Transformation – to fund the transformation programme to change, protect and improve council services
- vi) Service –other - Including: Dedicated Schools Grant (DSG) – balances in respect of delegated schools budgets. Changes in Benefit subsidy – to cover anticipated costs in respect of Department for Works and Pensions enforced changes to benefits administration. Street lighting scheme – improvements to management.

9. Other Operating Expenditure

	2015/16 £'000	2014/15 £'000
Precepts and levies	1,454	1,450
Trading operations	1,062	2,028
Contribution to government housing pool	2,585	1,583
(Gain) / loss on disposal *	3,110	(806)
Total	8,211	4,255

* £5.280m transferred in respect of two schools to academy status in 2015/16 (in 2014/15 no schools transferred).

Notes to the Accounts

10. Financing and Investment Income and Expenditure

	2015/16 £'000	2014/15 £'000
Interest and Investment Income	(4,111)	(4,122)
Net interest on the net defined benefit liability	14,890	15,980
Interest payable and similar charges	6,071	6,337
Movement in investment property valuation	(8,235)	(20,721)
Total	8,615	(2,526)

11. Taxation and Non-Specific Grant Income

	2015/16 £'000	2014/15 £'000
Demand on Collection Fund	(178,948)	(173,908)
Revenue grant support	(50,240)	(65,246)
Business Rates Related	(20,390)	(19,004)
Non-specific grants	(21,240)	(19,949)
Public Health Grant	(15,879)	(14,335)
Capital grants unapplied	(8,903)	(22,908)
Capital grants applied	(10,403)	(10,112)
Total	(306,003)	(325,462)

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

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

The valuation date for council dwellings was 31 March 2016. Where applicable the valuation date for all other assets was 1 April 2015. This date was used as directed by the RICS, to allow sufficient time to collect and assess valuation information.

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

From 2015/16, local authority maintained schools are capable of being treated as separate entities for control purposes. As a consequence, schools' assets, will be recognised in the Council's single entity accounts where applicable.

For 2015/16 each school has been considered on a school by school basis, to establish whether the school controls the non-current assets (including land, property, plant, equipment and playing fields). As a result all community and foundation schools have been included in the Balance Sheet.

At 31 March 2016, the council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years, budgeted to cost £32.917m (£20.702m in 2014/15).

Notes to the Accounts

Movement in Property, Plant and Equipment, Heritage Assets, Investment Properties, Intangible Assets and Assets Held for Sale 2015/16

	Property, Plant and Equipment (PPE)								Total PPE £'000	Heritage Assets £'000	Investment Properties £'000	Intangible assets £'000	Assets Held for Sale £'000	Total Assets £'000
	Council House Dwellings	Other land and Buildings	Schools	Vehicles Plant and Equipment	Infrastructure	Community Assets	Surplus assets	Assets under Construction						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000						
Value of Assets at 31 March 2015	659,097	142,124	227,335	58,991	168,045	316	18,320	15,362	1,289,590	1,084	101,266	13,825	350	1,406,115
Reclassifications	1,170	48	(1,890)	-	-	39	665	-	32	-	(32)	-	-	-
Additions from Assets under Construction	33,384	15,502	4,981	2,204	25,929	-	-	(98,244)	(16,244)	-	15,527	717	-	-
Additions	-	-	-	-	430	-	-	108,943	109,373	-	-	-	-	109,373
Revaluation increases recognised in the Revaluation Reserve	-	5,208	10,122	-	-	-	5,930	-	21,260	577	-	-	-	21,837
Revaluation decreases recognised in the Revaluation Reserve	(17,607)	(2,276)	(801)	-	-	(5)	-	-	(20,689)	(3)	-	-	-	(20,692)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Service	42,862	2,411	4,004	-	-	-	-	-	49,277	12	9,244	-	-	58,533
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	(2,701)	-	-	-	(10)	-	-	(2,711)	(103)	(1,028)	-	-	(3,842)
Derecognition - Disposals	(11,483)	(72)	(5,681)	-	-	-	-	-	(17,236)	-	(7,851)	-	(350)	(25,437)
Derecognition - Other	-	(23)	-	-	(133)	-	-	-	(156)	-	-	(1,322)	-	(1,478)
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Value of Assets at 31 March 2016	707,423	160,221	238,070	61,195	194,271	340	24,915	26,061	1,412,496	1,567	117,126	13,220	-	1,544,409
Accumulated Depreciation at 31 March 2015	(19,003)	(15,654)	(7,368)	(39,694)	(88,593)	-	(85)	-	(170,397)	(4)	(2)	(6,625)	-	(177,028)
Reclassifications	(16)	(51)	93	-	-	(7)	-	-	19	-	(19)	-	-	-
Writeback of depreciation on revaluation	19,019	6,743	6,877	-	-	7	-	-	32,646	4	19	-	-	32,669
Derecognition - Disposals	-	6	466	-	-	-	-	-	472	-	-	-	-	472
Derecognition - Other	-	23	-	-	133	-	-	-	156	-	-	1,322	-	1,478
Depreciation charge	(21,477)	(5,221)	(8,280)	(3,413)	(11,240)	-	(28)	-	(49,659)	-	-	(1,267)	-	(50,926)
	(21,477)	(14,154)	(8,212)	(43,107)	(99,700)	-	(113)	-	(186,763)	-	(2)	(6,570)	-	(193,335)
Net book value of Assets at 31 March 2015	640,094	126,470	219,967	19,297	79,452	316	18,235	15,362	1,119,193	1,080	101,264	7,200	350	1,229,087
Net book value of Assets at 31 March 2016	685,946	146,067	229,858	18,088	94,571	340	24,802	26,061	1,225,733	1,567	117,124	6,650	-	1,351,074

Notes to the Accounts

Movement in Property, Plant and Equipment, Heritage Assets, Investment Properties, Intangible Assets and Assets Held for Sale 2014/15

	Property, Plant and Equipment (PPE)								Total PPE £'000	Heritage Assets £'000	Investment Properties £'000	Intangible assets £'000	Assets Held for Sale £'000	Total Assets £'000
	Council House Dwellings	Other land and Buildings	Schools	Vehicles Plant and Equipment	Infrastructure	Community Assets	Surplus assets	Assets under Construction						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000						
Value of Assets at 31 March 2014	652,133	163,692	207,036	55,766	162,213	336	16,595	44,270	1,302,041	1,112	68,306	7,759	398	1,379,616
Reclassifications	-	(19,522)	-	(73)	-	(10)	-	-	(19,605)	-	19,605	-	-	-
Additions from Assets under Construction	25,572	1,959	32,259	3,298	5,415	-	-	(74,569)	(6,066)	-	-	6,066	-	-
Additions	-	-	-	-	417	-	-	45,661	46,078	-	-	-	-	46,078
Revaluation increases recognised in the Revaluation Reserve	1,359	-	2,016	-	-	-	1,725	-	5,100	-	-	-	-	5,100
Revaluation decreases recognised in the Revaluation Reserve	(31)	(2,040)	(11,798)	-	-	-	-	-	(13,869)	(28)	-	-	-	(13,897)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Service	-	565	2,821	-	-	-	-	-	3,386	-	22,258	-	-	25,644
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(3,821)	(2,410)	(4,999)	-	-	(10)	-	-	(11,240)	-	(1,772)	-	-	(13,012)
Derecognition - Disposals	(16,115)	(120)	-	-	-	-	-	-	(16,235)	-	(7,131)	-	(48)	(23,414)
Derecognition - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Value of Assets at 31 March 2015	659,097	142,124	227,335	58,991	168,045	316	18,320	15,362	1,289,590	1,084	101,266	13,825	350	1,406,115
Accumulated Depreciation at 31 March 2014	(67,343)	(18,744)	(9,881)	(36,358)	(77,735)	-	(56)	-	(210,117)	(12)	(2)	(5,967)	-	(216,098)
Reclassifications	-	211	-	25	-	-	-	-	236	-	(236)	-	-	-
Writeback of depreciation on revaluation	67,343	7,065	9,716	-	-	-	-	-	84,124	8	236	-	-	84,368
Derecognition - Disposals	-	55	-	-	-	-	-	-	55	-	-	-	-	55
Derecognition - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge	(19,003)	(4,241)	(7,203)	(3,361)	(10,858)	-	(29)	-	(44,695)	-	-	(658)	-	(45,353)
	(19,003)	(15,654)	(7,368)	(39,694)	(88,593)	-	(85)	-	(170,397)	(4)	(2)	(6,625)	-	(177,028)
Net book value of Assets at 31 March 2014	584,790	144,948	197,155	19,408	84,478	336	16,539	44,270	1,091,924	1,100	68,304	1,792	398	1,163,518
Net book value of Assets at 31 March 2015	640,094	126,470	219,967	19,297	79,452	316	18,235	15,362	1,119,193	1,080	101,264	7,200	350	1,229,087

Notes to the Accounts

13. Heritage Assets

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

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

14. Investment Properties

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

Investment Properties	2015/16	2014/15
	£'000	£'000
Rental income from investment property	(2,746)	(2,797)
Direct operating expenses arising from investment property	-	-
Net gain	<u>(2,746)</u>	<u>(2,797)</u>

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

Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

Valuation Techniques available to determine the Fair Values for Investment Properties

- Quoted prices in active markets for identical assets that the authority can access at the measurement date (Level 1)
- Significant Observable inputs, are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. This will include where applicable recent sales prices and other relevant information such as full rental value for similar assets in the local authority area. (Level 2).
- Significant unobservable inputs are inputs for which market data is not available and that are developed using the best information available to the authority about the assumptions that market participants would use when pricing the asset or liability. For example where the assets are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the authority's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs etc, and there is no reasonably available information that indicates that market participants would use different assumptions. (Level 3)

All investment properties are valued using level 2 observable inputs

Highest and Best Use of Investment Properties

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

Notes to the Accounts

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

15. Intangible Assets

The council accounts for its software as intangible assets, unless the software is an integral part of a particular IT system in which case it is accounted for as part of the hardware item of Property, Plant and Equipment. None of the intangible assets have been internally generated. Movements on Intangible Asset balances are detailed in Note 12 (Movement in Property, Plant and Equipment, Investment Properties, Intangible Assets and Assets Held for Sale).

16. Financial Instruments

Financial Liabilities

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

The council's loan portfolio at year end consisted of Public Works Loan Board (PWLB) and market debt. Under the 15/16 Code these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Comprehensive Income and Expenditure Statement.

Financial Assets

A Financial Asset is a right to future economic benefits controlled by the council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

The three classifications for financial assets under the Code:

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

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

Balances in money market funds and call accounts at 31 March 2016 are shown under 'cash and cash equivalents' in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value.

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

Notes to the Accounts

Transaction Costs

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

Financial Instruments - Balances

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

	Long Term 31 March 2016 £'000	Long Term 31 March 2015 £'000	Current 31 March 2016 £'000	Current 31 March 2015 £'000
Borrowing	304,704	304,735	1,433	2,777
Trade Creditors	-	-	65,359	40,342
Bank Overdraft	-	-	1,290	16,880
PFI/Finance Lease Liabilities	16,401	16,780	378	334
Total Financial Liabilities at amortised cost	321,105	321,515	68,460	60,333
Loans	830	825		-
Receivables	12,973	23,090	273,798	327,215
Total Financial Assets	13,803	23,915	273,798	327,215

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

	Long Term 31 March 2016 £'000	Long Term 31 March 2015 £'000	Current 31 March 2016 £'000	Current 31 March 2015 £'000
Borrowing:				
Nominal Amount	304,080	304,080	-	-
Accrued Interest	-	-	1,433	2,777
Unamortised Discounts/(Premiums) on Modified Loan(s)	624	655	-	-
Total Borrowings as per Balance Sheet	304,704	304,735	1,433	2,777
Investments:				
Nominal Amount	12,952	22,953	161,600	203,700
Accrued Interest	21	137	641	712
Total Investments as per Balance Sheet	12,973	23,090	162,241	204,412

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under 'current liabilities' or 'current investments'. This would include accrued interest on long term liabilities and investments that are payable/receivable in 2015/16.

Notes to the Accounts

Current investments include £115.626m which appears on the Balance Sheet under cash and cash equivalents being investments repayable within 90 days. The balance of £46.615m is shown as short term investments.

Soft Loans – Balances

From 1 April 2015, the Care Act 2014 made it a legal requirement for local authorities in England to offer Deferred Payment Agreements (DPAs) to fund residential care fees for individuals meeting certain eligibility criteria. This was previously a discretionary arrangement. In 2015/16, the Council held £0.060m in loans to individuals to fund residential care fees. These have been accounted for as 'soft loans' because the authority has elected to charge below the statutorily prescribed maximum interest rate.

Financial Instruments - Gains and Losses

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

	Financial Liabilities	Financial Assets	Total
	Liabilities measured at amortised cost	Loans and receivables	
	£'000	£'000	£'000
Interest payable and similar charges	(11,747)	-	(11,747)
Interest income	-	1,535	1,535
Net (loss)/gain for the year	(11,747)	1,535	(10,212)

Financial Instruments - Fair Values

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

The Council's long term loans are carried in the Balance Sheet at amortised cost. Investments consist of loans and receivables which are carried on the Balance Sheet at amortised cost.

The portion of debt and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under short term liabilities or short term investments. This also includes accrued interest for long term investments and borrowings, as well as accrued interest for cash and cash equivalents.

The Code requires the fair values of these assets and liabilities to be disclosed for comparison purposes.

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

The Code sets out the fair value valuation hierarchy that should be followed to increase consistency and comparability in fair value measurements and related disclosures.

The valuation basis adopted in this report uses Level 2 inputs – i.e. inputs other than quoted prices that are observable for the financial asset/liability. These have been independently measured and provided by the Council's treasury advisor Capita Asset Services.

The following valuation basis has been used:

Notes to the Accounts

- Valuation of fixed term deposits (maturity investments): The valuation is made by comparing the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit.
- Valuation of loans receivable: For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- Valuation of PWLB loans: For loans from the PWLB, fair value estimates using both redemption and new borrowing (certainty rate) discount rates have been used. As the Debt Management Office provides a transparent approach to allow the exit cost of PWLB loans to be calculated this can be used for disclosure purposes.
- Valuation of non-PWLB loans payable: For non-PWLB loans, fair value estimates using both PWLB redemption and new loan discount rates has been used.

Inclusion of accrued interest

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

Discount rates used in NPV calculation

The rates quoted in this valuation were obtained by Capita Asset Services from the market on 31 March 2016, using bid prices where applicable.

The fair value of a financial instrument on initial recognition is generally the transaction price. The council's debt outstanding at 31 March 2015 and 31 March 2016 consisted of loans from PWLB and market loans. The PWLB has provided the council with fair value amounts in relation to its debt portfolio. The PWLB has assessed the fair values by calculating the amounts the council would have had to pay to extinguish the loans on these dates. In the case of market loans, the council's treasury adviser has calculated the fair value based on equivalent swap rates at the Balance Sheet date.

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

Short term instruments and deferred liabilities	Carrying Amount		Fair Value	
	31 March 2016	31 March 2016	31 March 2015	31 March 2015
	£'000	£'000	£'000	£'000
Financial Liabilities:				
Borrowing	306,137	352,670	307,512	413,558
Deferred Liabilities	14,255	14,255	13,444	13,444
Trade Payables (Creditors)	65,359	65,359	42,502	42,502
Total Financial Liabilities	385,751	432,284	363,458	469,504
Financial Assets:				
Long Term Investments	12,973	12,973	23,090	23,090
Short Term Deposits	115,626	115,626	171,171	171,171
Short Term Investments	46,615	46,615	33,241	33,241
Trade Receivables (Debtors)	98,878	98,878	87,437	87,437
Total Financial Assets	274,092	274,092	314,939	314,939

Notes to the Accounts

The fair value for financial assets and financial liabilities in the table above are measured as Level 2 inputs (other significant observable inputs).

Financial Liabilities

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

Financial Assets

The fair value for long term investments at the Balance Sheet date includes £2.942m representing the outstanding investment in Icelandic banks.

17. Inventories

	31 March 2016 £'000	31 March 2015 £'000
Stock	608	612
Total	608	612

18. Construction Contracts

At 31 March 2016 the council had no construction contracts in progress. The construction of a free school for the Department for Education (DfE) was completed in 2014/15 with final costs incurred in that year of £0.060m.

19. Debtors

	31 March 2016 £'000	31 March 2015 £'000
Central Government Bodies	17,869	10,759
Other Local Authorities	290	475
Public Corporations and Trading Funds	726	596
NHS bodies	3,888	99
Other Bodies	98,878	87,437
Payments in Advance	39,202	27,489
Sub total	160,853	126,855
Less: provision for bad debts	(33,873)	(32,655)
Net Total	126,980	94,200

The following approach was taken with regards to estimating the provision for bad debts. In this context, provision for bad debts means the extent to which the original amount of debt is impaired (recovery could be doubtful). The council will still continue to pursue these debts. The council's debtors were considered collectively for impairment, as there was no individual

Notes to the Accounts

debtor that was considered to be individually significant. Total debtors were then divided into the following sub-group:

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

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

20. Assets Held for Sale

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

21. Cash and Cash Equivalents

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

	31 March 2016 £'000	31 March 2015 £'000
Cash	12,679	35,366
Short term deposits	115,626	171,171
Amount disclosed in Current Assets	128,305	206,537
Overdraft: disclosed in Current Liabilities	(1,290)	(16,880)
Total	127,015	189,657

Excluded from Cash and Cash Equivalents is £1.603m held on behalf of third parties and not available to support the council's operations.

22. Creditors

	31 March 2016 £'000	31 March 2015 £'000
Central Government Bodies	17,356	23,451
Other Local Authorities	5,240	5,299
Public Corporations and Trading Funds	5,970	8,924
NHS bodies	1,297	-
Other Bodies	65,359	42,502
Receipts in Advance	10,250	10,261
Creditor total	105,472	90,437

23. Provisions

Provisions are amounts of money set aside to meet liabilities that have arisen from past events and which are likely to result in the future transfer of economic benefit to a third party. However, the precise amount and timing of such a transfer is uncertain. Provisions are included as expenditure within the Deficit/Surplus on Continuing Operations within the

Notes to the Accounts

Comprehensive Income and Expenditure Statement and are split between current and long term on the Balance Sheet.

Provisions

	Note	As at 1 April 2014 £'000	In year related payments £'000	Written back in year £'000	New provisions raised £'000	As at 1 April 2015 £'000	In year related payments £'000	Written back in year £'000	New provisions raised £'000	As at 31 March 2016 £'000
Carbon Reduction Commitment		373	(373)	-	-	-	-	-	-	-
Grants to Voluntary Sector	i)	105	(71)	(12)	61	83	(102)	-	19	-
Housing and Property	ii)	256	-	-	-	256	(256)	-	117	117
Insurance	iii)	8,850	-	-	-	8,850	-	-	-	8,850
Legal	iv)	84	(29)	-	794	849	(744)	-	136	241
Services Provision	v)	795	(376)	-	347	766	(540)	-	261	487
Redundancy Costs		52	(52)	-	-	-	-	-	120	120
Business Rates Appeals	vi)	-	-	-	2,640	2,640	-	-	1,800	4,440
Total		10,515	(901)	(12)	3,842	13,444	(1,642)	-	2,453	14,255
						Short Term	7,691		Short Term	7,698
						Long term	5,753		Long term	6,557

- i) Grants to Voluntary Sector - Awards, or proportions of awards, to voluntary and community groups from the corporate grants budget in previous years remain outstanding pending compliance with special conditions in each case.
- ii) Housing and Property - Relates predominately to the North London Business Park service charges.
- iii) Insurance - Provision is for liabilities that have occurred but where the timing of the payment is dependent upon the claim settlement process. The provision reflects 100% of the council's ultimate projected liabilities.
- iv) Legal - This provision is to cover the potential liability of an ongoing legal case.
- v) Service Provision – The majority of items relate to residential care- ordinary residents cases.
- vi) Business Rates Appeals - Provision is to cover settlement of previous and potential appeals by rate payers.

24. Usable Reserves

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

Notes to the Accounts

25. Unusable Reserves

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

	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Accumulating Absences Adjustment Account	Deferred Capital Receipts	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2015	134,414	708,105	(546)	6,919	(476,254)	(4,576)	111	368,173	666,285
Movement in reserves during 2015/16									
Surplus on provision of services	-	-	-	-	-	-	-	-	31,022
Other Comprehensive Income	33,794	-	-	-	23,592	-	-	57,386	57,386
Total Comprehensive Income and Expenditure	33,794	-	-	-	23,592	-	-	57,386	88,408
Adjustments between accounting basis and funding basis under regulations	(7,433)	52,795	2	(1,385)	(16,475)	(237)	(65)	27,202	-
Net Increase / (Decrease) before Transfers from/to Earmarked Reserves	26,361	52,795	2	(1,385)	7,117	(237)	(65)	84,588	88,408
Transfer from Earmarked Reserves	-	18,302	-	-	-	-	-	18,302	-
Increase / (Decrease) in Year	26,361	71,097	2	(1,385)	7,117	(237)	(65)	102,890	88,408
Balance as at 31 March 2016	160,775	779,202	(544)	5,534	(469,137)	(4,813)	46	471,063	754,693

	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Pension Reserve	Accumulating Absences Adjustment Account	Deferred Capital Receipts	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2014	130,844	655,664	(536)	9,382	(373,665)	(5,508)	183	416,364	653,994
Movement in reserves during 2014/15									
Surplus on provision of services	-	-	-	-	-	-	-	-	92,442
Other Comprehensive Income and Expenditure	8,164	-	-	-	(88,315)	-	-	(80,151)	(80,151)
Total Comprehensive Income and Expenditure	8,164	-	-	-	(88,315)	-	-	(80,151)	12,291
Adjustments between accounting basis and funding basis under regulations	(4,594)	52,441	(10)	(2,463)	(14,274)	932	(72)	31,960	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	3,570	52,441	(10)	(2,463)	(102,589)	932	(72)	(48,191)	12,291
Transfer from/to Earmarked Reserves	-	-	-	-	-	-	-	-	-
Increase / (Decrease) in Year	3,570	52,441	(10)	(2,463)	(102,589)	932	(72)	(48,191)	12,291
Balance as at 31 March 2015	134,414	708,105	(546)	6,919	(476,254)	(4,576)	111	368,173	666,285

Notes to the Accounts

Revaluation Reserve

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

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

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

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as financing for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the accounts, apart from those involving the Revaluation Reserve.

Financial Instruments Adjustment Account

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

The council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in the

Notes to the Accounts

Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require that benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Deferred Capital Receipts Reserve

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

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Accumulated Absences Account

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

Notes to the Accounts

26. Operating Activities

Net Cash Flows from Operating Activities	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Net Surplus on the Provision of Services		31,022		92,442
Adjust net Surplus on the Provision of Services for non cash movements				
Depreciation	52,816		46,699	
Impairment and downward valuations	(49,502)		(65,396)	
Amortisation	1,265		659	
Increase/(Decrease) in Creditors	10,110		(2,404)	
(Increase)/Decrease in Debtors	(31,765)		14,643	
Decrease in Inventories	4		51	
Increase in Pension Liability	16,097		14,274	
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	23,016		23,356	
Other non-cash items charged to the net Surplus on the Provision of Services	(6,146)		(9,928)	
		15,895		21,954
Adjust for items included in the net Surplus on the Provision of Services that are investing or financing activities				
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(22,230)		(26,307)	
Any other item of which the cash effects are investing or financing cashflow	(31,946)		(47,469)	
		(54,176)		(73,776)
Net Cash Flows from Operating Activities		(7,259)		40,620

Operating activities within the cash flow statement include the following cash flows relating to interest	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Ordinary interest received	1,364		1,325	
Interest charge for year	(4,696)		(7,733)	
Net Interest		(3,332)		(6,408)

Notes to the Accounts

27. Investing Activities

Cash Flows from Investing Activities	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Property, Plant and Equipment purchased	(103,671)		(53,747)	
Purchase of short term investments	(46,602)		(38,241)	
Other payments for Investing Activities	(71)		-	
Proceeds from the sale of Property Plant and Equipment, Investment Property and Intangible Assets	22,296		26,379	
Proceeds from short term investments	43,345		26,832	
Other Receipts from Investing Activities	31,946		47,485	
Total Cash Flows from Investing Activities		(52,757)		8,708

28. Financing Activities

Cash Flows from Financing Activities	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	(335)		(296)	
Other payments/receipts for financing activities	(2,281)		2,871	
Total Cash Flows from Financing Activities		(2,616)		2,575

29. Amounts Reported for Resource Allocation Decisions

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

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payments of employer's pension contributions) rather than current service cost of benefits accrued in the year in directorates.

Notes to the Accounts

Service Area	2015/16		
	Budget	Actual	(Under)/ Overspend
	£'000	£'000	£'000
Adults and Communities	87,756	90,591	2,835
Assurance	4,193	4,132	(61)
Central Expenses	49,279	47,216	(2,063)
Education and Skills	7,248	7,248	-
Family Services (inc DSG)	48,415	48,466	51
Commissioning Group	21,019	21,019	-
Customer and Support Group	22,107	22,607	500
HB Public Law	2,011	2,329	318
Housing Needs and Resources	5,560	5,772	212
Parking and Infrastructure	(717)	(752)	(35)
Public Health	15,835	15,835	-
Regional Enterprise (Re)	1,130	1,712	582
Registrar Service	(161)	(34)	127
Street Scene	14,290	14,152	(138)
Total Expenditure	277,965	280,293	2,328
Schools Services contribution			1,444
Movement on General Fund (MiRS)			3,772

School balances at 31 March 2016 were £11.636m (£13.079m as at 31 March 2015). This is a decrease in the schools balances of £1.444m which combined with the outturn decrease in the General Fund of £2.328m shown in the table above gives the overall decrease of £3.772m as seen in the Movement in Reserves Statement.

Notes to the Accounts

Subjective Analysis by Service Area 2015/16

Service Area Income and Expenditure 2015/16	Adults and Communities	Assurance	Central Expenses	Education and Skills	Family Service (inc DSG)	Commissioning Group	Customer and Support Group	HB Public Law	Housing Needs and Resources	Parking and Infrastructure	Public Health	Regional Enterprise (Re)	Registrar Service	Street Scene	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income															
Grants, Fees and Charges	33,470	874	2,277	13,419	230,000	271,413	9,888	1,003	20,174	12,877	312	33,051	733	4,580	634,071
	33,470	874	2,277	13,419	230,000	271,413	9,888	1,003	20,174	12,877	312	33,051	733	4,580	634,071
Expenditure															
Employment Costs	16,389	3,683	4,564	11,861	30,674	11,208	15	-	-	1,349	1,559	30	511	14,926	96,769
Other Service Costs	107,672	1,323	44,929	8,806	247,792	281,224	32,480	3,332	25,946	10,776	14,588	34,733	188	3,806	817,595
	124,061	5,006	49,493	20,667	278,466	292,432	32,495	3,332	25,946	12,125	16,147	34,763	699	18,732	914,364
Outturn reported to Management	90,591	4,132	47,216	7,248	48,466	21,019	22,607	2,329	5,772	(752)	15,835	1,712	(34)	14,152	280,293
Recharges	6,863	(461)	29	3,169	10,103	(19,530)	(15,908)	(2,329)	1,409	982	209	4,042	98	11,324	-
Net employer pension costs (IAS 19)	201	42	(1,585)	167	792	139	-	-	-	24	-	-	-	220	-
Capital charges	202	19	(41,760)	494	25,886	330	(4,632)	-	128	2,088	-	14,315	28	2,902	-
Directorate Outturn	97,857	3,732	3,900	11,078	85,247	1,958	2,067	-	7,309	2,342	16,044	20,069	92	28,598	280,293

Service Area Income and Expenditure 2014/15

Service Area Income and Expenditure 2014/15	Adults and Communities*	Assurance*	Central Expenses	Education and Skills*	Family Service (inc DSG)*	Commissioning Group*	Customer and Support Group	HB Public Law	Housing Needs and Resources	Parking and Infrastructure	Public Health	Regional Enterprise (Re)	Registrar Service*	Street Scene	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income															
Grants, Fees and Charges	29,358	974	2,612	12,658	226,363	259,030	18,436	773	15,840	14,727	-	25,043	642	7,479	613,935
	29,358	974	2,612	12,658	226,363	259,030	18,436	773	15,840	14,727	-	25,043	642	7,479	613,935
Expenditure															
Employment Costs	17,312	3,883	3,573	10,926	30,772	10,295	12	-	-	1,210	32	30	530	15,889	94,464
Other Service Costs	103,696	1,505	63,391	9,141	245,133	258,612	41,765	2,656	21,010	12,391	14,303	26,270	100	6,989	806,962
	121,008	5,388	66,964	20,067	275,905	268,907	41,777	2,656	21,010	13,601	14,335	26,300	630	22,878	901,426
Outturn reported to Management	91,650	4,414	64,352	7,409	49,542	9,877	23,341	1,883	5,170	(1,126)	14,335	1,257	(12)	15,399	287,491
Recharges	4,671	(631)	29	5,243	10,620	(5,183)	(19,008)	(1,883)	469	238	130	1,926	11	3,368	-
Net employer pension costs (IAS 19)	(135)	(30)	1,707	(98)	(1,206)	(79)	-	-	-	(15)	-	-	-	(144)	-
Capital charges	526	19	(42,220)	-	36,783	2,602	(18,167)	-	129	1,837	-	15,563	769	2,159	-
Directorate Outturn	96,712	3,772	23,868	12,554	95,739	7,217	(13,834)	-	5,768	934	14,465	18,746	768	20,782	287,491

* re-stated

Notes to the Accounts

Reconciliation to Subjective Analysis 2015/16

Reconciliation to Subjective Analysis 2015/16	Service Area Analysis	Services not in Analysis (HRA)	Amounts not reported to Committee	Amounts not included in CIES	Allocation of Recharges	Deficit on Continuing Operations	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grants, Fees and Charges	634,071	66,893	-	-	-	700,964	-	700,964
Depreciation, Amortisation and Impairment	-	-	(29,055)	-	-	(29,055)	42,029	12,974
Interest and Investment Income	-	243	-	-	-	243	4,111	4,354
Income from Council Tax	-	-	-	-	-	-	306,003	306,003
Income	634,071	67,136	(29,055)	-	-	672,152	352,143	1,024,295
Employment Costs	96,769	18	-	-	-	96,787	(23,592)	73,195
Other Service Costs	817,595	32,772	(76,641)	-	-	773,726	26,062	799,788
Depreciation, Amortisation and Impairment	-	34,346	25,448	-	-	59,794	-	59,794
Loss on disposal of non-current assets	-	-	-	-	-	-	3,110	3,110
Expenditure	914,364	67,136	(51,193)	-	-	930,307	5,580	935,887
Total Comprehensive Income and Expenditure	(280,293)	-	22,138	-	-	(258,155)	346,563	88,408

Reconciliation to Subjective Analysis 2014/15

Reconciliation to Subjective Analysis 2014/15	Service Area Analysis	Services not in Analysis (HRA)	Amounts not reported to Committee	Amounts not included in CIES	Allocation of Recharges	Deficit on Continuing Operations	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grants, Fees and Charges	613,935	69,234	-	-	-	683,169	-	683,169
Depreciation, Amortisation and Impairment	-	-	(40,540)	-	-	(40,540)	8,164	(10,849)
Interest and Investment Income	-	1,522	19,603	-	-	21,125	4,122	25,247
Income from Council Tax	-	-	-	-	-	-	325,462	325,462
Income	613,935	70,756	(20,937)	-	-	663,754	337,748	1,023,029
Employment Costs	94,464	157	-	-	-	94,621	88,315	182,936
Other Service Costs	806,962	51,027	(133,610)	-	-	724,379	6,657	747,502
Depreciation, Amortisation and Impairment	-	19,572	56,473	-	-	76,045	-	76,045
Gain on disposal of non-current assets	-	-	-	-	-	-	(806)	4,255
Expenditure	901,426	70,756	(77,137)	-	-	895,045	94,166	1,010,738
Total Comprehensive Income and Expenditure	(287,491)	-	56,200	-	-	(231,291)	243,582	12,291

Notes to the Accounts

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

	2015/16	2014/15
	£'000	£'000
Reconciliation to CIES		
Outturn reported to Council	280,293	287,491
Settlement of HRA self-financing		
Revaluations and Pension costs charged to services	(22,138)	(56,200)
(Surplus)/Deficit on Continuing Operations	258,155	231,291
Loss on transfer of Schools to Academies	5,280	-
Other operating expenditure	2,931	4,255
Net Interest received or paid on investments and loans	8,615	(2,526)
Council Tax, Business Rates and Grant Income	(306,003)	(325,462)
(Surplus)/Deficit on the Provision of Services	(31,022)	(92,442)
(Surplus)/Deficit on revaluation of non-current assets	(33,794)	(8,164)
(Gains) or Losses on the pension fund	(23,592)	88,315
Total Comprehensive Income and Expenditure	(88,408)	(12,291)

30. Acquired and Discontinued Operations

The operation acquired in 2014/15 was in respect of public health services to the community. This is operated as a shared service with the London Borough of Harrow with the London Borough of Harrow discharging Barnet's relevant functions through the service in accordance with Section 101 of the 1972 Local Government Act and of the Local Government (arrangements for the discharge of functions) (England) Regulations 2000. In October 2015 a further part of this service - the commissioning 0-5 children's public health services element was transferred from the Department for Health.

There are no discontinued operations.

31. Trading Operations

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

Notes to the Accounts

2015/16	Income	Internal Expenditure	Trading
	recharges	recharges	surplus/ (deficit)
	£000	£000	£000
Catering	9,378	(49)	(9,183)
Transport	414	7,372	(7,636)
Other	-	(209)	-
Total	9,792	7,114	(16,819)

2014/15	Income	Internal Expenditure	Trading
	recharges	recharges	surplus/ (deficit)
	£000	£000	£000
Catering	8,698	(2,052)	(8,565)
Transport	488	7,226	(7,824)
Other	-	(161)	-
Total	9,186	5,013	(16,389)

32. Pooled Budgets

The authority has eight pooled budget arrangements with Barnet Clinical Commissioning Group (CCG).

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

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

Section 75 agreement in respect of Community Equipment Services

	2015/16			2014/15		
	Total	Barnet	Barnet CCG	Total	Barnet	NHS Barnet
	£'000	£'000	£'000	£'000	£'000	£'000
Equipment, servicing and repairs	1,900	665	1,235	2,214	1,143	1,071
Contract management (including delivery, collection and storage)	622	397	225	563	344	219
Total	2,522	1,062	1,460	2,777	1,487	1,290

Notes to the Accounts

Section 75 agreement in respect of Learning Disability Services

	2015/16			2014/15		
	Total	Barnet	Barnet CCG	Total	Barnet	NHS Barnet
	£'000	£'000	£'000	£'000	£'000	£'000
Social Work Team (Staff & Non-staff budget)	2,639	1,017	1,622	2,786	1,164	1,622
Head of Service contribution	80	40	40	80	40	40
Transition Team (Staff & non-staff budget)	234	234	-	189	189	-
Accommodation & IT support	227	-	227	227	-	227
	3,180	1,291	1,889	3,282	1,393	1,889

Section 75 agreement in respect of Learning Disability Services for the campus re-provision programme.

	2015/16			2014/15		
	Total	Barnet	Barnet CCG	Total	Barnet	NHS Barnet
	£'000	£'000	£'000	£'000	£'000	£'000
Campus re-provision services	1,707	870	837	1,546	800	746
	1,707	870	837	1,546	800	746

Section 75 agreement in respect of Voluntary Services Commissioning within a Prevention Framework

	2015/16			2014/15		
	Total	Barnet	Barnet CCG	Total	Barnet	NHS Barnet
	£'000	£'000	£'000	£'000	£'000	£'000
Third party contract payments	2,504	1,772	732	2,504	1,772	732
	2,504	1,772	732	2,504	1,772	732

Notes to the Accounts

Section 75 agreement in respect of Better Care Fund

	2015/16			2014/15		
	Total	Barnet	Barnet CCG	Total	Barnet	NHS Barnet
	£'000	£'000	£'000	£'000	£'000	£'000
Carers Support	300	300	-	-	-	-
Integrated Care	1,159	1,159	-	-	-	-
Personalised Support	993	993	-	-	-	-
Reablement	238	238	-	-	-	-
Social Care	2,373	2,373	-	-	-	-
Care Act	846	846	-	-	-	-
Disabled Facilities Grant	1,066	1,066	-	-	-	-
Social Care Capital Grant	806	806	-	-	-	-
Community Equipment (see note above)						
Frail Elderly	508	-	508	-	-	-
Community Services	10,125	-	10,125	-	-	-
Enablement	377	-	377	-	-	-
Hospice Contracts	1,245	-	1,245	-	-	-
Memory Assessment	215	-	215	-	-	-
Additional Enablement	845	-	845	-	-	-
	21,096	7,781	13,315	-	-	-

Section 75 agreement in respect of the provision of Occupational Therapy services in relation to Speech and Language Therapy

	2015/16			2014/15		
	Total	Barnet	Barnet CCG	Total	Barnet	NHS Barnet
	£'000	£'000	£'000	£'000	£'000	£'000
Third party contract payments	1,999	349	1,650	1,999	349	1,650
	1,999	349	1,650	1,999	349	1,650

Section 75 agreement in respect of the provision of Occupational Therapy services

	2015/16			2014/15		
	Total	Barnet	Barnet CCG	Total	Barnet	NHS Barnet
	£'000	£'000	£'000	£'000	£'000	£'000
Third party contract payments	401	60	341	401	60	341
	401	60	341	401	60	341

Notes to the Accounts

Section 75 agreement in respect of the provision of Occupational Therapy services in relation to Looked After Children

	2015/16			2014/15		
	Total	Barnet	Barnet CCG	Total	Barnet	NHS Barnet
	£'000	£'000	£'000	£'000	£'000	£'000
Third party contract payments	132	41	91	132	41	91
	132	41	91	132	41	91

33. Members' Allowances

	2015/16	2014/15
	£'000	£'000
Member Allowances	1,098	1,143
Member Expenses	61	63
	1,159	1,206

34. Officers' Remuneration

The number of employees who received taxable remuneration in excess of £0.050m, excluding employer's pension contributions for the year (including teachers) was:

Remuneration band	2015/16	2014/15
	Total Number of Employees	Total Number of Employees
£50,000 - £54,999	156	95
£55,000 - £59,999	75	69
£60,000 - £64,999	45	46
£65,000 - £69,999	36	39
£70,000 - £74,999	24	21
£75,000 - £79,999	15	16
£80,000 - £84,999	11	18
£85,000 - £89,999	10	11
£90,000 - £94,999	6	10
£95,000 - £99,999	5	4
£100,000 - £104,999	3	3
£105,000 - £109,999	5	3
£110,000 - £114,999	4	4
£115,000 - £119,999	-	2
£120,000 - £124,999	1	1
£125,000 - £129,999	2	1
£130,000 - £134,999	-	1
>£150,000	2	4
Total	400	348

Notes to the Accounts

Senior Officers 2015/16

Senior Officers are defined as all those whose salary is £0.150m or above, the following statutory posts; Head of Paid service, Director of Children’s service, Director of Adults social service, Chief Education officer, Monitoring Officer and the Section 151 officer, and any office that reports directly to the Head of Paid Service whose salary is more than £0.050m.

Post Title and Name	Note	Salary (including fees & allowances)	Expenses / Allowances	Pension Contributions	Total Remuneration
		£	£	£	£
Chief Executive (Head of Paid Service) - Mr Andrew Travers		187,613	-	48,592	236,205
Chief Operating Officer (Section 151 Officer) - Mr John Hooton		145,548	-	39,796	185,344
Strategic Director for Commissioning - Ms Kate Kennally	(i)	123,178	70	31,885	155,133
Commissioning Director (Adults and Health), (Director of Adults Social Service) - Mrs Dawn Wakeling		129,870	-	33,636	163,506
Commissioning Director (Environment) - Jamie Blake	(ii)	102,325	1,027	26,502	129,854
Interim Commissioning Director (Environment)	(iii)	41,974	-	-	41,974
Education and Skills Director (Chief Education Officer) - Mr Ian Harrison		113,846	-	29,486	143,332
Assurance Director (Monitoring Officer) - Mrs Davina Fiore	(iv)	82,387	147	21,300	103,834
Interim Assurance Director	(v)	22,800	-	-	22,800
Commissioning Director (Children and Young People) (Director of Children's Services) - Mr Christopher Munday		111,107	-	28,777	139,884

- i) Ms Kate Kennally was an employee at LB Barnet until 10 January 2016.
- ii) Mr Jamie Blake began employment at LB Barnet on 11 May 2015.
- iii) This figure represents the fees paid in respect of an interim director appointed until 22 May 2015.
- iv) This employee was appointed as Assurance Director for LB Barnet on 29 June 2015.
- v) This figure represents the fees paid in respect of an interim appointed until 28 June 2015.

The table includes individuals whose annual equivalent exceeds £0.150m

Notes to the Accounts

2014/15

Post Title and Name	Note	Salary (including fees & allowances)	Expenses / Allowances	Pension Contributions	Total Remuneration
		£	£	£	£
Chief Executive (Head of Paid service) - Mr Andrew Travers		187,613	-	48,545	236,158
Chief Operating Officer (Section 151 officer) - Mr Chris Naylor	(i)	132,053	-	34,162	166,215
Deputy Chief Operating Officer and Chief Operating Officer (Section 151 officer) - Mr John Hooton	(ii)	110,925	2,486	29,346	142,757
Strategic Director for Commissioning (Director of Children's Service) - Ms Kate Kennally	(iii)	156,703	-	40,548	197,251
Commissioning Director (Adults and Health)-(Director of Adults social service) - Mrs Dawn Wakeling	(iv)	129,453	-	33,497	162,950
Strategic Director for Growth and Environment	(v)	134,870	-	34,898	169,768
Education and Skills Director (Chief Education officer) - Mr Ian Harrison		113,846	-	29,458	143,304
Assurance Director (Monitoring Officer)	(vi)	80,397	-	13,422	93,819
Interim Assurance Director	(vii)	62,400	-		62,400

- i) Mr Chris Naylor was an employee at LB Barnet until 31 January 2015.
- ii) Mr John Hooton was the Deputy Chief Operating Officer at LB Barnet until 18 March 2015; he was then appointed Chief Operating Officer.
- iii) Ms Kate Kennally was the Strategic Director for Communities at LB Barnet until 4 January 2015; she was then appointed Strategic Director for Commissioning.
- iv) Mrs Dawn Wakeling was the Adults and Communities Director at LB Barnet until 4 January 2015; she was then appointed Commissioning Director (Adults and Health).
- v) This employee left the employment of LB Barnet on 31 March 2015.
- vi) This employee left the employment of LB Barnet on 9 January 2015.
- vii) This figure represents the fee paid in respect of an interim director until 31 March 2015.

The Council operates a Public Health service in conjunction with the London Borough of Harrow. The Public Health Director is directly employed by the London Borough of Harrow and as such does not appear specifically in these accounts.

The number of exit packages, all compulsory redundancies, with total cost per band, is set out in the table below.

	2015/16 Exit Packages by Band	2015/16 Exit Packages by Band	2014/15 Exit Packages by Band	2014/15 Exit Packages by Band
	Number	£'000	Number	£'000
£nil to £20,000	70	586	80	548
£20,001 - £40,000	14	391	7	219
£40,001 - £60,000	-	-	1	43
	84	977	88	810

Notes to the Accounts

35. Audit Costs

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

	2015/16 £'000	2014/15 £'000
Fees payable to the council's appointed external auditors for:		
-Audit and inspection fee	170	226
-Certification of grant claims and returns	20	27
- Pension Fund audit	4	21
	194	274

In 2014/15 the council's external auditor was Grant Thornton UK LLP and in 2015/16 the external auditor BDO.

36. Dedicated Schools Grant (DSG)

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education: the Dedicated Schools Grant (DSG). The DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School Finance (England) Regulations 2012.

The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

	2015/16			2014/15		
	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2015/16 before Academy recoupment	-	-	295,446	-	-	278,346
Academy figure recouped for 2015/16	-	-	90,407	-	-	73,979
Total DSG after academy recoupment for 2015/16	-	-	205,039	-	-	204,367
Plus: Brought forward from 2014/15	-	-	4,856	-	-	3,428
Less: Carry-forward to 2016/17 agreed in advance	-	-	(4,856)	-	-	(3,428)
Agreed initial budget distribution in 2015/16	64,693	140,346	205,039	66,723	137,644	204,367
In-year adjustments	3,131	(493)	2,638	1,940	143	2,083
Final budget distribution for 2015/16	67,824	139,853	207,677	68,663	137,787	206,451
Less: Actual central expenditure	(65,022)	-	(65,022)	(65,152)	-	(65,152)
Less: Actual ISB deployed to schools	-	(139,853)	(139,853)	-	(137,787)	(137,787)
Plus Local authority contribution for 2015/16	-	-	-	-	-	-
Carry-forward to 2016/17	2,802	-	2,802	3,511	-	3,511
Total DSG Carried forward			5,019			4,856

Notes to the Accounts

37. Grant Income

The grants and contributions credited to the Taxation and Non-Specific Grant Income line on the CIES are disclosed in Note 11 of the Core statements. The council credited the following grants, contributions to services in the Comprehensive Income and Expenditure Statement:

	2015/16 £'000	2014/15 £'000
Credited to Services		
Education (excluding DSG)	23,245	22,327
DSG	205,039	204,367
Community Care and Other Social Services	1,590	700
Asylum Seekers	904	760
Other	4,090	5,666
	234,868	233,820

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

	2015/16 £'000	2014/15* £'000
Capital Grants Unapplied		
S106	9,174	22,890
Grants and Contributions	8,813	6,667
Total	17,987	29,557

* restated

38. Related Parties

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

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

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in note 33. By virtue of their office, through their residence in the borough and/or as active members of the community, members of the council participate in and are members of a variety of other public bodies and community groups. The council has well established mechanisms and procedures for preventing undue influence. Part of these mechanisms is the disclosure of interests in the register of members' interests. In addition, every year members are asked to complete a Declaration of any related party transactions. In financial year 2015/16 several members declared that they had acted as Trustees for local voluntary organisations and as School

Notes to the Accounts

Governors. The Council paid grants totalling £2.927m (£2.596m in 2014/15) to voluntary organisations in which seventeen members (eleven members in 2014/15) had positions on the governing body. The council paid £31.546m (£38.788m in 2014/15) to schools in which 26 members (25 members in 2014/15) had positions on the governing body.

The council has a number of significant transactions with other local authorities and local health authorities. The council has pooled budget arrangements in place with the Barnet Clinical Commissioning Group (CCG) details of which are in note 32. In addition the council places pupils into neighbouring authorities' schools, the expenditure for which is included within the Children's and Education Services line of the Comprehensive Income and Expenditure account. In 2015/16 investments in line with the council's Treasury Management Strategy were placed with other local authorities and totalled £30.3m as at the financial year end.

Every year all chief officers are required to complete a related party transactions declaration. For the financial year 2015/16 three officers were directors for companies with which transactions of £35.1m took place (Barnet Holdings Ltd and the Inglis Consortium).

The Pension Fund accounts are set out in Section 6 of these Statements. In 2015/16 the council's employer's contributions to the Fund were £20.239m (£19.387m in 2014/15). The Council charged the Fund £0.663m (£0.609m in 2014/15) for its administration.

The London Borough of Barnet (the reporting authority) has two subsidiary companies:

- The Barnet Group Ltd
- Barnet (Holdings) Ltd

The London Borough of Barnet owns 100% of the share capital of The Barnet Group Ltd. The Barnet Group Ltd owns 100% of the share capital of Your Choice (Barnet) Ltd and is the sole member and guarantor of Barnet Homes Ltd, a company limited by guarantee. The London Borough of Barnet contracts with The Barnet Group Ltd for the provision of Adult Social Care Services and Housing Management Services. The Barnet Group Ltd then contracts on a back to back basis with Your Choice (Barnet) Ltd and Barnet Homes Ltd in respect of Adult Social Care Services and Housing Management Services respectively. As a result, The Barnet Group Ltd receives a management fee from The London Borough of Barnet on behalf of Barnet Homes Ltd and Your Choice (Barnet) Limited. It also invoices for ad hoc services on behalf of the two companies. The outstanding balances owed to and from The Barnet Group Ltd at 31 March 2016 were £6.323m and £9.151m respectively.

The Barnet Group Ltd had a board consisting of six members, of which two are Members of the council.

The reported (profits)/losses for the subsidiaries mentioned above were:

	2015/16	2014/15*
	£'000	£'000
Barnet Group Ltd	9	18
Barnet Homes Ltd	(2,456)	9,021
Your Choice (Barnet) Ltd	(703)	1,119

* Restated

The London Borough of Barnet owns 100% of the share capital of Barnet (Holdings) Ltd. which own 49% of the share capital in the joint venture in Regional Enterprise Ltd. The joint

Notes to the Accounts

venture is owned with Capita Ltd. The London Borough of Barnet contracts with RE Ltd for the provision of development and regulatory services in the Borough. The council's Chief Executive and Leader are company directors of Barnet Holdings Ltd and Regional Enterprise Ltd.

The London Borough of Barnet (the reporting authority) has a 13.9% share in the Inglis Consortium Ltd which is a joint venture with VSM Estates Ltd and Annington Property Ltd. The London Borough of Barnet is in receipt of income from the Inglis Consortium LLP and the council's profit share for 2015/16 as recorded in the accounts was £6.859m (2014/15 £3.479m). The Chief Operating Officer and Director of Finance and the Director of Strategy sit on the Board of the Inglis Consortium LLP.

39. Capital Expenditure and Capital Financing

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

Capital Investment

	2015/16 £'000	2014/15 £'000
Adults and Communities	3,977	956
Education and Skills	24,430	31,183
Family Service	961	1,240
Commissioning Group	18,445	1,308
Housing Needs and Resources	-	1
Parking and Infrastructure	364	-
Regional Enterprise (Re)	44,629	15,272
Street Scene	743	2,525
Housing Revenue Account	38,787	25,572
	132,336	78,057

Sources of Finance

	Capital financed in 2015/16 £'000	Capital financed in 2014/15 £'000
Capital receipts	25,137	3,520
General fund revenue contributions	657	6,679
Reserves	18,302	2,268
HRA revenue contributions/MRA	27,525	24,555
Contributions including S 106 receipts	3,868	5,286
Borrowing	28,709	8,516
Grants	28,138	27,233
	132,336	78,057

The total capital expenditure of £132.336m is made up of £109.373m additions (less the £0.430m of Infrastructure that relates to PFI) and the £23.393m of Revenue Expenditure Funded from Capital under Statute shown in note 7.

The Capital Financing Requirement as at the 31st March 2016 was £383.087m (at 31 March 2015 it was £387.783m).

Notes to the Accounts

40. Leases

Operating Lease.

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

In the year 2015/16 the council paid £3.655m in respect of Operating Leases and there are commitments in place of £32.797m for future years.

Properties are leased out and in 2015/16 this produced an income of £4.006m with £125.976m contracted for future years.

Operating Lease Payments

	Vehicles, plant and equipment leased in	Property leased in	Property leased out
	£'000	£'000	£'000
2015/16	82	3,573	(4,006)
2016/17	14	2,326	(3,648)
2017/18- 2020/21	-	9,192	(7,732)
2021/22 to completion	-	21,265	(114,596)
Total	96	36,356	(129,982)

41. Private Finance Initiatives (PFI) and Similar Contracts

In April 2006 the council entered into a PFI contract to provide street lighting. This consisted of a Core Investment Programme (CIP) for five years followed by a post CIP operating period of 20 years. The 25 year contract will expire in 2031/32.

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

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

PFI Street Lights	2014/15	In Year Movement	2015/16
	£'000	£'000	£'000
Gross book value	25,914	430	26,344
Accumulated depreciation	(6,864)	(1,395)	(8,259)
Net book value	19,050	(965)	18,085

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

Notes to the Accounts

	2014/15	In Year Movement	2015/16
	£'000	£'000	£'000
Lease liability	17,114	(335)	16,779

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

Years	Repayment of liability £'000	Interest £'000	Service charges £'000	Other charges £'000	Total £'000
2016/17	378	2,256	1,552	1,140	5,326
2017/18 - 2020/21	2,082	8,443	6,700	5,356	22,581
2021/22 - 2025/26	4,572	8,549	9,603	9,442	32,166
2026/27 - 2030/31	9,546	4,503	11,174	10,182	35,405
2031/32	201	27	201	78	507
Total Commitments	16,779	23,778	29,230	26,198	95,985

If the assumptions around inflation were to vary by 2% it would result in a £1.4m increase/decrease in payments over the life of the arrangement.

42. Impairment Losses

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

The impairment reversals in 2015/16 were £50.097m.

43. Termination Benefits

The Council terminated the contracts of a number of employees in 2015/16, incurring unreduced early retirement benefits of £0.200m (£0.809m in 2014/15) of which £0.200m was payable to the employees and there was no effect on the pension strain.

44. Pension Schemes Accounted for as Defined Contribution Schemes

The Council contributes to the Department for Education's Teachers' Pension Fund at a rate of 16.4% of pensionable pay. The rate changed from 14.1% in September 2015. The amount paid in the year, £16.933m is included in the Children's and education service costs (2014/15 £16.631m).

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

The council's contributions to the Local Government Pension Scheme (LGPS) for the year to 31 March 2016 are 25.8% and expected contributions to March 2017 are 25.8%.

Notes to the Accounts

45. Defined Benefit Pension Schemes

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

The actuary's calculation of the net deficit on the pension fund is shown below*. The change in the net value of the pension fund includes actuarial gains of £23.592m in 2015/16, compared to losses of £88.315m in 2014/15. These arise from the differences between actual events as they have turned out and assumptions that were made at the date of the earlier actuarial valuation, known as experience gains and losses as well as changes in actuarial assumptions

	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Movement of Pension Fund				
Deficit at the beginning of the year		(476,254)		(373,665)
<i>Cost of Services</i>				
Service Cost	(23,126)		(19,629)	
Administration expenses	(663)		(609)	
Net interest expense	(14,890)		(15,980)	
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services		(38,679)		(36,218)
Return on plan assets (excluding the amount included in the net interest expense)	(28,849)		36,705	
Change in financial assumptions	52,509		(129,145)	
Experience loss on defined benefit obligation	(68)		4,125	
Remeasurement of the net defined benefit liability*		23,592		(88,315)
		(491,341)		(498,198)
Amount charged for pensions in the year		22,204		21,944
Fund deficit at end of year		(469,137)		(476,254)
Pension Reserve				
	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Balance at the beginning of the year		(476,254)		(373,665)
Remeasurement of the net defined benefit liability	23,592		(88,315)	
Adjustments between accounting basis and funding basis under regulations	(16,475)		(14,274)	
Balance at the end of the year		(469,137)		(476,254)

The amount included in the balance sheet arising from the authority's obligation in respect of its defined benefit plan is as follows:

Notes to the Accounts

Pension assets and liabilities recognised in the Balance Sheet	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Present Value of Funded Obligation	1,005,676		1,031,554	
Fair Value of Plan Assets	(561,449)		(581,710)	
Net Liability		444,227		449,844
Present Value of Unfunded Obligation		24,910		26,410
Net Liability in Balance Sheet		469,137		476,254

The movements in the funded and unfunded obligation are explained in the Scheme Asset and Benefit Obligation Reconciliation table on the following page.

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

Barnet as the administrating authority receives administration expenses that were £0.663m in 2015/16 (£0.609m in 2014/15).

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

Scheme assets and liabilities	2011/12	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000
Estimated liabilities of the scheme	(849,881)	(932,387)	(907,591)	(1,057,964)	(1,030,586)
Estimated assets of the scheme	507,479	554,532	533,926	581,710	561,449
Net Liability	(342,402)	(377,855)	(373,665)	(476,254)	(469,137)

Reconciliation in the movements in the fair value of scheme assets

	2015/16	2014/15
	£'000	£'000
Opening fair value of Scheme assets	581,710	533,926
Interest on assets	18,469	23,257
Return on assets less interest	(28,849)	36,705
Administration expenses	(663)	(609)
Contributions by employer including unfunded	22,204	21,944
Contributions by scheme participants	5,188	3,166
Estimated benefit paid plus unfunded net of transfers in	(36,508)	(38,546)
Settlement prices (paid)/received	(102)	1,867
Closing Fair Value of Scheme assets	561,449	581,710

The estimated asset allocation for the London Borough of Barnet as at 31 March 2016 is as follows:

Notes to the Accounts

Scheme Asset and Benefit Obligation Reconciliation

	2015/16 £'000	2014/15 £'000
Opening Defined Benefit Obligation	1,057,964	907,591
Current service cost	23,011	18,985
Interest cost	33,359	39,237
Actuarial change in financial assumptions	(52,509)	129,145
Actuarial change in demographic assumptions	-	-
Experience loss/(gain) on defined benefit obligation	68	(4,125)
Liabilities (extinguished)/assumed on settlements	(187)	2,372
Estimated benefits paid net of transfers in	(34,921)	(36,829)
Past service costs, including curtailments	200	139
Contributions by scheme participants	5,188	3,166
Unfunded pension payments	(1,587)	(1,717)
Closing Defined Benefit Obligation	1,030,586	1,057,964

Employer Asset Share - Bid Value

	31 March 2016		31 March 2015	
	£'000	%	£'000	%
Equities	267,599	48	388,101	67
Gilts	55,431	10	-	-
Other Bonds	234,458	41	187,703	32
Cash	3,961	1	5,906	1
	561,449	100	581,710	100

Basis for estimating assets and liabilities

To assess the value of the Employer's liabilities at 31st March 2016, the council's actuary rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31st March 2013, using the financial assumptions that comply with IAS 19.

To calculate the asset share the assets allocated to the Employer at 31st March 2013 have been rolled forward allowing for investment returns (estimated where necessary), contributions paid into and estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

The actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 110%. These tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% per annum.

	31 March 2016		31 March 2015	
		Years		Years
Assumed life expectancy from age 65 years:				
	Retiring today			
	Males	22.1	Males	22.1
	Females	24.5	Females	24.4
Retiring in 20 years				
	Males	24.4	Males	24.2
	Females	26.9	Females	26.8

Notes to the Accounts

It is assumed that scheme members will exchange half of their commutable pension for cash at retirement, scheme members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age and 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

Financial Assumptions	31 March 2016		31 March 2015	
	% pa	Real	% pa	Real
RPI increases	3.2	-	3.1	-
CPI increases	2.3	(0.9)	2.3	(0.8)
Salary increases	4.1	0.9	4.1	1.0
Pension increases	2.3	(0.9)	2.3	(0.8)
Discount rate	3.5	0.3	3.2	0.1

The figures are from the Barnett Waddingham IAS 19 disclosures report, and these assumptions are set with reference to market conditions at 31 March 2016. The estimate of the Employer's liabilities is 17 years.

The discount rate is the annualised yield at the 17 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS 19 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 17 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.2% per annum. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, the actuaries have made a further assumption about CPI which is that it will be 0.9% per annum below RPI i.e. 2.3%. This is a slightly higher differential than last year. This is believed to be a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts.

Salaries are assumed to increase at 1.8% per annum above CPI in addition to a promotional scale.

Notes to the Accounts

Sensitivity Analysis

	2015/16			2014/15		
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustment to discount rate	0.1%	0.0%	-0.1%	0.1%	0.0%	-0.1%
Present Value of Total Obligation	1,013,513	1,030,586	1,047,964	1,040,386	1,057,964	1,075,856
Projected Service Cost	20,784	21,244	21,714	22,952	23,461	23,982
Adjustment to long term salary increase	0.1%	0.0%	-0.1%	0.1%	0.0%	-0.1%
Present Value of Total Obligation	1,032,043	1,030,586	1,029,137	1,059,640	1,057,964	1,056,298
Projected Service Cost	21,254	21,244	21,234	23,472	23,461	23,450
Adjustment to pension increases and deferred revaluation	0.1%	0.0%	-0.1%	0.1%	0.0%	-0.1%
Present Value of Total Obligation	1,046,695	1,030,586	1,014,746	1,074,320	1,057,964	1,041,882
Projected Service Cost	21,709	21,244	20,789	23,975	23,461	22,958
Adjustment to mortality age rating assumption*	+1 Year	None	-1 Year	+1 Year	None	-1 Year
Present Value of Total Obligation	1,062,663	1,030,586	999,507	1,020,107	1,057,964	1,096,183
Projected Service Cost	21,786	21,244	20,715	22,647	23,461	24,282

*For the adjustment to the life expectancy assumption, the actuaries are assuming a member will live a year longer or a year less. For example, under +1 year the actuaries have assumed that a member with a 25 year life expectancy is actually expected to live for 26 years.

Expected return on assets

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

Expected return on assets

Expected return on assets

31/03/2016
% pa
(2.0)

Expected return on assets

Expected return on assets

31/03/2015
% pa
3.2

Notes to the Accounts

Amounts for the Current and Previous Periods:

Scheme history	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000	£'000
Defined Benefit Obligation	(720,595)	(849,881)	(932,387)	(907,591)	(1,057,964)	(1,030,586)
Scheme assets	484,111	507,479	554,532	533,926	581,710	561,449
Surplus (Deficit)	(236,484)	(342,402)	(377,855)	(373,665)	(476,254)	(469,137)
Experience adjustments on Scheme liabilities	64,522	(1,000)	(1,276)	(22,344)	(125,020)	(52,441)
Percentage of liabilities	9.0%	-0.1%	-0.1%	-2.46%	11.82%	5.09%
Experience adjustments on Scheme assets	7,802	(7,167)	27,881	17,420	36,705	23,592
Percentage of assets	1.6%	1.4%	5.0%	3.3%	6.3%	4.2%
Cumulative Actuarial Gains and (Losses)	5,263	(109,589)	(137,841)	(147,895)	(236,210)	(212,618)

Amounts recognised in the Comprehensive Income and Expenditure statement

	2015/16	2014/15
	£'000	£'000
Service Cost	23,126	19,629
Net interest on the defined liability	14,890	15,980
Administration expenses	663	609
Total loss	38,679	36,218

Projections for the year to 31 March 2017

Service Cost	21,244
Net interest on the defined liability	16,061
Administration expense	640
Total	37,945

Employer Contributions

19,079

Projections for the year to 31 March 2016

Service Cost	23,461
Net interest on the defined liability	14,931
Administration expense	663
Total	39,055

Employer Contributions

19,446

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to

members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

The Employer currently participates in the London Borough of Barnet pool with ten other employers in order to share experience of risks they are exposed to in the Fund. At the 2013 valuation, the deficit for the whole pool was calculated and allocated to each Employer in proportion to their active payroll. The next re-allocation will be carried out at the 2016 valuation, should the Employer remain in the pool. Each employer within the pool pays a contribution rate based on the cost of benefits of the combined membership of the pool. The employers' contribution anticipated for the year to 31 March 2017 is £19.079m.

46. Contingent Liabilities

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

- The council is in dispute over the receipt of a capital payment from a developer, the outcome of which will not be known for a number of years.
- The Council has received appeals from various NHS trusts and limited companies seeking charitable relief for business rates. This is an on-going issue and the outcome of these appeals will not be known until future years.
- The council is a partner in the Inglis Consortium LLP. As part of the contract with the consortium the council needs to deliver the vacant land to the Consortium by January 2017. Due to unforeseen circumstances the council will not be in a position to meet the January 2017 deadline. This may result in financial implications the extents of which are not yet known.
- There are a number of Ordinary Residence cases where until the Secretary of State has made a ruling a decision cannot be made.

47. Contingent Assets

A Contingent Assets is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority.

- There are a number of Ordinary Residence cases where until the Secretary of State has made a ruling a decision cannot be made.

48. Nature and Extent of Risks Arising from Financial Instruments

Financial Instruments - Risks

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

As part of the adoption of the Treasury Management Code, the council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The

Notes to the Accounts

council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

The main risks covered are:

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

Credit Risk

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, AAA-rated money market funds and banks and building societies of sufficiently high credit quality as set out in the Treasury Management Strategy. A limit of £25m is placed on the amount of money that can be invested with a single counterparty. The council also sets a total group investment limit for institutions that are part of the same banking group. The council's current Treasury Management Strategy allows deposits to be placed for a maximum period of ten years and £100m total in non-specified investments, In 15/16 investments were placed for less than 365 days.

It must also be noted that although credit ratings remain a key source of information, the council recognises that they have limitations and investment decisions are based on a range of credit indicators. All investments have been made in line with the Council's Treasury Management Strategy for 2015/16, approved by Council on 3 March 2015.

The table below summarises the nominal value of the council's investment portfolio at 31 March 2016, and confirms that all investments were made in line with the council's approved credit rating criteria at the time of placing the investment:

Counterparty	Credit Rating Criteria Met When Investment Placed	Credit Rating Criteria Met on 31 March 2016	Balance Invested as at 31 March 2016					Total
			Yes/No	Yes/No Up to 1 month	>1 month and <3 months	>3 months and <6 months	>6 months and <12 months	
			£'000	£'000	£'000	£'000	£'000	£'000
Other Local Authorities	Yes	Yes	20,218	-	8,139	-	5,021	33,378
Banks – UK	Yes	Yes	25,081	21,058	15,925	-	-	62,064
Banks – Non UK	Yes	Yes	-	-	10,013	12,537	-	22,550
Total Banks			25,081	21,058	25,938	12,537	-	84,614
Building Societies – UK	Yes	Yes	-	2,406	-	-	-	2,406
Money Market Funds	Yes	Yes	21,312	-	-	-	-	21,312
Call Accounts	Yes	Yes	4,502	21,050	-	-	-	25,552
Total			71,113	44,514	34,077	12,537	5,021	167,262

Notes to the Accounts

The above analysis shows that all deposits outstanding as at 31 March 2016 met the Council's credit rating criteria on 31 March 2016. The above analysis excludes the estimated carrying value after impairment of the council's Icelandic Bank investment of £2.941m.

Trade Receivables

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

Trade Receivables	Gross Debtors	Average % Default based on Previous Experience	Average % Default based on Previous Experience	Bad Debt Provision
	£'000			£'000
2015/16 Sundry Debtors	98,878	5%	5%	33,873
2014/15 Sundry Debtors	87,437	5%	5%	32,655

Liquidity Risk

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

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

The maturity analysis of the nominal value of the council's debt at 31 March 2016 was as follows:

Notes to the Accounts

Maturity analysis

Years	31 March 2016 £'000	% of total debt portfolio	31 March 2015 £'000	% of total debt portfolio
Long Term Borrowing				
Over 5 but not over 10 years	2,000	0.66%	2,000	0.66%
Over 10 but not over 15 years	48,516	15.96%	20,516	6.75%
Over 15 but not over 20 years	85,032	27.96%	70,516	23.19%
Over 20 but not over 25 years	20,516	6.75%	42,516	13.98%
Over 25 but not over 30 years	65,516	21.55%	86,032	28.29%
Over 35 but not over 40 years	29,500	9.70%	29,500	9.70%
Over 45 years	53,000	17.43%	53,000	17.43%
Total Long Term Borrowing				
Total Borrowing	304,080	100.00%	304,080	100.00%

Loans and other long term liabilities outstanding (nominal value):

	31 March 2016 £'000	31 March 2015 £'000
Public Works Loan Board	241,580	241,580
Market Debt	62,500	62,500
Deferred Liabilities – PFI and finance leases	16,779	17,114
Total	320,859	321,194

Market Risk

Interest Rate Risk: The council is exposed to risks arising from movements in March 2016, The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 30% on external debt that can be subject to variable interest rates. At 31 March 2016, 100% of the debt portfolio was held in fixed rate instruments.

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

	£'000
Increase in interest receivable on variable rate investments	213
Impact on Surplus or Deficit on the Provision of Services	213
Share of overall impact debited/credited to HRA	19
Decrease in fair value of fixed rate investment assets	(1,456)
Impact on Other Comprehensive Income and Expenditure	
Decrease in fair value of fixed rate borrowings/liabilities*	(2,113)

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

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

Notes to the Accounts

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

- **Price Risk:** The council does not invest in equity shares and therefore is not subject to any price risk (i.e. the risk that the council will suffer loss as a result of adverse movements in the price of financial instruments).
- **Foreign Exchange Risk:** The council currently has approximately £2.9M in Icelandic Krona (ISK) remaining in escrow in Iceland. The council has worked with the LGA, solicitors Bevan Brittan and other affected authorities to research ways of converting the ISK element of the impaired Icelandic deposit into foreign exchange. (*No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure).

Unusable Reserves

Financial Instruments Adjustment Account

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

In the case of the Housing Revenue Account premiums and discounts are applied over a maximum ten year period in all circumstances in accordance with Statutory Requirements. The transactions reflected in the FIAA for 2015/16 are as follows:

	2015/16	2014/15
	£'000	£'000
Financial Instrument Adjustment Account		
Balance at 1 April	546	536
Effective Interest Rate Adjustment	(2)	10
Balance at 31 March	544	546

Housing Revenue Account

HRA Income and Expenditure Statement

	2015/16	2014/15
	£'000	£'000
Income		
Dwelling rents	52,878	53,356
Non-dwelling rents	1,715	1,595
Charges for service and facilities	7,449	7,744
Total Income	62,042	62,695
Expenditure		
Repairs and maintenance	7,550	7,706
Supervision and management	21,035	20,716
Rents, rates and other charges	36	83
Depreciation and impairment of fixed assets	(22,191)	(44,505)
Debt management costs	(1)	5
Increase in bad debt provision	1,143	763
Total Expenditure	7,572	(15,232)
Net cost of HRA services included in the Comprehensive Income and Expenditure Account	54,470	77,927
Gain on sale of HRA non-current assets	526	2,394
Interest payable and similar charges	(6,698)	(6,691)
Interest and investment income	156	149
Surplus for the year on HRA services	48,454	73,779
Movement on the HRA Statement		
	2015/16	2014/15
	£'000	£'000
Surplus for the year on the HRA Income and Expenditure Statement	48,454	73,779
EIR interest costs on stepped loans	(1)	5
Loss on HRA fixed assets	(526)	(2,394)
Transfer to Major Repairs Reserve	(10,574)	(8,573)
Transfer to Capital Adjustment Account (Dwellings)	(43,475)	(62,706)
Balance on HRA at end of current year	(6,122)	111
Balance on the HRA at end of previous year	14,942	14,831
(Deficit)/Surplus for the year	(6,122)	111
Housing Revenue Account balance carried forward	8,820	14,942

Notes to the Housing Revenue Account

1	Number of Dwellings	2015/16 units	2014/15 units
	Houses	3,413	3,433
	Bungalows	180	179
	Flats	5,139	5,292
	Maisonettes	1,137	1,272
	Hostels	61	61
	Bedsits	34	26
		9,964	10,263

2	Value of HRA Assets	2015/16 £'000	2014/15 £'000
	Valuation for Social Housing use		
	Dwellings	685,946	640,094
	Other land and buildings	53,159	49,738
		739,105	689,832

	Vacant Possession Valuation	2,698,000	2,525,000
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The difference between vacant possession value and the Balance Sheet value represents the economic cost of providing council housing.

3	Major Repairs Reserve	2015/16 £'000	2014/15 £'000
	Balance as at 1 April	(17,930)	(10,921)
	Capital expenditure charged to reserve	27,525	21,149
	Depreciation - dwellings	(21,479)	(19,008)
	- non dwellings	(667)	(528)
	Transfer to HRA - dwellings	8,611	5,892
	Interest on balances	(88)	(49)
	Voluntary Contribution	(19,185)	(14,465)
	Balance as at 31 March	(23,213)	(17,930)

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

Notes to the Housing Revenue Account

4	Capital Expenditure and Financing	2015/16	2014/15
		£'000	£'000
	Capital Expenditure		
	Dwellings	38,787	25,572
		38,787	25,572
	Financed by		
	Capital Receipts Reserve	7,490	1,017
	Borrowing	314	-
	Major Repairs Reserve	27,525	21,149
	Other Contributions	3,458	3,406
		38,787	25,572

5	Capital Receipts from Disposals	2015/16	2014/15
		£'000	£'000
	Other	1,803	2,164
	Dwellings	11,611	16,821
	Paid over to "pool"	(2,585)	(1,583)
		10,829	17,402

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

6	Depreciation	2015/16	2014/15
		£'000	£'000
	Dwellings	21,479	19,008
	Other property	667	528
		22,146	19,536

7	Impairments	2015/16	2014/15
		£'000	£'000
	Dwellings	(43,474)	(62,705)
	Other property	544	36
	Investment Properties	(1,407)	(1,373)
		(44,337)	(64,042)

The impairment charge relates to valuations for shops, lease valuation and buybacks

Notes to the Housing Revenue Account

8	Arrears	2015/16 £'000	2014/15 £'000
	Leaseholder service charges	9,548	5,995
	less bad debt provision	(1,682)	(1,019)
		7,866	4,976
	Housing rents	3,911	3,722
	less bad debt provision	(1,996)	(1,404)
		1,915	2,318
	Commercial rents	240	903
	less bad debt provision	(28)	(140)
		212	763
		9,993	8,057

9 Barnet Homes Limited

The management of the council's housing stock is undertaken by Barnet Homes Limited, a subsidiary of The Barnet Group Limited that is wholly owned by the authority.

10 Accounting for pensions in the HRA

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

Collection Fund

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

	Note	2015/16			2014/15		
		NDR	Council Tax	Total	NDR	Council Tax	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Income							
Council Tax	1	-	191,069	191,069	-	180,931	180,931
Business Rates Receivable	2	108,281	-	108,281	108,596	-	108,596
BRS Income		2,609	-	2,609	2,836	-	2,836
		110,890	191,069	301,959	111,432	180,931	292,363
Disbursement							
Apportionment of Previous Year's (Surplus)/Deficit							
- Central Government	3	7,872	-	7,872	4,081	-	4,081
- London Borough of Barnet		4,723	(11,642)	(6,919)	2,448	(11,831)	(9,383)
- Greater London Authority		3,149	(3,576)	(427)	1,633	(3,220)	(1,587)
		15,744	(15,218)	526	8,162	(15,051)	(6,889)
Precepts, Demands and Shares							
- Central Government		51,323	-	51,323	55,493	-	55,493
- London Borough of Barnet		30,794	145,640	176,434	33,296	141,575	174,871
- Greater London Authority		20,529	38,985	59,514	22,197	38,410	60,607
- Crossrail		2,600	-	2,600	2,825	-	2,825
		105,246	184,625	289,871	113,811	179,985	293,796
Charges to Collection Fund							
- Cost of collection allowance		418	-	418	418	-	418
- Cost of collection allowance BRS		9	-	9	11	-	11
- Change in bad debt provision		1,543	3,344	4,887	(591)	(722)	(1,313)
- Change in provision for appeals		6,000	-	6,000	4,100	-	4,100
- Write off of uncollectable amounts	4	-	(971)	(971)	1,264	-	1,264
Total disbursed		7,970	2,373	10,343	5,202	(722)	4,480
Surplus/(Deficit) for year		(2,326)	4,071	1,745	(7,581)	1,668	(5,913)
Collection Fund Balances							
London Borough of Barnet		£'000 (5,421)	£'000 10,956	£'000 5,535	£'000 (4,723)	£'000 11,642	£'000 6,919
Greater London Authority		-	3,378	3,378	-	3,576	3,576
		(5,421)	14,334	8,913	(4,723)	15,218	10,495

1. Council tax

Collection Fund

The Government provides the authority with a valuation of each residential property as at 1 April 1991. Each property is allocated into one of eight bands on which individual council tax charges are calculated. The tax base is the total number of chargeable properties in all valuation bands converted to an equivalent number of band D dwellings, with an allowance made for discounts and exemptions.

The standard charge is found by taking the amount of income required by the Collection Fund's two preceptors combined and dividing this by the council tax base. The amount of council tax required from a property in any tax band is the band D charge of £1,397.07 (2014/15 £1,407.07) 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	Number of Band 'D' equivalents
A	0.67	1,181
B	0.78	4,112
C	0.89	16,270
D	1.00	25,744
E	1.22	29,763
F	1.44	23,890
G	1.67	23,591
H	2.00	7,519
MOD Contribution		81
Tax Base		132,151

2. Non-Domestic rateable value

The total non-domestic rateable value for Barnet at the yearend was £272,678,661 (2014/15: £275,928,486) and the national non-domestic rate multiplier for the year was 49.3p (2014/15: 48.2p).

3. Collection Fund surplus or deficit

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

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 continue to be pursued.

Group Accounts

Group Movement in reserves Statement

Consolidated Movement in Reserves Statement 2015/16

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2015	29,280	116,155	14,942	45,602	17,930	75,532	299,441	329,172	628,613
Surplus / (Deficit) on provision of services	(18,465)	-	48,454	-	-	-	29,989	-	29,989
Other comprehensive expenditure and income	-	-	-	-	-	-	-	61,570	61,570
Total comprehensive income and expenditure	(18,465)	-	48,454	-	-	-	29,989	61,570	91,559
Adjustments between accounting basis and funding basis under regulations	29,502	-	(54,576)	(5,427)	5,283	(289)	(25,507)	25,507	-
Net increase / decrease before transfers to earmarked reserves	11,037	-	(6,122)	(5,427)	5,283	(289)	4,482	87,077	91,559
Transfer to / from earmarked reserves	(14,147)	(4,155)	-	-	-	-	(18,302)	18,302	-
Increase / decrease in year	(3,110)	(4,155)	(6,122)	(5,427)	5,283	(289)	(13,820)	105,379	91,559
Balance at 31 March 2016	26,170	112,000	8,820	40,175	23,213	75,243	285,621	434,551	720,172

Consolidated Movement in Reserves Statement 2014/15*

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2014	32,586	91,624	14,831	24,326	10,921	64,788	239,076	387,404	626,480
Surplus / (Deficit) on provision of services	17,402	-	73,779	-	-	-	91,181	-	91,181
Other comprehensive expenditure and income	-	-	-	-	-	-	-	(89,048)	(89,048)
Total comprehensive income and expenditure	17,377	-	73,779	-	-	-	91,156	(89,048)	2,133
Adjustments between accounting basis and funding basis under regulations	3,073	3,479	(73,668)	17,797	7,009	11,494	(30,816)	30,816	-
Net increase / decrease before transfers to earmarked reserves	20,475	3,479	111	17,797	7,009	11,494	60,365	(58,232)	2,133
Transfer to / from earmarked reserves	(23,781)	21,052	-	3,479	-	(750)	-	-	-
Increase / decrease in year	(3,306)	24,531	111	21,276	7,009	10,744	60,365	(58,232)	2,133
Balance at 31 March 2015	29,280	116,155	14,942	45,602	17,930	75,532	299,441	329,172	628,613

*Re-stated

Group Accounts

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

Group Comprehensive Income and Expenditure Statement

	2015/16			2014/15*		
	Consolidated Gross expenditure	Consolidated Gross income	Net expenditure	Consolidated Gross expenditure	Consolidated Gross income	Net expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Central services to the public	2,552	(2,918)	(366)	2,807	(2,616)	189
Cultural & Related Services	16,622	(2,105)	14,517	18,514	(3,610)	14,887
Environmental & Regulatory Services	38,963	(8,356)	30,607	41,012	(9,220)	30,335
Planning Services	3,443	(17,030)	(13,587)	12,007	(22,006)	(10,010)
Public Health	16,195	(312)	15,883	14,383	-	14,370
Children's and education services	338,270	(234,416)	103,854	339,527	(233,402)	103,206
Highways and transport services	43,342	(15,860)	27,482	46,351	(17,783)	28,527
Housing services	318,127	(351,762)	(33,635)	278,924	(343,000)	(64,329)
Adult social services	138,025	(34,567)	103,458	132,235	(28,972)	101,249
Corporate and democratic core costs	6,131	(1,022)	5,109	7,156	(1,376)	12,507
Non distributed costs	4,628	(4)	4,624	832	(420)	412
Surplus on Continuing Operations	926,298	(668,352)	257,946	893,748	(662,405)	231,343
Other Operating Expenditure	8,211	-	8,211	5,061	(806)	4,255
Financing and Investment Income & Expenditure	23,903	(14,046)	9,857	25,472	(26,789)	(1,317)
Taxation and Non-Specific Grant Income	-	(306,003)	(306,003)	-	(325,462)	(325,462)
Surplus on Provision of Services			(29,989)			(91,181)
(Surplus) / Deficit on revaluation of non-current assets			(33,794)			(8,164)
Remeasurement of the net defined benefit liability			(27,821)			97,189
Corporate taxation			45			23
Other Comprehensive Income and Expenditure			(61,570)			89,048
Total Comprehensive Income and Expenditure			(91,559)			(2,133)

*Re-stated

Group Accounts

Group Balance Sheet

	31 March 2016		31 March 2015*	
	£'000	£'000	£'000	£'000
Property, Plant and Equipment	1,226,356		1,119,788	
Heritage Assets	1,567		1,080	
Investment Properties	117,124		101,264	
Intangible assets	8,084		9,020	
Long term debtors	830		825	
Long term investments	12,973		23,090	
Total long term assets		1,366,934		1,255,067
Inventories	608		612	
Short term investments	46,615		33,241	
Short term debtors	126,025		94,515	
Assets held for sale	-		350	
Cash and cash equivalents	143,138		215,469	
Total Current Assets		316,386		344,187
Short term Creditors	(119,356)		(100,648)	
Short term Borrowing	(1,433)		(2,777)	
Cash and cash equivalents	(1,290)		(16,880)	
Provisions	(7,698)		(7,691)	
Total Current Liabilities		(129,777)		(127,996)
Long term borrowing	(304,704)		(304,735)	
Long term Creditors	-		-	
Government grants deferred	-		-	
Capital grants received in advance	-		-	
Provisions	(6,616)		(5,875)	
Pensions Scheme	(505,650)		(515,255)	
Long term lease	(16,401)		(16,780)	
Total Long Term Liabilities		(833,371)		(842,645)
Net Assets		720,172		628,613
Usable reserves	285,621		299,441	
Unusable reserves	434,551		329,172	
Total Equity		720,172		628,613

*Re-stated

Group Accounts

Group Cashflow Statement

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

	2015/16		2014/15*	
	£'000	£'000	£'000	£'000
Net surplus on the provision of services	29,985		91,181	
Adjustment to surplus or deficit on the provision of services for noncash movements	23,575		29,381	
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(54,176)		(73,776)	
Net Cash flows from operating activities		(616)		46,786
Net Cash flows from Investing Activities		(53,509)		7,749
Net Cash flows from Financing Activities		(2,616)		2,575
Net increase or decrease in cash and cash equivalents		(56,741)		57,110
Cash and cash equivalents at the beginning of the reporting period		198,589		141,479
Cash and cash equivalents at the end of the reporting period		141,848		198,589

*Re-stated

Notes to group accounts

1. Introduction

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

The London Borough of Barnet (the reporting authority) has two subsidiary companies:

- The Barnet Group Ltd. The London Borough of Barnet owns 100% of the share capital of The Barnet Group Ltd. The Barnet Group Ltd owns 100% of the share capital of Your Choice (Barnet) Ltd. The Barnet Group Ltd is the sole member and guarantor of Barnet Homes Ltd, a company limited by guarantee. The Barnet Group Ltd had a board consisting of six members, of which two are Members of the council.
- Barnet Holdings Ltd. The London Borough of Barnet owns 100% of the share capital of Barnet (Holdings) Ltd. who own 49% of the share capital in the joint venture in Regional Enterprise Ltd. The joint venture is owned with Capita Ltd. The council's Chief Executive and Leader are company directors of Barnet Holdings Ltd and Regional Enterprise Ltd.

2. Basis of consolidation

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

The detailed accounting policies are disclosed in note 1 of the notes to the accounts.

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

i) Nature of the business

The London Borough of Barnet contracts with The Barnet Group Ltd for the provision of Adult Social Care Services and Housing Management Services. The Barnet Group Ltd then contracts on a back to back basis with Your Choice (Barnet) Ltd and Barnet Homes Ltd in respect of Adult Social Care Services and Housing Management Services respectively. As a result, The Barnet Group Ltd receives the management fee from The London Borough of

Group Accounts

Barnet on behalf of Barnet Homes Ltd and Your Choice (Barnet) Limited. It also invoices for ad hoc services on behalf of the two companies.

ii) Relationship with the authority

Under the Code of Practise, The Barnet Group Ltd is deemed a wholly owned subsidiary of Barnet Council. As such, the council is required to consolidate the financial statements of the Barnet Group Ltd with its own (single entity) accounts in order to form group accounts.

iii) Financial performance

In 2015/16 the company made an operating loss of £0.209m (£0.052m surplus in 2014/15).

iv) Transactions with the company

The authority paid and received from the company £60.001m and £5.676m in 2015/16 for the provision of housing management services and repair and maintenance works to housing stock (£54.541m and £2.811m in 2014/15) respectively. The outstanding balances owed to and from The Barnet Group Ltd at 31 March 2016 were £6.323m and £9.151m (£11.038m and £1.891m in 2014/15) respectively.

4. Barnet Holdings Ltd

i) Nature of the business

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

ii) Relationship with the authority

Under the Code of Practice, Barnet Ltd is deemed a wholly owned subsidiary of Barnet Council. As such, the council is required to consolidate the financial statements of Barnet Holdings Ltd with its own (single entity) accounts in order to form group accounts. Barnet Holdings Ltd single entity accounts have been prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The accounts have been prepared under FRS 102.

iii) Financial performance

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

iv) Transactions with the company

The outstanding balance owed from Barnet Holdings Ltd at 31 March 2016 was £48 (£48 in 2014/15).

5. Group cash flow statement

The group cash flow statement, prepared in accordance with the Code of Practice, 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.

Group Accounts

6. Pension Reserve and Creditors

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

Pension scheme

	2015/16 £'000	2014/15 £'000
Single entity accounts		
London Borough of Barnet	469,137	476,254
The Barnet Group Ltd	36,513	39,001
Barnet Holdings Ltd	-	-
Total	505,650	515,255
Group Accounts		
Group	505,650	515,255

The detailed breakdown of the London Borough of Barnet Pension balance of £469.137m can be seen in note 45 to the accounts.

The Barnet Group Pension liability

	2015/16 £'000	2013/14 £'000
Net pension liability as at		
Present Value of Funded Obligation	(84,769)	(86,277)
Fair Value of Scheme Assets (bid value)	48,822	47,884
Net liability	(35,947)	(38,393)
Present Value of Unfunded Obligation	(566)	(608)
Unrecognised Past Service Cost		
Net liability in statement of financial position	(36,513)	(39,001)

Group Accounts

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2015/16 £'000	2014/15 £'000
Opening Defined Benefit Obligation	86,885	70,310
Current service cost	3,056	2,519
Interest cost	2,941	3,146
Change in financial assumptions	(6,758)	11,892
Experience gain on defined benefit obligation	(8)	(129)
Estimated benefits paid (net of transfers in)	(1,495)	(1,667)
Past service cost	25	108
Contributions by Scheme participants	714	729
Unfunded pension payments	(25)	(23)
Closing Defined Benefit Obligation	85,335	86,885

Reconciliation of opening and closing balances of the fair value of scheme assets

	2015/16 £'000	2014/15 £'000
Opening fair value of scheme assets	47,884	41,353
Interest on assets	1,660	1,900
Return on assets less interest	(2,537)	2,889
Administration expenses	(55)	(47)
Contributions by employer including unfunded benefits	2,675	2,750
Contributions by scheme participants	714	729
Estimated benefits paid (net of transfers in)	(1,520)	(1,690)
Fair value of scheme assets at end of period	48,821	47,884

Creditors

	2015/16 £'000	2014/15* £'000
Central Government Bodies	17,356	23,451
Other Local Authorities	5,240	5,299
Public Corporations and Trading Funds	5,970	8,924
NHS bodies	1,297	-
Bodies External to General Government	59,036	31,464
Receipts in Advance	10,250	10,261
Barnet Group creditors	20,207	21,249
Creditor total	119,356	100,648

*Re-stated

Glossary

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

Accounting policies

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

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

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

Accounting standards

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

Accrual

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

Actuarial gains and losses

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

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

Assets

These can either be:

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

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

Glossary

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

Associate company

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

Balance Sheet

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

Benefits

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

Billing authority

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

Business Rate Supplement (BRS)

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

Capital expenditure

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

Collection fund

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

Community assets

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

Corporate and democratic core

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

Glossary

Deferred capital receipts

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

Defined benefit scheme

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

Defined contribution scheme

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

Depreciation

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

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

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

Inventories

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

General fund

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

Government grants

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

Heritage assets

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

Historic cost

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

Housing revenue account (HRA)

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

Glossary

Impairment

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

Infrastructure assets

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

Joint venture

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

Leases

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

Liabilities

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

Long term contracts

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

Major repairs allowance (MRA)

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

Major repairs reserve (MRR)

This reserve is for capital expenditure on HRA assets.

Minimum revenue provision (MRP)

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

National non-domestic rates (NNDR)

Rates are payable on business premises based on their rateable value and a national rate poundage multiplier. Barnet acts as the "billing authority" for its area and under the Localised Business Rates regime retains 30% of the net yield from business rates with the Greater London Authority receiving 20% and central government the other 50%.

Net book value (NBV)

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

Operational assets

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

Glossary

Outturn

Actual income and expenditure in a financial year.

Pension funds

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

Prior period adjustments

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

Precept

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

Preceptor

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

Provisions

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

Prudential borrowing

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

Prudential Code

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

Public Works Loan Board (PWLB)

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

Rateable value

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

Related parties

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

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

Glossary

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 unlike provisions which are not. Earmarked reserves are allocated for a specific purpose. Unallocated reserves are described as balances.

Revenue support grant

The main Government grant paid to local authorities. It is intended to adjust for differences in needs between areas so that, if all local authorities were to spend at the level which the Government assess that they need to spend, the council tax would be the same across the whole country.

Service Reporting Code of Practice (SeRCOP)

SeRCOP sets the financial reporting guidelines for local authorities. It supplements the principles and practice set out in the Code of Practice on Local Authority Accounting, by establishing practice for consistent reporting. It provides guidance in three key areas:

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

Subsidiary

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

Substance over form

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

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

Useful life

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