

Barnet 2020/21 Statement of Accounts



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Narrative Report

Introduction

This Narrative Report provides the context upon which to understand the financial performance of the council. The report covers both a summary of the financial performance for the financial year 2020/21 coupled with a narrative of the non-financial performance over the past 12 months.

The end of the financial year 2019, with the outbreak of Covid-19 in the UK and the country going into lockdown, presented a unique set of circumstances for the organisation. With the impact of the pandemic continuing into the financial year 2021, the current financial year has continued to be challenging. Essential and new pandemic response related services were prioritised at the start of the year, and this continued to evolve throughout the year as the situation changed. There has been unprecedented pressure across all parts of society and the economy as national and local government has responded to successive developments and new information.

It is a challenge that the organisation responded to admirably and I'd like to take the opportunity to thank the council in how they responded. I'd also like to thank the Finance Service and the numerous budget holders across the organisation (often front-line responders) for their adaptability in changing circumstances and their commitment to producing the statement of accounts and adherence to financial controls in unprecedented circumstances.

Annual Governance Statement

The Annual Governance Statement sets out the council's governance framework, how it has reviewed governance arrangements as well as any actions proposed or taken to deal with any significant governance issues arising during 2020/21. The statement is included within the Statement of Accounts (pages 27 to 47).

About the Council

Barnet is the largest borough in terms of population and is continuing to grow. For 2020, the population of Barnet is estimated to be 402,700 and the borough's overall population is projected to increase to approximately 446,400 by 2030, an increase of 10.9%. A borough with much to be proud of, Barnet is home to excellent schools, vibrant town centres, vast green spaces, and diverse communities which all help to make it a great place to live, work and study.

97% of all schools in Barnet are rated as good or outstanding by Ofsted, and we are focused on creating a family-friendly borough, giving children and young people opportunities to achieve their best. Our Children's Services were judged to be 'good' on all four domains including help and protection services; services to children in care and care leavers; leadership and management of social care practice; and overall effectiveness.

The latest residents' survey found that 83% of people thought Barnet was a family-friendly place to live, and our strength-based approach to adult social care offers residents more control over the way they live their lives with increased resilience and independence. Care and support options for older and vulnerable residents include extra care homes, technology services, employment support and supported living. We continue to work closely with NHS partners to ensure residents discharged from hospital receive appropriate social care and/or health support such as homecare, rehabilitation in a community hospital or residential/nursing care. This has led to Barnet having a higher than average adult social care satisfaction rate, both locally and nationally. Hospital teams performed extremely well even under Covid-19 pandemic pressure, and 78% of discharges resulted in homecare or residential care support; almost double the volume of previous years.

The ability to access digital devices is incredibly important – now more than ever. The barriers faced by digitally excluded residents have been made all the more apparent this past year, as we have all relied more and more on digital means to access services, home learning, training, and even staying connected with friends and family through a screen. Two hundred and sixty of the council's corporate laptops have been repurposed for distribution among the borough's schools and community organisations to tackle digital exclusion. The laptops, which were coming to the end of their corporate purpose but are still fully functional for a lower workload, would otherwise have been recycled. The council has worked with Barnet Education and Learning Service (BELS) as well as voluntary and community sector partners to identify schools and community organisations to distribute the laptops to.

Last year, the council was able to invest £600,000 into the Street Cleansing service to enhance the cleanliness of streets and public spaces across Barnet. This funding was made possible through the introduction of the chargeable garden waste bin collection service which has been successful.

The council's planned approach to growth provides the opportunity to focus on the delivery of new homes into town centres and main road corridors, bringing with them greater benefit to communities, diversifying the role of town centres as hubs for a wide range of local community needs. The council is leading complex, long-term development projects in areas across the borough, including Brent Cross, Colindale, Dollis Valley, West Hendon, Upper and Lower Fosters and Granville Road. This is delivering significant new housing and access to improved community facilities, public realm, and open spaces. We are also regenerating our estates to improve the quality of homes and creating places for residents that integrate better with surrounding areas.

The strategic and operational sub-groups of the Barnet Safer Communities Board have been actively working to maintain a focused and co-ordinated approach. We are tackling crime and anti-social behaviour, as well as responding to domestic abuse and violence against women and girls, serious violence, high volume acquisitive crime such as burglary, and delivering the Barnet Prevent Strategy. Barnet remains one of the safest boroughs in London, our crime rate at 71.76 per 1000 people remaining well below the London average of 92.1 per 1000 people.

We also introduced a serious adult violence panel in May 2020 to enhance the multi-agency response for adults at risk of involvement in serious violence, resulting in enhanced interventions in over 30 cases. The Covid-19 pandemic has given rise to a huge amount of community participation with residents coming together to help each other. At the heart of this was the Community Response programme, led by the Barnet Together partnership, which helped drive and co-ordinate the sector to meet the needs of vulnerable residents.

The council and its partners will continue to work hard for all our residents and continue to make progress towards the delivery of our Corporate Priorities shown below:



Thriving

A place fit for the future, where all residents, businesses and visitors benefit from improved infrastructure and opportunity



Family Friendly

Creating a Family Friendly Barnet, enabling opportunities for children and young people to achieve their best



Healthy

A place with fantastic facilities for all ages, enabling people to live happy and healthy lives



Clean, Safe and Well Run

Investing in the environment to ensure streets are clean and anti-social behaviour is dealt with so residents feel safe. Providing good quality, customer friendly services in all that that the council does

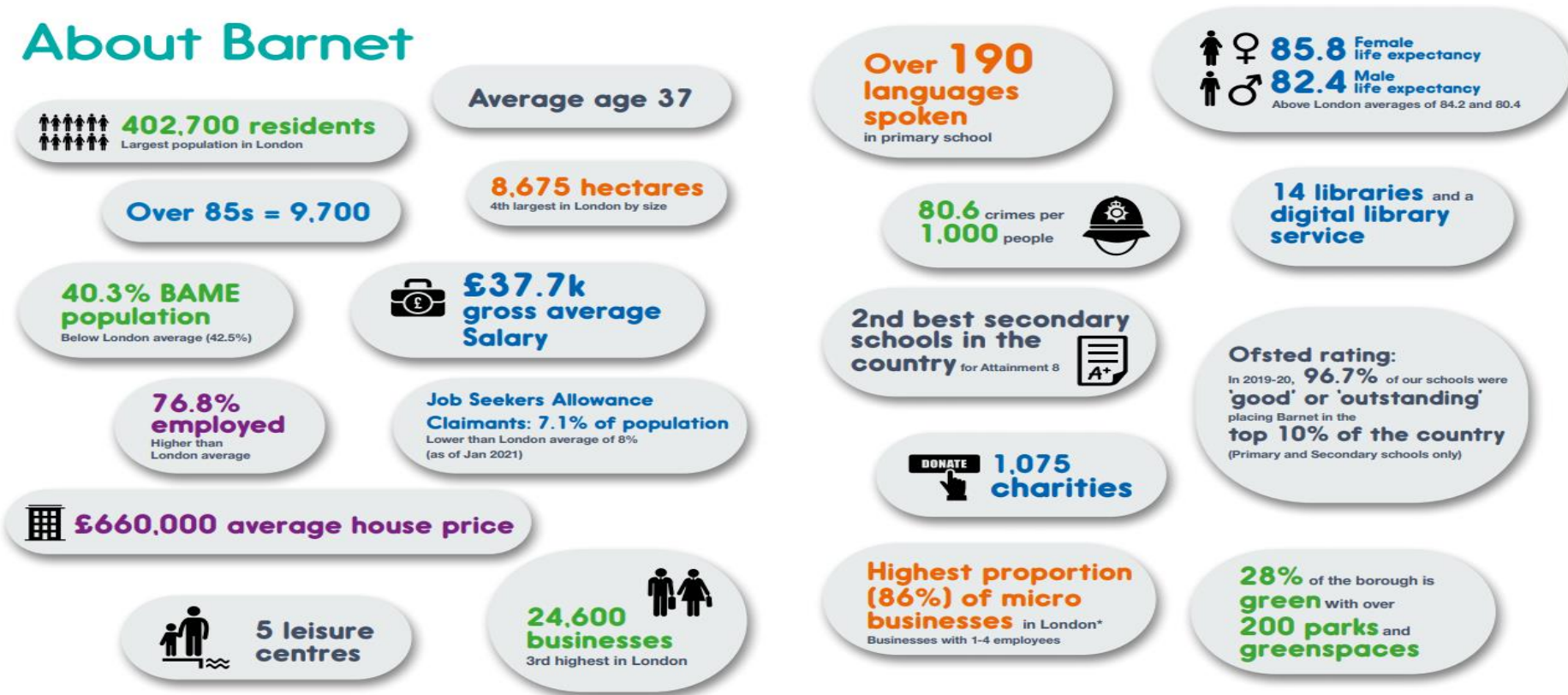
Our aim is to deliver our vision using a preventative approach and consider equalities in all that we do as shown below:

- **Prevention** - Adopting preventative measures to help people remain healthy, happy, and independent in all aspects of life.
- **Equality** - A strong cohesive community, where diversity is celebrated, and everyone has equal opportunity regardless of their background place with fantastic facilities for all ages, enabling people to live happy & healthy lives.

The priorities and actions identified to deliver these are inter-related and will require the council to work in an open, collaborative and more joined up way to achieve the desired outcomes. For instance, to successfully deliver the prevention agenda where Covid-19 has raised new challenges and demonstrated that different ways of working are required to deliver solutions. Equalities are also key to the delivery of this plan and has been considered throughout its development.

The infographic below shows the highlights for 2020/21:

About Barnet



Committee Structure

Barnet council operates under a 'Committee System of Governance'. This means that decisions are taken by Committees which consist of Members from all political parties, in proportion to their strength on the council.

Matters considered at Committee are of high importance and therefore must be dealt with at Councillor level with Members of the Committee voting on issues to make decisions. Councillors are appointed to Committees annually at a meeting of the Full Council, where all 63 Councillors come together. The Full Council also sets each Committee’s Terms of Reference, which determines what they can do and the functions they are responsible for.

The council’s officers give advice to Committees and Members, implement decisions, and manage the day-to-day delivery of its services with a code of practice governing the relationships between officers and Members of the Council.

Council Committee

The Full Council is a formal meeting of all Councillors and is required by law to take certain important decisions. Full Council also approves a number of key plans and strategies, which together form the Policy Framework including:

- Approving the strategic financing of the council upon recommendations of the Policy and Resources Committee.
- Determining of the council’s financial strategy; and
- Approving the Budget

Council's Management Structure

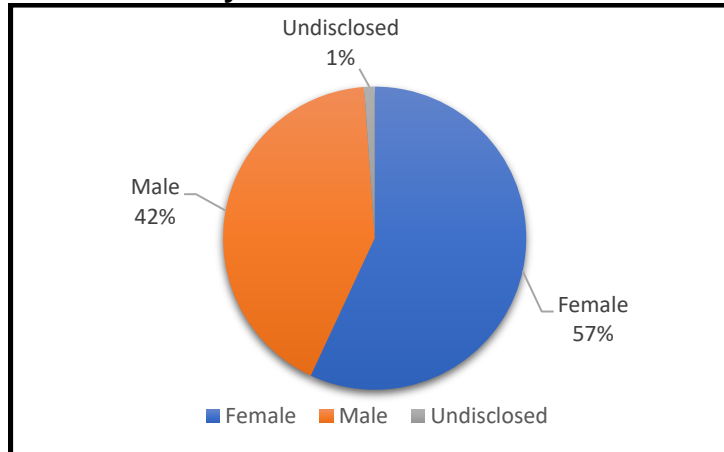
The council’s management team and the current structure, which came into effect In March 2020, is shown below:



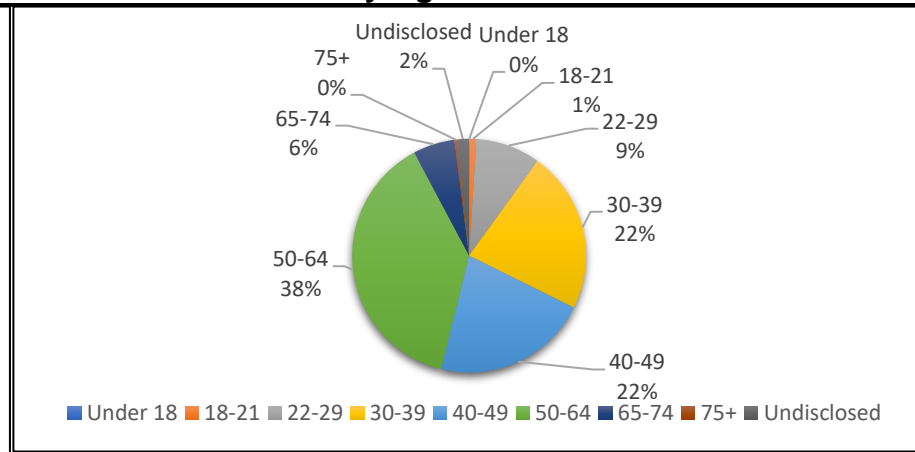
Barnet Workforce

The council employs over 1,600 members of staff (excluding schools-based staff) on full and part-time contracts. The profiles below give an overview of the composition of Barnet's workforce covering diversity strands such as gender, age, and ethnicity. Understanding the core demographic information of our employees helps us to evaluate the impact of management practices, review and implement policy and enable the council to fulfil its obligations under the Equality Act 2010 as well as implement its Equality, Diversity, and Inclusion policy.

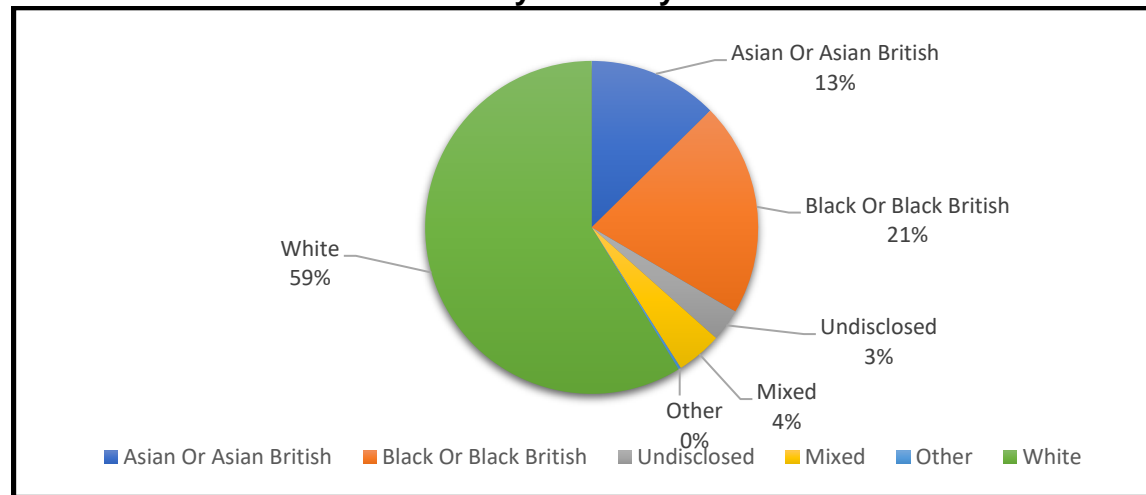
By Gender



By Age



By Ethnicity



Strategy and Resource Allocation

The Barnet Plan 2021-2025 sets out our priorities for the next four years which are informed by and consistent with what residents tell us is important to them. To deliver the priorities and achieve the best outcomes for our residents and businesses we will work with and listen to our partners and communities to support all our communities to thrive in an environment that is free of harassment and discrimination.

We have recently updated our Equalities, Diversity & Inclusion policy (2020-24) and are committed to making decisions that are informed by diverse points of view and feeding those into the design, commissioning, and delivery of services e.g., by building measures within our commissioning procedures so that providers develop and deliver anti-discriminatory services to residents with all protected characteristics. In order to foster a more inclusive working environment, we are reviewing our recruitment processes, succession planning and learning and development to address underrepresentation of specific groups at all levels of the organisation so that we can deliver better services for Barnet.

Our services are either universal (for example, waste collection) or targeted to individuals (for example, Children's Services or Adult Social Care package(s)) and we are committed to maintaining high standards in delivering those services and to think differently about how to deliver effective solutions or services. We will explore the potential for more place-based working to tailor our approach to the unique needs of people in a given location or within a specific community. To do this we will need to work through our partners, our voluntary and community organisations as well as our businesses and other public services.

Maintaining the council's approach to partnership working is central to how we expect to achieve the best outcomes we can for our residents and businesses and deliver the priorities in our plan. While much of our partnership work is done through formal partnerships such as the Health & Wellbeing Board and the Safeguarding Partnership, we also do a great deal through more informal relationships. For example, our work with the Voluntary, Community & Faith sectors (VCFS) has resulted in a thriving VCFS in Barnet with over 1,075 registered charities operating across the borough who we work closely with across a range of services. The VCFS has been essential to our response to COVID-19, and we are keen to maintain that level of partnership working as we deliver the priorities in our plan.

We are committed to working in partnership and we are building our approach around:

- Putting people and places at the heart of what we do.
- Respecting the contributions of every partner, recognising different perspectives, investing in the shared capabilities, and removing barriers to delivery where we can.
- Building on the work of each other, sharing opportunities to connect people and ideas, leverage resources.
- Supporting Barnet residents to be active participants in their communities and to be our partners in making Barnet a better place to live, work and study.
- Focusing on prevention and early intervention.
- Sharing insight and experience from what is working and what is not to continue to develop our approach in achieving the best outcomes we can for residents.

We have created an insight function to take a data led approach to problem solving and will use data better to inform our decision making. Our first tranche of 'Insight' projects will explore how we can improve mental health by developing insight into debt and wider financial vulnerabilities, enabling residents to feel more resilient and better equipped to access opportunities.

We will implement our Health and Wellbeing Strategy to improve health and wellbeing of our residents and address the issues raised by COVID-19 and evident long-term health and social impacts of the virus. We will also work with partners to establish the Barnet Community Innovation Fund which will enable innovation in the local VCFS that improves health and prevents/reduces demand into health and care services.

Changing demographics and a growing population – particularly among the very young and the very old – continues to put pressure on council services but, by adopting a long-term view of future challenges, Barnet has always sought to be ahead of the curve in terms of financial planning.

Covid-19

Barnet's Response

Covid-19 has had a considerable impact on health and wellbeing, with negative effects of prolonged isolation on mental health, an increase in the levels of domestic violence during lockdown, as well as broader health impacts for those not accessing care for other health needs. During the Coronavirus pandemic, the Council has taken several decisions to address the impact of the pandemic, and to respond to announcements by the Government as detailed in the following sections.

Adult's Social Care

The council had been working closely with NHS partners, jointly leading the development of the Barnet Integrated Care Partnership and providing integrated services across a range of client groups. This intensified with the onset of the pandemic, with an early change being the creation of an integrated discharge team bringing together staff from various public-sector organisations.

Partners across health and social care in Barnet have regularly come together to jointly plan for the local system. There has also been additional work across the whole of North Central London, led by Barnet to support resilience, resulting in capacity planning, the mobilisation of additional rehabilitation beds, the block purchasing of care home beds and the development of new pathways to support the NHS.

Adult social care led significant additional responsibilities throughout the pandemic, including leading the response to the shielded and the wider community of vulnerable people affected by Covid-19, alongside VSC partners. Throughout the pandemic, the council has also continued to carry out its full range of adult social care functions of assessing and meeting need, safeguarding and the mental health act and mental capacity act duties.

Children's Social Care and Education

The number of children in care has been relatively stable during the Covid-19 pandemic but the number of Unaccompanied Asylum-Seeking Children (UASC) and the number of care leavers increased resulting in increased children's placements have costs in 2020/21 and it is anticipated that this will continue into next year. The council is working across London to increase the sufficiency of provision.

There has been increased demand on mental health and wellbeing services due to Covid-19 with a 25% increase already seen in anxiety related presentations to Barnet Integrated Clinical Service (BICS) and KOOTH online counselling service for young people. Children have also missed a significant part of their education, impacting their social and emotional development, as well as educational outcomes.

The vision for the Children, Education and Safeguarding Committee, which is set out in the Children and Young People's Plan, is to make Barnet the most family friendly borough in London– where children, young people, and their families are safe and healthy, are informed and responsible,

and feel listened to. At the core of this is a resilience-based model of practice which involves identifying issues early and supporting families to build their resilience, underpinned by high quality social work.

There has also been an increase in young people that are not in education, employment and training as young people have been disproportionately affected by the impact of the pandemic on employment.

Barnet's safeguarding arrangements for vulnerable children and young people will be effective and robust, with greater interface between services to provide a cohesive approach. The council strives for schools in the borough to remain among the best in the country, with enough early years and school places for all and children achieving the best they can, with attainment and progress of pupils in the top 10% nationally, and the progress of the most disadvantaged and vulnerable pupils accelerated.

Housing, Growth and Homelessness

The overall number of households in Temporary Accommodation (TA) significantly increased during the first national lockdown, peaking at 2,654 in June 2020. This increase was experienced despite the Government's ban on evictions and was largely due to the "Everyone In" directive which saw Barnet accommodate over 200 single people who were assessed as either sleeping rough or at genuine risk thereof.

Since June 2020, the number of households in TA has steadily reduced with 2,499 households in TA at the end of December 2020. This reduction has largely been achieved through the work of Barnet Homes in finding suitable longer-term accommodation for households in TA, whilst also delivering a high number of homelessness prevention outcomes.

Barnet Homes have secured over £3m of additional funding from the Government to support the work with people sleeping rough. Overall homelessness demand has fallen slightly over the first 3 quarters of the year due mainly to the governments ban on evictions. Barnet Homes have recorded 2,446 homelessness related approaches between March to December 2020 compared to 2,608 for the same period in 2019/20.

It is expected that households approaching Barnet Homes due to potential homelessness will increase during 2021/22 as the economic impacts of the pandemic are increasingly felt throughout society. Early intervention is the key to preventing homelessness and Barnet Homes will continue to closely monitor demand and, along with the council, ensure proportionate responses. There are range of initiatives already in place and planned for 2021 to support residents and businesses through the challenging period, which can be found in the most recent update to the Housing and Growth committee [here](#).

The council has demonstrated commitment to growth and development through adoption of the Growth Strategy at Housing and Growth Committee on 27th January 2020. The strategy sets out five key themes and 20 objectives to ensure that we build a great place to live in, work in, study in, and visit.

Council's guiding principles will secure healthy, resilient, and cohesive communities through sustainable development, by increasing housing supply, investing in our economy, and delivering infrastructure to address the needs of a changing population; whilst capitalising on the development to maximise the benefit for residents and help the council meet savings.

Barnet’s Housing Delivery Action Plan (HDAP) provided analysis of barriers to delivery and identified actions to reduce the risk of further under-delivery against targets. The Growth Strategy Delivery Plan built on these to ensure that all reasonable steps the council can take to improve housing delivery are taken. This is especially important in light of the additional challenges and shifts in focus and priority that have been required due to the impact of Covid-19 on the council, the local economy, and in relation to housing delivery, especially construction.

The MTFs includes estimated income from future development. This will enable the delivery plans and proposals in recently approved strategies and plans to better support and help deliver planned growth.

Financial impact

The total cost to the council of the local response to the Covid-19 pandemic along with the funding received is outlined below. In 2020/21, the financial impact on the council arising from the pandemic was:

- costs incurred in 2020/21: £71.400m.
- Costs estimated to be incurred in 2021/22: £13.485m.
- funding announced: £84.885m.

The table below gives details of Covid-19 related grants received from central government along with details of how these grants were used to support services.:

| Grant | Directorate | Total Amount Received 2020/21 (£'000) | Estimated Spend 2020/21 (£'000) | Estimated Spend 2021/22 (£'000) | Total committed against current funding (£'000) | Commentary |
|---|-------------|---------------------------------------|---------------------------------|---------------------------------|---|---|
| Estimated reimbursement of losses from Sales, Fees and Charges (75% of 95%) | ALL | 11,091 | 11,091 | 0 | 11,091 | The main factors here are loss of parking income, commercial waste income, court costs, registrar lost income and loss of income from contracts |
| NHS hospital discharge funding (via NCL CCG) | Adults | 11,467 | 11,467 | 0 | 11,467 | To help cover the cost of hospital admission avoidance, post-discharge recovery and support services, rehabilitation and reablement care |
| Estimated Contain Outbreak Management Fund | ALL | 9,557 | 6,385 | 3,172 | 9,557 | Led by Public Health, there are many areas of spend here including funding provided to schools, enforcement, support for those self-isolating, targeted support at specific cohorts, rough sleeper additional support and utilisation of local sector to help contain the outbreak. |
| Infection control | Adults | 7,202 | 7,202 | 0 | 7,202 | Supporting adult social care providers to reduce the rate of transmission in and between care homes and to support the wider workforce to deliver infection control |
| Hardship Fund | Resources | 4,133 | 4,133 | 0 | 4,133 | All council tax support residents have had their accounts credited with £150. The remaining funds have been used in line with the crisis fund or discretionary council tax hardship fund as required |

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|--|---------------|---------------|---------------|---------------|---------------|--|
| SR20 collection fund losses reimbursement | Resources | 3,575 | 3,575 | 0 | 3,575 | This represents the 75% loss of council tax funding as a result of the pandemic |
| Test & Trace Allocation | Public Health | 1,599 | 815 | 784 | 1,599 | Predominantly spent on staffing, contract tracing, communication, and asymptomatic lateral flow testing. £859k is forecast to be spent on these activities as they continue into 2021/22. |
| Temporary Accommodation | GCS | 1,040 | 1,040 | 0 | 1,040 | Provision of temporary accommodation to reduce homelessness, continuing to 2021/22. |
| COVID Winter Grant | Adults/CFS | 1,312 | 1,312 | 0 | 1,312 | Main spend has been on passing money to schools to provide food vouchers to vulnerable families for the period Dec-Mar. We have also engaged local organisations such as food banks and supported vulnerable families through this method also |
| Rapid Testing Fund | Adults | 894 | 844 | 50 | 894 | Funding to support additional rapid testing of staff in care homes, and to support visiting professionals and enable indoors, close contact visiting where possible. |
| Workforce Capacity Fund | Adults | 724 | 724 | 0 | 724 | Funding to provide additional care staff where shortages arise, support administrative tasks so experienced and skilled staff can focus on providing care, and help existing staff to take on additional hours if they wish with overtime payments or by covering childcare costs |
| Clinically Extremely Vulnerable (CEV) Funding | Adults | 467 | 9 | 458 | 467 | Providing support such as access to food deliveries and signposting to local support of befriending services to the most at risk to enable them to stay at home as much as possible |
| Local Authority Emergency Assistance Grant for Food and Essential Supplies | Adults/GCS | 366 | 366 | 0 | 366 | Emergency assistance for food and supplies as well as supporting the holiday hunger scheme |
| Reopening High Streets | GCS | 213 | 213 | 0 | 213 | Sanitiser stations in high streets, one-way systems, fencing- items to make the high street safe |
| Community Testing Grant | Public Health | 1,653 | 1,653 | 0 | 1,653 | Community testing to help local areas detect asymptomatic cases, suppress the virus, and offer a route out of the toughest restrictions |
| Patrollers and enforcement | Assurance | 192 | 189 | 3 | 192 | Ensuring adherence to COVID regulations |
| Emergency Active Travel Fund (Tranche 1 only) | Environment | 26 | 26 | 0 | 26 | Spend on social distancing measure in schools and cycle routes and town centres |
| Self-Isolation Grant funding (Administrative element only) | Resources | 0 | 0 | 0 | 0 | Administration of grant funding |
| Homelessness Funding | GCS | 18 | 18 | 0 | 18 | Spent on rough sleeping initiatives |
| Non-ringfenced funding (Grant Tranches 1-5) | ALL | 29,356 | 20,337 | 9,019 | 29,356 | To offset COVID 19 related costs and income losses as reported in monthly returns to MHCLG. Including but not limited to income losses not covered by the 75% reimbursement, supplier relief, increased demand on social care, staffing costs, cleaning costs and increased contract costs. £6.754m expected to be carried forward and spent on similar activities during 2021/22. |
| Total General Fund | | 84,885 | 71,400 | 13,485 | 84,885 | |

The table above excludes:

- Housing Revenue Account (HRA) cost pressures estimated at £1.5m. These are anticipated to be charged to the HRA reserve, although councils continue to lobby government to ask that HRA costs are supported in a way similar to cost pressures in the general fund and collection fund.
- Grant payments passported to schools (£1.5m)

In addition, the council administered the following grants to support local people and businesses:

- **Business Grants**
 - Since the outbreak of Covid-19 the council have been asked to deliver 13 separate business grant schemes.
 - To date we have paid out over £78m across these schemes.
 - Small Business and Retail, Hospitality and Leisure Grants = 4,008 businesses benefiting to a value of £63.3m
 - March 2020 to September 2020 Discretionary Grant = 333 businesses benefiting to a value of £3.3m
 - Local Covid Alert Level Grants = 2,351 businesses benefiting to a value of £29.6m (data as at 10th May 2021).
- **Test and Trace Support Payments**
 - Since the introduction of Local Covid Alert Levels in October 2020, 3,517 requests have been received with a 61% rejection rate.
 - To date £678,500 has been paid out to 1,357 Barnet residents who have been forced to self-isolate.
- **Council Tax**
 - £3.8m in hardship payments has been distributed to over 24k of our poorest council taxpayers to reduce their tax liability.
 - Alternative payment plans have been agreed with over 5k of our tax base to help alleviate the financial impact of Covid.
- **Emergency financial support for residents**
 - This is in the form of Discretionary Housing Payments (DHP), Discretionary Council Tax Discounts and Crisis Fund all of which has increased significantly against last year
 - DHP 48% increase against last year
 - Discretionary Council Tax Discounts 223% increase against last year
 - Crisis Fund 79% increase versus 2019/20.

The way forward

Over the past decade, the council has successfully met the challenges facing Local Government e.g., through rising demands on services, slowed economic growth and austerity measures. During this period, the council has had to identify savings of c£193m to deliver a balanced budget whilst protecting frontline services as far as possible. Throughout this time, the council has been open to new ways of delivery and working closely with

partners from the public, private and voluntary sector. This continued approach is vital to ensuring that the council is well placed to meet current and future challenges and continues to be a successful London borough.

Since March 2020, the Covid-19 pandemic has presented a new challenge for the council. The initial priority was to ensure delivery of essential services and to prioritise support to the most vulnerable residents in the borough whilst also co-ordinating 23 responses to pandemic with partners from the NHS, Metropolitan Police, Government, and voluntary organisations. The financial impact of pandemic in 2020/21 has been significant but these costs to date have been largely funded by the Government and so there is no expected impact on the council's underlying funding.

Details of the Covid-19 funding allocated to the council in 2020/21 are shown on page 15. The scale of the ongoing financial challenge detailed in the MTFs section (page 24) separate from the Covid-19 pandemic means the way that services are delivered will continue to change. The revised Barnet Plan sets out the priorities and outcomes for the council and approach to achieving these.

With the country now hoping to emerge from the worst of the public health emergency, council officers have turned attention to recovery planning. This is an organisation-wide effort involving all service areas, as well as key partners across the borough and beyond. The Recovery Framework that the council is following focuses both on the council's external-facing role in the wider community and economy, as well as on internal operations. Over the longer-term, recovery efforts will directly shape and support delivery of the council's Corporate Plan objectives.

After the initial emergency response to the pandemic, our focus turned to recovery planning. A council-wide recovery planning programme was set up to co-ordinate recovery activity across services and report to the Council Management Team. The workstreams were based around the priorities of the new Barnet Plan to embed recovery into the council's long-term vision for the borough, while three overarching themes were used to categorise activity.

These were:

- **Restore** – determining which services should be brought back as they were pre-pandemic
- **Retain** – determining which aspects of the pandemic and the new models of service delivery should be kept
- **Reinvent** – determining which services could be brought back in a new way

Currently, the programme is focused on the final 'unlocking' of services that have been restricted by Covid-19 regulations or deprioritised due to the pandemic response, in line with the government's roadmap out of lockdown. The borough's public realm is the main area where unlocking activity is taking place, with a large amount of activity focused on restoring access to town centres and green spaces. Other areas of unlocking continue to build upon changes implemented through the response to Covid-19. In-person social care services in Adults and Family Services are being restored alongside digital models, while libraries continue to look at blended service models. This will be in place until all services have been unlocked in line with this roadmap, with any recovery activity beyond this falling into the new Barnet Plan.

In 2020/21, the council's focus was on maintaining delivery of key services, often in new and innovative ways, in response to the considerable challenges presented by the Covid-19 pandemic. Many services were prevented from operating in their normal way and staff were redeployed

from their usual roles into supporting the pandemic response. Throughout 2020-21 most staff worked exclusively from home and made the adjustment to new ways of working whilst delivering services remotely. The adoption of new work practices during the pandemic and the many challenges it brought is a credit to our staff and partners.

Financial Performance

General Fund

The council managed a General Fund revenue budget of £310m during 2020/21 with overall spend recorded as £382.2m, which was £72.7m over budget. Of this overspend:

- £76.6m additional expenditure was due to the pandemic, fully funded through government grants received.
- £4.993m was contributed to service specific reserves
- Leaving an underspend of £10.530m for non-Covid activities of the council.
- Within this, savings delivery is estimated as £12.253m (71% of the MTFS target).

The table below sets out how the Service Areas performed in 2020/21 and accounting adjustments made to get to the Comprehensive Income and Expenditure Statement (CIES). The expenditure of the council is monitored and reported on quarterly to Financial Performance and Contracts Committee and quarterly via the Strategic Performance Report to Policy and Resources Committee:

| Service Areas | 2020/21 | | | | | | |
|--|----------------|-----------------------|----------------------------------|--|---|--|---|
| | Budget | Actual as per Outturn | (Under)/Overspend as per Outturn | Reserve and Non-specific grant Adjustments | Expenditure and Funding Analysis Note 7 | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| | (a) | (b) | (c)=(b)-(a) | (d) | (e)=(b)+(d) | (f) | (g)=(e)+(f) |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adults and Health | 102,538 | 100,869 | (1,670) | (7,330) | 93,538 | (4,340) | 89,198 |
| Public Health | 17,940 | 17,920 | (20) | (4,674) | 13,246 | (7,919) | 5,327 |
| Assurance | 7,239 | 6,854 | (385) | (1,804) | 5,049 | 646 | 5,695 |
| Growth and Corporate Services | 44,065 | 42,743 | (1,322) | (14,916) | 27,828 | (580) | 27,250 |
| Resources | 57,540 | 56,022 | (1,517) | (1,461) | 54,561 | (9,811) | 44,748 |
| Children's Family Services | 70,013 | 70,699 | 686 | (1,643) | 69,057 | 7,206 | 76,263 |
| Local Authority Housing (HRA) | 0 | 0 | 0 | 0 | 0 | 10,387 | 10,387 |
| Environment | 10,200 | 9,435 | (765) | (792) | 8,643 | 48,990 | 57,633 |
| Net Expenditure on Services | 309,535 | 304,542 | (4,993) | (32,620) | 271,922 | 44,579 | 316,501 |
| Other Income and Expenditure | 0 | 0 | 0 | (346,956) | (346,956) | (12,083) | (359,040) |
| (Surplus) or Deficit on Provision of Services | 309,535 | 304,542 | (4,993) | (379,576) | (75,035) | 32,496 | (42,539) |

Covid-19 impacts on the council include:

- lost parking income, with some lockdown months seeing incomes 95% less than average
- Additional Social care costs
- Estimated unfunded portion of business rates and council tax losses of £3m and £2m respectively.
- 2,500 residents accommodated in temporary accommodation.
- Increased rent arrears in housing (GF and HRA), with the likelihood of increased levels of ‘bad’ debt.
- 33,000 residents on furlough (3rd highest in London) and 20,000 residents unemployed – unsurprising given the level of SME and micro businesses in the borough, but a key area of focus for pandemic recovery and support once furlough is withdrawn.

Capital Outturn

For 2020/21 the capital programme included a budget of £380.250m. The outturn of £327.144m, included slippage of £53.393m and additions of £0.286m. The table below shows how each service area spent capital funds in the year:

| Service Area | 2020/21 Budget | Additions/ (Deletions) | (Slippage)/ Accelerated Spend | 2020/21 Outturn | Variance from Approved Budget |
|-------------------------------------|----------------|------------------------|-------------------------------|-----------------|-------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adults and Health | 6,109 | 0 | (1,292) | 4,817 | (1,292) |
| Children's Family Services | 14,347 | 0 | (1,253) | 13,094 | (1,253) |
| Growth and Corporate services | 119,413 | (179) | (5,655) | 113,579 | (5,834) |
| Environment | 36,057 | 0 | (10,117) | 25,940 | (10,117) |
| Brent Cross | 140,861 | 0 | (29,619) | 111,242 | (29,619) |
| Resources | 1,419 | 465 | (567) | 1,318 | (101) |
| General Fund Programme Total | 318,206 | 286 | (48,502) | 269,991 | (48,216) |
| HRA | 62,044 | 0 | (4,891) | 57,153 | (4,891) |
| Grand Total | 380,250 | 286 | (53,393) | 327,144 | (53,107) |

The reasons for the variances versus budget were due mainly to slippages in the projects to reflect revised project plans, revised service requirements and some delays due to Covid-19. Further detail on specific projects was presented [Financial Performance and Contracts Committee](#) in June 2021.

Funding of the Capital Investment Programme

The composition of capital funding from Capital receipts, Revenue/ Major Repairs Allowance (MRA) and Community Infrastructure Levy (CIL) is detailed in the table below.

| Service Area | Grants/ Other contributions | S106 | Capital Receipts | Deprecation/RCCO | CIL | Borrowing | Total |
|----------------------------------|-----------------------------------|--------------|---------------------|------------------|--------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adults and Safeguarding | 3,675 | 0 | 0 | 0 | 443 | 699 | 4,817 |
| Children's Family Services | 9,349 | 2 | 257 | 0 | 1,091 | 2,396 | 13,094 |
| Growth and Corporate services | 49 | 3,366 | 9,045 | 0 | 270 | 100,849 | 113,579 |
| Environment | 2,267 | 404 | 2,494 | 0 | 7,501 | 13,274 | 25,940 |
| Brent Cross | 110,178 | 0 | 0 | 0 | 0 | 1,064 | 111,242 |
| Resources | 0 | 817 | 35 | 0 | 465 | 0 | 1,318 |
| General Fund Programme | 125,517 | 4,589 | 11,831 | 0 | 9,771 | 118,283 | 269,991 |
| HRA | 3,816 | 0 | 2,652 | 21,651 | 0 | 29,043 | 57,153 |
| Total Capital Programme | 129,333 | 4,589 | 14,483 | 21,651 | 9,771 | 147,317 | 327,144 |

Housing Revenue Account

The Housing Revenue Account (HRA) had a budgeted deficit of £3.525m for 2020/21 which was an overspend £0.984m compared to the agreed 2020/21 budget. This will be offset by a corresponding use of the reserve built up in previous years. This £3.525m deficit, or draw on the HRA reserve, is made up of £13.612m controllable revenue contributions and £17.137m capital charges, as shown below:

| 2019/20 Outturn | Service Areas | 2020/21 | | |
|--------------------|-------------------------|-------------------|----------|--------------------|
| | | Revised Budget | Outturn | Budget Variance |
| (49,799) | Dwelling Rent | (50,405) | (49,587) | 818 |
| (1,057) | Non-Dwelling Rent | (1,093) | (926) | 168 |
| (7,065) | Service & Other Charges | (7,414) | (1,704) | 5,710 |
| (366) | Other Income | - | (697) | (697) |
| 18,824 | Housing Management | 19,024 | 18,566 | (458) |

| | | | | |
|-----------------|---|-----------------|-----------------|----------------|
| 642 | Other Costs | 1,500 | 759 | (743) |
| 3,704 | Internal recharges | 3,048 | 3,060 | 12 |
| 7,562 | Repairs & Maintenance - Mgt Fee | 6,941 | 7,874 | 933 |
| 1,232 | Repairs & Maintenance - Non-Core | 20 | 12 | (7) |
| 333 | Provision for Bad Debt | 258 | 696 | 438 |
| 412 | Regeneration | 837 | 725 | (112) |
| 7,429 | Debt Management Expenses | 8,253 | 7,643 | (611) |
| (3) | Interest on Balances | (80) | (34) | 46 |
| (18,152) | HRA Controllable (Surplus)/Deficit | (19,111) | (13,612) | 5,499 |
| 23,045 | Depreciation | 21,651 | 12,422 | (9,229) |
| 0 | RCCO | 0 | 4,714 | 4,714 |
| 23,045 | HRA Capital Charges | 21,651 | 17,137 | (4,515) |
| 4,893 | HRA (Surplus)/Deficit | 2,540 | 3,525 | 984 |

Two accounting policy changes relating to Depreciation and RCCO (revenue contribution to capital outlay) impacted on HRA outturn in 2020/21. Depreciation reduced to £12.422m, a £9.229m reduction from the prior accounting policy, bringing the calculation methodology into line with best practice. In order to prevent an unbudgeted adverse impact on the Major Repairs Reserve and an unusually high closing HRA reserve balance a contribution to capital funding from revenue resources was made. Therefore, a RCCO (revenue contribution to capital outlay) of £4.714m was made which effectively partially offsets the reduction in depreciation and enables the closing reserve balance to be carried forward at £4m as well as minimising the adverse impact on in-year capital financing.

HRA outturn for 2020/21 also includes:

- Covid 19 costs of £1.547m made up of an increase in bad debt provision, lost commercial income, Mears contract extension following the delayed TUPE of 43 dedicated repairs staff, and increased operational costs as a direct result of the pandemic.
- A provision of £5m for the HRA water rate commissions repayable to affected tenants following the result of a high-court appeal ruling.

Reserves

The council has set aside specific amounts as reserves for future policy purposes or to cover contingencies. As at 1 April 2020, the council held reserves of £67.693m. Revenue reserves at 2020/21 outturn were £143.741m. This includes £13.824m unapplied Covid19 grant and £44.274m related to the spreading of Business Rates relief payments over 3 years. This spreading of Business Rates Relief payments does not represent increased spending power for the council but are advanced payments received from central government to assist with cashflow.

Excluding these 2 elements, the total reserves position was £85.643m versus a forecast of £42.0m when the 20/21 budget was set. This improved revenue reserves position puts the council in a much more resilient position than was otherwise expected. The improved reserves position is mainly the result of changes in:

➤ **Capital Reserves:**

- CIL/S106 contributions: the difference between amounts received and amounts spent carried to reserves at year end for future years.
- Contribution to reserves from a change in the council's Minimum Revenue Provision (MRP) policy.

➤ **Ringfenced Reserves**

- Increases in the ring-fenced reserves in including the Public Health Grant and the Dedicated Schools Grant.
- Increases in carried forward Covid-19 grants to be utilised in 2021/22.

➤ **General Reserves**

- Earmarked Revenue Grants – carry forward of ear marked revenue grant funding including grants relating to Homelessness Support and Flood Risk Management.
- Service Specific Revenue Reserves including £2m for Adults demand risk in 21/22 and £1.2m for possible Your Choice Barnet one-off costs).
- Transformation Reserve including £1.409m saving generated from the prepayment of pension contributions
- Financial Resilience Reserve including reduction in the insurance provision transferred to reserves.

| | Balance at 31 March 2020 | In year Expenditure | Reserve movements | New Reserves Raised | Balance at 31 March 2021 |
|--|--------------------------------|------------------------|----------------------|---------------------------|--------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Capital - Community Infrastructure Levy | 8,417 | (9,771) | 0 | 13,499 | 12,146 |
| Revenue implications of capital | 1,441 | 0 | 0 | 2,480 | 3,921 |
| Total Capital Reserves | 9,858 | (9,771) | 0 | 15,980 | 16,067 |
| Housing Benefits | 4,867 | (100) | 0 | 812 | 5,580 |
| Public Health | 1,188 | 0 | 0 | 713 | 1,901 |
| Dedicated Schools Grant | 1,808 | 0 | 0 | 1,436 | 3,244 |
| North London Sub Region | 0 | 0 | 0 | 0 | 0 |
| Special Parking Account | 1,386 | (75) | 0 | 0 | 1,311 |
| Covid-19 Grants Unapplied | 8,772 | (4) | 0 | 5,056 | 13,824 |
| Central - Council tax and NNDR smoothing | 0 | (3,068) | 0 | 47,341 | 44,274 |
| Total Ringfenced Reserves | 18,021 | (3,247) | 0 | 55,359 | 70,132 |
| Earmarked Revenue Grants | 2,226 | (601) | 0 | 1,427 | 3,052 |
| Service Specific Revenue Reserves | 2,261 | (350) | (1,501) | 6,657 | 7,067 |
| Transformation Reserve | 3,044 | (86) | 0 | 5,031 | 7,990 |
| Financial Resilience Reserve | 32,281 | 0 | 1,501 | 5,651 | 39,433 |
| Total General Reserves | 39,813 | (1,037) | 0 | 18,766 | 57,542 |
| Total Earmark Reserves | 67,693 | (14,055) | 0 | 90,104 | 143,741 |

2021/22 Budget

Medium Term Financial Strategy (MTFS)

The COVID-19 pandemic has brought unprecedented challenges, and this financial year has been especially challenging. Shortly after the approval of the 2020/21 budget and MTFS at the March 2020 Full Council meeting, the Government announced a national lockdown; essential services were prioritised in response to the pandemic which continued to evolve throughout the year.

There have been changes across all parts of society as national and local government has responded to successive developments and new information. Exceptional pressures have been placed on council finances, largely mitigated by substantial government financial support.

Consideration of the impact of Covid-19 is integrated throughout the MTFS, with additional funding needed for service delivery, increased provisions made for future risks, as well as the long-term impact on business rates and council tax receipts.

The MTFS, covering 2021-26 has been prepared alongside the Corporate Plan refresh. The Budget for 2021/22, presented to committee in March, provides detail on how the objectives of the Corporate Plan and the MTFS will be implemented in the coming year. This has been prepared both to ensure that the services and responsibilities of the council are well resourced, and that the ongoing work of responding to and recovering from the pandemic is also appropriately funded.

The pandemic has had a significant impact on the delivery of and cost of services. This has a knock-on impact on the Medium-Term Financial Strategy. The MTFS set out in March 2021, which covered 2021-25, was prepared while the pandemic response was ongoing, and the outlook remained uncertain. Many service delivery assumptions were rooted in the pre-pandemic period. At that point, the MTFS indicated a remaining savings requirement for 2022/23 of £8.6m, rising to £14.1m by 2024/25.

Due to the impact of the pandemic, funding received from central government was significantly different than had been budgeted or forecasted resulting in budgets no longer being fully aligned with spending plans. However, it is not yet clear what the post-pandemic 'normal' for council operations will be, i.e., we do not yet know how much of the previous spending plans will hold good, and how many will need to be revised as new trends become clearer. A key priority for the council in the new financial year (2021/22) and through the budget planning process for 2022/23 and beyond will be to understand the post-pandemic operation of council services and the MFTS impact of that. This will allow a comprehensive review of budgets.

This comprehensive budget review should seek to address all areas, but, in practice, will need to prioritise key areas of spending or income, including such areas as social care placements including relevant mental health and domestic violence support; also, income streams such as those from business rates and car parking. Additionally, the economic impact on businesses and local employment, together with changing resident expectations of services such as housing provision, leisure, and parks and open spaces will also require review.

To provide more time to undertake such broad review, the budget planning process has been started earlier than normal and a process running to early September 2021 will track trends in data and activity to develop revised budget proposals. This will be followed by the usual, budget setting process from September 2021 to March 2022.

In line with this review of budgets, it is proposed to take a revised approach to the 2022/23 budget setting process. Rather than focusing on adding pressures and savings to a base budget, as in previous years, this changed approach will analyse demand changes anticipated (in the post-pandemic world) and identify offsetting efficiencies to balance them from within the directorate. As such a nominal “cash limit” will be set for each directorate to work within based on the current year budget. Once directorate demand estimates, investment plans, and efficiency proposals have been prepared, there will be a review of all plans across the council to ensure consistency with the priorities in the Barnet Plan. This approach is intended to maximise the opportunity to scrutinise all budgets across each directorate and also reflects the uncertainty of funding from Government.

The council has made significant progress in delivering our priorities to ensure that Barnet remains a vibrant borough to live and work in, despite reduced funding continuing in recent years. The council refreshed its Corporate Plan for 2021-25 which sets out the priorities which will assist in the monitoring of performance. Below are the key indicators from each of the areas of the council and how each of these performed this year compared to the previous. An overall status for each corporate priority is given below. This reflects end of year positions for performance on key indicators, progress on activities, budget forecasting and high-level risks.

Risk Management

The council has an established approach to risk management, which is set out in the risk management framework. The strategic and service/joint risks are reviewed on a quarterly basis to ensure risks remain relevant and controls/mitigations in place to manage the risks remain effective.

The strategic and service/joint risks were reviewed earlier in the year and updated to reflect changes, particularly in response to Covid-19 and recovery planning. 24 risks were scored at a ‘high-level’ (15+), several of these related to strategic risks on the economy, funding uncertainty, sustainability (of finances; the environment; and Voluntary and Community Sector) and pension administration. These are set out in the corporate risk register (Each quarter, the strategic and ‘high-level’ (15+) service/joint risks are combined to form the corporate risk register.

Annual Governance Statement

CERTIFICATION



To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2020/21 except for those areas identified in Section 7. We propose over the coming year to take steps to address the matters to further enhance our governance arrangements.

We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation on an on-going basis through the year and as part of our next annual review at the end of the 2021/22.

SIGNED: _____

Date: xx xxxx 2021

Leader of the Council

SIGNED: _____

Date: xx xxxx 2021

Chief Executive

Annual Governance Statement

Introduction

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

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.

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

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

This Annual Governance Statement explains how the Council meets the requirements of regulation 6[1] and 6[2] of the Accounts and Audit Regulations 2015¹ [as amended by The Accounts and Audit (Amendment) Regulations 2021²] in relation to the publication of a statement of internal control.

The Council has a separate Code of Corporate Governance which is reviewed annually and reported to the Audit Committee alongside this Statement and published as part of the Constitution³. The Code is consistent with the principles of the Code of Good Governance as set out in the CIPFA Delivering Good Governance in Local Government Framework 2016. How the Council complies with the principles will be reported annually alongside the Annual Governance Statement.

Governance

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

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

¹ <http://www.legislation.gov.uk/ukxi/2015/234/regulation/6/made>

² <https://www.legislation.gov.uk/ukxi/2021/263/made>

³ <https://barnet.moderngov.co.uk/ecSDDisplay.aspx?NAME=SD359&ID=359&RPID=24619495>

Governance Arrangements

The Council's governance arrangements comprise two key elements. Firstly, the systems and processes which are in place to ensure that adequate controls exist including the internal control framework, external audit, the constitution, schemes of delegation, codes and protocols. The strategic direction of the authority is set out in the B Plan and the Council regularly monitors via its committees and decision-making framework delivery of its strategic objectives. Secondly, good governance is underpinned by the behaviours of Members, officers and the partners which includes but is not limited to adherence to the decision-making framework, adherence to codes and protocols, the culture and values of the organisation, and how the authority is accountable to and engages with the community it serves.

The system of internal control is a significant part of the Council's governance arrangements and is designed to manage risk to a reasonable level, if operating effectively it cannot eliminate all risk and can only provide reasonable, not absolute assurance of effectiveness.

The system is based on an on-going process designed to:

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

The governance arrangements as outlined above have been in place within Barnet Council for the year ended 31 March 2021 and up to the date of approval of the annual report and accounts.

Where improvements in the governance arrangement are required (as outlined in Section 7) they will be addressed in the coming year.

The Annual governance statement

The Annual Governance Statement is made up of statements that are underpinned by the Council's governance arrangements. An assurance framework exists, primarily the Council's formal governance arrangements and the Assurance Directorate, which enables Members and Senior Management to identify

the principal risks to the Council’s ability to meet its key objectives. Elected Members and Senior Management can map out both the key controls to manage the risks and how they are assured that these controls are effective in identifying, managing and mitigating risks.

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

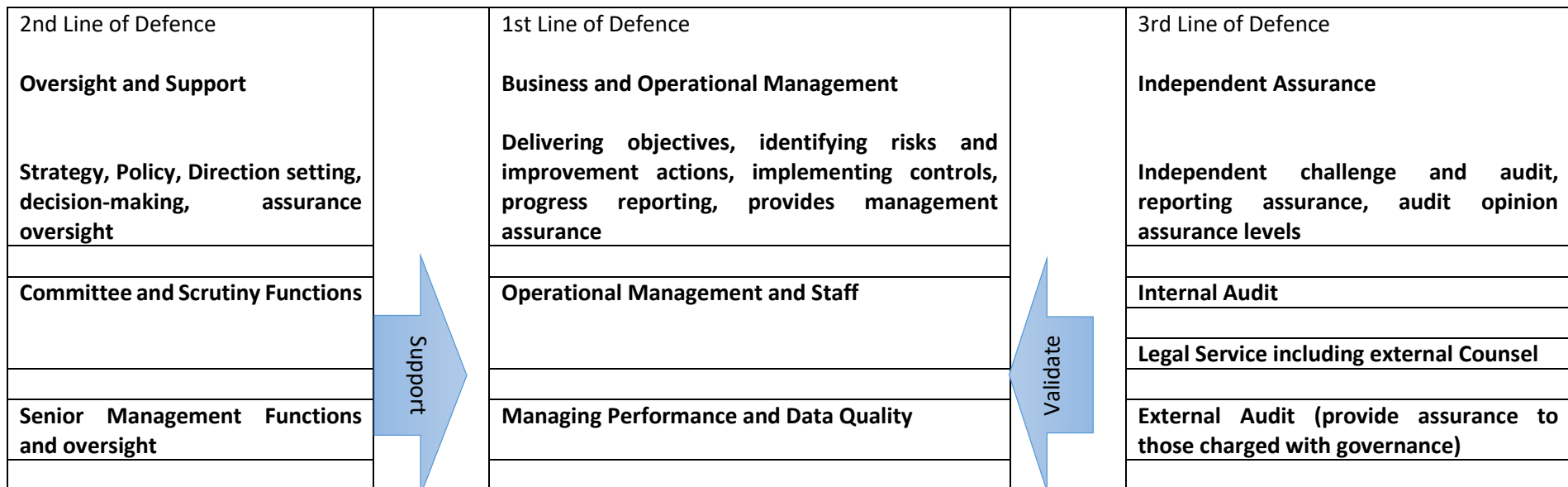
An annual assessment via the Annual Governance Statement gives the Council an opportunity to review that effectiveness of the governance arrangements operating within the Council. In addition, ‘the three lines of defence assurance model’ helps Elected Members and Senior Management to understand where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

The Three Lines of Defence in effective Risk Management and Control

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

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

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



| | | | |
|---|--|---|-----------------------------|
| Risk Management and Performance Management | | Programme and Project Management | External Inspections |
| | | | |
| Functional Compliance (Information Management, HR, Legal, Contract and Financial Management) | | Delivery of Service Business Plans | Review Agencies |
| | | | Regulators |

How has the Annual Governance Statement been prepared?

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

The Council has a Code of Corporate Governance to reflect the CIPFA Framework which includes an assessment of our compliance with the seven principles of Good Governance⁴ which is reported to the Audit Committee alongside this Statement.

The Annual Governance Statement reports on significant governance issues over the last year and how the Council has responded to them. It should be noted that during this period there have also been notable achievements including the responding to the pandemic whilst delivering many elements of the council’s core business and continuing to build on improvements in Children’s and Adult Services.

How do we know our arrangements are working?

Within this Annual Governance Statement, the Council has undertaken an assessment of significant governance issues and the progress made against these throughout the year. Any areas which have not been resolved will carry forward into 2021/22 and will continue to be monitored. Any issues that have been resolved during 2020/21 will no longer be monitored through the Annual Governance Statement but will continue to be monitored through appropriate channels.

We consider that the Council are compliant with the CIPFA Delivering Good Governance in Local Government Framework 2016. How the Council complies with the Code is documented via a separate Code of Corporate Governance 2021/22.

⁴ <https://www.gov.uk/government/publications/the-7-principles-of-public-life>

Significant Governance Issues

EXISTING ISSUES – CARRIED FORWARD from 2020/21

COVID -19 and Recovery Planning

Covid-19 has had a significant impact on Barnet during 2021/21. Residents, partners, local businesses, staff and the services the Council provides have all been significantly impacted. In addition to the emergency planning, business continuity and public health response, several services were initiated to deliver critical services and support to the residents and businesses, whilst existing services had to rapidly adjust to new ways of working to ensure continuity of delivery.

In September 2020, the Policy and Resources Committee received a report on the organisational response to Covid-19 and preparation for the next phase⁵. The report outlined the Council's response in the following areas:

- Emergency Planning and Business Continuity
- Decision-making;
- Outbreak management;
- Public health and health & safety leadership and support;
- NHS Test and Trace;
- Excess death management;
- Redeployment and running critical services;
- Financial resilience;
- Workforce support;
- Communities - and supporting the following – residents and communities;
- Children & young people;
- Adults;
- Faith groups; Volunteers;
- Businesses;
- Town centres;
- Transport;
- Education;
- Elderly and venerable;
- Admission prevision and hospital discharge;
- PPE;
- Leisure, culture and lifestyle;
- Parks and open spaces

⁵ Policy & Resources Committee, 24 September 2020, Organisational response to Covid-19 and preparation for the next phase: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?Cid=692&Mid=10198&Ver=4>

The pandemic and emergency response has the potential to impact on the Councils governance arrangements by taking decisions or actions which have not been subject to oversight and scrutiny by elected Members.

Strong governance during a crisis also supports disaster recovery and resilience. Ensuring that robust governance arrangements were in place for key decisions relating to the pandemic was a significant issue in 2020/21. At the end of March 2020, the Council took the decision to suspend face-to-face committee meetings in line with advice from national and local government. Barnet operate a Committee System of governance and there is no provision for individual Member decision-making and significant decisions should be approved by committees. Several emergency decisions had to be taken by officers in consultation with Members, relying on provisions in the constitution relating to public health functions and acting in an emergency. These decisions were subsequently ratified by an Urgency Committee meeting at the end of April 2020⁶ and a delegation was provided to officers to take any future pandemic related decisions in consultation with the relevant committee chairmen.

The pandemic highlighted a requirement to revise governance arrangements relating to enable urgent or emergency decisions to be taken by officers in exceptional circumstances so that the Council can react quickly without the requirement to convene a committee meeting whilst retaining Member oversight. In October 2020 Council⁷ agreed to amend Article 10 (Decision-Making) of the Constitution to give a delegation to the Chief Executive to take decisions in exceptional circumstances on emergency matters which would normally require a committee decision where it is not possible to convene a meeting of a committee following consultation with relevant Members.

Since September 2020, the Council's pandemic response has continued through a further national lockdown between December 2020 and March 2021. Despite the lockdown, the Council's focus has been on recovery planning and future financial sustainability as set out below.

Recovery Planning (including the Barnet Plan)

Our Covid-19 Recovery Planning programme has continued throughout the year, led by the council's Deputy Chief Executive. The programme has co-ordinated activity across the organisation in the past year, with the majority of council services now recovered and operating normally. The programme has been structured around the themes of the Barnet Plan 2024 in order to embed recovery into the council's long-term vision for the borough.

The programme is currently focused on the final 'unlocking' of services that have been restricted by Covid-19 regulations or deprioritised due to the pandemic response, in line with the government's roadmap out of lockdown.

Other areas of unlocking continue to build upon changes implemented through the response to Covid-19. In-person social care services in Adults and Family Services are being restored alongside digital models, while libraries continue to look at blended service models. This will be in place until all services have been unlocked in line with this roadmap, with any recovery activity beyond this falling into the Barnet Plan, where it will be monitored by the outcomes framework.

It is clear that – as well as being a pressing social and economic need – recovery provides an unparalleled opportunity for the council to work with partners to collectively re-think how we operate individually and together. There are numerous examples of positive changes that have been implemented throughout our response to Covid-19 that we should build upon and retain in the future.

⁶ Urgency Committee, 27 April 2020: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=716&MId=10375&Ver=4>

⁷ Council, 20 October 2020, Item 11.2, Appx T and U: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=162&MId=10235&Ver=4>

These activities are incorporated into Barnet’s new Barnet Plan⁸, which was agreed at Full Council 2 March 2021⁹. The COVID-19 recovery planning has fed into the Plan and has enabled us to achieve a stable foundation on which to deliver our longer-term vision:

“We care about the borough and want it to be a great place to live, work and visit. Listening to and working with residents and others, we want people to have opportunities to live healthy and fulfilling lives in safe and thriving communities. Providing good quality customer service in all that we do.”

The plan focuses on four priorities over the next four years:

- **Clean, safe and well run** – A place where our streets are clean and anti-social behaviour is dealt with so residents feel safe. Providing good quality, customer friendly services in all that we do
- **Family Friendly** – Creating a family friendly Barnet, enabling opportunities for our children and young people to achieve their best
- **Healthy** – A place with fantastic facilities for all ages, enabling people to live happy, healthy lives
- **Thriving** – A place fit for the future, where all residents, businesses and visitors benefit from improved sustainable infrastructure and opportunity.

In the delivery of our vision we will be adopting preventative measures to help people remain healthy, happy and independent in all aspects of life and consider equalities in all that we do. A key tenet of the plan is the focus on Barnet as a place where the council is just one of the bodies responsible for making it a great place to live and work. The plan sets out how we intend to work with others, through statutory partnerships and more informal relationships, on shared problems to achieve the best outcomes for our residents and businesses.

Delivery of the Recovery Plan and Barnet Plan are progressing as unlocking continues and services begin to open up further. Policy & Resources Committee¹⁰ have recently approved the allocation of Covid-19 funding for recovery and delivery of the Barnet Plan in the following areas:

- Improvements in CCTV, enforcement and improved Customer Service
- Supporting education recovery, children’s emotional and mental health and employment
- Improvements in integrated care
- Supporting employment and sustainability
- Improvements in insight

One-off contingency funding to assess impact in the following areas has also been agreed:

- Improvements in customer services, parks and cleansing
- Support to tackle violence against women and girls
- Support victims of domestic abuse
- Support employment
- Support to voluntary, community and faith sector

⁸ <https://www.barnet.gov.uk/sites/default/files/2021-03/022176%20-%20BC2135%20-%20BARNET%20Corporate%20plan%202021%20-%202025%20-%20FINAL%20%281%29.pdf>

⁹ Council, 2 March 2021, Item 10.1: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=162&MId=10237&Ver=4>

¹⁰ Policy & Resources Committee, 16 June 2021, Item 7, Business Planning 2022-26: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=10888&Ver=4>

Financial Sustainability

Financial sustainability is a key element to the recovery programme which needs to deliver a robust Medium Term Financial Strategy (MTFS) in order to support the continuation of council's operations to support residents. Marked by the COVID-19 pandemic, 2020/21 was a turbulent year, but ended strongly for the council. The budget set in March 2020 was marked by a lack of any planned reliance on the use of reserves. By March 2021, the Council has not relied on reserves, and has in fact made contributions to reserves. There were planned contributions of £6.640m, with a further unplanned amount of £9.749m added to corporate reserves and provisions.

Costs of the pandemic incurred during the year were substantially covered through government funding received, with a balance £8.443m being taken forward to the new year to fund anticipated costs. This balance, together with the reserves created above, are one-off, but they will help to manage pandemic recovery costs during 2021/22.

The first lockdown was announced in late March 2020, and for several months thereafter there was great uncertainty over the level of cost that might be incurred and the extent of government funding. An early report (to the June 2020 Financial Performance & Contracts Committee¹¹) estimated that costs could be as high as £52.4m, with funding at that point only covering half of that. There were widespread concerns at the time that many councils could be pushed into a financial crisis. As it turned out, further financial support was provided. Announcements in July and later in November mean that government has substantially funded the local costs of the pandemic. The sums received have been managed carefully, targeting resources towards areas of greatest need as they were identified while still ensuring there were proper safeguards and effective management of public money. A total of £85.0m was received and £76.6m spent (excluding business support and support for schools). The balance so far unspent is already committed to a range of known further costs in the new year as being directed to areas such as support to employment, business support and ongoing social care impacts.

The pandemic impact also extends to the Medium Term Financial Strategy. The MTFS, which covered 2021-26, was based on service delivery assumptions rooted in the months leading up to March 2020, and so reflects a 'pre-pandemic' profile of council operations. At that point, the MTFS indicated a remaining savings requirement for 2022/23 of £8.6m, rising to £14.1m by 2024/25. A key priority for the council in the new financial year (2021/22) and through the budget planning process for 2022/23 and the MTFS period will be to understand the post-pandemic operation of council services and the impact of that on the MFTS.

In particular, the council will need to identify areas affected for a short period only by the pandemic, as opposed to where the pandemic has had a longer term or even permanent effect. In essence, a 'fundamental financial review' is required for all budgets affected (or possibly affected) by the pandemic. Key areas for review include latest or emerging trend data for social care (Adults and Children's) including mental health and domestic violence support, car parking income, business rates receipts and local business and employment support, and resident expectations of services such as housing provision, leisure, and parks and open spaces, among others. A report was taken to the June Policy & Resources Committee¹² with recommendations regarding the approach to revising the MTFS and setting a budget for 2022/23 to support delivery of the Barnet Plan.

Business rates receipts in particular are subject to external factors including the local economic recovery, tapering of expanded rate reliefs, changes in consumer habits and national policy changes. The council will continue to monitor business rates receipts in line with other key areas of review.

¹¹ Financial Performance & Contracts Committee, 8 June 2020, Item 7: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=693&MId=10106&Ver=4>

¹² Policy and Resources Committee, 16 June 2020, Item 7: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=10888>

The council supports maintained schools facing financial difficulties by providing challenge and scrutiny on proposed recovery plans should a school be unable to set a balanced budget, and by agreeing cash advances for schools that have cash flow difficulties, subject to agreement on a recovery plan.

CIPFA Financial Management Code

CIPFA have introduced a Financial Management Code¹³, setting out standards for financial management in councils. Councils are required to comply with this from April 2021. A review was commissioned by the Chief Finance Officer as part of the process of preparing the budget later approved by Council (March 2021). This review considered the requirements of the Code and the level of the council's compliance with them.

There are 17 elements to the Code, grouped under seven headings, including:

1. The responsibilities of the Chief Financial Officer and the chief officer team;
2. Governance and financial management style;
3. Medium and longer term financial planning;
4. The annual budget process;
5. Stakeholder engagement;
6. Financial performance monitoring; and
7. External reporting

The review considered each of the requirements and was able to identify evidence of compliance for all areas. Clearly, there remains both scope and ambition for improvement, but it is clear that the authority complies with the requirements of the Code. A short report on this will be reported to the Audit Committee in 2021/22.

CIPFA Resilience Index

CIPFA have published a 'resilience index'¹⁴ which covers a range of key indicators of the financial health of different councils, based on publicly available data. It should be noted that (as it states on the website) 'CIPFA has always emphasised the need for a local narrative to accompany the figures' as the local context can have a significant bearing on overall levels of reserves and budget allocations.

Considering the data for this council, compared with 'statistical nearest neighbours' in the period 2016-2020 (focusing on 2019/20), the following can be identified:

- Reserves sustainability and overall change in reserves – based on the use of reserves over the last three years, this presents as high risk. However, the local context is that use of reserves has reduced and net contributions made into reserves at the end of 2019/20 and also at the end of 2020/21. The resilience index focuses on reserves performance because this is both measurable and a reason why councils become financially distressed (low reserves reduces the scope for urgent remedial action). The evidence presented for this council is mixed, with both increases to unallocated reserves and planned use of earmarked reserves, but the planned use of reserves is in line with policies and contribution to unallocated reserves is helpful at a time of financial uncertainty.
- Interest payable – at 2.3% of net revenue spending, this is low within the group and increases resilience.
- Council tax – funding 68% of net revenue expenditure this places the council towards the upper end of the comparator group. (High council tax reliance reduces exposure to changes in government funding policy and increases resilience).

¹³ CIPFA Financial Management Code: <https://www.cipfa.org/policy-and-guidance/publications/f/financial-management-code>

¹⁴ CIPFA Financial Resilience Index: <https://www.cipfa.org/services/financial-resilience-index-2021>

- Children's social care spending – at 24% of net revenue spending, this is in the mid-range of the comparator group, which has results ranging from 16% to 40%. This indicates that the council neither over- nor under-funds this service in comparison to similar councils. This increases resilience.
- Adults social care spending – at 43% of net revenue spending, this is placed higher within the comparator group, although still within the middle range (the group has results in the range 32% to 54%).
-

It should be noted that the data used in the resilience index relates to 2019/20 and so to the period before the pandemic. This council will continue to monitor its performance over time and in comparison with other councils as more data becomes available.

These issues will continue to be monitored through the Annual Governance Statement during 2021/22.

Emergency Planning and Organisational Preparedness

Under the Civil Contingencies Act 2004, the London Borough of Barnet is defined as a Category 1 Responder, along with other Category 1 Responders such as Police, Fire and Ambulance Service. During any emergency that occurs in Barnet, the role of the council is to support and assist the emergency services in life saving and operational activities; then take the lead during the recovery phase to ensure the community has a swift return to normality.

Barnet has a duty under the Act to identify risks and hazards that have the potential to impact the borough and its communities and, on that basis,, to plan for such emergencies, exercise those plans and to make its residents aware of the hazards in their area and how they can prepare for an emergency. Hence, our contingency planning and business continuity arrangements (how we maintain service delivery in the event of incidents and disruption) have a key role in our ability to manage our resources, effectively, efficiently and economically.

Whilst responding to Covid, the Emergency Planning team have been working to review and update our key plans including our Severe Weather Plan and our Fuel Management Plan which included a new Traffic Management Plan. We have reviewed ourselves against Resilience Standards for London and fed back our state of preparedness to London Resilience. We have developed virtual training programmes and recruited and delivered these to six new Silver responders, four new Local Authority Liaison Officers (LALO's), 12 new BECC Officers and three new BECC Managers thus ensuring our on-call Emergency Response teams are adequately resourced and fully trained. We also created a best practice paper on three key actions identified in the Grenfell Action Plan, on how local authorities can ensure suppliers and contractors are clear of their obligations and work alongside local authorities should a major incident occur. This paper is being presented to the Local Authorities' Panel, the body that provides London local government input into resilience issues and oversees the work programme of the London Resilience Group, and once agreed will be shared with all 33 London Borough's to encourage best practice across London.

Throughout this period the Organisational Resilience team have maintained a full response team to address any other non-Covid emergencies arising to include fire and flood evacuations and major loss of services.

This issue will continue to be monitored through the Annual Governance Statement during 2021/22.

Improvement of Key Services Delivered via the Capita CSG and RE Contracts

The council has two strategic contracts with Capita. The first, the Customer and Support Group (CSG) contract, is for the delivery of the council's "back office" functions, including customer services, information technology, revenues & benefits and estates. The second relates to the provision of development and

regulatory services (DRS), including planning, highways, environmental health, regeneration and cemetery and crematorium. This contract is delivered through a joint venture between Capita and the council, known as Regional Enterprise Ltd (RE).

In 2018, the council's Capita CSG and RE contracts were reviewed¹⁵, with the Finance and Strategic HR services returning in-house in April 2019. In July 2019¹⁶ the phase II review concluded that part of the Regeneration service (the Skills, Employment and Economic Development team and the Director of Place role) should be returned to the council, further strengthening strategic control in a key area of the council's activities. It was also agreed that the Safety, Health and Wellbeing Service be returned to the council and that the remaining services should be reviewed alongside the year 6 (CSG) and year 7 (Re) contract reviews. In addition, the Integrated Programme Management Office, which co-ordinates the management of the Brent Cross Programme, also returned to the Council in January 2020.

In 2020, a review of the Pensions Administration Service was completed, and it was agreed that it would be transferred from Capita to the West Yorkshire Pension Fund (WYPF), which is a specialist provider of Local Government Pension Fund Administration Services¹⁷. The Pensions Administration Service was transferred to the WYPF in November 2020 and is now operating satisfactorily.

Other services provided under the CSG and RE contracts are under review through the Year 6/7 Review process. In January 2020 the Financial Performance & Contracts Committee agreed the terms of reference¹⁸. The review was initially paused in 2020 as the team focused on Covid response activities, but it is now underway, with a view to confirming the proposed categorisation of individual services as either:

- retained services
- returning services, or
- further review services.

The review is supported by an independent market insights report commissioned from Grant Thornton¹⁹. Regular oversight and scrutiny is being provided by the Financial Performance & Contracts Committee²⁰.

This issue will continue to be monitored through the Annual Governance Statement during 2021/22.

Governance of Major Capital Programmes including Brent Cross Cricklewood Regeneration

The council's revenue budget receives regular scrutiny via the Council Management Team and committee arrangements. Capital expenditure can be significant and should be focussed on the development and maintenance of infrastructure to support the council's strategic aims. As such, it is appropriate for this Statement to give an overview of the capital programme to provide additional assurance that it is robust, deliverable and has the appropriate level of oversight and scrutiny.

¹⁵ Policy and Resources Committee, 19 July 2018 – Item 8: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=9725&Ver=4>

¹⁶ Policy and Resources Committee, 19 June 2019 – Item 7: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=9850&Ver=4>

¹⁷ Policy and Resources Committee, 19 February 2020 – Item 9: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=9853&Ver=4>

¹⁸ Financial Performance and Contracts Committee, 29 January 2020 – item 9: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=693&MId=10105&Ver=4>

¹⁹ Financial Performance and Contracts Committee, 17 March 2020 – item 10: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=693&MId=10109&Ver=4>

²⁰ Financial Performance and Contracts Committee, 8 June 2021 – item 8: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=693&MId=10799&Ver=4>

The council has is expected to deliver over £450m of capital investment in 2021/22. There is a broad Capital Programme which ranges across relatively small-scale initiatives to significant infrastructure projects and programmes.

Within this portfolio, the regeneration of Brent Cross Cricklewood, Highways and Housing are the most significant programmes of work. Beyond these programmes, the council has a diverse portfolio of Capital Delivery Projects.

Brent Cross Cricklewood

Brent Cross Cricklewood comprises three main elements: Brent Cross Thameslink; Brent Cross South; and Brent Cross North.

While Brent Cross North is deferred, both Brent Cross West Station (BXW) and Brent Cross Town (BXT), formerly known as Brent Cross South, have made significant progress through the planning and design stages.

The BXW Rail Systems and Sidings works commenced in January 2019 with the replacement Train Operating Company (TOC). The TOC facility is now occupied, and the sidings became fully operational in March 2021. Works have commenced on the BXW Station itself and the construction is now well advanced, with work happening now on the slow and fast platforms. The track slews undertaken by Network Rail to realign the rail tracks to create the space for the new platforms have been safely delivered, and now substantially de-risks the delivery of the station and the 2022 opening date. Practical completion of the station is scheduled for late Spring 2022, with opening late 2022²¹.

All the land needed to deliver the first phases of the scheme has now been identified and the required Compulsory Purchase Order Notices issued in line with the programme and prior to the expiry of the Orders.

Brent Cross South has also started on site with significant progress being made so that plot development can commence in Spring 2022. The Exploratory open space is now open ahead of the works starting on the upgrades to Claremont Park. This Park is due to open in Spring 2022. The Pavilion (also known as the temporary visitor centre) is due to open this autumn.

The scale of the changes to be delivered in the borough, and of the spend, mean that the programme has a corporate significance beyond that of most regeneration projects. In terms of Brent Cross Thameslink, the Council is exposed to the risk of cost overrun and grant clawback if the grant conditions, particularly key milestone dates, are not met. There is a mechanism for amending key milestones in agreement with Government, and currently the Council is meeting the agreed the programme on the station. The programme for the waste transfer station has been updated to reflect the interim move by the North London Waste Transfer Station to Seneca. This has been made with the full agreement of government through the Government Assurance Board.

The major risk for the programme related to securing the recent major railway possessions to deliver the new station platforms, which as mentioned above, were safely delivered throughout April – June 2021. However, the risk remains in relation to the smaller weekend and night possessions needed to deliver the station itself. The integrated industry supported programme developed in response to the delivery of the major key railway possessions is being regularly updated and the Mace, Network Rail and contractor teams are meeting to review this and ensure that works are co-ordinated, and the possessions are maintained with maximum construction work taking place.

²¹ Housing and Growth Committee, 14 June 2021- item 17: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=10845&Ver=4>

Cost and programme remain important risks to manage, and these are regularly reviewed through the operational Client Reviews and the programme governance structure.

Ensuring that the station is operational ready by late 2022 is another risk that is being actively managed. The Memorandum of Understanding that was signed in 2020 by all rail industry and government partners and confirmed the collaborative agreement to work towards delivering in line with the integrated programme, is now being updated to reflect the updated programme and workstreams to ensure that the station is operational ready. This is being managed by the Railway Operations Assurance Board now established and has the specific focus of ensuring the programme is maintained and rail related issues are resolved before impacting the programme. The Board reports into the already established Government Assurance Board and can escalate issues which may require input from more senior levels.

The programme will also deliver wide ranging benefits to the Council and the borough, including but not limited to, new homes to meet housing need, investment in infrastructure for the benefit of existing and new residents, and increased revenue from council tax and business rates. A benefits tracker has been established that is being reviewed on a regular basis throughout the programme lifecycle to ensure benefits are being realised in line with the business case.

Since the last Annual Governance Statement, the council acquired the Brent Cross South Retail Park in February 2021. The Park forms part of the wider Brent Cross regeneration scheme. The acquisition was made following a thorough review of the regeneration opportunities having regard to the existing S73 permission and S106 requirements alongside market conditions and development potential. It is anticipated that it will be brought into the Brent Cross South Joint Venture between the Council and Argent Related. Significant due diligence was undertaken by the Council and its advisors prior to purchase, particularly on the finance modelling, existing tenant mix and re-development strategy to inform the purchase price and ensure that there is not a negative impact on the General Fund during the holding period. The acquisition was funded through Council borrowing. The key risks relate to ensuring that the acquisition will have no impact on the General Fund and that the Council's acquisition and holding costs are covered prior to it being incorporated into the BXT Joint Venture. The Council has put in place appropriate internal resources and expertise supplemented by external property management as required to ensure that the Council will secure the required returns so that there will be no gap or negative impact on the General Fund. Monthly reporting is now in place to manage this asset through the council's governance structure.

The programme has a comprehensive internal governance structure within the Council, reporting to the Housing & Growth Committee for strategic direction and regeneration related decisions, the Policy & Resources Committee for budget decisions, and the Financial Performance & Contracts Committee for monitoring of key delivery contracts between the Council and Network Rail in respect of the Rail Sidings and Systems and Volker Fitzpatrick in respect of the station delivery contract. The Member Working Group has also been updated to receive reports programme wide. The updated terms of reference were approved at the Housing & Growth Committee in January 2021²² and the Group subsequently met in February and is scheduled to next meet in late June.

Externally, programme progress, risks, issues, benefits realisation and finance are all reviewed monthly at the Government Assurance Board (attended by: the council: Ministry of Housing, Communities and Local Government: Department for Transport; HM Treasury; Homes England; Greater London Authority; Transport for London; and the Infrastructure Projects Authority (IPA)).

²² Housing and Growth Committee, 25 January 2021- item 10: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?Cid=696&Mid=10228&Ver=4>

Update reports on the overall project continue to be submitted to the Housing & Growth Committee on a quarterly basis. The programme is also now reporting to the Financial Performance & Contracts Committee²³ and this is continuing quarterly now that the scheme has moved into the delivery phase and major contracts let. Through the Government Assurance Board, Government partners agreed to a joined-up approach in relation to audit and assurance reviews. The Infrastructure and Projects Authority (IPA) have carried out progress reviews previously, and it has been agreed that a follow up review will be council led. This review has taken place and is currently at draft report stage, providing 'Reasonable Assurance'.

Highways

The Council have different sources of capital investment on the highway network, but primary source of capital expenditure is through three main workstreams:

- Network Recovery Plan
- Local Implementation Plan
- Section 106 agreements with developers

The Environment Committee in January 2021 approved the capital expenditure of just over £6.7 million for the delivery of the 2021/22 Highway Network Recovery Plan (NRP)²⁴. The work programme consists of carriageway and footway renewal works. This programme is mainly funded from Community Infrastructure Levy (CIL).

Another source of capital funding for highway infrastructure is through annual investment by Transport for London through the borough delivery programme called Local Implementation Plan (LIP). Barnet have been receiving in the order of £3m per annum over the last few years. However, currently the Council is waiting to hear from TfL for 2021/22 LIP allocation following a short term financial settlement with the government. Failure to receive the LIP funds is a risk to a number of capital projects, including sustainable transport, road safety, junction improvements and alike.

Section 106 funding is agreed between the Council and developers as part of the planning application process. These funds are secured to minimise the impact of major developments within the borough. Part of this fund is ring fenced for improvement to the transport network within the area of development.

All capital funding for highways are considered at Capital Strategy Board prior to decisions being made at Environment Committee and/or Policy and Resources Committee.

The highway services, including capital programme is delivered by the Re Highway and overseen by the Council's Commissioning Team. Works progress reports are provided by Re Highway on a monthly basis to the Executive Director, Environment and the NRP progress to the Environment Committee on an annual basis²⁵.

Housing

The Housing Revenue Account (HRA) Capital Portfolio consists of:

- New build affordable housing schemes
- Major works to existing Council stock

²³ Financial Performance and Contracts Committee, 8 June 2021 – item 11: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=693&MId=10799&Ver=4>

²⁴ Environment Committee, 18 January 2021 – item 9: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=695&MId=10158&Ver=4>

²⁵ Environment Committee, 18 January 2021 – item 9: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=695&MId=10158&Ver=4>

- Repairs to existing Council stock
- Acquisition of homes on regeneration schemes
- Fire safety programme

The main risks and issues include general development risks such as programme delays, and land assembly. The council is undertaking a £51.9m investment programme to improve fire safety in council homes and despite some Covid-19 related delays this has progressed well during 2020/21, with £34m of the total budget now spent. Detailed building and fire safety inspections of medium and low-rise residential council buildings are also being undertaken.

Large council blocks that were built using the Large Panel System (LPS) construction method have been surveyed, with findings of significant issues. Some of the affected buildings have been completely vacated with mitigation works being undertaken at others.

The council's new build Housing Revenue Account Capital Portfolio consists of a range of schemes to deliver mainly affordable housing on HRA land. The council delivers this portfolio primarily through its relationship with Barnet Homes (BH), with BH acting as the Council's development agent.

The affordable housing, extra care and Upper and Lower Fosters programmes report monthly to the internal (council and BH) officer project boards, as well as to the council's officer Capital Strategy Board where programme progress, risks, issues, benefits realisation and finance are all reviewed.

The acquisition of properties on regeneration estates is delivered by the Re Regeneration team and reports to the office Growth and Regeneration Board monthly.

Programmes in relation to the management of Council stock are delivered through the Management Agreement with Barnet Homes.

General Fund Housing Capital projects includes:

- Loan to Opendoor Homes for the delivery of affordable and mixed tenure housing
- Loan to Opendoor Homes for the acquisition of housing
- Delivery of 142 homes at Upper and Lower Fosters funded by Sage Housing Ltd

For the projects delivered by Opendoor Homes, the Council has a role in agreeing in the business case, and monitors progress in line with this. However, it's role once the business case has been approved is as funder.

For all projects recommendations on budget are considered at Capital Strategy Board prior to decisions being made at Policy & Resources Committee. Strategic decisions on individual projects are taken at Housing & Growth Committee. The affordable housing and extra care projects are all managed in line with the Council's project management/ capital delivery toolkit.

Capital Delivery Projects

Following a Capital Governance Review, arrangements have been strengthened across the wider capital programme which is investing in schools and other assets across the borough. To provide assurance that governance arrangements have been strengthened this Statement includes a summary of the Programme and its constituent elements.

The capital portfolio typically consists of buildings (excluding housing) such as schools, leisure centres, community centres parks and open spaces as well, as corporate projects such as office accommodation and operations bases.

The council's approach to delivery of Capital projects aims to be proportionate to the scale and complexity of the individual schemes.

Generally, smaller schemes that do not involve a form of construction are governed separately directly within services. Those projects of a more significant value follow the Council's Project and Programme Management methodology and are grouped by portfolio. The Brent Cross Programme, Housing and Highways are the exception to this approach as they are governed and reported separately.

The Council splits the delivery of the Capital Programme into six Portfolios each internally reviewed by an officer Portfolio or Programme Board:

1. Depot Programme
2. Education and Families Capital
3. Town Centres Capital
4. Greenspaces, Parks and Leisure Capital
5. Property and Operations Portfolio
6. Hendon Hub Programme

The programme reports monthly to the internal officer Capital Strategy Board where programme progress, risks, issues, benefits realisation and finance are all reviewed. Any significant escalations are taken to Council Management Team.

Recommendations on budget are considered at Capital Strategy Board and Council Management Team prior to decisions being made at Policy & Resources Committee. Strategic Decisions on individual projects are taken at relevant theme committees.

The programme reports quarterly to Financial Performance & Contract Management Committee to outline the status of project delivery across the Capital Portfolios and to provide visibility of the live projects between delivery and closure stages. The quarterly report identifies projects where there has been a variance to the full business case in terms of time cost and quality with a view to providing assurance on lessons learned for continued improvement in the performance of the Council's Capital Project Delivery.

Depot - The Depot Programme aims to reduce the property related costs associated with running the Streetscene services. The programme is reviewing the various leasehold arrangements currently in place and is investigating opportunities to make improvements to the current use of the sites.

Education & Families - The Education and Families Capital Programme delivers projects relating to Children, Schools and Education. Initiatives include;

- Modernisation programme which will oversee improvements to school infrastructure;
- Additional Places programme for Primary & Secondary Schools which has been able to re-provide 60 places at a primary school level and to create an additional 60 new places at a secondary school and facilitated the building of the new 6 form entry Saracens High School
- Special Educational Need (SEN) Schemes has enabled an additional 34 SEN places to be created at three schools and one Pupil Referral Unit,
- The creation of new nursery places and a new children's home.

Town Centres - The Council is developing its plans for capital investment to support regeneration and town centre improvements. In 2021 the programme will be moving forward with proposed plans for Finchley Square which looks to improve the town centre at Finchley Central.

Greenspaces, Parks & Leisure - The Greenspaces, Parks and Leisure programme covers the capital projects that cover the investment in these assets for the borough. Key elements of the programme include:

- The delivery of the Council's Parks and Open Spaces Strategy, which has been developed to guide future investment in parks, ensuring that they are practical and are part of the well-used fabric of the local community.
- Provision of modern facilities and enhanced outdoor space, contribution to council's strategic commitments to provide additional sports and playing pitches with increased usage by residents and users.
- The creation of two new leisure centres at Barnet Copthall and Victoria Park in New Barnet.
- The investment in the Council's Cemetery and Crematory infrastructure

Property & Operations - The Property and Operations Portfolio delivers projects that relate to the Council's civic estate such as office accommodation, the portfolio also covers projects relating to disposals and development. Projects in this portfolio are reviewed by officers at the Property Review Board.

Hendon Hub - The Hendon Hub programme is currently working to produce a Full Business Case for decision at Policy & Resources Committee. The Hendon Hub redevelopment is an aspirational new project that will deliver new and improved academic and civic spaces around The Burroughs in Hendon. Working in partnership with Middlesex University and the Barnet Library Service, this project will provide new mixed-use accommodation and community facilities to Hendon, as well as a more welcoming and greener public realm designed with local people in mind. The proposals for Hendon will include creating a more pleasant environment in and around The Burroughs, making the area more accessible and inviting for everyone.

This issue will continue to be monitored through the Annual Governance Statement during 2021/22.

Financial Control

During 2020/21, we continued to build on the work undertaken to strengthen controls amongst our processes in all areas with specific focus on ensuring all 2019/20 audit recommendations were implemented across Finance as well as embedding the improvements as part of the review carried out by Grant Thornton.

A key area of consideration in 2019/20 was the Finance initiative to complete self-assessments of the financial control environment. These assessments gave specific attention to best practice principles and throughout 2020/21 we considering additional differing controls principles as part of this. This led to a progressive approach to address the areas of weakness across all of our processes whilst prioritising the higher risk areas.

It was agreed at the time that Internal Audit would undertake a review later in the year to assess whether the identified controls were operating as expected. This work has now been completed and, although the scope of the reviews differed to those undertaken in previous years, in general the direction of travel on all the Key Financial Systems audits was either positive or stable; no deteriorations were noted.

Throughout 2020/21, greater emphasis was placed on seeking to deploy system controls, provision of management information and accessibility to up to date policies and procedures.

The Internal Controls Board continued to take place on a monthly basis throughout 2020/21 and this embedded ongoing dialogue and accountability across departments and strategic partners.

During 2020/21, internal audit also undertook data analysis of payments made during COVID and did not identify any fraud. Several process improvements were highlighted as part of the findings and we are working to ensure these are embedded across the affected areas.

This issue will continue to be monitored through the Annual Governance Statement during 2021/22.

Financial Risk

As the council's finances have become more challenging, we have begun to rely on a greater range of funding arrangements and financial mechanisms. Along with increased land holdings for regeneration schemes, some of which are income producing, this has led to a more complex financial environment. Significant financial arrangements and financial mechanisms are as follows:

- The acquisition of Brent Cross Retail park
- The loans to Open Door Homes
- Sage funding of Upper and Lower Fosters regeneration
- Loan agreement with Saracen Cophall LLP (SCLLP)
- Hendon Hub (*subject to committee approval*)

While extensive due diligence has been undertaken on each of these schemes to ensure that they do not expose the council to unacceptable risk, in light of the increasing diversity of arrangements the council will, in 2021/2022, develop a portfolio approach to risk management including elements such as funding type, lender and asset class to ensure an appropriate level of exposure to any individual partner or funding model.

Financial risk will continue to be monitored through the Annual Governance Statement during 2021/22.

Pensions Administration

Following a review of options for the administration of the pension scheme, West Yorkshire Pension Fund (WYPF) were appointed as administrator of members records effective from 1 November 2020. The transition was completed to timetable.

Although a data improvement plan was partially completed pre-transition, West Yorkshire inherited a backlog of unprocessed leavers, which they are currently working through with Barnet officers assisting in the collection of information from employers. Progress is being monitored by both the Local Pension Board and Pension Fund Committee.

Because of missing data, we reported to The Pensions Regulator (TPR) that we were unable to send 2,600 Annual Benefits Statements (ABS's) due on 31 August 2020 and that we would be working with WYPF to gather the data necessary for the 2021 statements. TPR decided to take no action on this occasion. We also reported that due to an error by Payroll, a further 1,660 ABS's had to be re-issued in September 2020 to correct an overstatement in earnings.

Reviews of the records inherited by WYPF identified 59 deleted members records where no reason for deletion had been retained. Investigation identified that almost all were duplicate records properly deleted but the absence of any audit trail is a concern. However, a report to the Information Commissioners Office (ICO) confirmed that no further action is required by the ICO. Annual backups of membership records back to 2014 will be retained to enable records to be recreated if this is necessary.

In the run up to the 2022 triennial valuation, we will be using the actuaries' portal during 2021 to test the completeness and validity of the membership data.

No issues arose with Pension Saving Statements in the year and work to assist staff deal with the consequence of late statements for previous years is now largely complete.

Good progress has been made in tackling the backlog of admissions, bonds and cessations, with quarterly reports to Pension Fund Committee. WYPF performance as administrator has consistently achieved target service standards in 2021.

This area will be scrutinised by the Local Pension Board and the Pension Fund Committee and will not be a matter for the AGS in 2021/22.

Annual Internal Audit Opinion; Reasonable Assurance – Key Findings

Each year the work of Internal Audit is summarised to give an overall opinion on the system of internal control and corporate governance within the Council. This is a requirement of the Public Sector Internal Audit Standards (PSIAs). The Opinion covers the internal audit work completed delivering the 2020/21 audit plan to 31 March 2021, including the work completed more recently to complete the audits that were delayed due to the COVID-19 response.

In 2020-21 the annual opinion overall is Reasonable Assurance. This is consistent with 2019/20 and an improvement on the previous two years, 2018/19 and 2017/18, when Limited Assurance was given.

Improvements have been shown during the year, particularly over key financial systems, and it is the Head of Internal Audit Opinion that the overall rating of Reasonable Assurance is appropriate. Although some high risk rated weaknesses were identified in individual assignments these are broadly isolated to specific systems or processes. Further improvements are required to improve the adequacy and effectiveness of governance and control compliance in particular areas.

The key findings from the audits have been grouped into four themes in the Opinion which will be a continued focus of Internal Audit work in 2021/22:

- Financial control and fraud risk;
- Compliance / Policies & Procedures;
- Roles and responsibilities and staff training; and
- Oversight and governance arrangements.

Barnet's Fire Safety

Following the tragic fire on 14 June 2017 at Grenfell Tower in the Royal Borough of Kensington and Chelsea, this was identified as a significant governance issue and has been included in the Annual Governance Statements since. Activities to address fire safety matters continue to be coordinated across the council through a fire safety working group of officers whom report to Housing & Growth Committee regularly²⁶.

The Council is undertaking a £51.9m investment programme to improve fire safety in Council homes and, despite some Covid-19 related delays, this has progressed well during 2020/21, with £34m of the total budget now spent. Detailed building and fire safety inspections of medium and low-rise residential council buildings are also being undertaken.

Large Council blocks that were built using the Large Panel System (LPS) construction method have been surveyed, with findings of significant issues. Some of the affected buildings have been completely vacated with mitigation works being undertaken at others.

In 2020/21 the Council completed the data collection exercise regarding the external wall coverings of all residential buildings in the borough that are 18 metres or more in height. Several landlords in the private sector chose not to respond to requests for further information and enforcement processes will begin in 2021 to address these shortcomings.

For building that are under 18 metres, there will be a risk based approach in addressing issues. A survey has been undertaken and for Council buildings, with funding set aside to address concerns. For private sector buildings under 18 metres, a special projects request has been issued to Re to undertaken some more survey work.

Several specific blocks of concern continue to be closely monitored and in late 2020/21 the fire authority notified the council that some further joint inspections will be required to address issued identified and progress with recladding. A register of sites in is under development and continuously updated to ensure dynamic risk management is undertaken and progress with improvements is being delivered. There will also be an internal audit undertaken later in the year on Fire Safety in Private Residential blocks.

This issue is regularly reported to the Housing & Growth Committee and will continue to be monitored through the Annual Governance Statement during 2021/22.

Conclusion

The Council has faced significant challenges in 2021/22 to maintain existing services and respond to the Covid-19 pandemic. Members and officers have ensured that existing governance issues and risks have continued to be monitored and that there has been no weakening of the council's governance arrangements during this time.

As detailed in Section 7 above, several issues will carry forward to be monitored in 2021/22. In addition, the Council intend to:

²⁶ Housing and Growth Committee, 24 November 2020 – item 14 <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=10227&Ver=4>

- Undertake a review against the Centre for Governance and Scrutiny Governance Risk and Resilience Framework²⁷; and
- Ensure that all recommendations made by The Committee on Standards in Public Life Local Government on Local Government Ethical Standards (January 2019) have been fully implemented²⁸.

To summarise, the following governance issues will be key to the council's key priorities and focus in 2021/22: -

1. Governance Risk and Resilience Framework
2. Local Government Ethical Standards
3. Covid-19 including Recovery Planning and Financial Sustainability
4. Emergency Planning and Organisational Preparedness
5. Improvement of Key Services Delivered via the Capita CSG and RE Contracts
6. Governance of Major Capital Programmes
7. Financial Controls
8. Financial Risk
9. Annual Internal Audit Opinion – Key Findings:
 - a) Financial control and fraud risk;
 - b) Compliance / Policies & Procedures;
 - c) Roles and responsibilities and staff training; and
 - d) Oversight and governance arrangements.
10. Fire Safety

Over the coming year the Council will be taking steps to address the matters outlined in this Annual Governance Statement and addressed within the Annual Internal Audit Opinion to further enhance governance arrangements and control compliance within the authority.

We are satisfied that these steps will address the need for improvements that have been identified and we will monitor their implementation and operation through appropriate committees throughout the year as well as part of the next annual review.

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

²⁷ www.cfgs.org.uk/governancerisk

²⁸ Constitution and General Purposes Committee, 12 October 2020, Item 10, Appendix A: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=174&MId=10215&Ver=4>

Statement of Responsibilities

The Council's Responsibilities

The council is required to:

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

The Director of Finance and S151 Officer Responsibilities

The Director of Finance and Section 151 Officer is responsible for the preparation of the London Borough of Barnet's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

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

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

Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the London Borough of Barnet Council at 31 March 2021 and its income and expenditure for the year then ended. The draft accounts were published on xx xxxx 2021.

Anisa Darr (CPFA)
Director of Finance and Section 151 Officer

Approval of Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit Committee on xx xxxx 2021.

Chair of Audit Committee
Councillor Rohit Grover

Auditor's Statement

Auditor's Statement (to follow)

Core Financial Statements

Core Financial Statements: Council Comprehensive Income and Expenditure Statement (CIES)

This statement summarises the income and expenditure of the council in providing services during 2020/21. 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.

| Re-stated 2019/20* | | | | | 2020/21 | | |
|--------------------|--------------------|------------------|--|----------|-------------------|--------------------|------------------|
| Gross Expenditure | Gross Income | Net Expenditure | Comprehensive Income and Expenditure Statement (CIES) | Note | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | | | | | £'000 | | |
| 138,377 | (41,085) | 97,292 | Adults and Health | | 157,710 | (68,512) | 89,198 |
| 17,126 | (16,837) | 289 | Public Health | | 26,813 | (21,486) | 5,327 |
| 9,468 | (1,957) | 7,511 | Assurance | | 8,017 | (2,321) | 5,696 |
| 197,247 | (266,485) | (69,238) | Growth and Corporate Services | | 203,161 | (175,911) | 27,250 |
| 268,143 | (238,874) | 29,269 | Resources | | 262,157 | (217,409) | 44,748 |
| 384,844 | (302,469) | 82,375 | Children's Services | | 375,259 | (298,996) | 76,263 |
| 9,819 | (55,999) | (46,180) | Local Authority Housing (HRA) | | 73,542 | (63,156) | 10,386 |
| 65,430 | (32,688) | 32,742 | Environment | | 81,910 | (24,277) | 57,633 |
| 1,090,454 | (956,394) | 134,060 | Cost of Services | 7 | 1,188,569 | (872,068) | 316,501 |
| | | | | | | | |
| 12,155 | 0 | 12,155 | Other Operating Income and Expenditure | 10 | 1,410 | 0 | 1,410 |
| 36,688 | (45,932) | (9,244) | Financing and Investment Income and Expenditure | 11 | 18,622 | (10,507) | 8,115 |
| 0 | (285,327) | (285,327) | Taxation and Non-Specific Grant Income | 12 | 0 | (368,565) | (368,565) |
| 48,843 | (331,259) | (282,416) | Subtotal | | 20,032 | (379,072) | (359,040) |
| 1,139,297 | (1,287,652) | (148,355) | (Surplus)/Deficit on Provision of Services | | 1,208,601 | (1,251,140) | (42,539) |
| | | | | | | | |
| | | (14,573) | (Surplus)/Deficit on revaluation of non-current assets | | | | (28,382) |
| | | (127,624) | Remeasurement of the net defined benefit liability | 35 | | | 112,143 |
| | | (142,197) | Other Comprehensive Income and Expenditure | | | | 83,761 |
| | | (290,552) | Total Comprehensive Income and Expenditure | | | | 41,222 |

Core Financial Statements: Group Comprehensive Income and Expenditure Statement

This statement summarises the income and expenditure of the council and its subsidiaries (The Barnet Group Ltd, Barnet Holdings Ltd and Barnet Education and Learning Services Ltd (BELS)). In 2020/21 Barnet Group company made an operating loss of £3.009m (£4.615m loss in 2019/20) and BELS made an operating profit of £2.608m

| Re-stated 2019/20* | | | Comprehensive Income and Expenditure Statement (CIES) | 2020/21 | | |
|--------------------|--------------------|------------------|---|-------------------|--------------------|------------------|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure |
| £'000 | | | | £'000 | | |
| 139,511 | (58,587) | 80,924 | Adults and Health | 158,244 | (68,997) | 89,247 |
| 17,126 | (134) | 16,992 | Public Health | 26,813 | (21,486) | 5,327 |
| 9,468 | (1,957) | 7,511 | Assurance | 8,017 | (2,321) | 5,696 |
| 200,097 | (275,228) | (75,131) | Growth and Corporate Services | 200,182 | (184,870) | 15,312 |
| 268,143 | (238,874) | 29,269 | Resources | 262,159 | (217,411) | 44,748 |
| 384,912 | (302,028) | 82,884 | Children's Services | 376,855 | (300,764) | 76,091 |
| 20,099 | (55,357) | (35,259) | Local Authority Housing (HRA) | 158,761 | (64,060) | 94,700 |
| 65,430 | (32,688) | 32,742 | Environment | 80,613 | (22,980) | 57,633 |
| 1,104,786 | (964,853) | 139,932 | Cost of Services | 1,271,644 | (882,890) | 388,754 |
| | | | | | | |
| 13,069 | (862) | 12,207 | Other Operating Income and Expenditure | 20,148 | 0 | 20,148 |
| 34,970 | (46,815) | (11,845) | Financing and Investment Income and Expenditure | 27,295 | (9,703) | 17,593 |
| 0 | (285,327) | (285,327) | Taxation and Non-Specific Grant Income | 0 | (368,565) | (368,565) |
| 47 | | 47 | Corporation Tax | 0 | 0 | 0 |
| 48,086 | (333,004) | (284,918) | Subtotal | 47,443 | (378,268) | (330,824) |
| 1,152,872 | (1,297,856) | (144,986) | Group (Surplus)/Deficit on Provision of Services | 1,319,088 | (1,261,158) | 57,930 |
| | | | | | | |
| | | (14,573) | (Surplus)/Deficit on revaluation of non-current assets | | | (28,382) |
| | | (132,404) | Remeasurement of the net defined benefit liability | | | 109,376 |
| | | (146,977) | Other Comprehensive Income and Expenditure | | | 80,994 |
| | | (291,962) | Total Comprehensive Income and Expenditure | | | 138,924 |

Core Financial Statements: Council Movement in Reserves Statement

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

| | Note | General Fund Balance | School Balances | Earmarked Reserves | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|--|------|----------------------|-----------------|--------------------|-------------------------|--------------------------|-----------------------|--------------------------|-----------------------|-------------------|--------------------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Movements in Reserves 2019/20 | | | | | | | | | | | |
| Balance as at 31 March 2019 | | 15,083 | 13,846 | 63,626 | 12,321 | 21,010 | 9,346 | 111,446 | 246,678 | 425,129 | 671,807 |
| Surplus / (Deficit) on provision of services | | 88,958 | (3,661) | 0 | 63,059 | 0 | 0 | 0 | 148,355 | 0 | 148,355 |
| Other Comprehensive Income and Expenditure | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 142,197 | 142,197 |
| Total Comprehensive Income and Expenditure | | 88,958 | (3,661) | 0 | 63,059 | 0 | 0 | 0 | 148,355 | 142,197 | 290,552 |
| Adjustments between accounting basis and funding basis | 8 | (84,891) | 0 | 0 | (67,855) | (6,272) | 2,017 | 87,722 | (69,279) | 69,280 | 1 |
| Net increase / (decrease) in year | | 4,067 | (3,661) | 0 | (4,796) | (6,272) | 2,017 | 87,722 | 79,076 | 211,477 | 290,553 |
| Transfer to/(from) earmarked reserves | 9 | (4,066) | 0 | 4,066 | 0 | 0 | 0 | 0 | 0 | 4,066 | 4,066 |
| Balance as at 31 March 2020 | | 15,084 | 10,185 | 67,692 | 7,525 | 14,738 | 11,363 | 199,168 | 325,754 | 636,607 | 962,361 |

| Movements in Reserves 2020/21 | | | | | | | | | | | |
|--|---|---------------|---------------|----------------|----------------|---------------|----------------|----------------|----------------|------------------|-----------------|
| | | 15,084 | 10,185 | 67,692 | 7,525 | 14,738 | 11,363 | 199,168 | 325,754 | 636,607 | 962,361 |
| Balance as at 31 March 2020 | | | | | | | | | | | |
| Surplus / (Deficit) on provision of services | | 37,712 | 2,512 | 0 | 2,315 | 0 | 0 | 0 | 42,539 | 0 | 42,539 |
| Other Comprehensive Income and Expenditure | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (83,761) | (83,761) |
| Total Comprehensive Income and Expenditure | | 37,712 | 2,512 | 0 | 2,315 | 0 | 0 | 0 | 42,539 | (83,761) | (41,222) |
| Adjustments between accounting basis and funding basis | 8 | 27,839 | 0 | 0 | (5,840) | 7,301 | (4,516) | 12,131 | 36,915 | (36,915) | 0 |
| Net increase / (decrease) in year | | 65,551 | 2,512 | 0 | (3,525) | 7,301 | (4,516) | 12,131 | 79,454 | (120,676) | (41,222) |
| Transfer to/(from) earmarked reserves | 9 | (65,550) | 0 | 76,049 | 0 | (10,500) | 0 | 0 | (1) | 0 | (1) |
| Balance as at 31 March 2021 | | 15,084 | 12,697 | 143,741 | 4,000 | 11,539 | 6,847 | 211,299 | 405,206 | 515,931 | 921,137 |

Core Financial Statements: Group Movement in Reserves Statement

This statement shows the movement on the different reserves held by the council and its subsidiaries (The Barnet Group Ltd, Barnet Holdings Ltd and Barnet Education and Learning Services Ltd), analysed into useable and unusable reserves, and shows the increase or decrease in the net worth of the Group. It provides an explanation of the changes in, and movements between, reserve accounts to increase or reduce the resources available to the Group. It shows how the Group's total Comprehensive Income and Expenditure is allocated to the Group's reserves.

| | General Fund Balance | School Balances | Earmarked Reserves | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Council Usable Reserves | Council Unusable Reserves | Council Total Reserve | Share of Subsidiary Reserves | Total Reserve |
|--|----------------------|-----------------|--------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------|---------------------------|-----------------------|------------------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Movements in Reserves 2019/20 | | | | | | | | | | | | |
| Balance as at 31 March 2019 | 15,083 | 13,846 | 63,626 | 12,321 | 21,010 | 9,346 | 111,446 | 246,678 | 425,128 | 671,806 | (17,669) | 654,137 |
| Surplus / (Deficit) on provision of services | 99,851 | (3,661) | 0 | 63,059 | 0 | 0 | 0 | 159,250 | 0 | 159,250 | (14,265) | 144,985 |
| Other Comprehensive Income & Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 142,197 | 142,197 | 4,780 | 146,977 |
| Total Comprehensive Income and Expenditure | 99,851 | (3,661) | 0 | 63,059 | 0 | 0 | 0 | 159,250 | 142,197 | 301,447 | (9,485) | 291,962 |
| Adjustment between Council account and Group accounts | (10,894) | 0 | 0 | 0 | 0 | 0 | 0 | (10,894) | 0 | (10,894) | 10,894 | 0 |
| Net increase / (decrease) before transfers | 88,957 | (3,661) | 0 | 63,059 | 0 | 0 | 0 | 148,355 | 142,197 | 290,552 | 1,410 | 291,962 |
| Adjustments between accounting basis and funding basis | (84,891) | 0 | 0 | (67,855) | (6,272) | 2,017 | 87,722 | (69,280) | 69,280 | 0 | (19) | (19) |
| Net increase / (decrease) before transfers to earmarked reserve | 4,066 | (3,661) | 0 | (4,796) | (6,272) | 2,017 | 87,722 | 79,076 | 211,477 | 290,552 | 1,391 | 291,943 |
| Transfer to/(from) earmarked reserves | (4,066) | 0 | 4,066 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance as at 31 March 2020 | 15,083 | 10,185 | 67,692 | 7,525 | 14,738 | 11,363 | 199,168 | 325,754 | 636,605 | 962,358 | (16,278) | 946,080 |
| Movements in Reserves 2020/21 | | | | | | | | | | | | |
| Balance as at 31 March 2020 | 15,083 | 10,185 | 67,692 | 7,525 | 14,738 | 11,363 | 199,168 | 325,754 | 636,605 | 962,358 | (16,278) | 946,080 |
| Surplus / (Deficit) on provision of services | 28,975 | 2,512 | 0 | 2,315 | 0 | 0 | 0 | 33,802 | 2 | 33,804 | (36,926) | (3,122) |
| Other Comprehensive Income & Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Comprehensive Income and Expenditure | 28,975 | 2,512 | 0 | 2,315 | 0 | 0 | 0 | 33,802 | (83,759) | (49,957) | (34,159) | (84,116) |
| Adjustment between Council account and Group accounts | 8,737 | 0 | 0 | 0 | 0 | 0 | 0 | 8,737 | 0 | 8,737 | (8,737) | 0 |
| Net increase / (decrease) before transfers | 37,712 | 2,512 | 0 | 2,315 | 0 | 0 | 0 | 42,539 | (83,759) | (41,220) | (42,896) | (84,116) |
| Adjustments between accounting basis and funding basis | 27,839 | 0 | 0 | (5,840) | 7,301 | (4,516) | 12,131 | 36,915 | (36,915) | 0 | 0 | 0 |
| Net increase / (decrease) before transfers to earmarked reserve | 65,551 | 2,512 | 0 | (3,525) | 7,301 | (4,516) | 12,131 | 79,454 | (120,674) | (41,220) | (42,896) | (84,116) |
| Transfer to/(from) earmarked reserves | (65,550) | 0 | 76,049 | 0 | (10,500) | 0 | 0 | (0) | 0 | (0) | 0 | (0) |
| Balance as at 31 March 2021 | 15,084 | 12,697 | 143,741 | 4,000 | 11,539 | 6,847 | 211,299 | 405,208 | 515,931 | 921,138 | (59,174) | 861,963 |

Core Financial Statements: Council and Group Consolidated Balance Sheet

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

| 31 March 2020 | | | | 31 March 2021 | |
|------------------|------------------|------------------------------------|------|--------------------|--------------------|
| Council | Group | | | Council | Group |
| £'000 | | Balance Sheet | Note | £'000 | |
| 1,585,181 | 1,636,785 | Property plant and equipment | | 1,594,980 | 1,696,666 |
| 1,728 | 1,728 | Heritage assets | 15 | 1,733 | 1,733 |
| 91,782 | 91,782 | Investment properties | | 167,791 | 167,791 |
| 17,363 | 29,208 | Intangible assets | | 17,700 | 19,664 |
| 46,426 | 14,931 | Long term debtors | 17 | 131,805 | 67,649 |
| 5,000 | 0 | Long term investments | | 5,000 | 5,000 |
| 1,747,480 | 1,774,434 | Total Long-Term Assets | | 1,919,009 | 1,958,503 |
| 127 | 128 | Inventories | | 156 | 0 |
| 29,282 | 29,282 | Short term investments | 17 | 20,005 | 156 |
| 137,883 | 139,472 | Short term debtors | 18 | 237,330 | 20,005 |
| 8,230 | 8,230 | Assets held for sale | | 8,181 | 260,164 |
| 111,978 | 115,848 | Cash and cash equivalents | 19 | 122,209 | 137,124 |
| 287,500 | 292,960 | Total Current Assets | | 387,881 | 425,629 |
| (427) | (427) | Short term borrowing | 17 | (1,075) | (1,075) |
| (140,890) | (149,814) | Short term creditors | 20 | (225,836) | (257,782) |
| (879) | (879) | Short term provisions | 21 | (5,965) | (5,965) |
| (142,196) | (151,120) | Total Current Liabilities | | (232,876) | (264,822) |
| (388,955) | (388,639) | Long term borrowing | 17 | (491,486) | (538,771) |
| (13,966) | (14,009) | Long term provisions | 21 | (18,816) | (18,854) |
| (513,182) | (553,224) | Pension scheme | 35 | (628,876) | (686,025) |
| (14,319) | (14,319) | Long term lease (PFI) | 32 | (13,698) | (13,698) |
| (930,422) | (970,191) | Total Long-Term Liabilities | | (1,152,876) | (1,257,348) |
| | | | | | |
| 962,361 | 946,081 | Net Assets | | 921,137 | 861,963 |
| (325,754) | (309,476) | Usable reserves | 8 | (405,206) | (346,032) |
| (636,607) | (636,605) | Unusable reserves | 22 | (515,931) | (515,931) |
| (962,361) | (946,081) | Total Reserves | | (921,137) | (861,963) |

Certification by the Chief Financial Officer

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council as at 31 March 2021 and its income and expenditure for the year then ended.

Anisa Darr (CPFA)
 Director of Finance & Statutory Section 151
 Officer

xxxxxxx 2021

Core Financial Statements: Council and Group Consolidated Cash Flow Statement

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

| 2019/20 | | | | 2020/21 | |
|----------------|----------------|---------------------|---|---------|------------------------|
| Council | Group | | | Council | Group |
| £'000 | | Cash Flow Statement | | Note | £'000 |
| 148,356 | 144,986 | | Net surplus/(deficit) on the provision of services | | 42,539 (57,931) |
| 32,597 | 39,955 | | Adjustment to the surplus on the provision of services for non-cash movements | 23 | 104,244 242,660 |
| (29,170) | (30,782) | | Adjustment for items included in the net surplus on the provision of services that are investing and financing activities | | (71,665) (99,743) |
| 151,783 | 154,160 | | Net cash flows from operating activities | | 75,119 84,986 |
| | | | | | |
| (145,361) | (150,843) | | Net cash flows from investing activities | 24 | (183,516) (241,313) |
| 42,538 | 41,354 | | Net cash flows from financing activities | | 118,631 177,604 |
| 48,960 | 44,670 | | Net (decrease)/increase in cash and cash equivalents | | 10,233 21,277 |
| | | | | | |
| 63,018 | 71,178 | | Cash and cash equivalents at the beginning of the reporting period | | 111,978 115,848 |
| | | | | | |
| 111,978 | 115,848 | | Cash and cash equivalents at the end of the reporting period | 19 | 122,209 137,124 |

Notes to the Accounts

Notes Relating to the Core Financial Statements

Note 1 Accounting Policies

1.1 Introduction

The Statement of Accounts summarises the London Borough of Barnet's transactions for the financial year 2020/21 and its financial position at 31 March 2021. The accounting policies adopted, that are material to the context of the council's accounts for 2020/21, are set out within the following pages. The accounting policies explain the basis for the recognition, measurement and disclosure of transactions and other events within the Statement of Accounts.

1.2 General Principles

The council's Statement of Accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS) and statutory regulations.

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

1.3 Accruals of Income and Expenditure

The council recognises income and expenditure in the financial year in which the associated economic benefits are transferred, rather than when payments are physically made and received. Debtors and Creditors (Accruals) are raised at year end to reflect the difference between amounts due and amounts paid up to 31 March. In general, the council does not normally raise accruals for individual amounts under £0.025m, although exceptions are made for:

- Grant related income & expenditure
- Transactions between entities that form part of the council's Group accounts
- Services which involve high volume transactions with shared characteristics, e.g., Client placements within Adults or Children's Social Care.

Notes to the Accounts

1.4 Income Recognition

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

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

1.5 Fair Value Measurement

The council measures some of its non-financial assets such as surplus assets and investment properties 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:

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

The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the council can access at the measurement date
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

Notes to the Accounts

1.6 Provisions

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

1.7 Government Grants and Contributions

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

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

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

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

1.8 Council Tax and Non-Domestic Rates ("Business Rates")

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

Notes to the Accounts

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

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

1.9 Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

Post-Employment (Retirement) Benefits

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

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

Notes to the Accounts

Both schemes provide defined benefits to members (retirement lump sums and pensions) based on earnings and service while employed by the Council or other participating employers.

Local Government Pension Scheme (LGPS)

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

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

Teachers' Pension Scheme

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

Notes to the Accounts

Discretionary Benefits

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

1.10 Minimum Revenue Provision

Statute requires the council to set money aside each year for the repayment of loans originally taken out to finance capital expenditure. This is called the Minimum Revenue Provision (MRP) and is calculated in line with the 2020/21 MRP Policy agreed by Council in March 2020 and the Local Government Guidance on MRP. The council's MRP policy was subsequently amended and agreed by Council in March 2021) and the revised policy is to:

- For any capital expenditure incurred prior to 1 April 2008 or financed from supported borrowing, the council charges MRP over 50 years on an annuity basis.
- For any capital expenditure carried out after 1 April 2008 being financed by unsupported borrowing the council adopts the asset life method where MRP is based on the capital expenditure divided by a determined asset life or profile of benefits to give annual instalments. The annual instalment is calculated on an annuity basis.

MRP in respect of leases and Public Finance Initiatives (PFI) brought onto the Balance Sheet under the Code will match the annual principal repayment for the associated deferred liability. There is no requirement on the Housing Revenue Account (HRA) to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

1.11 Value Added Tax (VAT)

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

1.12 Support Services

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

Notes to the Accounts

1.13 Reserves

The council sets aside specific amounts as earmarked reserves for future policy purposes or to cover contingencies. Reserves are created by apportioning amounts out of the General Fund or Housing Revenue Account balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus / Deficit on the Provision of Services in the CIES.

The reserve is then appropriated back into the General Fund or Housing Revenue Account balance in the Movement in Reserves Statement, so that there is no net charge against council tax or rents for the expenditure. All applications for specific reserves are subject to approval by the Chief Finance Officer. Specific reserves are discretionary not mandatory.

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

1.14 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred. Any expenditure on an asset that is under £0.01m is considered non-enhancing and is treated as revenue expenditure. Any acquisitions such as equipment and vehicles for less than £0.01m are assessed and included in Property, Plant and Equipment if considered appropriate to do so.

The council has schools in the following categories: community schools, foundation schools, voluntary aided schools, and academies. Community and foundation schools are treated on Balance Sheet based on the risks and rewards the council is deemed to have, and voluntary aided schools and

Notes to the Accounts

academies are excluded from the council's Balance Sheet. This means that the council recognises the Property, Plant and Equipment of the following categories of locally maintained schools in the financial statements:

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- Infrastructure (including street lighting PFI), community assets and assets under construction – depreciated historical cost.
- Dwellings – current value, determined using the basis of existing use value for social housing (EUVSH).
- Surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets (For example schools, leisure centres, crematorium, etc. – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, the valuation method of Depreciated Replacement Cost (DRC) is used as an estimate of current value. Examples of specialist assets include schools, leisure centres, crematoria, and

Notes to the Accounts

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

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

Accounting for property value gains and losses

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

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

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

Impairment

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

Notes to the Accounts

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

Depreciation and useful lives

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

Depreciation is calculated on the following basis:

| Asset Category | Depreciation Basis | Estimated Useful Life |
|--|--------------------|---------------------------------------|
| Land | n/a | n/a |
| Buildings, Council Dwellings and Schools | Straight Line | 1 to 50 years as estimated by valuers |
| Vehicles, Plant and Equipment | Straight Line | 5 to 20 years |
| Infrastructure | Straight Line | 10 to 30 years |
| PFI Street Lighting | Straight Line | 25 years |

Depreciation charges commence in the first full year after the asset is purchased or becomes operational. The impact of not depreciating an asset from the date of its acquisition (or the date it is brought into use) is not material.

Assets under construction are re-categorised upon completion, from which point depreciation is charged on a straight-line basis based on the estimated useful life for the asset category concerned.

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.

Notes to the Accounts

Componentisation

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

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

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. When Property, Plant and Equipment is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Receipts from Disposal

Receipts from disposals (if any) are credited to the same line in the CIES as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal are categorised as capital receipts. Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement).

Receipts from sale of Council Houses

A proportion of receipts relating to housing disposals (net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve.

Notes to the Accounts

1.15 Heritage Assets

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

Property Heritage Assets

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

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

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

Mayor's Regalia and Silverware

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

General Accounting Policy

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

1.16 Investment Properties

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

Notes to the Accounts

Measurement

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

Accounting Arrangements

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

1.17 Private Finance Initiative (PFI)

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

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

- Fair value of services received during the year – debited to the relevant service in the CIES.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line on the CIES.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

Notes to the Accounts

- Lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.18 Leases

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

IFRS 16 Leases: CIPFA/LASAAC have deferred implementation of IFRS16 for Local Government to 1 April 2022. IFRS 16 will impact the way in which the council reports operating leases. Under IFRS 16 the Council will be required to recognise a right of use asset and a lease liability on the Balance Sheet (subject to certain exemptions); currently the Council includes these costs as operating lease payments in the CIES.

Operating Leases

The council as Lessee

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

The council as Lessor

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

1.19 Intangible Assets

These are assets that do not have a physical form, but which are identifiable and provide the council with rights to future economic benefits. Intangible Assets comprise Purchased Software Licences. The policy is to amortise the costs of the assets over their economic life, which varies from one asset to another, on a straight-line basis up to a maximum of 10 years.

Notes to the Accounts

1.20 Revenue Expenditure Funded from Capital under Statute

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

1.21 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that have a maturity date of less than three months and are readily convertible to known amounts of cash with insignificant risk of change in value.

1.22 Contingent Assets and Liabilities

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

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

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

1.23 Interests in Companies and Other Organisations

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

Notes to the Accounts

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

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

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

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

1.24 Events after the Reporting Period

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

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

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

Notes to the Accounts

1.25 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

1.26 Pooled Budgets

The council has six pooled budgets in conjunction with Barnet Clinical Commissioning Group (CCG). The council's pooled budgets with Barnet CCG relate to community equipment, learning disabilities, preventative services, speech, language, and occupational therapies, looked after children and the Better Care Fund.

The council recognises the income that it gains and expenditure that it incurs on a gross basis in the Comprehensive Income and Expenditure Statement. The Balance Sheet recognises any assets and liabilities resulting to the council from the pooled budget.

1.27 Financial Instruments

The definition of a financial instrument is: "Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity". The term "financial instrument" covers both financial assets and financial liabilities. The council's borrowing, service concession arrangements (PFI and finance leases), investments, loans to other entities, debtors, creditors and cash and cash equivalents are classified as financial instruments.

Financial Liabilities

Financial liabilities are initially measured at fair value and are carried at their amortised cost. Interest is charged to the Financing and Investment Income and Expenditure line of the CIES, based on the carrying amount of the liabilities, multiplied by the effective interest rate for the instrument. This means that:

Notes to the Accounts

- The amount included in the Balance Sheet is the outstanding principal repayable, plus the accrued interest.
- Interest charged to the CIES is the amount payable for the year in accordance with the loan agreement.

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

Financial Assets

Expected credit losses are provided for the present value of the difference between the cash flows that the council is contracted to receive in relation to each financial asset and the cash that it expects actually to receive, taking into account the risks that defaults might occur over the remaining term either on a 12-month or a lifetime basis.

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

- Central Government Bodies;
- Other Local Authorities; and
- NHS Organisations

Which are guaranteed to be repaid by statute, and

- Council Tax Debtors
- Business Rate Debtors

Which are statutory tax-based debts rather than contractual debts.

The above are outside the scope of IFRS9, and therefore impairment losses are recognised under incurred loss model where there is evidence that the debtor is unlikely to make the payments due.

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

Notes to the Accounts

- Only to individual Financial Instruments with carrying value above 2% of the council's materiality figure set by the auditors. This figure was £340k in 2020/21 and will be reviewed for 2021/22.
- Apply Collective Assessment for Financial Instrument with shared risk characteristics and to apply the simplified approach using lifetime expected credit losses – i.e., General Trade Debtors, Housing Related Debtors and Parking Debt.
- The above is done through carrying out collective assessment of loss allowances calculated largely using provision matrices based on historical experience in accordance with the Code and applying the general principle of materiality for any judgement that might be required to determine the loss allowance.
- Where reasonable and supportable information is available without undue cost or effort, the remaining Financial Instruments will be assessed separately to measure expected losses. The Risk assessment will be carried out on such instruments at initial recognition and reviewed annually for possible credit risk increased since initial recognition. Loss allowance will be calculated using 12 month expected credit losses.
- Where there is objective evidence of a reduction in the value of an asset because of a past event then, if material the council will recognise this by way of a provision before any impairment event has taken place.
- Cumulative Assessment of certain Financial Instrument Assets will be carried out using historic collection rates as the basis for Expected Credit Loss. This means if sufficient provision was raised using historic collection data, the methodology will continue to be used to calculate the loss allowance for that type of debt. Example would be Housing Rent and Parking debts.
- Impairment losses are not a proper charge to the General Fund where the acquisition of an investment or debtor balance meets the applicable statutory definition of capital expenditure. Therefore, movement in the loss allowance for these areas will not impact on General Fund Balances as the amount debited / credited to the Comprehensive Income and Expenditure will be reversed out in the Movement in Reserves Statement to the Capital Adjustment Account.
- All Financial Instrument that fall inside the scope of IFRS are held at amortised costs, these includes all Short and Long term Investments, Debtor and Cash and Cash equivalents.

1.28 Group Accounts

Introduction

For a variety of legal, regulatory, and other reasons, local authorities often choose (or are required) to conduct their activities not through a single entity but through two or more legal entities which fall under their ultimate control. For this reason, the financial statements of the local authority do not necessarily, in themselves, present a full picture of 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.

Notes to the Accounts

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

The Barnet Group Ltd

The London Borough of Barnet owns 100% of the share capital of The Barnet Group Ltd. The Barnet Group has five subsidiaries:

- Barnet Homes Ltd
- Your Choice (Barnet) Ltd
- TBG Flex Limited
- TBG Open Door Ltd and
- Bumblebee Lettings Ltd.

The Barnet Group Ltd is the sole member and guarantor of Barnet Homes Ltd, a company limited by guarantee. The Barnet Group Ltd owns 100% of the share capital of the other four subsidiaries. The Barnet Group Ltd has a board consisting of ten members, two of which are members of the council.

Barnet Holdings Ltd

The London Borough of Barnet owns 100% of the share capital of Barnet Holdings Ltd. which owns 49% of the share capital in Regional Enterprise Ltd. with Capita plc. As at the reporting date the board of RE Ltd included Councillor Marshall and senior officer Dawn Wakeling. Regional Enterprise Ltd is a joint venture created between Capita Plc and the London Borough of Barnet.

Barnet Education and Learning Services Ltd

In July 2020, London Borough of Barnet established a new company called Barnet Education & Learning Service (BELS) to deliver the council's education and skills services. The London Borough of Barnet owns 100% of the share capital of BELS. BELS has a board consisting of eight members, two of which are members of the council, one being senior officer Chris Munday.

Basis of Consolidation

The group CIES, group balance sheet, group movement in reserves statement and group cash flow statement have been prepared by consolidating the accounts of the reporting authority (London Borough of Barnet) and its subsidiaries (The Barnet Group Ltd, Barnet Holdings Ltd and Barnet Education and Learning Services Ltd) on a line by line basis. The accounts of the subsidiaries have been prepared using similar accounting policies

Notes to the Accounts

and practices to that of the reporting authority. However, some accounting policies and practices do differ in some respects from the council's due to legislative requirements and these are aligned on consolidation.

The council's detailed accounting policies are disclosed above.

The Barnet Group Ltd, a Local Authority Trading Company

i) Nature of Business

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

Barnet Education and Learning Services Ltd

i) Nature of Business

The London Borough of Barnet contracts with Barnet Education and Learning Services Ltd (BELS) to deliver the council's education and skills services. BELS main source of income is a management fee paid by the council which it uses to deliver the council's services. In addition, BELS operates a traded services function which generates additional income.

Note 2 Accounting Standards Issued Not Yet Adopted

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

- IFRS 16 Leases (replaces IAS 17) will be implemented in 2022/23.
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Previously Held Interest in a Joint Operation
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39, and IFRS 7 all relating to Financial Instruments and the recognition, reporting and disclosures thereof.

None of these changes are expected to have a material impact on the 2020/21 accounts.

Notes to the Accounts

Note 3 Critical Judgements in Applying Accounting Policies

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

- The council is deemed to control the services provided under the agreement for street lighting and control the residual value of the assets at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the streetlights are recognised as Property, Plant and Equipment on the council's Balance Sheet.
- The Brent Cross South development has progressed during the year, with large parts of the site cleared and being prepared for a major regeneration scheme to develop new homes, offices, and retail space. Further work is on-going to prepare the site for this development and will be transferred into a joint venture with a development partner to build the new developments. As the site is not currently available for transfer and this is likely to take place in 2022/23, the land has been classified as surplus land rather than assets held for sale.

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

Covid-19 has had a significant impact on various areas of the council's finances. In order to provide the reader of these accounts with information on the impact, the key issues have been combined into one note. The council's response to the pandemic has been unprecedented in scale and much of the work we have done is described in the narrative statement.

Events after the Balance Sheet Date

On 23rd March 2020, the Prime Minister announced that to limit the spread of the coronavirus he would be asking people to stay at home and where possible work from home and only essential journeys should be made. Effectively this meant that a lot of businesses temporarily became unable to carry on operating and many employees across the country were 'furloughed' on 80% of their existing salary paid for by central government.

After the first lockdown was announced in late March 2020, there was great uncertainty over the level of cost that might be incurred and the extent of government funding. There were widespread concerns at the time that many councils could be pushed into a financial crisis which were further exacerbated by 2 further lockdowns announced in October 2020 and December 2020.

Local trends that have financially impacted on the council include lost parking income; changes in demand for Adult social care costs with a significant trend with demand favouring homecare arrangements over care in nursing and residential settings; increases in residents accommodated in

Notes to the Accounts

temporary accommodation, increased rent arrears in housing (GF and HRA), resulting in increased levels of 'bad' debt; 33,000 residents on furlough (3rd highest in London) and 20,000 residents unemployed.

However, notable government announcements in July 2020 and later in November 2020 meant that the government has substantially funded the local costs of the pandemic. The council received a total of £85.002m funding from government to cover costs specifically relating to the pandemic against total spending of £76.559m in 2020/21 (excluding business support and support for schools). The remaining balance of £8.443m has been carried forward into 2021/22 and is already committed to a range of known further costs particularly in relation to wider community impacts such as domestic violence, mental health support, 'lost learning' in schools, support to employment, ongoing social care impacts and support for small businesses, employment, and skills.

In addition, costs for non-pandemic related council activity were substantially reduced in the year, as some services could not be delivered as usual, or were delivered differently. Many staff were redirected to support pandemic response work. The overall outcome is that service budgets have underspent by £8.7m overall, allowing funds to be set aside to support future years budgets (including risk cover for adults budgets in the new year, and contribution to the MTFS reserve to mitigate adverse future impacts from national funding decisions and help ensure delivery of local services).

Despite the government funding received in response to the pandemic, there are likely to be on-going impacts on the council's finances particularly relevant in terms of Property Plant and Equipment valuations and impairments, the provision for impairment on receivables and Pension liability valuations as at the balance sheet date.

The pandemic impact also extends to the Medium-Term Financial Strategy. The MTFS (approved by Council in March 2021) indicated a significant savings requirement still to be met for 2022/23 of £8.6m, rising to £14.1m by 2024/25. However, it is not yet clear how the estimates supporting these forecasts will change as the post pandemic 'new normal' begins to be understood, and this will be a key priority in the new financial year. A report was taken to June Policy & Resources Committee with recommendations regarding the approach to revising the MTFS and setting a budget for 2022/23 which will support delivery of the Barnet Plan.

National funding policy for local government has proceeded in recent years as a series of one-year settlements, initially due to the EU exit and later the pandemic. It remains to be seen whether greater certainty will emerge in the spending review expected in the Autumn, and government announcements will be closely followed.

The focus of the new year will be upon stabilisation and pandemic recovery. It will be crucial to understand the emerging profile of social care demand and parking revenues post-pandemic, as well as quantifying emerging needs for domestic violence support, mental health support, employment, and business support, and addressing lost learning.

Notes to the Accounts

Material Uncertainty (Property Valuation)

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, the valuer concluded that less weight can be attached to previous market evidence for comparison purposes to fully inform opinions of value.

The valuer indicated that the valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty, and a higher degree of caution, should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market the valuer recommended that the valuation of the properties are kept under frequent review.

The number of valuations carried out this year subject to the material valuation uncertainty clause are shown below. Valuations were provided for all properties where a request was made. Whilst the material valuation uncertainty clause is in place, this does not mean that these valuations cannot be relied upon, but only indicates that a higher degree of uncertainty than in normal times.

| Property Type | Total Value (£m) |
|---------------------------------|------------------|
| Council House Dwellings | 800.5 |
| Investment Properties | 102.1 |
| Other Land and Buildings | 156.4 |
| Schools | 199.4 |
| Brent Cross | 100.6 |
| Surplus Assets | 19.5 |

A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the CI&ES. For example, a 1% reduction in the value of investment properties would result in a £1.02m debit to “Financing and Investment Income and Expenditure” in the CI&ES. Conversely, an increase in operational property values would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the CI&ES and/or gains being recorded as appropriate in the CI&ES.

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Going Concern

The CIPFA Code confirms that local authority accounts must be prepared on a going concern basis. In light of the unprecedented nature of Covid-19, its impact on the council's finances, this note supports the S151 Officer's assertion that the statements have been prepared on a going concern basis.

The Covid-19 restrictions across the UK, have created significant issues for many businesses and residents. The Section 151 Officer has carried out an assessment of the impact of Covid-19 on the MTFS and is satisfied that the financial strategy previously adopted by the council means that it is able to navigate the unprecedented financial challenges presented by the pandemic. At the time of publication of these Statement of Accounts the council had received £85.002m funding from central government (including £8.772m received in March 2020 and carried forward into 2020/21). Collection Fund losses have been spread across years in line with government guidance and regular updates of the forecasts for these costs are provided to the Financial Performance and Contracts Committee.

The MTFS, which covered 2021-26, recognised various financial pressures which will impact the council in 2021/22, including service pressures, risks (general risks and Covid-19 related risks) and inflationary pressures. These are partly offset by the projected increases in general council tax and the social care precept (1.99% and 3% respectively), as well as one-off or new and recurring grants.

The council's financial strategy of maintaining a minimum of £30m reserves has given the organisation a buffer against unexpected events. The current MTFS outlines that the council does not anticipate using reserves to fund recurrent expenditure in 2021/22. The council does, however, maintain reserves for other, non-recurrent purposes such as the ongoing response to the pandemic, transformation work, expenditure linked to previous grant receipts or for unplanned one-off items.

The council recognises the uncertainties still presented by the pandemic and the MTFS addresses these in a way which ensures that services will be safely maintained in 2021/22, but which also allows for further changes to be made once ongoing changes to patterns of council income and expenditure are more certain.

The S151 officer's professional judgement is that the council will be in a position to balance the MTFS for future years.

In addition, the council's revenue outturn for 2020/21 was better than previously expected which means that reserves started 2021/22 higher than planned. Earmarked revenue reserves at 2020/21 outturn were £143.741m versus a forecast of £42.041m when the 20/21 budget was set. Of this, £13.824m were unapplied Covid Reserves and £44.274m related to the spreading of Business Rates deficits over 3 years. Excluding these 2 elements, the total reserves position was £85.643m and this improved revenue reserves position puts the council in a much more resilient position than was otherwise expected.

Notes to the Accounts

Our most recent year-end balances, as reported in these statements are as follows.

| Date | General Fund | Housing Revenue Account | Earmarked reserves (of which £13.824m unapplied Covid related revenue grants and £44.274m were Council Tax and Business Rates related) |
|-----------------------------|--------------|-------------------------|--|
| 31 st March 2021 | £15.084m | £4.000m | £143.741m |

Cash flow forecasts for a rolling 12 month period have also been completed and the council has sufficient cash to navigate this challenging period. In addition, work has begun on refreshing the MTFs and identifying savings and additional income to bridge the gap in future years.

It is therefore the S151 Officer’s professional view that the council is a going concern.

The financial statements contain estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made considering 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 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|---|--|
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. | The effect of the net pension liability due to changes in individual assumptions can be measured although the assumptions interact in complex ways. The impact of changes in assumptions is shown in note 35 Defined Benefit Pension Schemes. |
| Property Plant and Equipment and Investment Properties | <p>The carrying values of property, plant and equipment and investment properties are primarily dependent on judgements of such variables as the state of the property market, location, asset lives, condition of the property, indices etc. Valuation is an inexact science with assessments provided by different surveyors rarely agreeing and with prices subsequently realised diverging from valuations</p> <p>The 20/21 Brent Cross valuation was an internal valuation using forecasts of receipts based on the Brent Cross Business Plan and Cash flow model. The valuation of the land at year end was £100.61m with a valuation loss of £11.516m going into the CIES.</p> | A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £139m. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. |

Notes to the Accounts

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|--|---|
| | <p>Where level 1 inputs are not available, the council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the principal valuation manager)</p> <p>The council uses Level 2 observable inputs for valuing its investment properties. The Investment Property valuations have utilised either the square footage of the property based on newly agreed lease rents, or through utilising data on new rents of comparable buildings in the local market.</p> <p>Where this is not possible judgement is required in establishing fair values (Level 3). These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions made could affect the fair value of the council's assets and liabilities</p> <p>This valuation is reported with "material valuation uncertainty" and RICS caveat advice is presented in the Valuation certificate.</p> <p>Refer to material uncertainty note above.</p> | <p>A reduction in estimated valuations of the Brent Cross Surplus land would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the CI&ES. For example, a 10% reduction in the valuation will result in 10.06m debit to CIES/Revaluation Reserve.</p> <p>Investment Property 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. In that, rents used are based on current rents or rents of comparable market rents, as evidenced in valuation certificates. Professional valuers have applied their opinion where observable market data is applied to each individual property. Some yields, such as those of residential properties are determined by case law, others are determined using substantial comparable market data as specified above.</p> <p>Significant changes in any of the observable inputs would result in significantly lower or higher fair values.</p> |
| <p>Impairment for doubtful debt and Expected Credit Loss</p> | <p>The council had an outstanding balance of short-term debtors totalling £328.978m, against which an impairment allowance of £91.648m has been made. It is not certain that this impairment allowance would be sufficient as the council cannot assess with certainty which debts will be collected and which will not.</p> <p>The council's policy for estimating the impairment allowance required is to firstly consider any specific debts which are regarded as being individually significant and then to assess the impairment allowance required for each category of debt based on the nature of the debt and service area, historical loss experience and current economic conditions.</p> <p>Expected cash flows are estimates based on information available and certain assumptions and judgements. If these have been underestimated, then the carrying amount of the investment on the Balance Sheet may not be an accurate reflection of the actual amount recoverable.</p> | <p>An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected.</p> <p>The council's policy for estimating the impairment allowance required is to firstly consider any specific debts which are regarded as being individually significant and then to assess the impairment allowance required for each category of debt based on the nature of the debt and service area, historical loss experience and current economic conditions.</p> <p>Expected cash flows are estimates based on information available and certain assumptions and judgements. If these have been underestimated then the carrying amount of the investment on the Balance Sheet may not be an accurate reflection of the actual amount recoverable</p> |

Note 5 Post Balance Sheet Events

Notes to the Accounts

Since the Balance Sheet date of 31 March 2021 there have been no material events which would require an adjustment to the financial statements of the council.

Note 6 Comprehensive Income and Expenditure Statement (CIES) Restatement

Due to change in reporting segment in 2020/21, prior year comparators have been re-presented in the Expenditure and Funding Analysis and the CIES. These changes are summarised in the table below and reflected in the restated 2019/20 Expenditure and Funding Analysis and the CIES.

| Reporting Segment | 2019/20 Original | | | Restatements | | 2019/20 Revised | | |
|--|-------------------|--------------------|------------------|-------------------|--------------|-------------------|--------------------|------------------|
| | Gross Expenditure | Gross Income | Net Expenditure | Gross Expenditure | Gross Income | Gross Expenditure | Gross Income | Net Expenditure |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adults and Health | 155,358 | (57,923) | 97,435 | (16,981) | 135 | 138,377 | (57,788) | 80,589 |
| Public Health | 0 | 0 | 0 | 17,126 | (134) | 17,126 | (134) | 16,992 |
| Assurance | 9,613 | (1,957) | 7,656 | (145) | 0 | 0 | (0) | 0 |
| Finance | 267,106 | (238,874) | 28,232 | (267,106) | 238,874 | 9,468 | (1,957) | 7,511 |
| Resources | 0 | 0 | 0 | 268,143 | (238,874) | 197,247 | (266,484) | (69,237) |
| Growth and Corporate Services | 198,284 | (266,484) | (68,200) | (1,037) | (1) | 268,143 | (238,874) | 29,269 |
| Children's Family Services | 384,844 | (302,469) | 82,375 | 0 | 0 | 384,844 | (302,469) | 82,375 |
| Local Authority Housing (HRA) | 9,819 | (55,999) | (46,180) | 0 | 0 | 9,819 | (55,999) | (46,180) |
| Environment | 65,430 | (32,688) | 32,742 | 0 | 0 | 65,430 | (32,688) | 32,742 |
| Cost of Services | 1,090,454 | (956,394) | 134,060 | | | 1,090,454 | (956,394) | 134,060 |
| Other Operating Expenditure | 12,155 | 0 | 12,155 | 0 | 0 | 12,155 | 0 | 12,155 |
| Financing and Investment Income and Expenditure | 36,688 | (45,932) | (9,244) | 0 | 0 | 36,688 | (45,932) | (9,244) |
| Taxation and Non-Specific Grant Income | 0 | (285,327) | (285,327) | 0 | 0 | 0 | (285,327) | (285,327) |
| Subtotal | 48,843 | (331,259) | (282,416) | 0 | 0 | 48,843 | (331,259) | (282,416) |
| Surplus on Provision of Services | 1,139,297 | (1,287,653) | (148,355) | 0 | 0 | 1,166,445 | (1,143,310) | (148,355) |
| Deficit/(Surplus) on revaluation of non-current assets | | | (14,573) | | | | | (14,573) |
| Remeasurement of the net defined benefit liability | | | (127,624) | | | | | (127,624) |
| Other Comprehensive Income and Expenditure | | | (142,197) | | | | | (142,197) |
| Total Comprehensive Income and Expenditure | | | (290,552) | | | | | (290,552) |

These changes were the result of amendments to management reporting lines across council services. These were agreed at Council Committee during 2020/21. The core changes are summarised in the below points:

- Public Health was previously reported under Adults and Health but is now report separately; and
- A new Resources Directorate has been created which includes Finance, Human Resources and Organisational Development. Human Resources and Organisational Development were previously reported within Growth and Corporate Services.

Notes to the Accounts

Note 7 Expenditure and Funding Analysis

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

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

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- For financing and investment income and expenditure – the statutory charges for capital financing i.e., Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

This column adjusts for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

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

Non-Specific Grants

This column recognises adjustments for non-service-specific grants credited to services which are reported under taxation and non-specific grant income.

Notes to the Accounts

Other Differences

This column adjusts for amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

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

| 2019/20 (re-stated) | | | | | | Analysis of Adjustments in Expenditure and Funding Analysis: | 2020/21 | | | | | |
|--|-------------------------|--------------------------|---------------------|-------------------|-------------------------|---|--|-------------------------|--------------------------|---------------------|-------------------|-------------------------|
| Net Expenditure Chargeable to GF and HRA | Net Capital Adjustments | Net Pensions Adjustments | Non-Specific Grants | Other Differences | Net Expenditure in CIES | | Net Expenditure Chargeable to GF and HRA | Net Capital Adjustments | Net Pensions Adjustments | Non-Specific Grants | Other Differences | Net Expenditure in CIES |
| £'000 | | | | | | Reporting Segment: | £'000 | | | | | |
| 92,475 | 2,491 | 2,326 | 0 | 0 | 97,291 | Adults and Health | 93,538 | 4,177 | (1,373) | (7,144) | 0 | 89,198 |
| 16,993 | 0 | 0 | (16,704) | 0 | 289 | Public health | 13,246 | 0 | 0 | (7,919) | 0 | 5,327 |
| 6,128 | 844 | 540 | 0 | 0 | 7,511 | Assurance | 5,049 | 969 | (364) | 41 | 0 | 5,695 |
| 34,875 | (105,444) | 726 | 0 | 606 | (69,237) | Growth and Corporate Services | 27,830 | 97,124 | (464) | (99,506) | 2,266 | 27,250 |
| 51,864 | (12,764) | 540 | 0 | (10,370) | 29,269 | Resources | 54,559 | 817 | (493) | 6,819 | (16,954) | 44,748 |
| 67,764 | 1,753 | 8,260 | 0 | 4,598 | 82,375 | Children's Family Services | 69,057 | 12,216 | (4,081) | 837 | (1,765) | 76,263 |
| (2,536) | (44,404) | 0 | 0 | 760 | (46,180) | Local Authority Housing (HRA) | (0) | 9,907 | 0 | 0 | 480 | 10,386 |
| 13,733 | 16,872 | 2,453 | 0 | (316) | 32,742 | Environment | 8,643 | 40,545 | (1,356) | 11,712 | (1,911) | 57,633 |
| 281,294 | (140,652) | 14,844 | | (4,722) | 134,060 | Cost of Services | 271,922 | 165,754 | (8,131) | (95,160) | (17,884) | 316,500 |
| | | | | | | | | | | | | |
| (276,807) | (37,539) | 14,837 | 0 | 17,093 | (282,416) | Other Income and Expenditure | (346,956) | (44,411) | 11,682 | 0 | 20,646 | (359,040) |
| 4,390 | (178,191) | 29,681 | 0 | 12,371 | (148,356) | Difference between the Statutory Charge and the Surplus or Deficit in the CIES | (75,034) | 121,344 | 3,551 | (95,160) | 2,761 | (42,539) |
| | | | | | | | | | | | | |
| (104,876) | | | | | | Opening GF and HRA Revenue Reserves | (100,486) | | | | | |
| 4,390 | | | | | | Net chargeable expenditure to GF and HRA | (75,034) | | | | | |
| (100,486) | | | | | | Closing GF and HRA Revenue Reserves | (175,522) | | | | | |

Notes to the Accounts

The council's income and expenditure is broken down as follows:

| 2019/20 (£'000) | Analysis of Income and Expenditure by Nature | 2020/21 (£'000) |
|--------------------|---|--------------------|
| 300,329 | Employee benefits expenses | 288,667 |
| 802,770 | Other services expenses | 821,418 |
| 10,480 | Depreciation, ammortisation and impairment | 87,926 |
| 13,563 | Interest Payments | 13,974 |
| 1,177 | Precepts and Levies | 1,184 |
| 1,753 | Payments to Housing Capital Receipts Pool | 1,752 |
| 0 | Capital Grants and Contributions unapplied credited to CIES | 149 |
| 9,225 | Loss on the disposal of assets | 21,738 |
| 1,139,297 | Total Expenditure | 1,236,809 |
| | Income | |
| (244,773) | Fees, charges and other service income | (227,522) |
| (3,196) | Interest and investment income | (4,415) |
| (39,190) | Income relating to investment properties | (7,413) |
| 0 | Gain on the disposal of assets | (23,264) |
| (237,982) | Income from council tax, non-domestic rates, district rate income | (203,565) |
| (762,512) | Government grants and contributions | (813,169) |
| (1,287,653) | Total Income | (1,279,348) |
| (148,356) | Surplus /Deficit on the provision of services | (42,539) |

Notes to the Accounts

Note 8 Adjustments between Accounting Basis and Funding Basis under Regulations

| | Note | General Fund Balance | School balances | Earmarked Reserves | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Authority Reserves |
|--|------|----------------------|-----------------|--------------------|-------------------------|--------------------------|-----------------------|--------------------------|-----------------------|-------------------------|--------------------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustments relating to the year ended 31 March 2020 | | | | | | | | | | | |
| Balance as at 31 March 2019 | | 15,083 | 13,846 | 63,626 | 12,321 | 21,010 | 9,346 | 111,446 | 246,678 | 425,129 | 671,807 |
| Movement in reserves during 2019/20 | | | | | | | | | | | |
| Surplus/ (Deficit) on provision of services | | 88,958 | (3,661) | 0 | 63,059 | 0 | 0 | 0 | 148,356 | 0 | 148,356 |
| Other Comprehensive Income and Expenditure | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 142,197 | 142,197 |
| Total Comprehensive Income and Expenditure | | 88,958 | (3,661) | 0 | 63,059 | 0 | 0 | 0 | 148,356 | 142,197 | 290,553 |
| Adjustments involving the Capital Adjustment Account: | | | | | | | | | | | |
| Reversal of items debited or credited to the CIES | | | | | | | | | | | |
| Charges for depreciation, impairment and revaluation losses | | 29,945 | 0 | 0 | (21,359) | 0 | 0 | 0 | 8,586 | (8,586) | 0 |
| Movement in the Market value of Investment Properties | | (27,403) | 0 | 0 | (8,965) | 0 | 0 | 0 | (36,368) | 36,368 | 0 |
| Amortisation of Intangible assets | | 1,894 | 0 | 0 | 0 | 0 | 0 | 0 | 1,894 | (1,894) | 0 |
| Capital Grant sand contributions applied | | (49,728) | 0 | 0 | (5,107) | 0 | 0 | 0 | (54,835) | 54,835 | 0 |
| Movement in donated assets account | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals and Derecognition | | 18,336 | 0 | 0 | 3,750 | 0 | 0 | 0 | 22,086 | (22,086) | 0 |
| Revenue Expenditure Funded from Capital Under Statute | | 102,912 | 0 | 0 | 0 | 0 | 0 | 0 | 102,912 | (102,912) | 0 |
| Inclusion of items not debited or credited to the CIES: | | | | | | | | | | | |
| Statutory provision for the financing of capital investment | | (12,764) | 0 | 0 | 0 | 0 | 0 | 0 | (12,764) | 12,764 | 0 |
| Capital expenditure charged against the General Fund and HRA balances | | (16,877) | 0 | 0 | 0 | 0 | 0 | 0 | (16,877) | 16,877 | 0 |
| Adjustments involving the Capital Grants Unapplied Account: | | | | | | | | | | | |
| Capital Grant sand Contributions unapplied credited to CIES | | (155,849) | 0 | 0 | (4,990) | 0 | 0 | 160,839 | 0 | 0 | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | 0 | 0 | 0 | 0 | 0 | 0 | (73,117) | (73,117) | 73,117 | 0 |
| Adjustments involving the Capital Receipts Reserve: | | | | | | | | | | | |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES | | (2,890) | 0 | 0 | (9,988) | 12,878 | 0 | 0 | 0 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | 0 | 0 | 0 | 0 | (17,773) | 0 | 0 | (17,773) | 17,773 | 0 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | | 0 | 0 | 0 | 1,753 | (1,753) | 0 | 0 | 0 | 0 | 0 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | | 16 | 0 | 0 | 0 | 0 | 0 | 0 | 16 | (16) | 0 |
| Adjustments involving the Deferred Capital Receipts Reserve: | | | | | | | | | | | |
| Deferred sale proceeds credited as part of the gain/loss on disposal to the CIES | | 0 | 0 | 0 | 0 | 376 | 0 | 0 | 376 | (376) | 0 |
| Adjustments involving the Major Repairs Reserve (MRR): | | | | | | | | | | | |
| Reversal of HRA depreciation charged to the Major Repairs Reserve | | 0 | 0 | 0 | (22,948) | 0 | 22,948 | 0 | 0 | 0 | 0 |
| Use of the Major Repairs Reserve to finance new capital expenditure | | 0 | 0 | 0 | 0 | 0 | (20,931) | 0 | (20,931) | 20,931 | 0 |
| Adjustments involving the Financial Instruments Adjustment Account: | | | | | | | | | | | |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | | (3) | 0 | 0 | (2) | 0 | 0 | 0 | (5) | 5 | 0 |
| Adjustments involving the Pension Reserve: | | | | | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | | 56,621 | 0 | 0 | 0 | 0 | 0 | 0 | 56,621 | (56,621) | 0 |
| Employer's pension contributions and direct payments to pensioners payable in the year | | (26,940) | 0 | 0 | 0 | 0 | 0 | 0 | (26,940) | 26,940 | 0 |
| Adjustments involving the Collection Fund Adjustment Account: | | | | | | | | | | | |
| Amount by which council tax and NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements | | (3,098) | 0 | 0 | 0 | 0 | 0 | 0 | (3,098) | 3,098 | 0 |
| 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 | | 937 | 0 | 0 | 0 | 0 | 0 | 0 | 937 | (937) | 0 |
| Adjustments between accounting basis and funding basis under regulations | | (84,891) | 0 | 0 | (67,856) | (6,272) | 2,017 | 87,722 | (69,280) | 69,280 | 0 |
| Net increase / (decrease) in year | | 4,067 | (3,661) | 0 | (4,797) | (6,272) | 2,017 | 87,722 | 79,076 | 211,477 | 290,553 |
| Transfer to/ (from) earmarked reserves | 9 | (4,067) | 0 | 4,066 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Decrease) / Increase in Year | | 0 | (3,661) | 4,066 | (4,797) | (6,272) | 2,017 | 87,722 | 79,076 | 211,477 | 290,553 |
| Balance as at 31 March 2020 | | 15,084 | 10,185 | 67,692 | 7,525 | 14,738 | 11,363 | 199,168 | 325,754 | 636,606 | 962,361 |

Notes to the Accounts

Note 8 Adjustments between Accounting Basis and Funding Basis under Regulations

| | Note | General Fund Balance | School balances | Earmarked Reserves | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Authority Reserves |
|--|------|----------------------|-----------------|--------------------|-------------------------|--------------------------|-----------------------|--------------------------|-----------------------|-------------------------|--------------------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustments relating to the year ended 31 March 2020 | | | | | | | | | | | |
| Balance as at 31 March 2020 | | 15,084 | 10,185 | 67,692 | 7,525 | 14,738 | 11,363 | 199,168 | 325,755 | 636,607 | 962,361 |
| Movement in reserves during 2020/21 | | | | | | | | | | | |
| Surplus/ (Deficit) on provision of services | | 37,712 | 2,512 | 0 | 2,315 | 0 | 0 | 0 | 42,539 | 0 | 42,539 |
| Other Comprehensive Income and Expenditure | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (83,761) | (83,761) |
| Total Comprehensive Income and Expenditure | | 37,712 | 2,512 | 0 | 2,315 | 0 | 0 | 0 | 42,539 | (83,761) | (41,222) |
| Adjustments involving the Capital Adjustment Account: | | | | | | | | | | | |
| Reversal of items debited or credited to the CIES | | | | | | | | | | | |
| Charges or depreciation, impairment and revaluation losses | | 54,474 | 0 | 0 | 31,162 | 0 | 0 | 0 | 85,636 | (85,636) | 0 |
| Movement in the Market value of Investment Properties | | 2,397 | 0 | 0 | (6,851) | 0 | 0 | 0 | (4,454) | 4,454 | 0 |
| Amortisation of Intangible assets | | 2,290 | 0 | 0 | 0 | 0 | 0 | 0 | 2,290 | (2,290) | 0 |
| Capital Grants and contributions applied | | (16,469) | 0 | 0 | (303) | 0 | 0 | 0 | (16,772) | 16,772 | 0 |
| Movement in donated asset account | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals and Derecognition | | 64,588 | 0 | 0 | 2,009 | 0 | 0 | 0 | 66,597 | (66,597) | 0 |
| Revenue Expenditure Funded from Capital Under Statute | | 81,694 | 0 | 0 | 0 | 0 | 0 | 0 | 81,694 | (81,694) | 0 |
| Inclusion of items not debited or credited to the CIES: | | | | | | | | | | | |
| Statutory provision for the financing of capital investment | | (11,061) | 0 | 0 | 0 | 0 | 0 | 0 | (11,061) | 11,061 | 0 |
| Capital expenditure charged against the General Fund and HRA balances | | (9,771) | 0 | 0 | 0 | 0 | 0 | 0 | (9,771) | 9,771 | 0 |
| Adjustments involving the Capital Grants Unapplied Account: | | | | | | | | | | | |
| Capital Grants and Contributions unapplied credited to CIES | | (119,214) | 0 | 0 | (10,018) | 0 | 0 | 129,232 | 0 | 0 | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | 0 | 0 | 0 | 0 | 0 | 0 | (117,101) | (117,101) | 117,101 | 0 |
| Adjustments involving the Capital Receipts Reserve: | | | | | | | | | | | |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES | | (16,669) | 0 | 0 | (6,505) | 23,174 | 0 | 0 | 0 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | 0 | 0 | 0 | 0 | (14,483) | 0 | 0 | (14,483) | 14,483 | 0 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipt pool | | 0 | 0 | 0 | 1,752 | (1,752) | 0 | 0 | 0 | 0 | 0 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | | 0 | 0 | 0 | 51 | 0 | 0 | 0 | 51 | (51) | 0 |
| Adjustments involving the Deferred Capital Receipts Reserve: | | | | | | | | | | | |
| Deferred sale proceeds credited as part of the gain/loss on disposal to the CIES | | (45,000) | 0 | 0 | 0 | 0 | 0 | 0 | (45,000) | 45,000 | 0 |
| Adjustments involving the Major Repairs Reserve (MRR): | | | | | | | | | | | |
| Reversal of HRA depreciation charged to the Major Repairs Reserve | | 0 | 0 | 0 | (17,135) | 362 | 17,135 | 0 | 362 | (362) | 0 |
| Use of the Major Repairs Reserve to finance new capital expenditure | | 0 | 0 | 0 | 0 | 0 | (21,651) | 0 | (21,651) | 21,651 | 0 |
| Adjustments involving the Financial Instruments Adjustment Account: | | | | | | | | | | | |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | | (3) | 0 | 0 | (2) | 0 | 0 | 0 | (5) | 5 | 0 |
| Adjustments involving the Pension Reserve: | | | | | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | | 42,156 | 0 | 0 | 0 | 0 | 0 | 0 | 42,156 | (42,156) | 0 |
| Employer's pension contributions and direct payments to pensioners payable in the year | | (38,605) | 0 | 0 | 0 | 0 | 0 | 0 | (38,605) | 38,605 | 0 |
| Adjustments involving the Collection Fund Adjustment Account: | | | | | | | | | | | |
| Amount by which council tax and NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements | | 36,376 | 0 | 0 | 0 | 0 | 0 | 0 | 36,376 | (36,376) | 0 |
| 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 | | 656 | 0 | 0 | 0 | 0 | 0 | 0 | 656 | (656) | 0 |
| Adjustments between accounting basis and funding basis under regulations | | 27,839 | 0 | 0 | (5,840) | 7,301 | (4,516) | 12,131 | 36,915 | (36,915) | 0 |
| Net increase / (decrease) in year | | 65,547 | 2,512 | 0 | (3,525) | 7,301 | (4,516) | 12,131 | 79,454 | (120,676) | (41,222) |
| Transfer to/(from) earmarked reserves | 9 | (65,549) | 0 | 76,049 | 0 | (10,500) | 0 | 0 | (0) | 0 | (0) |
| (Decrease) / Increase in Year | | (2) | 2,512 | 76,049 | (3,525) | (3,199) | (4,516) | 12,131 | 79,454 | (120,676) | (41,222) |
| Balance as at 31 March 2021 | | 15,084 | 12,697 | 143,741 | 4,000 | 11,539 | 6,847 | 211,299 | 405,206 | 515,931 | 921,137 |

Notes to the Accounts

Note 9 Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and SPA balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and SPA expenditure in 2020/21.

| | | Balance at 31 March 2019 | In year Expenditure | Reserve movements | New Reserves Raised | Balance at 31 March 2020 | In year Expenditure | Reserve movements | New Reserves Raised | Balance at 31 March 2021 |
|--|-----|--------------------------------|------------------------|----------------------|---------------------------|--------------------------------|------------------------|----------------------|---------------------------|--------------------------------|
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Capital - Community Infrastructure Levy | | 2,937 | (2,167) | 0 | 7,647 | 8,417 | (9,771) | 0 | 13,499 | 12,146 |
| Revenue implications of capital | (a) | 1,441 | 0 | 0 | 0 | 1,441 | 0 | 0 | 2,480 | 3,921 |
| Total Capital Reserves | | 4,378 | (2,167) | 0 | 7,647 | 9,858 | (9,771) | 0 | 15,980 | 16,067 |
| Housing Benefits | (b) | 3,981 | 0 | 0 | 887 | 4,867 | (100) | 0 | 812 | 5,580 |
| Public Health | (c) | 1,462 | (274) | 0 | 0 | 1,188 | 0 | 0 | 713 | 1,901 |
| Dedicated Schools Grant | | 1,543 | 0 | 0 | 265 | 1,808 | 0 | 0 | 1,436 | 3,244 |
| North London Sub Region | | 79 | (79) | 0 | 0 | (0) | 0 | 0 | 0 | (0) |
| Special Parking Account | | 2,233 | (847) | 0 | 0 | 1,386 | (75) | 0 | 0 | 1,311 |
| Covid-19 Grants Unapplied | (d) | 0 | 0 | 0 | 8,772 | 8,772 | (4) | 0 | 5,056 | 13,824 |
| Central - Council tax and NNDR smoothing | (e) | 0 | 0 | 0 | 0 | 0 | (3,068) | 0 | 47,341 | 44,274 |
| Total Ringfenced Reserves | | 9,298 | (1,201) | 0 | 9,924 | 18,021 | (3,247) | 0 | 55,359 | 70,132 |
| Earmarked Revenue Grants | | 2,480 | (469) | 0 | 216 | 2,226 | (601) | 0 | 1,427 | 3,052 |
| Service Specific Revenue Reserves | | 3,971 | (1,994) | 204 | 80 | 2,261 | (350) | (1,501) | 6,657 | 7,067 |
| Transformation Reserve | (f) | 3,083 | (320) | 0 | 282 | 3,044 | (86) | 0 | 5,031 | 7,990 |
| Financial Resilience Reserve | (g) | 40,417 | (9,931) | (204) | 2,000 | 32,281 | 0 | 1,501 | 5,651 | 39,433 |
| Total General Reserves | | 49,951 | (12,715) | 0 | 2,577 | 39,813 | (1,037) | 0 | 18,766 | 57,542 |
| Total Earmark Reserves | | 63,626 | (16,082) | 0 | 20,149 | 67,693 | (14,055) | 0 | 90,104 | 143,741 |

Notes:

(a) Revenue Implications of Capital: funds set aside meet costs from the capital programme which do not strictly meet the definition of capital.

(b) Housing Benefits: to cover changes in benefit subsidy, irrecoverable subsidy payments and anticipated costs in respect of Department for Work and Pensions enforced changes to benefits administration

(c) Public Health: ringfenced reserve to cover future Public Health expenditure

(d) £2.046m of the Covid Reserve is earmarked to cover 2020/21 Council Tax income losses which will impact on 2021/22 outturn.

(e) Spreading of Business Rates Relief payments over 3 years. This does not represent increased spending power for the council but are advanced payments received from central government to assist with cashflow.

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

(g) Financial Resilience: the purpose of this reserve is to set aside funds which can be drawn down purpose as a short-term mitigation for funding losses, economic shocks etc

Notes to the Accounts
Note 10 Other Operating Income and Expenditure

| 2019/20 | Note 10 Other Operating Income and Expenditure | 2020/21 |
|---------------|--|--------------|
| £'000 | | £'000 |
| 1,177 | Precepts and Levies | 1,184 |
| 1,753 | Payments to the Government Housing Capital Receipts Pool | 1,752 |
| 9,225 | (Gains)/Losses in the disposal of non-current assets | (1,526) |
| 12,155 | Total | 1,410 |

Note 11 Financing and Investment Income and Expenditure

| 2019/20 | Note 11 Financing and Investment Income and Expenditure | 2020/21 |
|----------------|---|--------------|
| £'000 | | £'000 |
| 13,563 | Interest Payable and similar charges | 13,974 |
| 14,837 | Net interest on the net defined benefit liability | 11,682 |
| (3,196) | Interest receivable and similar income | (4,415) |
| (39,190) | Income and expenditure in relation to the investment properties and changes in their fair value | (7,413) |
| 0 | (Gain) or Loss on disposal of investment properties | 0 |
| 4,142 | Impairment allowance | (6,741) |
| 599 | Trading operations | 1,029 |
| (9,245) | Total | 8,115 |

Note 12 Taxation and Non-specific Grant Income

| 2019/20 | Note 12 Taxation and Non-specific Grant Income | 2020/21 |
|------------------|--|------------------|
| £'000 | | £'000 |
| (175,990) | Council Tax income | (183,898) |
| (61,992) | Non-Domestic Rates income and expenditure | (19,667) |
| (31,054) | Non-specific Government grants* | (131,558) |
| (16,291) | Capital grants and contributions | (33,442) |
| 0 | Donated asset | 0 |
| (285,327) | Total | (368,565) |

Notes to the Accounts

*Please refer to Note 13 Grant Income for a breakdown

Note 13 Grant Income

| Restated 2019/20 | Analysis Non-ringfenced grant income included in Note 12 Taxation and Non-Specific Grants | 2020/21 |
|------------------|--|------------------|
| £'000 | | £'000 |
| (8,172) | Business Rates Related | (34,222) |
| (1,337) | Housing Benefit Admin Grant | (1,397) |
| (486) | Council tax Administration | (503) |
| (10,225) | New Homes Bonus | (9,993) |
| (4,258) | Flexible Homelessness Support Grant | (4,258) |
| (210) | EU Exit Preparation | 0 |
| (3,921) | Adults Social Care Grant | (7,843) |
| (2,235) | Private Finance Initiative Grant | (2,235) |
| (9,418) | Covid Grant - Emergency Funding* | (20,584) |
| 0 | Covid Grant - Discretionary Test & Trace | (541) |
| 0 | Covid Grant - Contain Outbreak Management Fund | (9,557) |
| 0 | Covid Grant - Estimated reimbursement of losses from Sales, Fees and Charges | (11,091) |
| 0 | Covid Grant - Additional Restrictions Grant | (3,806) |
| 0 | Covid Grant - Local Restrictions Support Grant (Open) | (717) |
| (210) | Other Grants Non-Specific | (24,810) |
| (40,472) | Non-ringfenced government grants | (131,558) |
| (16,291) | Capital Grants and Contributions* | (33,442) |
| (56,763) | Total Non-Specific Grants | (165,000) |

| Restated 2019/20 | Analysis the grant income that has been credited to services in the CIES | 2020/21 |
|------------------|--|------------------|
| £'000 | | £'000 |
| (16,703) | Public Health Grant | (17,477) |
| (7,890) | Improved Better Care Fund | (9,338) |
| (1,340) | Independent Living Grant | (1,340) |
| (3,330) | Asylum Seekers Grant | (4,020) |
| (219,051) | Dedicated Schools Grant** | (227,249) |
| (27,101) | Education Related Grants | (42,024) |
| (742) | Elections Funding | (197) |
| (224,627) | Housing Benefit Subsidy | (206,758) |
| (344) | London Crime Prevention Fund | (344) |
| (5,701) | Other Grants Specific | (6,191) |
| (9,203) | Basic Needs | 0 |
| (3,099) | SEN | (1,562) |
| (180,985) | MHCLG Thameslink | (104,233) |
| (2,542) | Disabled Facilities Grant | (2,885) |
| (3,092) | Transport for London | (2,188) |
| 0 | Selective School Expansion | (1,754) |
| 0 | Covid Grant - Emergency Active Travel Fund - capital | (74) |
| 0 | Covid 19 Grant* | (20,535) |
| 0 | S106 Contributions | (0) |
| (705,749) | Total Specific Grants | (648,169) |

* The council has received a number of capital grants and contributions, which stipulate certain conditions. Once the council is satisfied that those conditions are or will be met, the income is recognised within the Comprehensive Income and Expenditure Statement and either applied to finance capital expenditure or transferred to the Capital Grants Unapplied Account via the Movement in Reserves Statement.

** Please refer to Note 14 Dedicated Schools Grant for a more detailed breakdown

Notes to the Accounts

The below provides an analysis of the service specific covid grants that have been credited to services in the CIES

| Analysis of service specific Covid grant income included in Note 12 | 2020/21 £'000 |
|--|------------------|
| Covid Grant - Patrollers and enforcement | (192) |
| Covid Grant - Infection control fund for adult social care | (7,202) |
| Covid Grant - Local Authority Emergency Assistance Grant for Food and Essential Supplies | (366) |
| Covid Grant - Emergency Active Travel Fund - revenue | (26) |
| Covid Grant - Test & Trace Allocation | (1,599) |
| Covid Grant - Covid Winter Grant | (1,312) |
| Covid Grant - Clinically Extremely Vulnerable (CEV) Funding | (467) |
| Covid Grant - Rapid Testing Fund | (894) |
| Covid Grant - Community Testing Grant | (1,653) |
| Covid Grant - Workforce Capacity Fund | (724) |
| Covid Grant - Temporary Accommodation | (1,040) |
| Covid Grant - Reopening High Streets | (213) |
| Covid Grant - Homelessness Funding | (18) |
| Covid Grant - UASC COVID Grant | (184) |
| Covid Grant - Business grants new burdens | (297) |
| Covid Grant - Hardship Fund | (4,133) |
| Covid Grant - Test & Trace New Burdens | (215) |
| Total Specific Covid Grants | (20,535) |

Notes to the Accounts

Note 14 Dedicated Schools Grant

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

The Schools' Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2020/21 are as follows:

| Dedicated Schools Grant (DSG) Breakdown | 2019/20 | | | 2020/21 | | |
|---|---------------------|----------------------------|----------------|---------------------|----------------------------|----------------|
| | Central Expenditure | Individual Schools' Budget | Total | Central Expenditure | Individual Schools' Budget | Total |
| | £'000 | | | £'000 | | |
| Final DSG before Academy recoupment | 0 | 0 | 336,025 | 0 | 0 | 352,373 |
| Academy figure recouped | 0 | 0 | (116,579) | 0 | 0 | (125,309) |
| Total DSG after academy recoupment | 0 | 0 | 219,446 | 0 | 0 | 227,064 |
| Plus: Brought forward from prior year | 0 | 0 | 1,543 | 0 | 0 | 1,808 |
| Less: Carry-forward to following year agreed in advance | 0 | 0 | 0 | 0 | 0 | 0 |
| Agreed initial budget distribution | 48,942 | 172,047 | 220,989 | 53,706 | 175,166 | 228,872 |
| In-year adjustments | (71) | 0 | (71) | 330 | 0 | 330 |
| Final budget distribution | 48,871 | 172,047 | 220,918 | 54,036 | 175,166 | 229,201 |
| Less: Actual central expenditure | (47,063) | 0 | (47,063) | (50,792) | 0 | (50,792) |
| Less: Actual ISB deployed to schools | 0 | (172,047) | (172,047) | 0 | (175,166) | (175,166) |
| Plus: Local authority contribution | 0 | 0 | 0 | 0 | 0 | 0 |
| Carry-forward from in year grant received | 1,808 | 0 | 1,808 | 3,244 | 0 | 3,244 |

Notes to the Accounts

Note 15 Movement in Property, Plant and Equipment, Heritage Assets, Investment Properties, and Intangible Assets

Valuations

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

The valuation date for council dwellings was 31 March 2021. Where applicable the valuation date for all other assets due for revaluation in the year was 31 December 2020. This date was used as directed by the valuer, to allow sufficient time to collect and assess valuation information.

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

The assets were revalued on 1 December 2020 and 31 March 2021 by Capita, RICS Registered Valuers. In common with advice issued by RICS to their members following the declaration of the Novel Coronavirus (Covid-19) Worldwide Pandemic the Valuers have advised caution when placing reliance on their 1/12/20 and 31/3/21 valuations due to the 'Material Valuation Uncertainty' that impacts on the market during the Pandemic, and they have drawn attention to this in their valuation as required by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

Capital Commitments

At 31 March 2021, the council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2021/22 and future years, budgeted to cost £134,514m (£187,175m in 2019/20). This is broken down in the table below:

| Capital Project | Commitments £'000 |
|---|-------------------|
| Alternative Provision - Woodside Avenue | 12,078 |
| Grammar School (St Michaels) | 4,988 |
| Saracens Primary | 2,200 |
| BXCI - BXS Decoupling Payment | 11,969 |
| BXCI - Electricity Sub-Station | 9,073 |
| BXCI - Whitefield Estate - Plot53/54 | 29,142 |
| BXW - Station Construction | 3,524 |
| BXW - Station Construction | 55,580 |
| BXW - Rail Systems & Sidings | 5,961 |
| Total Commitments | 134,514 |

Notes to the Accounts

Rolling Revaluation

The Council carries out a rolling programme that ensures that all property, plant, and equipment required to be measured at current value is revalued at least every five years.

Capita PLC undertook valuations on behalf of the Council on operational property and investment property. HRA Stock was valued at 31st March 2021 and all Other Land and Buildings as at 31st December 2020.

The valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture, and equipment are based on current prices.

| | Council House Dwellings | Other Land and Buildings | Schools | Infrastructure | Community Asset | Assets under Construction | Vehicles, Plant and Equipment | Surplus Assets | Total |
|--|-------------------------|--------------------------|---------------|----------------|-----------------|---------------------------|-------------------------------|----------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Held at Historic Cost and Depreciated Historic Cost | 0 | 32,189 | 64,171 | 219,044 | 282 | 9,272 | 44,876 | 30,298 | 400,132 |
| Different Valuations are applied to different asset classes | | | | | | | | | |
| 31st March 2021 | 800,453 | 355,802 | 0 | 0 | 0 | 120,090 | 0 | 0 | 1,276,345 |
| 31st March 2020 | 0 | 35,400 | 0 | 0 | 0 | 0 | 0 | 0 | 35,400 |
| 31st March 2019 | 0 | 6,437 | 0 | 0 | 0 | 5,074 | 0 | 0 | 11,511 |
| 31st March 2018 | 0 | 3,867 | 0 | 0 | 0 | 0 | 0 | 0 | 3,867 |
| 31st March 2017 | 0 | 14,583 | 0 | 0 | 0 | 0 | 0 | 0 | 14,583 |
| Net Book Value of Asset at 31 March 2021 | 800,453 | 448,278 | 64,171 | 219,044 | 282 | 134,436 | 44,876 | 30,298 | 1,741,838 |

Notes to the Accounts

| | Council House Dwellings | Other Land and Buildings | Schools | Vehicles Plant and Equipment | Infrastructure | Community Assets | Surplus assets | Assets under Construction | Total PPE | Heritage Assets | Investment Properties | Intangible Assets | Total Assets |
|--|-------------------------|--------------------------|----------------|------------------------------|-----------------|------------------|----------------|---------------------------|------------------|-----------------|-----------------------|-------------------|--------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation of Assets at 1 April 2019 | 735,429 | 210,599 | 190,717 | 56,046 | 176,383 | 289 | 45,354 | 101,532 | 1,516,346 | 1,831 | 134,017 | 25,807 | 1,678,003 |
| Reclassifications | 24,409 | 107,006 | 717 | 331 | 1,435 | 2 | 86,867 | (138,914) | 81,853 | 19 | (90,102) | 0 | (8,230) * |
| Additions | 1,543 | 456 | 1,584 | 329 | 3,400 | 0 | 13,082 | 93,721 | 114,115 | 0 | 11,498 | 1,864 | 127,477 |
| Revaluation increases/ (Decreases) recognised in the Revaluation Reserve | 760 | (1,064) | 3,937 | (97) | 0 | 0 | (4,231) | 0 | (695) | (40) | 0 | 0 | (735) |
| Revaluation increases/ (Decreases) recognised in the Surplus/Deficit on the Provision of Service | 24,205 | (16,926) | 4,165 | 0 | 0 | (7) | (1,913) | 0 | 9,523 | (80) | 37,005 | 0 | 46,449 |
| Derecognition - Disposals | (3,856) | (765) | (4,789) | 0 | 0 | 0 | (2,500) | 0 | (11,910) | 0 | (101) | 0 | (12,011) |
| Derecognition - Other | 0 | (3,520) | 0 | 0 | 0 | 0 | 0 | (4,296) | (7,816) | (2) | (535) | 0 | (8,353) |
| Gross Value of Assets at 31 March 2020 | 782,491 | 295,786 | 196,331 | 56,609 | 181,218 | 284 | 136,656 | 52,043 | 1,701,417 | 1,728 | 91,782 | 27,671 | 1,822,600 |
| Accumulated Depreciation at 1 April 2019 | 0 | (8,405) | (6,657) | (40,185) | (62,771) | 0 | (32) | 0 | (118,050) | 0 | 0 | (8,399) | (126,449) |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Writeback of depreciation on revaluation recognised in the Revaluation Reserve | 253 | 5,116 | 9,702 | 141 | 0 | 0 | 94 | 0 | 15,306 | 0 | 0 | 0 | 15,306 |
| Writeback of depreciation on revaluation recognised in the Surplus/Deficit on the Provision of Service | 22,577 | 1,742 | 3,331 | 0 | 0 | 0 | 71 | 0 | 27,721 | 0 | 0 | 0 | 27,721 |
| Derecognition - Disposals | 118 | 56 | 0 | 0 | 0 | 0 | 0 | 0 | 174 | 0 | 0 | 0 | 174 |
| Derecognition - Other | 0 | 222 | 0 | 0 | 0 | 0 | 0 | 0 | 222 | 0 | 0 | 0 | 222 |
| Depreciation charge | (22,948) | (4,510) | (6,376) | (1,920) | (5,722) | 0 | (133) | 0 | (41,609) | 0 | 0 | (1,909) | (43,518) |
| Accumulated Depreciation 31 March 2020 | 0 | (5,779) | 0 | (41,964) | (68,493) | 0 | 0 | 0 | (116,236) | 0 | 0 | (10,308) | (126,544) |
| Net Book Value of Asset at 31 March 2019 | 735,429 | 202,194 | 184,060 | 15,861 | 113,612 | 289 | 45,322 | 101,532 | 1,398,298 | 1,831 | 134,017 | 17,408 | 1,551,555 |
| Net Book Value of Asset at 31 March 2020 | 782,490 | 290,007 | 196,331 | 14,645 | 112,725 | 284 | 136,656 | 52,043 | 1,585,181 | 1,728 | 91,782 | 17,363 | 1,696,055** |

*£8.23m was reclassified from Surplus assets to Assets held for sale

**Total Assets including Assets held for sale £1,704.29m

Notes to the Accounts

| | Council House Dwellings | Other Land and Buildings | Schools | Vehicles Plant and Equipment | Infrastructure | Community Assets | Surplus assets | Assets under Construction | Total PPE | Heritage Assets | Investment Properties | Intangible Assets | Held for Sale | Total Assets |
|---|-------------------------|--------------------------|----------------|------------------------------|-----------------|------------------|----------------|---------------------------|------------------|-----------------|-----------------------|-------------------|---------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation of Assets at 1 April 2020 | 782,490 | 295,784 | 196,331 | 56,609 | 181,218 | 284 | 136,659 | 52,043 | 1,701,418 | 1,728 | 91,782 | 27,671 | 8,230 | 1,830,829 |
| Reclassifications | 7,534 | 14,425 | 0 | 262 | 23,106 | 0 | 9,272 | (66,426) | (11,828) | 0 | 1,754 | 1,893 | 8,181 | (0) |
| Additions | 42,108 | 10,669 | 1,273 | 9,792 | 14,720 | 0 | 4,401 | 60,319 | 143,282 | 0 | 69,801 | 734 | 0 | 213,818 |
| Revaluation increases/ (Decreases) recognised in the Revaluation Reserve | 773 | 22,723 | 4,948 | 118 | 0 | 0 | (185) | 0 | 28,377 | 5 | 0 | 0 | 0 | 28,382 |
| Revaluation increases/ (Decreases) recognised in the Surplus/Deficit on the Provision of Service | (30,509) | (43,881) | (5,210) | (391) | 0 | (2) | (9,194) | 0 | (89,188) | 0 | 5,296 | 0 | 0 | (83,892) |
| Derecognition - Disposals | (1,943) | (48,783) | 0 | (2,220) | 0 | 0 | (6,517) | 0 | (59,463) | 0 | (841) | 0 | (8,230) | (68,535) |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1,060) | (1,060) | 0 | 0 | 0 | 0 | (1,060) |
| Gross Value of Assets at 31 March 2021 | 800,452 | 250,937 | 197,342 | 64,170 | 219,044 | 282 | 134,435 | 44,876 | 1,711,538 | 1,733 | 167,791 | 30,298 | 8,181 | 1,919,542 |
| Accumulated Depreciation at 1 April 2020 | 0 | (5,775) | 0 | (41,964) | (68,493) | 0 | 0 | 0 | (116,232) | 0 | 0 | (10,309) | 0 | (126,541) |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Writeback of depreciation on revaluation recognised in the Revaluation Reserve | | | | | | | | | 0 | | | | | 0 |
| Writeback of depreciation on revaluation recognised in the Surplus/Deficit on the Provision of Service | 12,394 | 9,079 | 4,741 | 391 | 0 | 0 | 110 | 0 | 26,715 | 0 | 0 | 0 | 0 | 26,715 |
| Derecognition - Disposals | 0 | 1,387 | 0 | 1,480 | 0 | 0 | 0 | 0 | 2,867 | 0 | 0 | 0 | 0 | 2,867 |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation charge | (12,394) | (6,787) | (7,151) | (2,018) | (1,445) | 0 | (110) | 0 | (29,904) | 0 | 0 | (2,290) | 0 | (32,194) |
| Accumulated Depreciation 31 March 2021 | 0 | (2,096) | (2,409) | (42,111) | (69,938) | 0 | 0 | 0 | (116,554) | 0 | 0 | (12,599) | 0 | (129,153) |
| Net Book Value of Asset at 31 March 2020 | 782,490 | 301,559 | 196,331 | 98,573 | 249,711 | 284 | 136,659 | 52,043 | 1,585,186 | 1,728 | 91,782 | 37,980 | 8,230 | 1,724,906 |
| Net Book Value of Asset at 31 March 2021 | 800,452 | 248,840 | 194,933 | 22,059 | 149,107 | 282 | 134,435 | 44,876 | 1,594,980 | 1,733 | 167,791 | 17,700 | 8,181 | 1,790,385 |

The Group Balance sheet includes £22.495m (19/20 £39.814m) of Assets under Construction and £113.416m of Social Housing Properties completed in 2020/21 (19/20 £13.214m). The £38.814 of Assets under Construction includes £20.288 in-year additions. These assets are included under Property, Plant and Equipment.

Notes to the Accounts

Note 16 Investment Property

The following items of income and expense have been accounted for in the CIES under Financing and Investment Income and Expenditure and disclosed in Note 11:

| | 2019/20 | 2020/21 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Investment Properties | | |
| Rental income from investment property | (2,821) | (2,959) |
| Direct operating expenses arising from investment property | 0 | 0 |
| Net Gain | (2,821) | (2,959) |

Investment Property Movements

Movements in the fair value of investment properties are detailed in Note 15 (Movement in Property, Plant and Equipment, Heritage Assets, Investment Properties, and Intangible Assets).

Gains or losses arising from changes in the fair value of investment property are recognised in Surplus or Deficit on the Provision of Services under Financing and Investment Income and Expenditure line and included in Note 11 to the CIES.

All investment properties are valued using level 2 observable inputs.

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

Notes to the Accounts

Note 17 Financial Instruments

Income, Expenses, Gains and Losses:

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

| | 2019/20 | | | |
|---|--|---|--|-----------------|
| | Financial Liabilities measured at amortised cost | Financial Assets measured at amortised cost | Financial Assets measured at fair value through profit or loss | Total |
| | £'000 | | | |
| Interest expense | (13,653) | 0 | 0 | (13,563) |
| Total expense in Surplus or Deficit on the Provision of Services | (13,653) | 0 | 0 | (13,563) |
| Interest income | 0 | 3,196 | 0 | 3,196 |
| Total income in Surplus or Deficit on the Provision of Services | 0 | 3,196 | 0 | 3,196 |
| Net (Loss)/Gain for the Year | (13,653) | 3,196 | 0 | (10,367) |

| | 2020/21 | | | |
|--|--|---|--|----------|
| | Financial Liabilities measured at amortised cost | Financial Assets measured at amortised cost | Financial Assets measured at fair value through profit or loss | Total |
| | £'000 | | | |
| | (13,974) | 0 | 0 | (13,974) |
| | (13,974) | 0 | 0 | (13,974) |
| | 0 | 4,364 | 51 | 4,415 |
| | 0 | 4,364 | 51 | 4,415 |
| | (13,974) | 4,364 | 51 | (9,559) |

Notes to the Accounts

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

| | Long-term | | Current | |
|---|------------------|------------------|------------------|------------------|
| | 31 March 2020 | 31 March 2021 | 31 March 2020 | 31 March 2021 |
| | £'000 | | £'000 | |
| Investments: | | | | |
| Amortised costs | 5,000 | 5,000 | 29,282 | 20,005 |
| Total Investments | 5,000 | 5,000 | 29,282 | 20,715 |
| Debtors: | | | | |
| Amortised costs | 46,426 | 131,805 | 70,360 | 99,614 |
| Total included in Debtors | 46,426 | 131,805 | 70,360 | 99,614 |
| Cash and cash equivalents: | | | | |
| Fair value through profit or loss | | | | 44,551 |
| Amortised costs | 0 | 0 | 111,978 | 89,685 |
| Total cash and cash equivalents | 0 | 0 | 111,978 | 134,236 |
| Borrowing: | | | | |
| Financial liabilities at amortised cost | 388,955 | 491,486 | 427 | 1,075 |
| Total included in Borrowing | 388,955 | 491,486 | 427 | 1,075 |
| Other Long-term Liabilities: | | | | |
| PFI and finance lease liabilities carried at amortised cost | 14,319 | 13,698 | 622 | 622 |
| Total Other Long-term Liabilities | 14,319 | 13,698 | 622 | 622 |
| Creditors: | | | | |
| Financial liabilities at amortised cost | 0 | 0 | 103,965 | 140,168 |
| Total Creditors | 0 | 0 | 103,965 | 140,168 |

Fair Values of Financial Instruments

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

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

Notes to the Accounts

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

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

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

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

The following valuation basis has been used:

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

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

The rates quoted in this valuation were obtained by Link Asset Services from the market on 31 March 2021 (prior year 31 March 2020), 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 2021 consisted of loans from PWLB, market loans and interest free loans for specific environmental projects. The council has a continuing ability to borrow at concessionary rates from the PWLB. A supplementary measure of the additional interest that the council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £421.58 million would be valued at £478.378 million, as recognised in the table below. But, if the council were to

Notes to the Accounts

seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £579.138 million. The council also has long-term market loans totalling £67.5million as at 31 March 2020. Using a similar methodology as PWLB loans the fair values are £104.134m using new borrowing rates (the basis used in the table below) or £135.44 million based on premature repayment. As the council does not intend to repay debt prior to maturity, it will not incur penalty costs associated with premature repayment.

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

| Financial Liabilities | | | | |
|----------------------------------|-----------------|----------------|-----------------|----------------|
| | 31 March 2020 | | 31 March 2021 | |
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | £'000 | | £'000 | |
| Borrowing held at amortised cost | 389,382 | 448,848 | 492,560 | 577,512 |
| PFI lease liabilities | 14,941 | 27,043 | 14,319 | 25,889 |
| Trade creditors | 103,965 | 103,965 | 140,168 | 140,168 |
| Total | 508,288 | 579,856 | 647,047 | 743,569 |

| Financial Assets | | | | |
|---------------------------|-----------------|----------------|-----------------|----------------|
| | 31 March 2020 | | 31 March 2021 | |
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | £'000 | | £'000 | |
| Long term debtors | 36,714 | 36,714 | 131,805 | 131,805 |
| Cash and cash equivalents | 111,978 | 111,978 | 122,209 | 122,209 |
| Short term investments | 29,282 | 29,282 | 20,715 | 20,715 |
| Long term investments | 5,000 | 5,000 | 5,000 | 5,000 |
| Trade debtors | 70,360 | 70,360 | 99,614 | 99,614 |
| Total | 253,334 | 253,334 | 379,343 | 379,343 |

With the exception of a loan relating to the development of residential properties for which a 0.65% provision has been made, the fair values of financial assets are identical to the carrying values as the maturities are mainly short-term and interest rates are low. The fair value for financial assets and financial liabilities in the table above is measured as Level 2 inputs (other significant observable inputs).

Notes to the Accounts
Notes Relating to the Balance Sheet
Note 18 Debtors

| Debtors | 31-Mar-20 | 31-Mar-21 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Public Sector Debtors | | |
| HMRC: VAT | 13,279 | 12,855 |
| Central Government Departments | 16,467 | 44,819 |
| Other public sector debtors | 7,104 | 55,370 |
| LBB Pension Fund | 10,551 | 6,615 |
| Sub-Total Public Sector Debtors | 47,401 | 119,660 |
| Non-Public Sector Debtors | | |
| Other non-public sector debtors | 41,336 | 59,572 |
| HRA | 4,406 | 1,010 |
| Council Tax | 38,621 | 45,470 |
| NNDR | 7,577 | 29,533 |
| Housing Benefit Overpayment | 42,974 | 40,323 |
| Housing Rents | 23,562 | 25,090 |
| Prepayments | 7,361 | 8,320 |
| Sub-Total Non-Public Sector Debtors | 165,836 | 209,318 |
| Less: provision for bad debts | (75,353) | (91,648) |
| Total | 137,883 | 237,330 |

Note 19 Cash and Cash Equivalents

| Cash and Cash Equivalents | 31-Mar-20 | 31-Mar-21 |
|--|----------------|----------------|
| | £'000 | |
| Cash | 36,650 | (11,743) |
| Short-term deposits - money market funds | 60,315 | 113,552 |
| Short-term deposits – term deposits | 15,013 | 20,400 |
| Total | 111,978 | 122,209 |

Notes to the Accounts
Note 20 Creditors

| Creditors | 31-Mar-20 | 31-Mar-21 |
|------------------------------------|------------------|------------------|
| | £'000 | £'000 |
| Public Sector | | |
| HMRC-PAYE | (1,635) | (1,849) |
| Central Government Bodies | (317) | (48,421) |
| Other Public Sector Creditor | (16,507) | (14,330) |
| NHS | (1,974) | (5,775) |
| LBB Pension Fund | (1,905) | (2,989) |
| Sub-Total Public Sector | (22,338) | (73,364) |
| Non-Public Sector | | |
| Other Non-Public sector Creditor | (76,227) | (72,134) |
| HRA | (9,071) | (9,514) |
| Council Tax | (9,996) | (12,328) |
| NNDR | (15,489) | (51,560) |
| Receipts in Advances | (7,770) | (6,935) |
| Sub-Total Non-Public Sector | (118,553) | (152,471) |
| Total | (140,891) | (225,836) |

Note 21 Provisions

| | | As at 31 March 2019 | In year related payments | Written back in year | New provisions raised | As at 31 March 2020 | In year related payments | Written back in year | In year increase | New provisions raised | As at 31 March 2021 |
|------------------------|------|------------------------|--------------------------------|-------------------------|-----------------------------|------------------------|--------------------------------|-------------------------|---------------------|-----------------------------|------------------------|
| | Note | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Insurance | i) | £10,256 | £0 | £0 | £0 | £10,256 | £0 | (1,787) | £0 | £0 | £8,469 |
| Service Related | ii) | £3,776 | (3,092) | £0 | £195 | £879 | (193) | (104) | £0 | £5,384 | £5,966 |
| Redundancy Costs | | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 | £0 |
| Business Rates Appeals | iii) | £6,422 | (2,712) | £0 | £0 | £3,710 | (24,572) | £0 | £31,208 | £0 | £10,346 |
| Total | | £20,454 | (5,804) | £0 | £195 | £14,845 | (24,765) | (1,891) | £31,208 | £5,384 | £24,781 |
| | | | | | Short Term | £879 | | | | Short Term | £5,966 |
| | | | | | Long term | £13,966 | | | | Long term | £18,816 |

- Notes:
- 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.
 - These relate mainly to a provision for the repayment of overcharged water and sewerage to council tenants between 2001 and 2016 following a Court of Appeal ruling in October 2020.
 - Business Rates - Provision relates to back dated and future Business Rate appeals.

Notes to the Accounts

Insurance Provision

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

The council's insurance provision is based on an assessment as at 31 March 2021 of the potential financial impact of outstanding insurance claims, by independent actuaries, Arthur J. Gallagher Insurance Brokers Limited (an Insurance, Risk Management & Consulting Company); in line with national actuarial guidelines.

In prior years, the council's insurance provision included allowances for potential future new types of claims, potential additional Municipal Mutual Insurance levy and other risks. For 2020/21, the insurance provision has been reduced for these elements and a corresponding increases in general reserves of £1.019m has been made.

Business Rates Appeals

The total business rates appeals provision is based on the success rate of settled appeals and withdrawn appeals for income generated up to 31 March 2021. The table above is the council's share of the total appeals provision.

Note 22 Unusable Reserves

Revaluation Reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment and Heritage Assets. The reserve was created on 1 April 2007. The balance is reduced when assets with accumulated gains are:

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

Notes to the Accounts

Pension Reserve

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

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. 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.

Notes to the Accounts

| | Revaluation Reserve | Capital Adjustment Account | Financial Instruments Adjustment Account | Collection Fund Adjustment Account | Pension Reserve | Accumulated 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 2019 | 138,654 | 894,585 | (530) | (1,945) | (611,125) | (5,207) | 10,698 | 425,129 | 671,807 |
| Movement in reserves during 2019/20 | | | | | | | | | |
| Surplus / (Deficit) on provision of services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 148,356 |
| Other Comprehensive Income and Expenditure | 14,573 | 0 | 0 | 0 | 127,624 | 0 | 0 | 142,197 | 142,197 |
| Total Comprehensive Income and Expenditure | 14,573 | 0 | 0 | 0 | 127,624 | 0 | 0 | 142,197 | 290,553 |
| Adjustments involving the Capital Adjustment Account: | | | | | | | | | |
| Reversal of items debited or credited to the CIES | | | | | | | | | |
| Charges for depreciation, impairment and revaluation losses | (3,492) | (5,094) | 0 | 0 | 0 | 0 | 0 | (8,586) | 0 |
| Movements in the Market value of Investment Properties | 0 | 36,368 | 0 | 0 | 0 | 0 | 0 | 36,368 | 0 |
| Amortisation of Intangible assets | 0 | (1,894) | 0 | 0 | 0 | 0 | 0 | (1,894) | 0 |
| Capital Grants and contributions applied | 0 | 54,835 | 0 | 0 | 0 | 0 | 0 | 54,835 | 0 |
| Disposals and Derecognition | (3,136) | (18,950) | 0 | 0 | 0 | 0 | 0 | (22,086) | 0 |
| Revenue Expenditure Funded from Capital Under Statute | 0 | (102,912) | 0 | 0 | 0 | 0 | 0 | (102,912) | 0 |
| Inclusion of items not debited or credited to the CIES | | | | | | | | | |
| Statutory provision for the financing of capital investment | 0 | 12,764 | 0 | 0 | 0 | 0 | 0 | 12,764 | 0 |
| Capital expenditure charged against the General Fund and HRA balances | 0 | 16,877 | 0 | 0 | 0 | 0 | 0 | 16,877 | 0 |
| Adjustments involving the Capital Grants Unapplied Account: | | | | | | | | | |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 73,117 | 0 | 0 | 0 | 0 | 0 | 73,117 | 0 |
| Adjustments involving the Capital Receipts Reserve: | | | | | | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 17,772 | 0 | 0 | 0 | 0 | 0 | 17,772 | 0 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 0 | 0 | 0 | 0 | 0 | 0 | (16) | (16) | 0 |
| Adjustments involving the Deferred Capital Receipts Reserve: | | | | | | | | | |
| Deferred sale proceeds credited as part of the gain/loss on disposal to the CIES | 0 | 0 | 0 | 0 | 0 | 0 | (376) | (376) | 0 |
| Adjustments involving the Major Repairs Reserve (MRR): | | | | | | | | | |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0 | 20,931 | 0 | 0 | 0 | 0 | 0 | 20,931 | 0 |
| 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 | 0 | 0 | 5 | 0 | 0 | 0 | 0 | 5 | 0 |
| Adjustments involving the Pension Reserve: | | | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 0 | 0 | 0 | 0 | (56,621) | 0 | 0 | (56,621) | 0 |
| Employer's pension contributions and direct payments to pensioners payable in the year | 0 | 0 | 0 | 0 | 26,940 | 0 | 0 | 26,940 | 0 |
| Adjustments involving the Collection Fund Adjustment Account: | | | | | | | | | |
| Amount by which council tax and NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements | 0 | 0 | 0 | 3,098 | 0 | 0 | 0 | 3,098 | 0 |
| 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 | 0 | 0 | 0 | 0 | 0 | (937) | 0 | (937) | 0 |
| Adjustments between accounting basis and funding basis under regulations | (6,628) | 103,814 | 5 | 3,098 | (29,681) | (937) | (392) | 69,280 | 0 |
| Net increase / (decrease) in year | 7,945 | 103,814 | 5 | 3,098 | 97,943 | (937) | (392) | 211,477 | 290,553 |
| Transfer to/(from) earmarked reserves | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (Decrease)/Increase in Year | 7,945 | 103,814 | 5 | 3,098 | 97,943 | (937) | (392) | 211,477 | 290,553 |
| Balance as at 31 March 2020 | 146,599 | 998,399 | (525) | 1,153 | (513,182) | (6,144) | 10,306 | 636,607 | 962,361 |

Notes to the Accounts

| | 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 2020 | 146,600 | 998,399 | (525) | 1,153 | (513,182) | (6,144) | 10,306 | 636,607 | 962,361 |
| Movement in unusable reserves during 2020/21 | | | | | | | | | |
| Surplus / (Deficit) on provision of services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 42,539 |
| Other Comprehensive Income and Expenditure | 28,382 | 0 | 0 | 0 | (112,143) | 0 | 0 | (83,761) | (83,761) |
| Total Comprehensive Income and Expenditure | 28,382 | 0 | 0 | 0 | (112,143) | 0 | 0 | (83,761) | (41,222) |
| Adjustments involving the Capital Adjustment Account: | | | | | | | | | |
| Reversal of items debited or credited to the CIES | | | | | | | | | |
| Charges for depreciation, impairment and revaluation losses | (4,314) | (81,322) | 0 | 0 | 0 | 0 | 0 | (85,636) | 0 |
| Movements in the Market value of Investment Properties | 0 | 4,454 | 0 | 0 | 0 | 0 | 0 | 4,454 | 0 |
| Amortisation of Intangible assets | 0 | (2,290) | 0 | 0 | 0 | 0 | 0 | (2,290) | 0 |
| Capital Grants and contributions applied | 0 | 16,772 | 0 | 0 | 0 | 0 | 0 | 16,772 | 0 |
| Disposals and Derecognition | (14,928) | (51,669) | 0 | 0 | 0 | 0 | 0 | (66,597) | 0 |
| Revenue Expenditure Funded from Capital Under Statute | 0 | (81,694) | 0 | 0 | 0 | 0 | 0 | (81,694) | 0 |
| Inclusion of items not debited or credited to the CIES | | | | | | | | | |
| Statutory provision for the financing of capital investment | 0 | 11,061 | 0 | 0 | 0 | 0 | 0 | 11,061 | 0 |
| Capital expenditure charged against the General Fund and HRA balances | 0 | 9,771 | 0 | 0 | 0 | 0 | 0 | 9,771 | 0 |
| Adjustments involving the Capital Grants Unapplied Account: | | | | | | | | | |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 117,101 | 0 | 0 | 0 | 0 | 0 | 117,101 | 0 |
| Adjustments involving the Capital Receipts Reserve: | | | | | | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 14,483 | 0 | 0 | 0 | 0 | 0 | 14,483 | 0 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 0 | 0 | 0 | 0 | 0 | 0 | (51) | (51) | 0 |
| Adjustments involving the Deferred Capital Receipts Reserve: | | | | | | | | | |
| Deferred sale proceeds credited as part of the gain/loss on disposal to the CIES | 0 | 0 | 0 | 0 | 0 | 0 | 45,000 | 45,000 | 0 |
| Adjustments involving the Major Repairs Reserve (MRR): | | | | | | | | | |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0 | 21,651 | 0 | 0 | 0 | 0 | 0 | 21,651 | 0 |
| 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 | 0 | 0 | 5 | 0 | 0 | 0 | 0 | 5 | 0 |
| Adjustments involving the Pension Reserve: | | | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 0 | 0 | 0 | 0 | (42,156) | 0 | 0 | (42,156) | 0 |
| Employer's pension contributions and direct payments to pensioners payable in the year | 0 | 0 | 0 | 0 | 38,605 | 0 | 0 | 38,605 | 0 |
| Adjustments involving the Collection Fund Adjustment Account: | | | | | | | | | |
| Amount by which council tax and NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements | 0 | 0 | 0 | (36,376) | 0 | 0 | 0 | (36,376) | 0 |
| 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 | 0 | 0 | 0 | 0 | 0 | (656) | 0 | (656) | 0 |
| Adjustments between accounting basis and funding basis under regulations | (19,242) | (21,682) | 5 | (36,376) | (3,551) | (656) | 44,587 | (36,915) | 0 |
| Net increase / (decrease) in year | 9,140 | (21,682) | 5 | (36,376) | (115,694) | (656) | 44,587 | (120,676) | (41,222) |
| Transfer to/(from) earmarked reserves | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (0) |
| (Decrease) / Increase in Year | 9,140 | (21,682) | 5 | (36,376) | (115,694) | (656) | 44,587 | (120,676) | (41,222) |
| Balance as at 31 March 2021 | 155,741 | 976,716 | (520) | (35,223) | (628,876) | (6,800) | 54,893 | 515,931 | 921,138 |

Notes to the Accounts
Notes Relating to the Cash Flow Statement
Note 23 Operating Activities

| 2019/20 | | 2020/21 |
|---------------|--|-----------------|
| £'000 | Operating activities within the cash flow statement include the following cash flows relating to interest | £'000 |
| 3,196 | Interest received | (4,415) |
| (13,563) | Interest paid | 13,974 |
| (10,367) | Net Interest | 9,559 |
| | Net Cash Flows from Operating Activities | |
| 2019/20 | Adjust net Deficit on the Provision of Services for non-cash movements | 2020/21 |
| £'000 | | £'000 |
| 41,609 | Depreciation | 29,904 |
| (33,023) | Impairment and downward valuations | 69,213 |
| 1,894 | Amortisation | 2,290 |
| 26,995 | Increase/decrease in Creditors | 86,984 |
| (8,794) | Increase/decrease in Debtors | (120,619) |
| 45 | Increase/decrease in Inventories | (29) |
| 29,681 | Movement in Pension Liability | 3,551 |
| 22,086 | Value of non-current assets disposed or derecognised | 21,597 |
| (47,897) | Other non-cash items charged to the net Surplus or Deficit on the Provision of Services* | 11,354 |
| 32,596 | Net Cash Flows from Operating Activities | 104,244 |
| 2019/20 | Adjustment for items included in the net (Surplus)/Deficit on the Provision of Services that are investing or financing activities | 2020/21 |
| 0 | Proceeds from short and long-term investments | (23,174) |
| (12,878) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (48,491) |
| (16,292) | Any other item of which the cash effects are investing or financing cashflow (capital grants) | 0 |
| (29,170) | Sub-Total | (71,665) |

Notes to the Accounts
Note 24 Financing and Investing Activities

| 2019/20 | Cash Flows Arising from Financing Activities | 2020/21 |
|---------------|--|----------------|
| £'000 | | £'000 |
| 84,321 | Cash receipts of short and long-term borrowing | 103,179 |
| (621) | Cash payments for the reduction of outstanding liabilities relating to finance leases and on Balance Sheet PFI Contracts | (621) |
| (46,146) | Repayment of short and long-term borrowing | 0 |
| 4,960 | Other payments for financing activities | 16,073 |
| 42,514 | Net Cash Flows from Financing Activities | 118,631 |

| 2019/20 | Cash Flows Arising from Investing Activities | 2020/21 |
|------------------|---|------------------|
| £'000 | | £'000 |
| (127,478) | Property, Plant and Equipment, intangible and investment properties purchased | (213,818) |
| (46,568) | Purchase of short term and long-term investments* | (19,300) |
| (23,861) | Other payments for Investing Activities** | (67,064) |
| 13,254 | Proceeds from sale of Property Plant and Equipment, Investment Property and Intangible Assets | 68,174 |
| 23,000 | Proceeds from short term and long-term investments* | 0 |
| 16,292 | Other Receipts from Investing Activities*** | 48,491 |
| (145,361) | Total Cash Flows from Investing Activities | (183,516) |

Other Notes
Note 25 Pooled Budgets

The council is party to a number of pooled budget arrangements for adult social care and support services with Barnet Clinical Commissioning Group. The aggregate financial summary for the year of these agreements is shown in the table below.

The council has six pooled budget arrangements with Barnet Clinical Commissioning Group (CCG). The arrangements are for the provision of the following:

- community equipment services

Notes to the Accounts

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

Where funding and expenditure are not shown separately in the following tables it is because all funding has been expensed. Surpluses or deficits are absorbed by the party to which they are attributable.

| 2019/20 | Pooled Budgets | 2020/21 |
|-----------------|---|-----------------|
| £'000 | | £'000 |
| (24,926) | London Borough of Barnet | (25,715) |
| (21,959) | Barnet Clinical Commissioning group | (22,765) |
| (46,885) | Total Funding | (48,480) |
| 24,920 | London Borough of Barnet | 25,378 |
| 22,419 | Barnet Clinical Commissioning group | 23,224 |
| 47,340 | Total Expenditure | 48,602 |
| | | |
| 454 | Net deficit arising on pooled budget in year | 122 |
| 7 | Council share of (surplus)/ deficit on the pooled budget | 305 |

Section 75 Agreement for in respect of the Better Care Fund

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

Notes to the Accounts

| Use of BCF: | 2019/20 | | | 2020/21 | | |
|-------------------------------|----------------|---------------|---------------|----------------|---------------|---------------|
| | Barnet Council | Barnet CCG | Total | Barnet Council | Barnet CCG | Total |
| Carers Support | 1,817 | 0 | 1,817 | 1,757 | 0 | 1,757 |
| Integrated Care | 1,207 | 0 | 1,207 | 1,167 | 0 | 1,167 |
| Personalised Support | 1,331 | 0 | 1,331 | 1,287 | 0 | 1,287 |
| Reablement | 200 | 0 | 200 | 893 | 0 | 893 |
| Social Care | 3,927 | 0 | 3,927 | 3,797 | 0 | 3,797 |
| Disabled Facilities Grant | 2,542 | 0 | 2,542 | 2,885 | 0 | 2,885 |
| Improved Better Care Fund | 7,891 | 0 | 7,891 | 7,891 | 0 | 7,891 |
| Winter Pressure funding | 1,447 | 0 | 1,447 | 1,447 | 0 | 1,447 |
| Community Equipment | 0 | 0 | 0 | 0 | 0 | 0 |
| Frail Elderly | 0 | 119 | 119 | 0 | 126 | 126 |
| Community Services | 0 | 13,334 | 13,334 | 0 | 14,111 | 14,111 |
| Enablement | 0 | 84 | 84 | 0 | 89 | 89 |
| Hospice Contracts | 0 | 1,647 | 1,647 | 0 | 1,743 | 1,743 |
| Memory Assessment | 0 | 263 | 263 | 0 | 278 | 278 |
| Additional Enablement | 0 | 1,019 | 1,019 | 0 | 1,078 | 1,078 |
| Total Better Care Fund | 20,363 | 16,466 | 36,829 | 21,125 | 17,425 | 38,550 |

Note 26 Member's Allowances

| 2019/20 | Member's Allowance | 2020/21 |
|--------------|---------------------|--------------|
| £'000 | | £'000 |
| 1,016 | Members' Allowances | 1,024 |
| 0 | Members' Expenses | 0 |
| 1,016 | Total | 1,024 |

Notes to the Accounts

Note 27 Officer's Remuneration

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

| 2019/20 Total Number of employees | Remuneration band | 2020/21 Total Number of employees |
|-----------------------------------|---------------------|-----------------------------------|
| 163 | £50,000 - £54,999 | 200 |
| 123 | £55,000 - £59,999 | 155 |
| 52 | £60,000 - £64,999 | 85 |
| 49 | £65,000 - £69,999 | 47 |
| 27 | £70,000 - £74,999 | 39 |
| 41 | £75,000 - £79,999 | 27 |
| 14 | £80,000 - £84,999 | 40 |
| 13 | £85,000 - £89,999 | 11 |
| 9 | £90,000 - £94,999 | 14 |
| 8 | £95,000 - £99,999 | 6 |
| 5 | £100,000 - £104,999 | 6 |
| 1 | £105,000 - £109,999 | 7 |
| 2 | £110,000 - £114,999 | 0 |
| 4 | £115,000 - £119,999 | 1 |
| 0 | £120,000 - £124,999 | 3 |
| 0 | £125,000 - £129,999 | 1 |
| 0 | £130,000 - £134,999 | 1 |
| 2 | £135,000 - £139,999 | 0 |
| 0 | £140,000 - £144,999 | 0 |
| 0 | £145,000 - £149,999 | 1 |
| 0 | >£150,000 | 1 |
| 513 | | 645 |

Senior officers are defined as all those whose remuneration (including employer's pension contributions) is £150,000 or above and includes the following statutory posts:

- Head of Paid Service
- Director of Children's Services
- Director of Adult Social Services,
- Chief Education Officer
- Monitoring Officer and Section 151 Officer, and

Notes to the Accounts

- Any officer who reports directly to the Head of Paid Service whose salary is more than £50,000.

The following table includes the names of individuals whose annual equivalent salary exceeds £150,000:

| 2020/21 Post Title and Name | Note | Salary | Expenses or Allowances | Contribution for Loss of Office | Pension Contributions | Total Remuneration |
|--|------|---------|------------------------|---------------------------------|-----------------------|--------------------|
| | | £ | £ | £ | £ | £ |
| Chief Executive (Head of Paid Service) - John Hooton | | 194,142 | 0 | 0 | 54,385 | 248,527 |
| Deputy Chief Executive - Cath Shaw | | 169,400 | 0 | 0 | 47,458 | 216,858 |
| Executive Director of Children and Young People - Chris Munday | | 158,213 | 6,165 | 0 | 46,051 | 210,430 |
| Executive Director of Adults and Health - Dawn Wakeling | | 158,213 | 6,165 | 0 | 46,051 | 210,430 |
| Executive Director of Environment - Geoff Mee | (i) | 65,922 | 11,161 | 0 | 21,506 | 98,590 |
| Executive Director of Environment - Geoff Mee (interim) | (i) | 194,122 | 3,050 | 0 | 0 | 197,172 |
| Director of Public Health - Tamara Djuretic | | 139,407 | 0 | 0 | 37,109 | 176,517 |
| Director of Finance (S151) - Anisa Darr | | 135,764 | 6,165 | 0 | 39,762 | 181,691 |
| Chief Legal Advisor and Monitoring Officer- Jessica Farmer | (ii) | 60,175 | 0 | 0 | 0 | 60,175 |
| Director of Assurance - Clair Green | | 135,765 | 0 | 0 | 38,034 | 173,799 |

(i) Geoff Mee was appointed permanently as the Executive Director of Environment in November 2020 and was the interim director from April 2020 to October 2020.

(ii) Jessica Farmer has been the Monitoring Officer from 1st January 2020 and will continue to August 2022. She provides services to Barnet via a secondment agreement with London Borough of Harrow.

| 2019/20 Post Title and Name | Note | Salary | Expenses or Allowances | Contribution for Loss of Office | Pension Contributions | Total Remuneration |
|--|------|---------|------------------------|---------------------------------|-----------------------|--------------------|
| | | £ | £ | £ | £ | £ |
| Chief Executive (Head of Paid Service) - John Hooton | | 184,789 | 0 | 0 | 51,556 | 236,345 |
| Deputy Chief Executive- Cath Shaw | | 162,335 | 0 | 0 | 45,292 | 207,627 |
| Executive Director of Children and Young People-Chris Munday | | 153,979 | 3,000 | 0 | 43,797 | 200,776 |
| Executive Director of Adults and Health- Dawn Wakeling | | 153,979 | 1,500 | 0 | 43,379 | 198,858 |
| Executive Director of Environment- James Blake | (i) | 101,912 | 877 | 0 | 0 | 102,789 |
| Executive Director of Environment- Geoff Mee | (i) | 175,348 | 4,300 | 0 | 0 | 179,648 |
| Director of Public Health - Tamara Djuretic | | 124,603 | 89 | 0 | 34,764 | 159,456 |
| Director of Finance- Anisa Darr | | 132,131 | 1,500 | 0 | 37,283 | 170,914 |
| Chief Legal Advisor and Monitoring Officer- David Tatlow | (ii) | 45,924 | 8,407 | 0 | 0 | 54,332 |
| Chief Legal Advisor and Monitoring Officer- Jessica Farmer | (ii) | 15,950 | 0 | 0 | 0 | 15,950 |
| Director of Assurance- Clair Green | | 126,868 | 0 | 0 | 35,396 | 162,264 |

(i) James Blake was the Executive Director of Environment from 1st April 2019 to 30th November 2019. Geoff Mee is currently interim director (agency).

(ii) David Tatlow was the Monitoring Officer from 1st April 2019 to 31st December 2019. Jessica Farmer has been the Monitoring Officer from 1st January 2020. She is on a secondment agreement with London Borough of Harrow.

Notes to the Accounts

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

| Pay Band | *Exit Packages by: | | | |
|--------------------|--------------------|------------|------------|--------------|
| | 2020/21 | | 2019/20 | |
| | Number | £'000 | Number | £'000 |
| £nil - £20,000 | 69 | 466 | 116 | 548 |
| £20,001 - £40,000 | 5 | 130 | 15 | 304 |
| £40,001 - £60,000 | 0 | 0 | 0 | 0 |
| £60,001 - £80,000 | 1 | 77 | 1 | 66 |
| £80,001 - £100,000 | 0 | 0 | 1 | 99 |
| More than £150,000 | 0 | 0 | 0 | 0 |
| Total | 75 | 673 | 133 | 1,017 |

*these include "pension strain" costs which are payable to the Pension Fund.

All exit packages included in the table above are compulsory and include pension fund strain costs. The total number of exit packages agreed in 2020/21 has decreased by 58 which resulted in £0.344m decrease when compared to 2019/20.

Note 28 External Audit Fees

BDO LLP are the council's external auditors, appointed by the Public Sector Audit Appointments Ltd (PSAA). The amounts payable by the council to BDO for external audit services are as follows:

| 2019/20 | Audit Fee Breakdown | 2020/21 |
|------------|--|------------|
| £'000 | | £'000 |
| 167 | Fees payable for external audit services for the year | 514 |
| 29 | Fees payable for certification of grant claims and returns and other services provided | 11 |
| 196 | Total* | 525 |

*2020/21 audit fees are subject to change for any additional fees agreed with external auditors. The fee for 2020/21 is £280k. 2020/21 fees also include additional fees of £170k in respect of the prior year audit and £22k for the Housing Benefit Subsidy Audit paid to KPMG.

Notes to the Accounts

Note 29 Related Parties

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

Central Government

Central government has significant influence over the general operations of the council, it is responsible for providing the statutory framework within which the council operates, provides most of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g., Council Tax bills, Housing Benefits etc). Grant income received during 2020/21 is shown in note 13.

Other Local Authorities

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

- Pooled Budgets with Clinical Commissioning Group (CCG) are disclosed in note 25.
- Barnet children being placed in schools in neighbouring authorities.

The council is the administering authority for the pension fund. In 2020/21 the council's employer's contributions were £26.381m (£26.940m in 2019/20) and the council charged £0.899m for its administration (£1.099m in 2019/20). LBB paid its secondary (deficit) contributions of £20.477 million for the three years 20/21 to 22/23 upfront in April 2020. For 2021, the additional contribution is £13,969m. The purpose of paying in advance is the 4.2% discount rate allowed for when calculating the early payment lump sum.

Member Allowances and Interest in Voluntary Organisations

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in note 26. In addition, members may participate in other public bodies and community groups. The council has well established mechanisms and procedures for preventing undue influence which includes the register of members' interests.

Every year members complete a declaration of their related party transactions. In 2020/21 £2.661m was paid to voluntary groups where 26 members were on the governing bodies. In 2019/20 the council paid a total of £2.682m to voluntary groups/charities and academy schools in which 25 members held a position on their governing bodies.

Notes to the Accounts

Senior Officers and Member's Interests in Companies

Senior Officers also declare their related party transactions. During the financial year 2021/21, four officers were company directors or board members (three in 2019/20) and three members acted as a company director on behalf of the council. In addition, one Senior Officer is a board member of the Peabody Housing Trust. The council has nomination rights for housing within this organisation. One Senior Officer is a trustee of YouthZone.

The council requires all Members and Senior Officers to complete a related party declaration form. In 2020/21, returns were received from all Members and all Senior Officers.

Interests in Companies and Group Relationships

The London Borough of Barnet has six subsidiaries:

- The Barnet Group Ltd
- Barnet (Holdings) Ltd
- BX Holdings Ltd
- Hill Green Homes Ltd
- Cricklewood Regeneration Ltd
- Barnet Education and Learning Services Ltd

The Barnet Group

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

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

| | 2019/20 | 2020/21 |
|--|----------|----------|
| | £'000 | £'000 |
| Expenditure by the council paid to TBG* | 135,154 | 193,100 |
| Income received from TBG | (6,391) | (8,051) |
| Amount owed to TBG | (22,675) | (11,375) |
| Amount TBG owes the council excluding loans to Open Door Ltd detailed below. | 12,549 | 2,743 |

Notes to the Accounts

Open Door Ltd and the council have agreed a loan arrangement of £65m to be drawn down over a number of years. £50.39m has been drawn down so far. This amount includes £2.74m accrued interest. Furthermore, in 2020/21 the council transferred £5.79m of Right to Buy receipts and other grants to Open Door Ltd (£7.65m in 2019/20). Expected credit loss applied on the loan to Open Door Ltd is based on the general approach over the life of the loan-based default probabilities of similar loans taking into account circumstances specific to the loan and the arrangements. An Expected Credit Loss of £0.732m has been made in 2020/21.

Barnet (Holdings) LTD

The London Borough of Barnet owns 100% of the share capital of Barnet (Holdings) Ltd, which owns 49% of the share capital in Regional Enterprise Ltd (RE Ltd) with Capita plc.

The council contracts with RE Ltd for development and regulatory services. As at the reporting date the board of RE Ltd included one Councillor and one senior officer. The following transactions occurred between the council and this company:

| | 2019/20 | 2020/21 |
|-------------------------------------|---------|---------|
| | £'000 | £'000 |
| Income received by the council | (2,411) | (4,014) |
| Expenditure incurred by the council | 44,685 | 24,587 |
| Net Balanced owed to the council | 17,418 | 12,001 |

BX Holdings LTD and Hill Green Homes

The council owns 100% of the shares of BX Holdings and Hill Green Homes Ltd. One Senior Officer is a director of BX Holdings Ltd. Neither subsidiary traded in 2020/21. In 2018/19 the council advanced £5.0m to BX Holding Ltd to facilitate the purchase Cricklewood Regeneration Ltd. at 31st March 2019 and this remains repayable to the council as at 31 March 2021.

Cricklewood Regeneration LTD

In 2019/20, the council and BX Holding Ltd have jointly acquired Cricklewood Regeneration Ltd. The Council and BX Holding Ltd each own 50% of the equity Shares in Cricklewood Regeneration Ltd. Accordingly as the Parent body, the council has full control over Cricklewood Regeneration Ltd.

BXS Limited Partnership

The Council own 50% of the Brent Cross South Limited Partnership. The council paid £23m through a loan facility to BXS Limited in Dec 2019 for Infrastructure Works. This was to be funded through borrowing. The council and BXS Limited Partnership subsequently completed an agreement with Homes England (HE), of whom repaid the £23m on the 31st March 2020. This allowed substituting the current borrowing funding stream in year.

Notes to the Accounts

Inglis Consortium

The council has a 13.9% share in the Inglis Consortium which is a joint venture with VSM Estatic Ltd and Annington Property Ltd. No members or senior officers were on the board during 2020/21. The following transactions happened between the council and this company:

| | 2019/20 | 2020/21 |
|----------------------------------|---------|---------|
| | £'000 | £'000 |
| Income received by the council | (2,085) | (710) |
| Net Balanced owed to the council | 710 | 0 |

Note 30 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed.

| Capital Expenditure and Funding Sources | 2019/20 | 2020/21 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Opening Capital Financing Requirement: | 547,459 | 602,890 |
| Capital Investment: | | |
| Property plant and equipment | 114,115 | 143,282 |
| Investment properties | 11,498 | 69,801 |
| Intangible assets | 1,864 | 734 |
| Revenue expenditure funded from capital under statute | 102,912 | 81,275 |
| Long term debtor treated as capital | 21,338 | 32,524 |
| Source of Finance: | | |
| Capital receipts | (17,773) | (14,483) |
| Government grants and other contributions | (127,952) | (133,873) |
| Sums set aside from reserves | (37,807) | (31,422) |
| MRP | (12,764) | (11,061) |
| Closing Capital Financing Requirement | 602,890 | 736,666 |
| Explanation of movement in year: | | |
| Increase in underlying need to borrow (unsupported by government financial assistance) | 54,961 | 136,305 |
| Assets acquired under PFI contracts | 469 | 473 |
| Increase in Capital Financing Requirement | 55,430 | 136,778 |

Notes to the Accounts
Note 31 Leases
Operating Leases

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

| | Property leased in £'000 | Property leased out £'000 |
|---|-----------------------------|------------------------------|
| Future Operating Lease Payments 31 March 2020 (restated)*: | | |
| less than one year | 2,692 | (2,626) |
| one to five years | 5,885 | (8,559) |
| greater than five years* | 11,068 | (35,499) |
| Total | 19,644 | (46,684) |
| Future Operating Lease Payments 31 March 2021: | | |
| less than one year | 2,166 | (3,174) |
| one to five years | 5,450 | (10,585) |
| greater than five years | 16,044 | (39,189) |
| Total | 23,661 | (52,948) |

*19/20 has been re-stated to exclude Brent Cross shopping centre which is leased out for a term of 999 years.

Note 32 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.

| | 31-Mar-20 £'000 | In-Year £'000 | 31-Mar-21 £'000 |
|--------------------------|--------------------|------------------|--------------------|
| PFI Street Lights | | | |
| Gross book value | 28,113 | 473 | 28,586 |
| Accumulated depreciation | (13,895) | (1,444) | (15,339) |
| Net | 14,218 | (971) | 13,247 |

Notes to the Accounts

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

| | 31-Mar-18 | In-Year | 31-Mar-19 | In-Year | 31-Mar-20 | In-Year | 31-Mar-21 |
|-----------------------------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| PFI Street Lights: | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Total lease liability | 15,974 | (484) | 15,490 | (549) | 14,940 | (621) | 14,319 |
| Breakdown of Liability in: | | | | | | | |
| Short-Term Creditors | 484 | | 549 | | 621 | | 621 |
| Long-Term Leases | 15,490 | | 14,940 | | 14,319 | | 13,698 |

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

| | Repayment of Liability | Interest | Service Charges | Other Charges | Total |
|-------------------|------------------------|---------------|-----------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| 2021/22 - 2024/25 | 3,415 | 7,083 | 7,172 | 7,439 | 25,110 |
| 2025/26 - 2028/29 | 5,565 | 4,854 | 8,099 | 9,621 | 28,140 |
| 2029/30 - 2031/32 | 5,339 | 1,141 | 4,620 | 3,157 | 14,257 |
| Total | 14,320 | 13,079 | 19,891 | 20,217 | 67,507 |

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

Note 33 Termination Benefits

The council terminated the contracts of a number of employees in 2020/21, incurring unreduced early retirement benefits of £0.046m (2019/20: £0.097m), of which £0.046m (2018/19: £0.097m) was payable to the employees and there was no effect on the pension strain.

All other termination payments are included in note 27 (Officers' Remuneration).

Notes to the Accounts

Note 34 Pension Schemes Accounted for as Defined Contribution Schemes

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

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

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

In 2020/21, the council paid £24.8m to Teachers' Pensions in respect of teachers' retirement benefits, representing from 16.48% to 23.68% in September 2019 of pensionable pay. The amount paid in 2019/20 was £22.023m, representing 16.48% of pensionable pay. Estimated Employer Contributions for 2021/22 are £26.804m

Note 35 Pension Schemes Accounted for as Defined Benefit Schemes

Participation in Pension Schemes

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

Transactions relating to Post-Employment Benefits

The following transactions have been made in the Comprehensive Income and Expenditure Statement (CIES) and the General Fund Balance via the Movement in Reserves Statement (MIRS) during the year:

Notes to the Accounts

| Breakdown of Transactions in Core Financial Statements | 2019/20 | 2020/21 |
|--|------------------|------------------|
| Transactions Included in the CIES | £'000 | £'000 |
| Cost of services: | | |
| Current service cost | 38,445 | 31,853 |
| Past service cost | 3,339 | 177 |
| Settlements & Curtailments | 0 | (1,556) |
| Financing and Investment Income and Expenditure: | | |
| Net interest expense | 14,837 | 11,682 |
| Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services | 56,621 | 42,156 |
| | | |
| Post-employment Benefits charged to Other Comprehensive Income and Expenditure Statement | | |
| Remeasurement of the net defined liability comprising: | | |
| Return on plan assets (excluding the amount included in the net interest expense) | 108,557 | (144,234) |
| Actuarial (gains) / losses arising from changes in demographic assumptions | (33,345) | 14,173 |
| Actuarial (gains) / losses arising from changes in financial assumptions or other experience | (202,836) | 242,204 |
| Total Post-Employment Benefits Charged to Other Comprehensive Income and Expenditure | (127,624) | 112,143 |
| Total charged to the CIES | (71,003) | 154,299 |
| | | |
| Transactions Includes in the MIRS | | |
| Adjustments between accounting basis and funding basis under regulations: | | |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services | 56,621 | 42,156 |
| | | |
| Actual amount charged against the General Fund Balance for pensions: | | |
| Employers' contributions payable to the scheme | (26,940) | (38,605) |
| | | |
| Pension Assets and Liabilities recognised in the Balance Sheet | | |
| Present value of the defined benefit obligation | (1,072,662) | (1,365,981) |
| Fair value of plan assets | 585,677 | 764,931 |
| Net Liability | (486,985) | (601,050) |
| Present value of the unfunded obligation | (26,197) | (27,826) |
| Net Liability in Balance Sheet | (513,182) | (628,876) |

The net liability shows the underlying commitments that the council has in the long term to pay retirement benefits. The total net deficit of £628.876m (2019/20: £513.182m), including the liability for the LGPS unfunded scheme has a substantial impact on the net worth of the council, as recorded in the Balance Sheet.

However, the financial position remains healthy, with arrangements for funding the net pension liabilities, governed by statute as follows:

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

Notes to the Accounts

The net liability calculated on an 'ongoing funding basis' that take into account the prudently estimated future investment returns is considerably lower at £175.519m (excluding unfunded obligations) as at 31 March 2019, the most recent triennial actuarial valuation. This is because of the different actuarial assumptions used to determine the council's required contribution rates.

Reconciliation of Scheme Assets and Benefit Obligations

| | 2019/20 | 2020/21 |
|---|----------------|----------------|
| Opening Fair Value of Scheme Assets | 686,431 | 585,677 |
| Interest income | 16,406 | 13,716 |
| Return on assets, excluding the amount included in the net interest expense | (108,557) | (144,234) |
| Contributions by the council including in respect of unfunded benefits | 26,940 | 38,605 |
| Contributions by scheme participants | 5,516 | 6,405 |
| Estimated benefit paid including unfunded benefits | (41,059) | (23,706) |
| Closing Fair Value of Scheme Assets | 585,677 | 764,931 |

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

| | 2019/20 | 2020/21 |
|--|--------------------|--------------------|
| | £'000 | £'000 |
| Opening Defined Benefit Obligation | (1,297,556) | (1,098,859) |
| Current service cost | (38,445) | (31,853) |
| Interest cost | (31,243) | (25,398) |
| | | |
| Remeasurement gains and losses: | | |
| Actuarial gains and losses arising from changes in Demographic assumptions | 33,345 | (14,173) |
| Actuarial gains and losses arising from changes in Financial assumptions | 88,322 | (254,393) |
| Other Experience gains and losses | 114,514 | 12,189 |
| Estimated funded benefit paid | 39,492 | 35,625 |
| Past service costs, including curtailments | (3,339) | 1,596 |
| Contributions by scheme participants | (5,516) | (6,405) |
| Unfunded pension payments | 1,567 | (12,136) |
| Closing Defined Benefit Obligation | (1,098,859) | (1,393,80) |

Scheme Asset

The Local Government Pension Scheme invests in a wide range of funds managed by external investment managers. The details of all mandates as at 31st March 2021 and 2020 are shown in the table below. Further details are contained in the pension fund's annual report and accounts:

Notes to the Accounts

| Asset Class / Investment Manager | Holdings as at 31 March 2020 | | Holdings as at 31 March 2021 | |
|---|------------------------------|----------------|------------------------------|----------------|
| | % | £'000 | % | £'000 |
| Equity | 39.9% | 234,332 | 47.4% | 363,546 |
| LGIM - Global index tracking listed equities | 20.2% | 118,449 | 22.7% | 173,928 |
| LGIM - Global equities on basis of fundamental factors (sales, cashflow, book value, dividends) | 16.4% | 96,326 | 18.3% | 140,284 |
| Adam Street - Private Equity | 0.2% | 1,178 | 0.9% | 6,978 |
| LCIV Emerging market equities | 3.1% | 18,380 | 5.5% | 42,357 |
| Diversified Growth Funds | 14.9% | 87,367 | 13.6% | 104,091 |
| Schroder DGF | 10.7% | 62,719 | 10.7% | 79,894 |
| Newton Real Return | 4.2% | 24,648 | 3.2% | 24,197 |
| Corporate Bonds | 11.8% | 69,340 | 10.1% | 77,413 |
| Schroders All Maturities Corporate Bond Fund | 11.8% | 69,340 | 10.1% | 77,413 |
| Liquid Multi-Asset Credit | 9.6% | 55,937 | 9.0% | 69,060 |
| Alcentra - Clareant Global Multi Credit | 2.8% | 16,213 | 2.8% | 20,989 |
| Baring Global High Yield Credit Strategies | 3.0% | 17,593 | 3.0% | 22,957 |
| Insight - IIFIG Secured Finance | 3.8% | 22,131 | 3.8% | 25,114 |
| Illiquid Alternatives | 17.8% | 104,230 | 13.9% | 105,429 |
| Partners Multi Asset Credit 2015 | 1.7% | 9,847 | 0.9% | 6,564 |
| Partners Multi Asset Credit 2017 | 2.8% | 16,553 | 1.8% | 13,928 |
| Partners Multi Asset Credit 2019 | 2.0% | 11,608 | 2.3% | 17,431 |
| Alcentra - Clareant Direct European Lending | 2.4% | 13,766 | 1.5% | 11,380 |
| M&G Lion Credit Opportunities Fund | 2.7% | 15,649 | 2.3% | 17,331 |
| IFM Global Infrastructure | 6.3% | 36,807 | 5.1% | 38,795 |
| Property | 5.0% | 29,566 | 4.1% | 29,566 |
| Aberdeen Long Lease Property | 2.7% | 15,747 | 2.2% | 16,761 |
| CBRE Property | 2.4% | 13,819 | 1.9% | 14,329 |
| Cash | 0.8% | 4,895 | 1.9% | 14,303 |
| Total | 100.0% | 585,667 | 100.0% | 764,931 |

Basis for Estimating Assets and Liabilities

To assess the value of the employer's liability at 31 March 2020, the council's actuary (Hymans Robertson LLP) rolled forward the value of the employer's liabilities calculated for the funding valuation as at 31 March 2019, using the financial assumptions that comply with IAS 19.

Mortality Assumptions

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

| Assumed Life Expectancy | Gender | 2019/20 | 2020/21 |
|-------------------------|--------|---------|---------|
| | | Years | Years |
| Retiring Today | Male | 21.7 | 21.9 |
| | Female | 24.0 | 24.4 |

Notes to the Accounts

| | | | |
|----------------------|--------|------|------|
| Retiring in 20 Years | Male | 22.9 | 23.3 |
| | Female | 25.7 | 26.4 |

Financial Assumptions

| Assumptions | 2019/20 | 2020/21 |
|---|---------|---------|
| | % p.a. | % p.a. |
| Rate of increase in salaries | 2.6 | 2.8 |
| Rate of increase in pensions | 1.9 | 2.85 |
| Rate for discounting scheme liabilities | 2.3 | 2.0 |

As at the date of the most recent valuation, the duration of the Employer’s funded liabilities is 19 years

Sensitivity Analysis

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

| Impact on the Defined Benefit Obligation in the Scheme (£'000) | Increase in Assumption | Decrease in Assumption |
|--|------------------------|------------------------|
| Longevity (increase or decrease of 1 year) | 41,814 to 69,690 | (41,814) to (69,690) |
| Rate of inflation in salaries (increase or decrease by 0.5%) | 8,918 | (8,918) |
| Rate of inflation in pensions (increase or decrease by 0.5%) | 116,915 | (116,915) |
| Rate for discounting scheme liabilities (increase or decrease by 0.5%) | (128,116) | 128,116 |

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

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

Impact on the Council's Cashflows

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

Notes to the Accounts

The total amount of employer contributions expected to be paid to the LGPS in financial year 2021/22 is £26.2m.

Note 36 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.

- North London Business Park- Dilapidations -The council successfully broke its lease on North London Business Park in 20/21. There is a possibility that Middlesex University (MU) (our former landlord) will claim dilapidations from the council. Building 2 at NLBP has a potential new tenant taking majority of the space and this letting does have a positive impact for the council on the dilapidations. The landlord can claim void period and the claim can be minimised if they are going to be letting the space without any works taking place. Charges could be levied by the head landlord (Comer) on Middlesex Uni (our landlord) and then potentially passed through to us. Currently the claim is at £3m down from £3.6m and could potentially reduce. The likelihood that this risk will materialise is reducing but currently we can't be sure when (as well as if) the liability will arise. Negotiations are still on going and MU's surveyors are waiting to hear back from Comer's surveyors, and we are a long way from having to deal with a claim.
- Conway Aecom - Call off contract- The settlement of the Conway Aecom (CA) Final Account now the Call Off Contract and associated Deed of Variation have come to an end (as of 31 March 2021). The anticipated outcome is net neutral; however, the account is complex, and CA have 3 months to forward the final account. We have requested the submission from CA by 30 April 2021 and have a meeting scheduled with CA 5 May 2021. Possibility that CA prosecute disputes on valuation of works and NRP footway or all of it, in addition challenge the approach to the defect notices, value engineering, discounts and DoV reconciliation. The anticipation is that this will have a net neutral conclusion, however the reconciliation of the above has a calculated risk exposure of £986k which will be the subject of the settlement with CA.
- Dispute regarding unpaid invoices -The council is in dispute regarding invoices paid for a person in care and services provided. The case is currently in pre-action.

Note 37 Nature and Extent of Risks Arising from Financial Instruments

Financial Instruments Risks

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

Notes to the Accounts

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

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

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

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

Credit Risks

Credit risk arises from deposits and loans with banks, financial institutions, corporate borrowers as well as credit exposure to the authority's customers. The Council manages credit risk for short-term deposits by ensuring that investments are placed with counterparties (banks, other local authorities and AAA-rated money market funds) of sufficiently high credit quality as set out in the Treasury Management Strategy. A limit of £25m is placed on the amount of money that can be invested with a single counterparty and a minimum long-term credit rating of A- (apart from part nationalised UK banks). The council also sets a total group investment limit for institutions that are part of the same banking group and limits the geographical exposures to the UK and countries whose government debt is rated AA or higher.

In addition to short-term investments (maximum 12 months duration) the council also can lend long-term to counterparties described as 'non-specified' within the TMSS. The council's 2020-21 TMSS determines time limits for classes of investments and states a maximum £100m total in non-specified investments. In 2020-21, all investments except for loans to Saracens (maximum 30 years) and TBG Open Door (maximum 49 years) were placed for less than 365 days.

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

Notes to the Accounts

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 2020-21, approved by Council on 6 March 2020.

The two tables below summarise the nominal value and credit ratings of the council's investment portfolio at 31 March 2021, 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 2021 | Balance Invested as at 31 March 2021 £'000 | | | | | Total |
|---|---|---|---|------------------------|-------------------------|--------------------------|----------------|----------------|
| | | | Up to 1 month | >1 month and <3 months | >3 months and <6 months | >6 months and <12 months | >12 months | |
| Other Local Authorities | Yes | Yes | 0 | 0 | 0 | 10,000 | 0 | 10,000 |
| Banks – UK | Yes | Yes | 0 | 20,400 | 0 | 10,005 | 0 | 30,405 |
| Banks – Non-UK | Yes | Yes | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Banks | | | 0 | 20,400 | 0 | 20,005 | 0 | 40,405 |
| Money Market Funds | Yes | Yes | 113,552 | 0 | 0 | 0 | 0 | 113,552 |
| Current accounts | Yes | Yes | (11,743) | 0 | 0 | 0 | 0 | (11,743) |
| Total Cash and Cash Equivalents* | | | 113,841 | 0 | 0 | 0 | 0 | 122,209 |
| Loans to community organisations | Yes | Yes | 0 | 0 | 0 | 0 | 4,291 | 4,291 |
| Other corporate loans | n/a | n/a | 0 | 0 | 0 | 0 | 6,250 | 6,960 |
| Investment in subsidiary | | | | | | | | |
| Loans to council subsidiary** | Yes | Yes | 0 | 0 | 0 | 0 | 112,632 | 112,632 |
| Total Corporate Loans | | | 0 | 0 | 0 | 0 | 123,173 | 123,173 |

**To be repaid over 49 years

The above analysis shows that all deposits outstanding as at 31st March 2021 met the council's credit rating criteria. No investment limits were exceeded during the year and the council does not anticipate any defaults on its treasury investments. Also included in the table are non-treasury investments arising from the Council's commercial activities.

Notes to the Accounts

The risk of non-recovery applies to all the Council's investments. Link Asset Services have estimated that the historic risk of default for Treasury investments (£153.957m in the above table) as 0.023% as at 31st March 2021. There is no evidence at the 31 March 2021 that a risk of loss is likely to crystallise on the other investments. However, in line with the requirement of IFRS9 a provision of £0.732 million has been made against the loan to the wholly owned subsidiary to reflect the long-term repayment profile.

| | 31 March 2020 | | 31 March 2021 | |
|---------------------------|----------------|---------------|----------------|----------------|
| | Current | Non-Current | Current | Non-Current |
| Credit Ratings | £'000 | £'000 | £'000 | £'000 |
| AAAmf (funds) | 60,315 | 0 | 113,552 | 0 |
| AA- | 7,521 | 0 | 0 | 0 |
| AA+ | 5,004 | 0 | 20,400 | 0 |
| A | 16,045 | 0 | 0 | 0 |
| A- | 0 | 0 | 20,005 | |
| BBB+ | 710 | 0 | 0 | 0 |
| Unrated local authorities | 15,015 | 0 | 0 | 0 |
| Unrated corporates | 0 | 5,218 | 0 | 10,541 |
| Wholly owned Subsidiary | 0 | 31,495 | 0 | 112,632 |
| Total | 104,610 | 36,713 | 153,957 | 123,173 |

The credit ratings in the above table are the lowest of the long-term debt ratings from the three main rating agencies using the Fitch designations. The risk of non-recovery applies to all the Council's investments. Link Asset Services have estimated that the historic risk of default for Treasury investments (£153.95m in the above table) as 0.023% as at 31st March 2021. There is no evidence at the 31 March 2021 that a risk of loss is likely to crystallise on the other investments. However, in line with the requirement of IFRS9 a provision of £0.732 million has been made against the loan to the wholly owned subsidiary to reflect the long-term repayment profile.

Statutory Debt

The following analysis summarises the council's balances and transactions arising from statutory functions and shows balances and provisions for bad debts in relation to Council tax and Business Rates:

| Council Tax Debtors | Gross Debt £'000 | Bad and Doubtful Debts Provision £'000 |
|-----------------------|------------------|--|
| 2019/20 Trade Debtors | 38,621 | (23,365) |
| 2020/21 Trade Debtors | 47,033 | (28,443) |

Notes to the Accounts

| NNDR Debtors | Gross Debt £'000 | Bad and Doubtful Debts Provision £'000 |
|-----------------------|-------------------------|---|
| 2019/20 Trade Debtors | 7,643 | (4,540) |
| 2020/21 Trade Debtors | 54,685 | (5,482) |

Liquidity Risk

The council has a comprehensive cashflow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council has access to borrowing facilities including the Public Works Loan Board, commercial banks, bond issues, and other local authorities. There is no perceived risk that the council will be unable to raise finance to meet its commitments. The council also must manage the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates by setting limits on the proportion of total debt expiring in any five-year period.

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

The Council manages its investment portfolio to ensure cash is available to meet all liabilities as they fall due for payment. At 31st March 2021, all treasury investment (£153.9 million) had a callable maturity of less than 12 months of which £113.55 million was immediately available. The duration of the other investments is shown in the table above.

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

The maturity analysis of the nominal value of the council's debt including future debt interest payments as at 31 March 2021 was as follows:

| Maturity Analysis of Borrowing: | 31 March 2020 £'000 | % of total debt portfolio | 31 March 2021 £'000 | % of total debt portfolio |
|--|----------------------------|----------------------------------|----------------------------|----------------------------------|
| 0 to 5 years | 81,092 | 10.74% | 92,455 | 11.01% |
| Over 5 but not over 10 years | 84,753 | 11.22% | 120,844 | 14.40% |
| Over 10 but not over 15 years | 122,093 | 16.17% | 143,765 | 17.13% |
| Over 15 but not over 20 years | 104,077 | 13.78% | 69,099 | 8.23% |
| Over 20 but not over 25 years | 95,421 | 12.64% | 102,404 | 12.20% |

Notes to the Accounts

| | | | | |
|-------------------------------|----------------|----------------|----------------|-------------|
| Over 25 but not over 30 years | 23,347 | 3.09% | 32,897 | 3.92% |
| Over 30 but not over 35 years | 52,410 | 6.94% | 60,785 | 7.24% |
| Over 35 but not over 40 years | 17,476 | 2.31% | 27,026 | 3.22% |
| Over 40 but not over 45 years | 17,476 | 2.31% | 36,880 | 4.39% |
| Over 45 years | 157,008 | 20.79% | 153,209 | 18.25% |
| Total | 755,153 | 100.00% | 839,364 | 100% |

Note: The maturities of PFI borrowing are shown in Note 32

Market Risk

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

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

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

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

As at 31 March 2021, the debt portfolio (nominal value) consisted of fixed rate PWLB debt of £421.58 million, market loans of £62.5million and interest free loans of £6.088m for environmental projects. The market debt includes options that allow the lender to change the rate of interest (and the Council to repay with no penalty if an option is exercised) such that these borrowings could be considered variable. Based on prevailing interest rates, it is unlikely that any options will be exercised in the next twelve months. The replacement of short-term debt is also subject to changes in market pricing. The Treasury Management Strategy aims to mitigate interest rate risks by setting an upper limit of 30% on external debt that can be

Notes to the Accounts

subject to variable interest rates. At 31 March 2021, 100% of the debt portfolio was held in fixed rate instruments, of which 1.6% mature in the next five years. In addition, the debt balances with interest rate options represent 12.7% of the debt portfolio.

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

| | £'000 |
|--|------------|
| Increase in interest receivable on variable rate investments | 377 |
| Impact on Surplus or Deficit on the Provision of Services | 377 |
| Share of overall impact credited to the HRA | 41 |
| Increase in fair value of fixed interest investments* | 4 |
| Impact on Other Comprehensive Income and Expenditure: | 45 |
| Decrease in fair value of fixed rate borrowings/liabilities* | (102,681) |

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

The impact of a 1% decrease in interest rates on investment income, assuming no decrease in normal treasury Investments, is £377,000 (HRA share: £41,000). These assumptions are based on the same methodology as used in the 'Fair Value' disclosure note. (Note 17).

Price Risk

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

Foreign Exchange Risk

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

Note 38 Group Pension Reserve

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

| Consolidated Pension Fund | 31 March 2020 £'000 | 31 March 2021 £'000 |
|---------------------------|------------------------|------------------------|
| London Borough of Barnet | 513,182 | 628,876 |
| The Barnet Group Ltd | 40,042 | 58,780 |
| Total | 553,224 | 687,656 |

Notes to the Accounts

The assumptions used and the detailed breakdown of the London Borough of Barnet Pension Liability of £628.876m can be seen in Note 35.

The Barnet Group Pension Liability

| Net Pension Fund Liability as at | 31 March 2020 £'000 | 31 March 2021 £'000 |
|---|------------------------|------------------------|
| Present Value of Funded Obligation | (100,296) | (138,146) |
| Fair Value of Scheme Assets | 60,815 | 80,018 |
| Net Liability | (39,481) | (58,128) |
| Present Value of Unfunded Obligation | (561) | (652) |
| Net Liability in Statement of Financial Position | (40,042) | (58,780) |

The Barnet Group Pension Assets

| Reconciliation of the Movement in Fair Value of Scheme Assets | 31 March 2020 £'000 | 31 March 2021 £'000 |
|---|------------------------|------------------------|
| Opening Fair Value of Scheme Assets | 73,978 | 60,815 |
| Interest Income | 1,890 | 1,539 |
| Return on Assets | (16,295) | (16,342) |
| Effect of business combination | 0 | 0 |
| Contributions by employer | 2,580 | 2,737 |
| Contributions by scheme participants | 702 | 704 |
| Estimated benefits paid including unfunded benefits | (2,040) | (2,119) |
| Fair value of scheme assets at end of period | 60,815 | 80,018 |

| Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation) | 31 March 2020 £'000 | 31 March 2021 £'000 |
|--|------------------------|------------------------|
| Opening Defined Benefit Obligation | 115,104 | 100,857 |
| Current service cost | 4,566 | 4,393 |
| Interest Cost | 2,923 | 2,506 |
| Remeasurement Gains & Losses: | | |
| Actuarial gains and losses arising from changes in financial assumptions | (9,739) | (31,813) |
| Actuarial gains and losses arising from changes in demographic assumptions | (3,902) | 1,555 |
| Other Experience gains and losses | (7,382) | (1,055) |
| Liabilities extinguished on settlements | 0 | 0 |
| Estimated funded benefit paid | (2,015) | (2,093) |
| Past Service Cost | 650 | 170 |
| Effect of business combinations | 0 | 0 |
| Contributions by scheme participants | 677 | 678 |
| Unfunded pension payments | (25) | (26) |
| Closing Defined Benefit Obligation | 100,857 | 138,798 |

Supplementary Statements and Notes

Housing Revenue Account (HRA)

Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with the Code, rather than the amount to be funded from rents and grants. The council charges rents to cover expenditure in accordance with regulations; however, these may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the HRA Statement.

| 2019/20 | Income and Expenditure Statement | 2020/21 |
|-----------------|--|-----------------|
| £'000 | Expenditure | £'000 |
| 7,621 | Repairs & Maintenance | 8,681 |
| 23,033 | Supervision & Management | 32,924 |
| 192 | Rents, Rates, Taxes, and other charges | 83 |
| (21,358) | Depreciation, impairment, and revaluation losses of non-current assets | 31,162 |
| (2) | Debt Management Costs | (2) |
| 333 | Increase/(Decrease) in allowance for bad or doubtful debts | 696 |
| 9,819 | Total Expenditure | 73,545 |
| | Income | |
| (49,799) | Dwelling rents | (49,587) |
| (437) | Non-dwelling rents | (626) |
| (1,453) | Charges for services and facilities | (7,022) |
| (4,310) | Other | (5,924) |
| (55,999) | Total Income | (63,158) |
| (46,180) | Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement | 10,387 |
| (4,276) | (Gains)/loss on sale of HRA Fixed Assets | (2,693) |
| 7,429 | Interest Payable and Similar Charges | 7,644 |
| 0 | HRA Interest and Investment Income | 0 |
| (761) | Investment property income | (481) |
| (9,174) | Movement in Investment Property valuation | (6,851) |
| (10,097) | Capital Grants and Contributions | (10,322) |
| (63,059) | Deficit for the year on HRA Services | (2,315) |

Supplementary Statements and Notes: Housing Revenue Account
Movement on HRA Statement

| 2019/20 | Movement on HRA Statement | 2020/21 |
|-----------------|--|----------------|
| £'000 | | £'000 |
| 12,321 | HRA Balance as at 31 March 2020 | 7,525 |
| (63,059) | Surplus/(Deficit) for the Year on HRA Services | (2,315) |
| | | |
| | Adjustments Between Accounting and Funding Basis under Statute: | |
| (2) | Financial Instrument Adjustment | (2) |
| (22,948) | Transfer to Major Repairs Reserve | (17,135) |
| (6,029) | Gain/(loss) on sale of HRA non-current assets | (4,445) |
| (35,639) | Transfer to Capital Adjustment Account | 24,007 |
| 1,753 | Transfer to/from Capital Receipts Reserve | 1,752 |
| (4,990) | Transfer to Capital Grants Unapplied Reserve | (10,018) |
| (67,855) | Total Adjustments | (5,840) |
| | | |
| (4,796) | Net increase / (decrease) in year | (3,525) |
| 7,525 | HRA Balance as at 31 March 2021 | 4,000 |

Note 1 Analysis of Housing Stock

| Note 1 Analysis of Housing Stock | | |
|--|--------------------|--------------|
| At 31st March 2020, the council was responsible for managing a housing stock of 9,574 dwellings, comprising the following types: | | |
| 31-Mar-20 | Asset Type | 31-Mar-21 |
| 3,541 | Houses | 3,556 |
| 6,148 | Flats | 6,138 |
| 9,689 | Total Stock | 9,694 |

Supplementary Statements and Notes: Housing Revenue Account
Note 2 Arrears and Bad Debt Provision

| Note 2 Arrears and Bad Debt Provision | | |
|--|---------------------------|------------------|
| 31-Mar-20 | Category | 31-Mar-21 |
| £'000 | | £'000 |
| 5,118 | Council House Tenants | 5,303 |
| 9,864 | Leaseholders | 10,465 |
| 781 | Commercial Tenants | 450 |
| 15,763 | Total Arrears | 16,219 |
| | | |
| (2,988) | Bad Debt Provision | (3,432) |

Note 3 Balance Sheet Value of HRA Operational Assets

| Note 3 Balance Sheet Value of HRA Operational Assets | | |
|---|--|------------------|
| 31-Mar-20 | Asset Type | 31-Mar-21 |
| £'000 | | £'000 |
| 782,490 | Council Dwellings | 800,453 |
| 22,069 | Other Land and Buildings | 19,682 |
| 181 | Heritage Assets | 181 |
| 55,323 | Investment properties | 65,138 |
| 8,296 | Surplus Assets not held for sale | 9,532 |
| 866,359 | Total Value | 894,986 |
| | | |
| 31-Mar-19 | | 31-Mar-20 |
| £'000 | | £'000 |
| 3,062,794 | Value of Non-Operational Assets | 3,118,523 |

*Vacant Possession value reflects the value in an open market. The Council stock is shown at 25% of MV, as rents are restricted and used for social housing.

Supplementary Statements and Notes: Housing Revenue Account
Note 4 Impairment Charges and Revaluation Losses

| Note 4 Impairment Changes and Revaluation Losses | | |
|---|--|----------------|
| 2019/20 | Asset Type | 2020/21 |
| £'000 | | £'000 |
| (46,782) | Council Dwellings | 18,115 |
| (7,398) | Other Land and Buildings and Investment Properties | (6,867) |
| (54,180) | Total | 11,264 |

Note 5 Depreciation

| Note 5 Depreciation | | |
|----------------------------|--------------------------|----------------|
| 2019/20 | Asset Type | 2020/21 |
| £'000 | | £'000 |
| 22,948 | Council Dwellings | 12,394 |
| 701 | Other Land and Buildings | 637 |
| 23,649 | Total | 13,031 |

Note 6 Capital Expenditure and Financing

| Note 6 Capital Expenditure and Financing | | |
|---|-----------------------------|-----------------|
| 2019/20 | Breakdown | 2020/21 |
| £'000 | | £'000 |
| 44,000 | Capital Expenditure | 57,153 |
| | Sources of Funding | |
| (20,931) | Major Repairs Reserve (MRR) | (21,651) |
| (17,676) | Capital Receipts | (2,652) |
| (5,393) | Other Contributions | (32,850) |
| (44,000) | Total | (57,153) |

Supplementary Statements and Notes: Housing Revenue Account
Note 7 Capital Receipts from Disposals

| Note 7 Capital Receipts from Disposals | | |
|---|--------------------------|----------------|
| 2019/20 | Asset Type | 2020/21 |
| £'000 | | £'000 |
| 7,904 | Council Dwellings | 3,456 |
| 331 | Other Land and Buildings | 1,297 |
| 8,235 | Total | 4,753 |

Note 8 Accounting for Pensions in the HRA

As day-to-day housing management is carried out by Barnet Homes Limited, the HRA employs very few staff directly. Therefore, although the HRA is reported in an IFRS basis, no attempt has been made to apportion the pension liability between the General Fund and the HRA.

Supplementary Statements and Notes: Collection Fund

Collection Fund

Collection Fund Statement

The Collection Fund Account 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 council as billing authority in relation to the collection from taxpayers and distribution to precepting bodies and the Government of Council Tax and Non-Domestic Rates (NDR).

| 2019/20 | | | Collection Fund Statement | 2020/21 | | |
|-----------------|----------------|----------------|--|----------------|----------------|----------------|
| NDR | Council Tax | Total | | NDR | Council Tax | Total |
| £'000 | | | £'000 | | | |
| 0 | 228,725 | 228,725 | Income | 0 | 237,927 | 237,927 |
| 109,673 | 0 | 109,673 | Council Tax | 39,796 | 0 | 39,796 |
| 2,730 | 0 | 2,730 | Business Rates Receivable | 830 | 0 | 830 |
| | | | Business Rates Supplement | | | |
| | | | Contributions to prior year's deficit | | | |
| 1,008 | 0 | 1,008 | Central Government | 0 | 0 | 0 |
| 4,570 | 0 | 4,570 | London Borough of Barnet | 0 | 0 | 0 |
| 3,185 | 0 | 3,185 | Greater London Authority | 0 | 0 | 0 |
| 121,167 | 228,725 | 349,892 | Sub-Total | 40,626 | 237,927 | 278,552 |
| | | | Expenditure | | | |
| | | | Disbursement of prior year's deficit | | | |
| 0 | 0 | 0 | Central Government | 272 | 0 | 272 |
| 0 | 0 | 0 | London Borough of Barnet | 315 | 0 | 315 |
| 0 | 0 | 0 | Greater London Authority | 177 | 0 | 177 |
| 0 | 0 | 9,607 | Sub-Total | 765 | 0 | 765 |
| | | | Precepts and demands | | | |
| 26,740 | 0 | 26,740 | Central Government | 36,251 | 0 | 36,251 |
| 51,342 | 178,296 | 229,639 | London Borough of Barnet | 32,956 | 188,280 | 221,236 |
| 28,879 | 46,652 | 75,532 | Greater London Authority | 40,645 | 49,084 | 89,729 |
| 2,724 | 0 | 2,724 | Crossrail (GLA) | 824 | 0 | 824 |
| 109,686 | 224,950 | 334,635 | Sub-Total | 110,675 | 237,264 | 348,040 |
| | | | Charges to Collection Fund | | | |
| 409 | 0 | 409 | Cost of collection allowance | 395 | 0 | 395 |
| 6 | 0 | 6 | BRS collection allowance | 6 | 0 | 6 |
| 996 | 6,695 | 7,691 | Increase/(decrease) in allowance for bad or doubtful debts | 9,475 | 5,822 | 15,296 |
| (2,305) | 0 | (2,305) | Movement in provision for appeals | 26,759 | 0 | 26,759 |
| 856 | 0 | 856 | Transitional Protection Payments (received)/payable | 1,794 | 0 | 1,794 |
| | | | | | | |
| (38) | 6,695 | 6,658 | Sub-Total | 38,429 | 5,822 | 44,251 |
| (11,519) | 2,919 | (8,598) | (Surplus)/Deficit for the year | 109,245 | 5,259 | 114,503 |

Supplementary Statements and Notes: Collection Fund
Surplus on the Collection Fund

The surplus on the collection fund is attributable to the council, Central Government, and the Greater London Authority as follows:

| 31 March 2020 | | | (Surplus)/Deficit on the Collection Fund | 31 March 2021 | | |
|---------------|-------------|---------|--|---------------|-------------|---------|
| NDR | Council Tax | Total | | NDR | Council Tax | Total |
| (627) | (526) | (1,153) | London Borough of Barnet | 31,540 | 3,683 | 35,223 |
| (353) | (127) | (480) | Greater London Authority | 39,573 | 922 | 40,495 |
| (1,453) | 0 | (1,453) | Central Government | 35,276 | 0 | 35,276 |
| (2,433) | (653) | (3,086) | Total | 106,389 | 4,605 | 110,994 |

Note 1 General

The council is required to maintain a separate agency Collection Fund Account. The Collection Fund account includes all transactions relating to the collection of Business Rates and Council Tax from taxpayers and their distribution to other Local Authorities and Central Government. This is a separate account from the General Fund account.

Note 2 Council Tax

Council tax derives from charges raised according to the value of residential properties, which are classified into eight valuation bands (A to H). Individual charges are calculated by taking the total income required to be taken from the Collection Fund by the various precepting authorities and dividing this by the council tax base (the equivalent numbers of band D properties). The Council Tax at Band D is £1,605.84 for 2020/21. The tax base in Barnet has increased from 145,560 to 147,813.

| | | 2019/20 | 2020/21 |
|------------------|-------|-------------------|-------------------|
| Band | Ratio | Band D Equivalent | Band D Equivalent |
| A | 6/9 | 1,476 | 1,613 |
| B | 7/9 | 4,657 | 4,899 |
| C | 8/9 | 18,685 | 19,507 |
| D | 9/9 | 31,159 | 30,666 |
| E | 11/9 | 32,268 | 33,196 |
| F | 13/9 | 24,976 | 25,425 |
| G | 15/9 | 24,520 | 24,612 |
| H | 18/9 | 7,811 | 7,886 |
| MOD Contribution | | 8 | 9 |
| Tax Base | | 145,560 | 147,813 |

Supplementary Statements and Notes: Collection Fund
Note 3 Business Rates

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

| 2019/20 | Business Rates | 2020/21 |
|--------------|---|--------------|
| £298,767,836 | Non-Domestic rateable value at 31 March | £296,094,715 |
| 50.4p | Business rate multiplier - standard rate | 51.2p |
| 49.1p | Business rate multiplier - small businesses | 49.9p |

Note 4 Collection Fund Surplus/Deficit

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

Note 5 Business Rates Supplement

A Business Rates Supplement (BRS) is levied by the Greater London Authority on non-domestic properties with a rateable value of £70,000 or more and is subject to certain allowances and exemptions.

The aggregate rateable value of properties liable for the BRS as at 31st March 2021 was £172.5m (the equivalent figure as at 31st March 2020 being £173.5m). The multiplier has remained at 2.0p / £ since the BRS was introduced.

Supplementary Statements and Notes: Pension Fund

Pension Fund 2020/21

Auditor's Statement – Pension Fund (to follow)

Supplementary Statements and Notes: Pension Fund
Main Statements: Fund Account

| | | 2020/21 | 2019/20 |
|---|-------|------------------|------------------|
| | Notes | £000 | £000 |
| Dealings with members, employers and others directly involved in the fund | | | |
| Contributions | 6 | (78,983) | (63,418) |
| Transfers in from other pension funds | 7 | (4,066) | (1,839) |
| | | (83,049) | (65,257) |
| Benefits | 8 | 58,933 | 57,420 |
| Payments to and on account of leavers | 9 | 3,418 | 7,638 |
| | | 62,351 | 65,058 |
| Net (additions) from dealings with members | | (20,698) | (199) |
| Management expenses | 10 | 11,305 | 9,536 |
| Net (additions) / withdrawals including fund management expenses | | (9,393) | 9,337 |
| Returns on investments | | | |
| Investment income | 11 | (5,954) | (8,598) |
| Profit and losses on disposal of investments and changes in the value of investments | 13 | (299,820) | 71,964 |
| Net return on investments | | (305,774) | 63,366 |
| Net (increase) / decrease in the net assets available for benefits during the year | | (315,167) | 72,703 |
| Opening net assets of the scheme | | 1,079,433 | 1,152,136 |
| Closing net assets of the scheme | | 1,394,600 | 1,079,433 |

Supplementary Statements and Notes: Pension Fund

Main Statements: Net Assets Statement

| | | 31 March 2021 | 31 March 2020 |
|---|-------|------------------|------------------|
| | Notes | £000 | £000 |
| Investment assets | | 1,346,684 | 1,070,804 |
| Long term investments | | 150 | 150 |
| Total net investments | 13 | 1,346,834 | 1,070,954 |
| Current assets | 17 | 51,617 | 11,713 |
| Current liabilities | 18 | (3,851) | (3,234) |
| Net assets of the fund available to fund benefits at the end of the reporting period | | 1,394,600 | 1,079,433 |

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

Notes to the Pension Fund Statement of Accounts

Note 1 Description of the Fund

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

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

The following description of the Fund is a summary only. For more detail, reference should be made to the London Borough of Barnet Pension Fund Annual Report 2020/21 and the underlying statutory powers underpinning the scheme.

Supplementary Statements and Notes: Pension Fund*General*

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

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

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

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

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

Membership

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

- Admitted Bodies – organisations that participate in the Fund under an admission agreement between the Fund and the organisation. Admitted bodies can include voluntary, charitable, and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Scheduled Bodies – local authorities, academies, colleges, and similar bodies whose staff are automatically entitled to be members of the Fund.

The numbers of members have been extracted from the underlying membership records in the live system as at 31 March 2021, including the comparative figures. An analysis of membership movement in the year is provided in the note below.

The number of employees contributing to the Fund increased during the year from 7,828 to 8,184 at 31 March 2021. During the same period, the number of pensioners decreased from 8,318 to 7,605 and the number of deferred pensioners decreased from 11,695 to 11,014.

Supplementary Statements and Notes: Pension Fund

| | 31 March 2021 | 31 March 2020 |
|--|---------------|---------------|
| Number of employers with active members | 65 | 56 |
| Number of employees in scheme | | |
| London Borough of Barnet | 5,029 | 4,880 |
| Other employers | 3,155 | 2,948 |
| Total | 8,184 | 7,828 |
| Number of pensioners | | |
| London Borough of Barnet | 5,638 | 6,166 |
| Other employers | 1,967 | 2,152 |
| Total | 7,605 | 8,318 |
| Deferred pensioners | | |
| London Borough of Barnet | 8,031 | 8,145 |
| Other employers | 2,983 | 3,550 |
| Total | 11,014 | 11,695 |
| Total number of members in pension scheme | 26,803 | 27,841 |

NB: Scheme members with multiple roles will be included more than once in the table as will contractors with more than one contract.

Funding

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

Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2021. Employers also pay contributions, and their rates are set based on triennial actuarial funding valuations. Further details of the last actuarial valuation are given in Note 16.

Supplementary Statements and Notes: Pension Fund*Benefits*

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

Note 2 Basis of Preparation

The statement of accounts summarises the Fund’s transactions for the 2020/21 financial year and its position at year-end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

*Note 3 Summary of Significant Accounting Policies**Fund account – revenue recognition***Contribution income**

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

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date. Where the Actuary has agreed to a pre-payment of deficit contributions, the amount paid is allocated to the year in which it was paid and not apportioned between financial years.

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

Transfers to and from other schemes

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

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

Supplementary Statements and Notes: Pension Fund**Investment income**

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

*Fund account – expense items***Benefits payable**

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

Taxation

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

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

Management expenses

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

- All **administrative expenses** are accounted for on an accruals basis. Associated management, accommodation and other overheads are apportioned to this activity, based on estimated time spent, and charged as expenses to the Fund. A proportion of the Council's costs representing management time spent by officers on investment management is also charged to the Fund.
- All **oversight and governance expenses** are accounted for on an accruals basis. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Supplementary Statements and Notes: Pension Fund

- All **investment management expenses** are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

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

Net assets statement**Financial assets**

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

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

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

Cash and cash equivalents

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

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

Financial liabilities

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

Supplementary Statements and Notes: Pension Fund**Actuarial present value of promised retirement benefits**

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

Additional voluntary contributions

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

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

Post Balance Sheet Events

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.

Contingent Liabilities

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

Supplementary Statements and Notes: Pension Fund

of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Net Asset Statement but, if material, are disclosed in a note to the accounts.

Note 4 Critical Judgements in Applying Accounting Policies

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

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

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

Note 5 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

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

Actuarial present value of promised retirement benefits

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

Fair Value of Unquoted Investments

The valuation of unquoted investments in infrastructure, property and private equity is made by the relevant fund manager based on net asset values, in most cases derived from valuations provided by the underlying investee companies. Full details of the valuations of these investments is provided in note 13D. These valuations are based on estimates and judgements that cannot be verified. There may be a timing difference between the date of the valuation information and the date of the Fund's financial statements during which the underlying investment values may

Supplementary Statements and Notes: Pension Fund

have increased or decreased by a material amount. Furthermore, because there is no liquid market for these investments, their values may differ from the values that might be achieved had such a market existed. These differences could be material. Sensitivity analysis is also provided in note 13D. The valuation techniques used by fund managers is reviewed for reasonableness using audited accounts and internal controls reporting when available.

Note 6 Contributions Receivable
By category

| | 2020/21 | 2019/20 |
|---------------------------------------|-----------------|-----------------|
| | £000 | £000 |
| Employees' contributions: | (11,898) | (11,543) |
| Employers' contributions: | | |
| Normal contributions | (37,083) | (30,948) |
| Deficit recovery contributions | (25,930) | (16,785) |
| Augmentation contributions | (4,072) | (4,142) |
| Total employers' contributions | (67,085) | (51,875) |
| Total contributions receivable | (78,983) | (63,418) |

By authority

| | 2020/21 | 2019/20 |
|---------------------------------------|-----------------|-----------------|
| | £000 | £000 |
| London Borough of Barnet | (52,245) | (34,779) |
| Scheduled bodies | (22,413) | (23,779) |
| Admitted bodies | (4,325) | (4,860) |
| Total contributions receivable | (78,983) | (63,418) |

Supplementary Statements and Notes: Pension Fund

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

| | |
|--------------------------------------|--|
| Barnet Homes | £2.465 million (2019/20 £2.481 million) |
| Your Choice | £0.707 million (2019/20: £0.883 million) |
| Barnet Education & Learning Services | £0.488 million (2019/20 nil) |

Contributions paid by London Borough of Barnet in 2020/21 included £20.477 million advance payment of deficit contributions due for the period 1 April 2020 to 31 March 2023 of which £6.508 million was payable in 2020/21. As a consequence of paying these contributions early, the Actuary reduced the amount due by £1.409 million. The advance payment is allocated to current year's contributions and not spread over the period to which it relates.

Note 7 Transfers in from other Pension Funds

| | 2020/21 | 2019/20 |
|--|----------------|----------------|
| | £000 | £000 |
| Group transfers | (227) | 0 |
| Individual transfers | (3,839) | (1,839) |
| Total transfers in from other Pension Funds | (4,066) | (1,839) |

Supplementary Statements and Notes: Pension Fund
Note 8 Benefits Payable
By category

| | 2020/21 | 2019/20 |
|--|---------------|---------------|
| | £000 | £000 |
| Pensions | 49,480 | 47,873 |
| Commutation and lump sum retirement benefits | 8,469 | 8,638 |
| Lump sum death benefits | 984 | 909 |
| Total benefits payable | 58,933 | 57,420 |

By authority

| | 2020/21 | 2019/20 |
|-------------------------------|---------------|---------------|
| | £000 | £000 |
| London Borough of Barnet | 42,832 | 40,378 |
| Scheduled bodies | 11,834 | 13,156 |
| Admitted bodies | 4,267 | 3,886 |
| Total benefits payable | 58,933 | 57,420 |

The prior year benefits analysis by authority has been revised as two employers, Barnet Homes and Your Choice, were listed as a scheduled body, when they should have been listed under LB Barnet. Both are subsidiaries of the Council. As a result, the benefits paid for LB Barnet have been increased by £1.865 million (£1.424 million for Barnet Homes, £0.441 million for Your Choice), with the amount for scheduled bodies benefits payable reduced by the same amount.

Supplementary Statements and Notes: Pension Fund

Note 9 Payments to and on Account of leavers

| | 2020/21 | 2019/20 |
|--|--------------|--------------|
| | £000 | £000 |
| Refunds to members leaving service | 99 | 168 |
| Individual transfers | 3,319 | 7,470 |
| Total payments to and on account of leavers | 3,418 | 7,638 |

Note 10 Management Expenses

| | 2020/21 | 2019/20 |
|----------------------------------|---------------|--------------|
| | £000 | £000 |
| Administrative costs | 1,041 | 913 |
| Investment management expenses | 9,397 | 7,761 |
| Oversight and governance costs | 868 | 862 |
| Total management expenses | 11,305 | 9,536 |

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

Supplementary Statements and Notes: Pension Fund

Investment Management Expenses

| | 2020/21 | 2019/20 |
|---|--------------|--------------|
| | £000 | £000 |
| Management fees | 4,876 | 4,559 |
| Performance related fees | 2,024 | 1,376 |
| Custody fees | 13 | 15 |
| Transaction costs | 2,484 | 1,811 |
| Total investment management expenses | 9,397 | 7,761 |

All investment management expenses relate to pooled investments, except for £7,000 (2019/20: £5,000) that relate to money market funds.

Note 11 Investment Income

| | 2020/21 | 2019/20 |
|--|----------------|----------------|
| | £000 | £000 |
| Pooled investments – unit trusts and other managed funds | (5,936) | (8,568) |
| Interest on cash deposits | (18) | (30) |
| Total investment income | (5,954) | (8,598) |

Note 12 Audit Costs

| | 2020/21 | 2019/20 |
|--------------------------------------|-----------|-----------|
| | £000 | £000 |
| Payable in respect of external audit | 36 | 36 |
| Total external audit costs | 36 | 36 |

Prior year audit costs in the above table include additional charges agreed after the closure of the accounts.

Supplementary Statements and Notes: Pension Fund
Note 13 Investments

| 2020/21 | | | | | |
|------------------------------|------------------|---------------------------|-----------------------|--|------------------|
| | Market value | Purchases during the year | Sales during the year | Change in market value during the year | Market value |
| | 1 April 2020 | | | | 31 March 2021 |
| | £000 | £000 | £000 | £000 | £000 |
| Investment assets: | | | | | |
| Pooled investments | 1,067,106 | 91,571 | (113,345) | 299,820 | 1,345,152 |
| Money market funds | 3,682 | | (2,152) | | 1,530 |
| Long term investments | 150 | | | | 150 |
| | 1,070,938 | 91,571 | (115,497) | 299,820 | 1,346,832 |
| Other investment balances: | | | | | |
| Cash deposits | 16 | | | | 2 |
| Net investment assets | 1,070,954 | | | | 1,346,834 |

| 2019/20 | | | | | |
|------------------------------|------------------|---------------------------|-----------------------|--|------------------|
| | Market value | Purchases during the year | Sales during the year | Change in market value during the year | Market value |
| | 1 April 2019 | | | | 31 March 2020 |
| | £000 | £000 | £000 | £000 | £000 |
| Investment assets: | | | | | |
| Pooled investments | 1,127,712 | 224,913 | (213,555) | (71,964) | 1,067,106 |
| Money market funds | 14,300 | 58,352 | (68,970) | | 3,682 |
| Long term investments | 150 | | | | 150 |
| | 1,142,162 | 283,265 | (282,525) | (71,964) | 1,070,938 |
| Other investment balances: | | | | | |
| Cash deposits | 10 | | | | 16 |
| Net investment assets | 1,142,172 | | | | 1,070,954 |

Supplementary Statements and Notes: Pension Fund

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year and any income attributed to the unitised funds that has been retained by the funds and reinvested. Transaction costs are included in investment management expenses (note 10A). Pooled funds include property, private equity and infrastructure and movements in these investments are disclosed with note 13D.

As more fully discussed in the annual report, investment markets, led by equities, having declined in Q1, 2020 with the onset of Covid, not only recovered their losses but rocketed ahead in an environment of supportive economic conditions. In particular global equity markers returned on average close to 40% in the year. Credit, other than Government bonds, also benefited from the recovery.

Note 13a Analysis of Investments

| | 31 March 2021 | 31 March 2020 |
|---|------------------|------------------|
| | £000 | £000 |
| Pooled funds – additional analysis | | |
| UK | | |
| Unit trusts | 563,080 | 394,627 |
| UK managed funds | 743,890 | 644,923 |
| Money market funds | 1,530 | 3,682 |
| Non-UK | | |
| Overseas Managed Fund | 38,182 | 27,556 |
| | 1,346,682 | 1,070,788 |
| Long term investments | 150 | 150 |
| Cash deposits | 2 | 16 |
| Total investment assets | 1,346,834 | 1,070,954 |

All investments are held through managed pooled entities and comprise underlying investments that are domiciled in both the UK and overseas.

Supplementary Statements and Notes: Pension Fund
Note 13b Investments Analysed by Fund Manager

| | Market value | 31 March 2021 | Market value | 31 March 2020 |
|--------------------------------|------------------|---------------|------------------|---------------|
| | £000 | % | £000 | % |
| Legal and General | 563,080 | 41.7 | 394,627 | 36.7 |
| Schroder Investment Management | 281,900 | 20.9 | 242,659 | 22.7 |
| LCIV | 119,417 | 8.9 | 79,209 | 7.4 |
| Alcentra | 58,006 | 4.3 | 55,082 | 5.1 |
| Partners Group | 67,960 | 5.1 | 69,835 | 6.5 |
| Barings | 41,140 | 3.1 | 32,324 | 3.0 |
| Insight Investments | 45,005 | 3.4 | 40,664 | 3.8 |
| M&G Investments | 31,057 | 2.3 | 28,753 | 2.7 |
| IFM Investors | 69,521 | 5.2 | 67,629 | 6.3 |
| Aberdeen Long Lease Property | 30,035 | 2.2 | 28,933 | 2.7 |
| CBRE | 25,678 | 1.9 | 25,390 | 2.4 |
| Adams Street | 12,505 | 0.9 | 2,165 | 0.2 |
| Aberdeen Standard Life | 1,530 | 0.1 | 3,684 | 0.3 |
| | 1,346,834 | 100.0 | 1,070,954 | 100.0 |

The investments of the Pension Fund are wholly invested within pooled vehicles with year-end valuations provided by the fund operator. Some of the underlying investments in these pools are highly illiquid and valuations are not verifiable to identical transactions at the year-end and are therefore estimated by the fund operator based on established models and guidelines. In particular, holdings in property, infrastructure, and private equity with a year-end valuation of £137.7 million (31.3.20: £124.1 million) are particularly difficult to verify and rely on the fund operator adopting prudent valuation techniques. Valuations are monitored both internally and by the external investment advisor.

Pooling

The Fund became a shareholder in the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London) in 2015 and holds £150,000 of regulatory capital in the form of unlisted UK equity shares. The Fund's was invested in two pooled products at 31 March 2021 being LCIV Emerging Market Equities, value £75.9 million (31.3.20: £33.8 million) and LCIV Real Return, value £43.4 million (31.3.20 £45.3

Supplementary Statements and Notes: Pension Fund

million) representing 8.9% of the fund's value. Subsequent to the year-end commitments have also been into three more LCIV products; Sustainable Equities, Private Debt and Renewables Infrastructure. The Fund's investments with Legal & General (41.8% of investments) are monitored by LCIV. The table below provides further analysis of the investments as at 31 March 2021 by both asset class and geographical exposure, breaking down pooled funds into their underlying exposures. Additional details of each fund are provided in the investment policy report.

INVESTMENTS ANALYSED BY ASSET CLASS

| Asset Class | | 31 March 2021 | | | 31 March 2020 | | |
|--------------------------------|----------|---------------|------------------|-------------|---------------|------------------|-------------|
| | | £'000 | £'000 | % | £'000 | £'000 | % |
| Equities | | | | | | | |
| | UK | 48,885 | | 4% | 29,181 | | 3% |
| | Overseas | 650,581 | | 48% | 437,888 | | 41% |
| | Global | 35,793 | | 3% | 22,356 | | 2% |
| | | | 735,259 | 55% | | 489,425 | 46% |
| Bonds | | | | | | | |
| | UK | 165,684 | | 12% | 150,408 | | 14% |
| | Overseas | 238,711 | | 18% | 194,063 | | 18% |
| | Global | 18,781 | | 1% | 37,942 | | 4% |
| | | | 423,176 | 31% | | 382,413 | 36% |
| Property | | | | | | | |
| | UK | 37,710 | | 3% | 35,302 | | 3% |
| | Overseas | 24,446 | | 2% | 24,553 | | 2% |
| | | | 62,156 | 5% | | 59,855 | 0% |
| Infrastructure | | | 69,521 | 5% | | 71,139 | 7% |
| Other assets | | | 45,621 | 3% | | 35,075 | 3% |
| FX Forward derivative | | | 1,370 | 0% | | 6,829 | 1% |
| Cash | | | 9,731 | 1% | | 26,218 | 2% |
| Total Investment Assets | | | 1,346,834 | 100% | | 1,070,954 | 100% |

Supplementary Statements and Notes: Pension Fund

Where no geographic split is available, global in the table above represents both UK and overseas. With the exception of Money Market Funds (£1.5 million) none of the investment funds are listed. However, the underlying investments e.g., those managed by Legal and General, may be listed.

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

| | 31 March 2021 | | 31 March 2020 | |
|--|---------------|---------------------------|---------------|---------------------------|
| | £000 | as % of investment assets | £000 | as % of investment assets |
| Legal and General RAFI 3000 Tracker Fund | 251,394 | 18.7 | 176,988 | 16.5 |
| Legal and General Global Equity Tracker Fund | 224,271 | 16.7 | 188,934 | 17.6 |
| Schroder Life Diversified Growth Fund | 143,172 | 10.6 | 115,239 | 10.8 |
| Schroder All Maturities Corporate Bond Fund | 138,726 | 10.3 | 127,405 | 11.9 |
| LCIV Emerging Market Equities | 75,904 | 5.6 | 33,771 | 3.2 |
| IFM Global Infrastructure | 69,521 | 5.2 | 67,629 | 6.3 |

Note 13c Fair Value – Basis of Valuation

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

- Unit trust investments are stated at the latest closing bid prices quoted by their respective managers as at 31 March 2021.
- UK managed funds are stated at net asset value as calculated by their respective managers as at 31 March 2021
- Infrastructure funds - The fund manager values the investments by engaging external valuation services. Different valuation techniques are used by the valuers to value the different investments of the funds. For instance, the discounted Cash flows applied to equity and debt instruments.

Supplementary Statements and Notes: Pension Fund*Note 13d Fair Value - Hierarchy*

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

Level 1

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

Level 2

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

Level 3

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

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

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| 31 March 2021 | | | | |
|------------------------------------|--------------------------------------|--|---|-------------------|
| | Quoted Market Price Level 1 | Using Observable Inputs Level 2 | With Significant Unobservable Inputs Level 3 | Amortised Cost |
| | £000 | £000 | £000 | £000 |
| Financial Assets | | | | |
| Fair value through profit and loss | | 1,207,565 | 137,739 | |
| Amortised cost | | | | 1,530 |
| Total financial assets | 0 | 1,207,565 | 137,739 | 1,530 |
| Grand Total: | | | | 1,346,834 |

| 31 March 2020 | | | | |
|------------------------------------|--------------------------------------|--|---|-------------------|
| | Quoted Market Price Level 1 | Using Observable Inputs Level 2 | With Significant Unobservable Inputs Level 3 | Amortised Cost |
| | £000 | £000 | £000 | £000 |
| Financial Assets | | | | |
| Fair value through profit and loss | | 943,139 | 124,117 | |
| Amortised cost | | | | 3,698 |
| Total financial assets | 0 | 943,139 | 124,117 | 3,698 |
| Grand Total: | | | | 1,070,954 |

All investments are classified as Level 2 with the exception of most property, infrastructure, and private equity, which are classified as Level 3. These disclosures take into consideration the classifications used in the underlying funds' own financial statements. Level 3 investments as at 31 March 2021 comprise:

| | | |
|------------------------------|-----------------|----------------------------------|
| IFM Infrastructure | £69.521 million | (31 March 2020: £67.629 million) |
| CBRE Global Property | £25.678 million | (31 March 2020: £25.390 million) |
| Aberdeen Long Lease Property | £30.035 million | (31 March 2020: £28.933 million) |
| Adams Street Private Equity | £12.505 million | (31 March 2020: £2.165 million) |

Supplementary Statements and Notes: Pension Fund*Note 13e Restatement of investment fair value hierarchy*

Investment in IFM Global Infrastructure, an infrastructure fund, was incorrectly classified as a level 2 investment in the prior year instead of level 3. The fund is a close ended fund, and the investment will be repaid through distributions from the fund manager upon realisation of the investments held in the fund. The investment in the fund is valued using a valuation technique (significant unobservable inputs) and/or for which no current net asset value (NAV) is reported. The fund manager determines the fair value for these securities by engaging external valuation services. These external valuation services utilise cash flow forecasts obtained from investee company management and other sources. A fuller discussion of valuation considerations is given immediately below. The reclassification of the investment from level 2 to level 3 has no impact on the Fund Account and the Net Asset Statement. The valuation as at 31 March 2019 that has been restated is £56.308 million.

*Note 13f Fair Value Measurements using Significant Unobservable Inputs (Level 3)***IFM Investors (Global Infrastructure) – valuation 31 March 2021 £69.521 million**

The significant unobservable inputs used in the fair value measurement of the fund's equity and debt instruments are cashflow forecasts and discount rates. The fund manager determines the fair value for these securities by engaging external valuation services. These external valuation services utilise cash flow forecasts obtained from investee company management and other sources. Significant increases or decreases in either of these inputs in isolation would result in a significant change in fair value measurement.

CBRE (Global Real Estate) – valuation 31 March 2021 £25.678 million

Level 3 investments include (1) open-ended investee funds are classified as level 3 when subject to lock-up provisions or redemption notice periods which do not qualify as near-term, or which are exposed to a low level of trading or significant liquidity issues, and (2) close-ended investee funds that cannot be redeemed at the option of the fund manager.

The fair value of the investee funds classified in level 3 is based on their published NAV from the respective administrators or fund managers adjusted where deemed necessary by the Pricing Committee of CBRE.

The significant unobservable inputs used in the fair value measurement are related to the fair value of the underlying property assets of the investee funds. Based on the current investee funds' portfolios, these underlying assets comprise a mixture of office, retail and industrial properties mainly located in developed countries within Americas, Europe, and Asia Pacific.

Aberdeen Long Lease Property Fund – valuation 31 March 2021 £30.035 million

Supplementary Statements and Notes: Pension Fund

The fair value of long lease property is based on valuations provided by external property valuation experts. The fair value of investment properties is measured based on each property's highest and best use from a market participant's perspective and considers the potential uses of the property that are physically possible, legally permissible, and financially feasible.

Valuations are completed in accordance with the Royal Institution of Chartered Surveyors (RIGS) valuation standards. These are predominantly produced using an income capitalisation approach. The income capitalisation approach is based on capitalising an annual net income stream using an appropriate yield. The annual net income is based on both current and estimated future net income. The yield and future net income used is determined by considering recent transactions involving properties with similar characteristics to the property being valued. Where it is not possible to use an income capitalisation approach, for example on property with no rental income, a market comparison approach is used by considering recent transactions involving properties with similar characteristics to the property being valued. In both approaches, where appropriate, adjustments will be made by the valuer to reflect differences between the characteristics of the property being valued and the recent market transactions considered.

As income capitalisation and market comparison valuations generally include significant unobservable inputs including unobservable adjustments to recent market transactions, equivalent yield and estimated rental value these assets are categorised as level 3 within the fair value hierarchy.

Adams Street (Private Equity) – valuation 31 March 2021 £12.505 million

Level 3 investments held by the fund typically consist of other investments that are not measured at net asset value. When observable prices are not available management uses valuation techniques for which sufficient and reliable data is available. The valuation of non-marketable privately held investments requires significant judgment by management due to the absence of quoted market values, inherent lack of liquidity, changes in market conditions and the long-term nature of such assets. Such investments are valued initially based upon the transaction price. Valuations are reviewed quarterly utilizing available market data and additional factors to determine if the carrying value of these investments should be adjusted. Market data includes observations of the trading multiples of public companies considered comparable to the private companies being valued. Valuations are adjusted to account for company-specific issues, the lack of liquidity inherent in a non-public investment and the fact that comparable public companies are not identical to the companies being valued. In addition, a variety of additional factors are reviewed by Adams Street's management, including, but not limited to, estimates of liquidation value, prices of recent transactions in the same or similar issuer, current operating performance and future expectations of the particular investment, changes in market outlook and the financing environment. In determining valuation adjustments, emphasis is placed on market participants' assumptions and market-based information over entity specific information.

Supplementary Statements and Notes: Pension Fund
Note 13g Reconciliation of Level 3 investments

| 2020/21 | Market value 1 April 2020 | Purchases during the | Sales during the year | Change in market value | Market value 31 March 2021 |
|----------------------------------|------------------------------|-------------------------|--------------------------|---------------------------|-------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Investment assets: | | | | | |
| Infrastructure | 67,629 | 1,621 | (1,621) | 1,892 | 69,521 |
| Pooled UK Long Lease Property | 28,933 | 0 | 0 | 1,102 | 30,035 |
| Pooled Global Property | 25,390 | 0 | 0 | 288 | 25,678 |
| Private Equity | 2,165 | 6,372 | 0 | 3,968 | 12,505 |
| | 124,117 | 7,993 | (1,621) | 7,250 | 137,739 |

Change in value represents unrealised gains and losses.

| 2019/20 | Market value 1 April 2019 | Purchases during the | Sales during the year | Change in market value | Market value 31 March 2020 |
|--------------------------|------------------------------|-------------------------|--------------------------|---------------------------|-------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Infrastructure | 56,308 | 7,240 | | 4,081 | 67,629 |
| Pooled UK Long Lease | 0 | 27,169 | (10) | 1,774 | 28,933 |
| Pooled Property (global) | 0 | 25,476 | (73) | (13) | 25,390 |
| Private equity | 0 | 1,590 | | 575 | 2,165 |
| | 56,308 | 61,475 | (83) | 6,417 | 124,117 |

Note 13h Sensitivity of assets valued at Level 3

Using volatility data provided by PIRC, the fund has determined that the valuation is likely to be accurate to within the following ranges, and as set out below the consequent potential impact on the closing value of investments held at 31 March 2021 & 31 March 2020. These ranges consider all potential factors including market prices, currency, and valuation techniques. This is not a 'worse' case scenario but rather a measure of typical annual price movements.

Supplementary Statements and Notes: Pension Fund

| Assets type | Assessed valuation range (+ / -) £000 | Value as at 31 March 2021 £000 | Value on increase £000 | Value on decrease £000 |
|-------------------------------|--|--------------------------------------|------------------------------|------------------------------|
| Infrastructure | 6.9% | 69,521 | 76,473 | 62,569 |
| Pooled UK Long Lease Property | 2.2% | 30,035 | 30,937 | 29,134 |
| Pooled Property (global) | 2.2% | 25,678 | 26,962 | 24,394 |
| Private equity | 6.9% | 12,505 | 14,380 | 10,629 |
| Total | | 137,739 | 148,752 | 126,726 |

| Assets type | Assessed valuation range (+ / -) £000 | Value as at 31 March 2020 £000 | Value on increase £000 | Value on decrease £000 |
|-------------------------------|--|--------------------------------------|------------------------------|------------------------------|
| Infrastructure | 4.9% | 67,629 | 74,392 | 60,866 |
| Pooled UK Long Lease Property | 1.9% | 28,933 | 29,801 | 28,065 |
| Pooled Property (global) | 1.9% | 25,390 | 26,660 | 24,121 |
| Private equity | 4.9% | 2,165 | 2,490 | 1,841 |
| Total | | 124,117 | 133,343 | 114,893 |

Note 14 Classification of Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading.

Supplementary Statements and Notes: Pension Fund

| | 31 March 2021 | | | 31 March 2020 | | |
|------------------------------------|------------------------------------|----------------|---|------------------------------------|----------------|---|
| | Fair value through profit and loss | Amortised Cost | Financial liabilities at amortised cost | Fair value through profit and loss | Amortised cost | Financial liabilities at amortised cost |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Financial assets | | | | | | |
| Pooled investments | 1,345,152 | | | 1,067,106 | | |
| Cash and cash equivalents | | 25,482 | | | 8,995 | |
| Other investment balances | | 150 | | | 150 | |
| Receivables | | 27,667 | | | 6,416 | |
| Total financial assets | 1,345,152 | 53,299 | 0 | 1,067,106 | 15,561 | 0 |
| Financial liabilities | | | | | | |
| Creditors | | | (3,851) | | | (3,234) |
| Total financial liabilities | 0 | 0 | (3,851) | 0 | 0 | (3,234) |
| Total | 1,345,152 | 53,299 | (3,851) | 1,067,106 | 15,561 | (3,234) |
| Grand Total | | | 1,394,600 | | | 1,079,433 |

The net return on investments is wholly attributable to assets held at fair value through the profit and loss except for interest earned on cash balances of £18,000 (2019/20: £30,000) classified as loans and receivables.

Note 15 Nature and Extent of Risks Arising from Financial Instruments

Note 15a Risk and risk management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore, the aim of investment risk management is to have a reasonable probability of achieving in the long-term returns at least in line with the 'prudent' return set by the Scheme Actuary when calculating the required employers' contributions. The Fund achieves this through selection of appropriate returning

Supplementary Statements and Notes: Pension Fund

asset classes, asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows.

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

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) regulations 2016, which require an administering authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund in accordance with its Investment Strategy Statement. The administering authority's overall risk management procedures focus on the unpredictability of the financial markets and implementing restrictions to minimise these risks.

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

Note 15b Market risk

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

The Pension Fund is exposed to the risk of financial loss from a change in the value of its investments and the risk that the Pension Fund's assets fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term. In order to manage the market value risk, the Pension Fund has set restrictions on the type of investments it can hold, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) regulations 2016. Details of the (Management and Investment of Funds) regulations 2016 can be found in the Investment Strategy Statement adopted by Pension Fund Committee on 14th March 2017 (updated 26th March 2019 & 24 February 2021).

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

Accounting standards require that potential changes in the valuation of investments in the next 12 months are provided, described as sensitivity analysis. This analysis is to be derived from an historical analysis of the factors that drive changes in valuation. As can be seen from recent events e.g., global financial crisis, Covid-19 etc market movements are rarely predictable using look back techniques. The valuation ranges below are calculated using the volatility of the actual fund returns over the last three years by the Fund's investment performance measurer, PIRC. Had

Supplementary Statements and Notes: Pension Fund

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

| Assets type | Assessed valuation range (+ / -) | Value as at 31 March 2021 | Value on increase | Value on decrease |
|--------------|--|------------------------------|----------------------|----------------------|
| | £000 | £000 | £000 | £000 |
| Equity | 15.8% | 735,259 | 851,430 | 619,088 |
| Bonds | 5.8% | 423,176 | 447,720 | 398,632 |
| Property | 2.2% | 62,156 | 63,524 | 60,789 |
| Alternatives | 6.9% | 115,142 | 123,087 | 107,197 |
| Cash | 0.7% | 11,101 | 12,766 | 11,023 |
| Total | | 1,346,834 | 1,498,527 | 1,196,729 |

Volatilities have been calculated at asset class level based on the 'look through' pooled fund valuations provided on page 16. Last year a 7% volatility was provided at the pooled fund level, which assumes a standard asset distribution within pooled funds. This equated to a potential movement (up or down) of £74.7 million. Using PIRC volatility based on three years movements would have generated the following valuation ranges as at 31 March 2020:

| Assets type | Assessed valuation range (+ / -) | Value as at 31 March 2020 | Value on increase | Value on decrease |
|--------------|--|------------------------------|----------------------|----------------------|
| | £000 | £000 | £000 | £000 |
| Equity | 13.4% | 489,425 | 555,008 | 423,842 |
| Bonds | 5.8% | 382,413 | 404,593 | 360,233 |
| Property | 1.8% | 59,855 | 60,932 | 58,778 |
| Alternatives | 4.9% | 106,214 | 111,419 | 101,009 |
| Cash | 0.9% | 33,047 | 38,004 | 32,750 |
| Total | | 1,070,954 | 1,169,956 | 976,612 |

Supplementary Statements and Notes: Pension Fund

The assessed valuation range as at 31 March 2021 represents 11.2% of asset value and is similar to the average annual change in asset value (positive or negative) during the last ten years of 8.9%. It should be noted that large changes in value in one direction are often followed by a reversal. For example, the 13.3% decline in Q1, 2020 due to Covid-19 has been followed by a 27% gain in 2020/21.

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

The Fund's exposure to interest rate movements as at 31 March 2021 is included within the tables above.

The Pension Fund holds financial assets and liabilities in overseas financial markets and therefore could be exposed to the risk of loss from exchange rate movements of foreign currencies against sterling. This risk is deemed acceptable as the investments are widely diversified by currency and the scheme's short-term expenditure liquidity requirements are broadly covered by contributions and income. Many of the overseas investments are hedged into sterling by the investment managers. After hedging, the net exposure to non-sterling currencies is £417.0 million (2019/20: £318.6 million). The table below discloses the main foreign currency exposures and estimated currency volatility. For 202/21 a volatility of +/- £31.9 million was included in last year's statement of accounts

| Currency | Assessed valuation range (+ / -) £000 | Value as at 31 March 2021 £000 | Value on increase £000 | Value on decrease £000 |
|--------------|--|--------------------------------------|------------------------------|------------------------------|
| US Dollars | 8.5% | 219,813 | 238,497 | 201,129 |
| Euro | 5.8% | 109,347 | 115,689 | 103,005 |
| Other | 6.3% | 87,811 | 93,343 | 82,279 |
| Total | | 416,971 | 447,529 | 386,413 |

Supplementary Statements and Notes: Pension Fund

| Currency | Assessed valuation range (+ / -) £000 | Value as at 31 March 2020 £000 | Value on increase £000 | Value on decrease £000 |
|--------------|--|--------------------------------------|------------------------------|------------------------------|
| US Dollars | 8.5% | 150,297 | 163,105 | 137,489 |
| Euro | 6.3% | 56,987 | 60,598 | 53,376 |
| Other | 6.8% | 111,298 | 118,851 | 103,745 |
| Total | | 318,582 | 342,554 | 294,610 |

Note 15c Credit risk

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

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

As at 31 March 2021 working capital was held in the Pension Fund bank accounts with NatWest Bank and HSBC and in a money market fund with Aberdeen Standard Life, in accordance with the credit rating criteria within the Council's Treasury Management Strategy. Pension administration working capital was held in a bank account at HSBC operated by West Yorkshire Pension Fund on behalf of the Pension Fund.

Supplementary Statements and Notes: Pension Fund

| Summary | Rating | Source | Balances as at 31 March 2021 £000 | Balances as at 31 March 2020 £000 |
|----------------------------|--------|---------|---|---|
| Standard Life MMF cash | AAAm | Moody's | 1,530 | 3,682 |
| Royal Bank of Scotland | A1 | Moody's | 21,371 | 5,297 |
| HSBC | Aa3 | Moody's | 2,579 | 0 |
| Cash held by Fund Managers | | | 2 | 16 |
| Total | | | 25,482 | 8,995 |

Note 15d Liquidity risk

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

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

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

Note 16 Actuarial Valuation

Hymans Robertson LLP were appointed as fund actuary in 2016 and undertook a formal triennial actuarial valuation of the fund as at 31 March 2019 in accordance with the Local Government Pension Scheme Regulations 2013. The actuarial valuation calculates the contribution rate payable by the employers, including the LBB Council, to meet the administering authority's funding objectives.

The funding level at 31 March 2019 was 86% (2016: 73%). This corresponded to a shortfall on the funding target of £190 million (2016: £339 million). The aggregate primary contribution rate for 2019/20 was a primary rate of 17.9% of pensionable pay plus a secondary contribution of £16.047 million. Under the new three-year schedule of contributions effective from 1 April 2020 the aggregate primary rate is 20.6% and the

Supplementary Statements and Notes: Pension Fund

secondary contribution for 2021/22 is £12.347 million (2020/21: £11.142 million). This is the average required employer contribution to restore the funding position to 100% over the next 17 years. For the main employer, the London Borough of Barnet, the employer's contribution rate for 2021/22 is 28.9% (2020/21: 27.9%).

The assumptions used for the triennial valuation were:

Financial assumptions

| | 31 March 2019 | 31 March 2016 |
|------------------------|---------------|---------------|
| | % | % |
| Discount rate | 4.4 | 4.2 |
| CPI | 2.3 | 2.1 |
| Pension increases rate | 2.3 | 2.1 |
| Salary increases rate | 3.0 | 2.4 |

Demographic assumptions

| | 31 March 2019 | 31 March 2016 |
|---------------------------------------|---------------|---------------|
| Life expectancy from age 65 | | |
| Retiring today: | | |
| Males | 21.7 | 21.9 |
| Females | 24.0 | 24.3 |
| Retiring in 20 years: | | |
| Males | 22.9 | 23.9 |
| Females | 25.7 | 26.5 |
| Othyer demographic assumptions | | |
| Commutation | 50% | 50% |
| 50:50 option | 1% | 5% |

Supplementary Statements and Notes: Pension Fund

The 2019 triennial valuation was reported to the London Borough of Barnet Pension Fund Committee on 13 February 2020. The next actuarial valuation will be based on the value of the fund as at 31 March 2022.

Note 17 Current Assets

| | 31 March 2021 | 31 March 2020 |
|-------------------------------|------------------|------------------|
| | £000 | £000 |
| Contributions due – employees | 1,029 | 846 |
| Contributions due – employers | 4,219 | 5,144 |
| Sundry debtors | 22,419 | 426 |
| Cash balances | 23,950 | 5,297 |
| Total current assets | 51,617 | 11,713 |

Note 18 Current Liabilities

| | 31 March 2021 | 31 March 2020 |
|----------------------------------|----------------|----------------|
| | £000 | £000 |
| Sundry creditors | (2,483) | (2,479) |
| Benefits payable | (1,368) | (755) |
| Total current liabilities | (3,851) | (3,234) |

Supplementary Statements and Notes: Pension Fund

Note 19 Additional Voluntary Contributions

| | Market value 31 March 2021 | Market value 31 March 2020 |
|------------------|-------------------------------|-------------------------------|
| | £000 | £000 |
| Aviva | | 506 |
| Prudential | | 2,769 |
| Total AVC | 0 | 3,275 |

AVC contributions of £0.xxx million (2019/20: £0.391 million) were paid directly to Prudential and £0.xxx million (2019/20: £0.005 million) were paid to Aviva during the year.

Note 20 Related Party Transactions

The London Borough of Barnet Pension Fund is administered by the London Borough of Barnet. Consequently, there is a strong relationship between the Council and the Pension Fund. During the reporting period, the Council incurred costs of £1.144m (2019/20: £1.099m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £56.001 million to the Fund in 2020/21 (2019/20: £34.780 million). These amounts include employee contributions of £6.630 million (2020/21) and £5.776 million (2019/20) and also contributions from companies wholly owned by the Council. Contributions paid by the Council in 2020/21 included £20.477 million advance payment of deficit contributions due for the period 1 April 2020 to 31 March 2023 of which £6.508 million was payable in 2020/21. As a consequence of paying these contributions early, the Actuary reduced the amount due by £1.409 million. As at 31 March 2020 the Council (including subsidiaries) owed the Pension Fund £2.423 million in pension contributions (£3.005 million as at 31 March 2020).

The London CIV is not treated as a related party as neither party is able to exercise control or significant influence over the other.

Governance

One member of the Pension Fund Committee as at 31 March 2020 is in receipt of a pension from the Barnet Pension Fund. There are no active members of the Fund that are members of the Pension Fund Committee. Each member of the Pension Fund Committee is required to declare their interests at each meeting.

Supplementary Statements and Notes: Pension Fund

Note 20a Key Management Personnel

The key management personnel of the fund are the Chief Executive, the s.151 officer and the Head of Pensions and for 2019/20 also the Deputy Finance Director. The proportion of the Head of Pensions costs allocated to the Pension fund increased from 50% to 100% from 1 April 2020. The proportion of the total remuneration payable to key management personnel that is charged to the Pension Fund is set out below

| | 2020/21 | 2019/20 |
|---------------------------|------------|------------|
| | £000 | £000 |
| Short-term benefits | 126 | 95 |
| Post-employment benefits | 35 | 27 |
| Total remuneration | 161 | 122 |

Post-employment benefits are employers pension contributions at 27.9% of salary.

Supplementary Statements and Notes: Pension Fund

Note 21 Pension Fund Accounts Reporting Requirement

The statement below is prepared by the Scheme Actuary.

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2020/21 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Barnet Pension Fund("the Fund").

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

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

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

Present value of promised retirement benefits

| Year ended | 31 March 2021 | 31 March 2020 |
|-----------------------|---------------|---------------|
| Active members (£m) | 972 | 637 |
| Deferred members (£m) | 649 | 482 |
| Pensioners (£m) | 784 | 724 |
| Total (£m) | 2,405 | 1,843 |

The promised retirement benefits at 31 March 2021 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

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

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

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2021 and 31 March 2020. I estimate that the impact of the change in financial assumptions to 31 March 2021 is to increase the actuarial present value by £471m. I estimate that the impact of the change in demographic and longevity assumptions is to increase the actuarial present value by £26m.

Supplementary Statements and Notes: Pension Fund
Financial assumptions

| Year ended (% p.a.) | 31 March 2021 | 31 March 2020 |
|-----------------------|---------------|---------------|
| Pension Increase Rate | 2.85% | 1.90% |
| Salary Increase Rate | 3.55% | 2.60% |
| Discount Rate | 2.00% | 2.30% |

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males | Females |
|--|------------|------------|
| Current pensioners | 21.9 years | 24.4 years |
| Future pensioners (assumed to be aged 45 at the latest formal valuation) | 23.3 years | 26.4 years |

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

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

| Sensitivity to the assumptions for the year ended 31 March 2021 | Approximate % increase to liabilities | Approximate monetary amount (£m) |
|---|---------------------------------------|----------------------------------|
| 0.5% p.a. increase in the Pension Increase Rate | 9% | 210 |
| 0.5% p.a. increase in the Salary Increase Rate | 1% | 22 |
| 0.5% p.a. decrease in the Real Discount Rate | 10% | 237 |

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

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2021 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-



Gemma Sefton FFA

5 May 2021

For and on behalf of Hymans Robertson LLP

Supplementary Statements and Notes: Pension Fund*Note 21: Contractual Commitments*

The Fund has the following outstanding investment commitments as at 31 March 2021:

Alcentra European Direct Lending Fund II - £11.7 million [Not expected to be drawn]
Adams Street 2019 Global Private equity - \$57.2 million (£41.4 million)
Adam Street Global Secondaries Fund 7 - \$55 million (£39.9 million)
LCIV Private Debt - £60 million

The outstanding commitments are expected to be substantially invested within three years.

Note 23 Contingent Liabilities

Barnet College and Southgate College merged in 2011. As part of the merger the active employees of Southgate College transferred to the LB Barnet Pension Fund whereas deferred and Pensioner members remained with LB Enfield Pension Fund. LB Barnet Pension Fund assumed responsibility for past service accrued benefits and on-going benefits for the transferred employees from the LB Enfield Pension Fund. LB Enfield Pension Fund has requested a transfer value buy-out from LB Barnet Pension Fund or Barnet Southgate College estimated at £4.2 million to fund the liability shortfall for the deferred and pensioner members based on a cessation funding formula.

The Council has sought advice from the Scheme Actuary who stated that the original LB Enfield proposal to seek settlement of the liability on a cessation funding basis was not out of line with other similar cases. However, the Pension Fund may be able to mitigate some of the cost through agreeing a direction order for the transfer. This approach is also supported by the latest legal opinion obtained by the Council.

Negotiations are still on going with LB Enfield to agree a way forward which may result in the LB Barnet Pension Fund not having to make payments to LB Enfield Pension Fund by agreeing that LB Enfield's pensioners and deferred members being transferred into the LB Barnet Fund, with LB Barnet Pension Fund receiving a share of LB Enfield Pension Fund's assets attributable to the Southgate liabilities.

The process is not concluded and at this stage the potential liability for LB Barnet Pension Fund remains uncertain in terms of the amount and the timing of any payment.

Note 24 Events after the Reporting Period

Management have reviewed and can confirm that there are no other significant events occurring after the reporting period. The total value of the fund's investments has increased modestly since 31 March 2021.

Glossary

For the purpose of compiling the Statement of Accounts, the following definitions have been adopted:

Accounting policies

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

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

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

Accounting standards

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

Accrual

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

Actuarial gains and losses

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

Assets

These can either be:

- Long term (non-current), tangible assets that give benefits to the authority for more than one year.
- Property, plant, and equipment assets which are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes.
 - Community assets - assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks.
 - Council dwellings - these are residential properties owned by the council providing homes for social rent.

Glossary

- Operational land and buildings – these are owned by the council to provide services to the community. Examples include leisure centres, libraries, and museums.
- Vehicles - these assets are used by the council for the direct delivery of services, for example waste disposal vehicles.
- Equipment held by the local authority in the delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objective of the authority.
- Infrastructure assets - fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of such fixed assets are highways and footpaths that cannot be transferred to another owner.
- Surplus assets - no longer used by the council and held pending sale or regeneration.
- Investment property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.
- Intangible assets - these are usually stand-alone intellectual property rights such as software licences that, although they have no physical substance, provide a benefit for more than the year.

Amortisation

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

Associate company

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

Balance Sheet

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

Billing authority

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

Business Rate Supplement (BRS)

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

Capital Expenditure

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

Collection Fund

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

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 of the economic benefit of the tangible fixed asset consumed during the period.

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

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

Inventories

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

General fund

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

Government grants

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

Historic cost

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

Housing revenue account (HRA)

Glossary

The account which is charged with the income and expenditure for the provision of council housing.

Impairment

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

Joint venture

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

Leases

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

Levies

Payments made to the London Pensions Fund Authority, the Environment Agency, and the Lee Valley Regional Park Authority.

Liabilities

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

Major repairs reserve (MRR)

This reserve is for capital expenditure on HRA assets.

Minimum revenue provision (MRP)

The minimum amount that the council must charge to the revenue account in the year in respect of the repayment of debt.

Non-domestic rates (NDR)

Rates are payable on business premises based on their rateable value and a national rate poundage multiplier. Barnet acts as the “billing authority” for its area and under the localised business rates regime retains share of the net yield from Business Rates but precepts a share over to the Greater London Authority and passports an amount to Central Government (with Barnet acting as an agent on behalf of the Government).

Net book value (NBV)

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

Operational assets

Glossary

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

Outturn

Actual income and expenditure in a financial year.

Pension Funds

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

Prior period adjustments

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

Precept

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

Preceptor

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

Provisions

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

Prudential borrowing

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

Prudential Code

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

Public Works Loan Board (PWLB)

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

Rateable value

Glossary

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

Revenue expenditure funded from capital under statute (REFCUS)

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

Related parties

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

- one party has direct or indirect control of the other; or
- the parties are subject to common control from the same source; or
- 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
- the parties, in entering into a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Related party transactions

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

Reserves

Amounts prudently held to cover future financing commitments. Payments to reserves are not counted as service expenditure. Payments from reserves are passed through service revenue accounts unlike provisions which are not. Earmarked reserves are allocated for a specific purpose. Unallocated reserves are described as balances.

Substance over form

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

The Code of Practice

This Code includes guidance in line with IFRS, IPSAS and UK GAAP Accounting standards, it sets out the accounting practice to adopt for the Statement of Accounts.

Useful life

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

UK GAAP

Glossary

UK GAAP is the Generally Accepted Accounting Practice in the UK (UK GAAP) is the body of accounting standards and other guidance published by the UK's Financial Reporting Council (FRC).