

**BUSINESS SUB-GROUP
BARNET HOMES
Wednesday 4th June 2008 at 3.00pm
10th Floor Meeting Room, Barnet House**

AGENDA

Item No	Item	Status	Author
1	Introductions & Apologies		
2	Minutes and Matters Arising		
3	Declaration of Interests		
4	Draft Statutory Accounts and Final Management Accounts 2007/8	Information/ Decision	Jo Moore/Gary Pliskin/Laura Awosile
	The draft statutory accounts for 2007/8 are presented, along with the final management accounts for 2007/8. Further the analysis of operational costs is also appended. It also summarises the effect of the FRS17 valuation at 31 March 2008.		
5	Value for Money and Efficiency	Information	Gary Pliskin
	The report sets out the updated VFM Action Plans. It also reports on the draft results of the VFM Benchmarking of Financial Services undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA).		
6	CONFIDENTIAL New Business Update	Information	Derek Rust
	N/A		
7	CONFIDENTIAL Estate Works	Information	Mike Wiffen
	N/A		
8	Agenda Planning	Decision	Mike Wiffen
	Sets out the proposed agenda for the next meeting of the sub group and for the meetings to September 2008.		
9	Any Other Business		
10	Date of Next Meeting – Wednesday 2 July 2008 at 5.00pm, 10th Floor Meeting Room, Barnet House		

Attendees:	David Sidbury (Chair)	Monroe Palmer, OBE, FCA
	Vi Britchfield	Ingrid Beal
	Dorothy Badrick	Ian Sharp, Tribal
	Mike Wiffen (apologies)	Gary Pliskin
	Paul Cleveland	Derek Rust

The meeting will commence at **3.00pm, 10th Floor Meeting Room, Barnet House**. Any Director who wishes to attend as an observer please advise Karen Flood in advance on: Tel: 020 8359 4915
Email: karen.flood@barnethomes.org

**BARNET HOMES
BUSINESS SUB-GROUP MINUTES
4 JUNE 2008**

Attendees: David Sidbury (Chair) Ian Sharp, Tribal
Ingrid Beal Vi Britchfield
Monroe Palmer Gary Pliskin
Paul Cleveland Jo Moore (Item 4)

Circulation: Those Above All Directors
Grant Thornton

Minutes: Karen Flood

ITEM	TITLE	ACTION
1.	Introductions and Apologies	
1.1	Apologies Mike Wiffen.	
1.2	No apologies were received from Dorothy Badrick.	
2.	Minutes and Matters Arising	
2.1	Minutes	
2.1.1	Minutes agreed.	
2.2	Matters Arising	
2.2.1	Item 2.2.1 Business Continuity Planning – scheduled for 21 July 2008 Board meeting.	
2.2.2	Item 7.5 Yearly Report on Other Costs Category – 12 months cost category being reported to meeting, miscellaneous items being reallocated to correct item headings.	
2.2.3	Item 9 Review of Risk Registers - referred to 19 May 2008 Board meeting.	
	Leaseholder Charges for Major Works – identified as new item for risk register, risk for company if leaseholders are unable to pay due to financial difficulties.	MW

ITEM	TITLE	ACTION
3.	Declaration of Interests	
3.1	If any item arose concerning London Borough of Barnet Finance Monroe Palmer may have conflicting interests.	
4.	Statutory Accounts and Final Management Accounts for 2007/08	
4.1	The Finance Team were thanked and congratulated on the prompt production of the end of year Statutory Accounts and Management Accounts.	
4.2.	The draft Statutory accounts for 2007/08, final Management Accounts for 2007/08 and further analysis of the operational costs were presented to the Sub-Group.	
4.3	Statutory Accounts 2007/08	
4.3.1	<p>It was noted that the profit within the Statutory Accounts after taxation is £1.1m whereas the profit on the Management Accounts is £453k.</p> <p>The difference of £658k is due to the FRS17 pension adjustments, these must be recorded in the Statutory Accounts, but as they are year end accounting adjustments they are not shown in the Management Accounts.</p>	
4.3.2	<p>Concern was expressed over the increased level of profit arising from the FRS17 adjustments and the Sub-Group suggested the statutory profit and loss account report show separate lines for operating costs and FRS17 adjustments. It was proposed that advice be taken from Grant Thornton, External Auditors.</p> <p>It was also proposed that the Tenants Annual Summary report show the actual profit figure and the FRS17 adjustment figure separately.</p>	JM
4.3.3	The Sub-Group proposed that the Reserves under Note 16 show the normal reserve and pension reserve figures separately.	JM
4.3.4	The Sub-Group proposed that further minor alternations to wording be made to the notes within the accounts.	JM

ITEM	TITLE	ACTION
4.3.5	It was agreed that the accounts to be brought back to the 2 July 2008 meeting.	JM/MW
4.4	Management Accounts 2007/08	
4.4.1	A company net profit of £453k for 2007/08 was reported. The Sub-Group proposed that for the record, the management accounts should be adjusted to include the pension accrual of £181k (which has been reversed due to FRS17) to show a final year to date profit figure of £272k.	LA
4.4.2	Total Barnet Homes Limited – it was noted that the totals for the Budget 2007/08 and Variance column have been omitted, LA to update schedule.	LA
4.4.3	The Service Area budget reports were noted.	
4.5	Repairs & Maintenance	
4.5.1	Chris Wilkins, Head of Asset Management to attend and provide a report for the 2 July 2008 meeting to update the group.	MW/CW
5.	Value for Money and Efficiency	
5.1	The Sub-Group were updated on the Action Plan and Benchmarking report.	
5.2	Action Plan	
5.2.1	Purchase Ordering System – JM progressing. Meeting held with Enfield on 2 nd June 2008, JM to visit Enfield offices to look at system.	JM
5.2.2	Review Options of Sharing Services – MW progressing, an update to be provided for the next meeting on 2 July 2008.	MW
5.2.3	Work with Connaught and Village Heating to develop open book arrangements – VB to discuss with Chris Wilkins.	VB
	The Sub-Group proposed that the variance order threshold be reduced to £50 or a % of the order whichever is the lower. VB to discuss with Chris Wilkins.	VB

ITEM	TITLE	ACTION
5.3	Finance Team Benchmarking with Other Public Sector Bodies	
5.3.1	Draft results have been received for the benchmarking exercise, participants were from a wide range of public sector organisations, Barnet Homes was the only ALMO that participated.	
5.3.2	The results were good, with only one poor indicator which related to monies owed, it was noted that most of the old debt has now been cleared.	
5.3.3	It was noted that the information will now be fed into the Value for Money review of Financial Services that is scheduled in 2008/09.	
5.3.4	Barnet Homes have been asked to select 9 of the participants for a more detailed analysis.	GP
5.3.5	It was NOTED that this was a useful management tool for the Finance Department and the results were very encouraging.	
6.	Confidential Item	
7.	Confidential Item	
8.	Agenda Planning	
8.1	Agenda Items 2 July 2008 <ul style="list-style-type: none"> • Introductions and Apologies • Minutes and Matters Arising • Declaration of Interests • Budget Monitor – April & May 2008 • Service Level Agreements Monitor • Review of Risk Registers • Statutory Accounts 2007/08 • Repairs & Maintenance (Connaughts) • Review Options of Sharing Services • Agenda Planning 	GP/LA/JM KL MW JM CW MW MW
8.2	Date of Next Meeting – Wednesday 2 July 2008, 5pm, 10 th Floor Meeting Room, Barnet House.	

Title: Draft Statutory Accounts and Final Management Accounts for 2007/8

1. Statement of Purpose

- 1.1 Regular financial reporting is key to the sound financial management of Barnet Homes Limited and in supporting the company in achieving its business objectives.

2. Summary

- 2.1 The draft statutory accounts for 2007/8 are presented, along with the final management accounts for 2007/8. Further the analysis of operational costs is also appended. It also summarises the effect of the FRS17 valuation at 31 March 2008.

3. Previous Reports

- 3.1 The Sub-Group receives monthly reports on the company's financial position.

4. Recommendations

- 4.1 That the Sub-Group consider and note the report.
- 4.2 That the Sub-Group accept the actuaries' assumptions within the FRS17 report.

5. Financial & Risk Management Issues

- 5.1 See body of report.

6. Resident Consultation and Equalities Issues

- 6.1 None in context of this report.

7. Background Information

7.1 Draft Statutory Accounts

- 7.1.1 Attached as Appendix 1 are the draft financial statements for the year ended 31 March 2008. These have been submitted to the Council ahead of the deadline of 31 May, and Grant Thornton UK LLP will be undertaking their audit visit on 23 June 2008.

- 7.1.2 The accounts show an operating profit of £869,000 after the FRS17 adjustments which included the reversal of the £1,667,000 employer pension contributions and a charge of £918,000 for pension service costs. Without these adjustments the operating profit figure was £120k.

- 7.1.3 However, it should be noted that an employer's liability of approximately £228k existed at 31 March 2008 in respect of unfunded pension contributions for past employees who retired early. These cash contributions will be met from reserves in 2008/09.
- 7.1.4 It should also be noted that a revenue budget of approx £38k existed in 2007/08 for an IT project that did not result in a cost charged to the accounts for the year ended 31 March 2008 but will be charged in 2008/09. Mike Wiffen, Head of Financial Services has agreed that this budget can be rolled forward and utilised in 2008/09.
- 7.1.5 The "profit on ordinary activities after taxation" figure without any FRS17 adjustments is £453k. Please note that the tax charge is currently only an estimate pending the finalisation of the external audit.
- 7.1.6 Interest on the investing of cash surpluses has resulted in an increase of £62k on the previous year.
- 7.1.7 Note 22 of the accounts refer to the ongoing issue around the provision of sheltered housing officers' accommodation and whether this provision constitutes a taxable benefit-in-kind. If there is an unfavourable outcome to the negotiations with HM Revenue and Customs then this could result in costs which are estimated to be approximately £38k per year. The liability could be applied to all four tax years since the Company's incorporation.

7.2 FRS17

- 7.2.1 The FRS17 report has been provided by the actuaries, and the information has been incorporated in the draft statutory accounts. The net deficit at 31 March 2008 is £5.857m, compared with £8.578m the previous year. The reasons for the improved position are set out in paragraphs 7.2.6 to 7.2.8.
- 7.2.2 There are a number of assumptions that are not prescribed by regulation that are open to the employer's discretion. The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. This impacts on the revenue account but not the net pension asset which is based on actual returns over the year. Since we have no influence on the investment of the Fund's assets it would be difficult to justify using a different assumption to the fund as a whole.
- 7.2.3 As for last year the rate of increases in salary is set at 1.5% above inflation. This should reflect the long-term views of salary increases to be provided by the employer and reflect past experience. We are comfortable with this assumption.

- 7.2.4 Demographic assumptions were updated in the 2007 valuation when the actuaries carried out a detailed analysis of mortality based on the large amount of Local Government Pension Scheme data at their disposal. This concluded that LGPS pensioners were living even longer than previously expected. This has added around 1 year to life expectancy at age 65 compared to last year's FRS17, and reduces funding levels by 3-4%.
- 7.2.5 For commutation the actuaries assume that 25% of members would exercise the option to exchange part of their pension for the maximum additional tax-free cash at retirement. This is a recent development and as yet no hard evidence of trends in commutation rates. It is also recommended that we accept the actuaries' assumptions on demography and commutation.
- 7.2.6 A number of factors affect the net liability. Firstly there are financial assumptions. LGPS benefits are linked to price and salary inflation, and the real discount rate is compared from year to year in assessing effect of changes in financial assumptions on liabilities. The real discount rate increased from 2.1% at March 2007 to 3.2% at March 2008, primarily due to the increase in corporate bond yields over the year. This reduces the value of liabilities by around 15%.
- 7.2.7 Investment returns have been less favourable on LGPS funds during 2007/8 – for Barnet this was -8%, and the funding level is reduced by around 9%. The effect of demography and commutation is discussed above.
- 7.2.8 Thus overall the FRS17 deficit is smaller than at 31 March 2007. The adverse effect of poor investment returns and strengthening mortality assumptions are outweighed by the favourable movement in financial assumptions.

7.3 Management Accounts

7.3.1 Attached as Appendix 2 are the Revenue Budget monitoring reports for Barnet Homes to the end of March 2008. As stated above the outturn is a Net Profit of £453,352. £221,000 of the current profit figure will be utilised from reserves in year 2008/09 to pay for Pensions (£181K) and the Housing Stock Database System (£40K). These items were projected to occur this year, but will be occurring in the next financial year with the effect of increasing the current year's profit.

7.3.2 Head of Financial Services

The outturn on expenditure is £2.663m, £29K above budget. The total expenditure incurred is 101% of the full year's budget. The head of service report has detailed explanations on the key areas.

7.3.3 Chief Executive

The outturn on expenditure is £1.163m, £13K below budget. The total expenditure incurred is 99% of the full year's budget. The head of service report has detailed explanations on the key areas.

7.3.4 Head of Corporate Services

The outturn on expenditure is £2.682m, £108K below budget. The total expenditure incurred is 96% of the full year's budget. The head of service report has detailed explanations on the key areas.

7.3.5 Head of Housing Services

The outturn on expenditure is £10.548m, £238K above budget. The total expenditure incurred is 102% of the full year's budget. The head of service report has detailed explanations on the key areas.

7.3.6 Head of Asset Management

The outturn on expenditure is £2.591m, £30K below budget. The total expenditure incurred is 99% of the full year's budget. The head of service report has detailed explanations on the key areas.

7.3.7 Other Operational Costs Attached as Appendix 3 is a breakdown of the other operational costs. The full year expenditure on other costs is £1.720m, £218K below budget. The report has detailed explanations on the key areas with variances.

7.4 Repairs and Maintenance

7.4.1 Attached as Appendix 4 are the final outturn figures for repairs and maintenance. The full year expenditure is £8.597m, with an underspend of £281K. This is primarily due to the full year expenditure been adjusted to reflect an expected £250,000 refund from Connaught Ltd mainly in relation to the overcharging of repairs work. A schedule is attached outlining the details of the expected refund.

In the other areas, the underspend in Voids is primarily due to the void decoration vouchers. Gas costs underspend are mainly due to the cyclical gas works £55K.

In the year 2007/08, payments of £6.666m excluding VAT were made to Connaught Ltd. Signed certificates of work done have been received for all the payments in this financial year and there are no payments on account. In April 2008, payments totalling £656K have been made to Connaught Ltd. £628K of that amount relates to work done in 2007/08 which has been accrued, of which £600K is a payment on account. A reconciliation will be done for this payment on account. It is envisaged that this will be the final payment on account as invoices for 2008/09 are processed via the interface system.

7.5 Housing Revenue Account

7.5.1 The final HRA position is not yet known and a report will be brought to the next meeting of the Sub-Group.

Authors: Gary Pliskin, Deputy Head of Financial Services
Jo Moore, Financial Controller
Laura Awosile, Chief Management Accountant

Date: 28 May 2008

Barnet Homes Limited
Financial Statements for the year ended 31 March 2008

Profit and Loss Account
for the year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Turnover	2	28,401	28,146
Operating costs	3	(27,532)	(28,700)
Operating Profit/(Loss)	4	869	(554)
Interest receivable	5	468	406
Interest payable and similar charges		(1)	7
Other finance costs		(91)	(150)
Profit/(Loss) on ordinary activities before taxation		1,245	(291)
Tax charge on profit on ordinary activities	9	(134)	(112)
Profit/(Loss) on ordinary activities after taxation		1,111	(403)

No operations were discontinued during 2007/08 and all operations are continuing beyond 31 March 2008.

Statement of Total Recognised Gains and Losses for the year ended 31 March 2008

	2008 £'000	2007 £'000
Profit/(Loss) for financial year	1,111	(403)
Actuarial gain/(loss) on pension scheme	2,063	2,120
Total recognised gains/(losses) for the year	3,174	1,717
Prior year adjustment	0	(7,623)
Total gains/(losses) recognised since last annual report	3,174	(5,906)

Other Statements

Reconciliation of Movement in Funds for the year ended 31 March 2008

	£'000
Opening funds at 1 April 2007	(7,462)
Total recognised gains for the year	3,174
Closing funds at 31 March 2008	(4,288)

Balance Sheet

As at 31 March 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	10	351	410
Investments	13	39	37
		390	447
Current assets			
Stock		-	12
Debtors	11	3,943	5,595
Short term investments		2,500	5,000
Cash at bank and in hand	14	4,608	430
		11,051	11,037
Creditors: amounts falling due within one year	12	(9,741)	(10,338)
Net current assets		1,310	699
Total assets less current liabilities		1,700	1,146
Creditors: amounts falling due after more than one year		-	-
Provisions for liabilities and charges	15	(131)	(30)
Net pension deficit	21	(5,857)	(8,578)
Net Liabilities		(4,288)	(7,462)
Capital and Reserves			
Profit and Loss Account		1,569	1,116
Pension Reserve		(5,857)	(8,578)
	16	(4,288)	(7,462)

The financial statements were approved by the Board on XXXXXXXXXX and signed on its behalf by:

Vi Britchfield, Chairman

Cash Flow Statement

For the year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Net cash inflow from operating activities	18	1,417	2,551
Returns on investments and servicing of finance			
Interest received		457	404
Interest paid		(1)	(3)
Taxation			
Corporation tax paid		(112)	(116)
Capital Expenditure and Financial Investment			
Payments for tangible fixed assets		(84)	(69)
Receipts from sales of tangible fixed assets		1	-
Net cash inflow before use of liquid resources		1,678	2,767
Management of liquid resources			
Short term investments	20	2,500	(5,000)
Financing			
Repayment of London Borough of Barnet Loan	19	-	(500)
Increase/(Decrease) in cash in the year	19	4,178	(2,733)

Notes to the Financial Statements

Year ended 31 March 2008

1. Accounting Policies

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Going concern

The accounts are prepared on a going concern basis. Due to the application of FRS 17 the Company's pension deficit of £5.857m is now recognised in full on the balance sheet. However, the London Borough of Barnet has fully guaranteed the Company's pension deficit at the point of its incorporation (on 1 April 2004). In addition, the London Borough of Barnet has provided a letter of comfort to the Directors of Barnet Homes Ltd, setting out its intention to fund Barnet Homes Ltd's ongoing operational cash flow requirements from the point of incorporation onwards via the timing of the payment of the agreed monthly management fee.

Prior period adjustments

Material adjustments applicable to prior periods arising from changes in accounting policy or from the correction of fundamental errors are accounted for as prior period adjustments. Opening balances are adjusted for the cumulative effect of the prior year adjustment and comparative figures for the previous period restated.

Turnover

Turnover represents the value (excluding VAT) of services supplied.

Grants

Grants received in respect of resident participation have been credited to the profit and loss account in the same period as the expenditure to which they relate.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the costs on a straight-line basis over their expected useful lives (with no charge in the year of acquisition) as follows:

Vehicles, plant & equipment: 5 years

Furniture, fixtures & fittings: 5 years

Computer equipment: 3 years

Stock

Stock is stated at the lower of cost and net realisable value. Cost comprises direct materials only.

Pensions

During the year the Company operated a contributory defined benefit pension scheme covering its present and past employees. FRS 17 requires the net pension asset or liability of a company's pension scheme to be recognised in full on the balance sheet. Accordingly, the full net pension liability has been recorded in the balance sheet of Barnet Homes Ltd.

The regular service cost of providing pension benefits to employees during the year, together with the costs of any benefits relating to past service, is charged to operating expenses in the Profit and Loss Account in the year.

Interest on the pension scheme liabilities is charged to "Other finance costs" in the Profit and Loss Account.

The expected return on the assets of the pension scheme during the year is based on the market value of the assets at the start of the financial year and is offset within "Other finance costs" in the Profit and Loss Account.

The difference between the actual and expected return on the assets of the scheme is shown in the Statement of Total Recognised Gains and Losses for the year, along with any related movement in deferred tax.

The difference between the market value of the assets and the present value of the scheme liabilities is shown net of deferred tax in the balance sheet.

Cash and liquid resources

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Liquid resources comprise assets held as a readily disposable store of value. They comprise term deposits with financial institutions.

Taxation

The relationship between the Company and its parent undertaking has been recognised as one of mutual trading. Consequently, any activities the Company carries on with its parent are not liable to corporation tax.

Deferred tax is provided on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

2. Turnover

Turnover is attributable to the principal activities of the Company and arises solely within the United Kingdom.

	2008 £'000	2007 £'000
Management fee paid by the London Borough of Barnet in respect of:		
Barnet Homes housing management and support services	19,240	19,011
Repairs and Maintenance	8,594	8,264
Total management fee	27,834	27,275
Capital works carried out directly by Barnet Homes	475	791
Total income from the London Borough of Barnet	28,309	28,066
Other operating income	92	80
	28,401	28,146

3. Operating Costs

	2008 £'000	2007 £'000
Housing Management and Support Services		
Costs apportioned by division		
Chief Executive's Division	1,163	973
Financial Services	2,528	2,474
Housing Services	6,383	5,506
Asset Management (previously Technical Services)	2,116	2,310
Corporate Services	2,682	2,213
	<u>14,872</u>	<u>13,476</u>
Other costs recognised centrally - not apportioned by division	(575)	1,583
	<u>14,297</u>	<u>15,059</u>
Provision of caretaking and direct estates costs	4,166	4,654
	<u>18,463</u>	<u>19,713</u>
Total management and support services costs	18,463	19,713
Repairs and Maintenance		
Costs relating to works carried out by Barnet Homes directly	(3)	3,139
Costs relating to works carried out by third parties	8,597	5,057
	<u>8,594</u>	<u>8,196</u>
Total repairs and maintenance costs	8,594	8,196
Capital Works		
Costs relating to works carried out by Barnet Homes directly	475	791
	<u>475</u>	<u>791</u>
Total	<u>27,532</u>	<u>28,700</u>

Costs apportioned by division includes those expenses charged directly to service activities in respect of wages and salaries paid to employees, employer contributions for national insurance and the cost of employing staff from agencies.

Included within "Other costs recognised centrally" is £941,000 of pension service costs for the year (2007:£2,715,000) together with the credit of the employer pension contributions of £1,667,000 as required under FRS17.

4. Operating Profit/(Loss)

	2008 £'000	2007 £'000
Housing Management and Support Services		
The operating profit of £869,000 is stated after charging / (crediting)		
Auditors remuneration - statutory audit	23	20
Auditors remuneration - for other services	11	2

5. Interest Receivable

	2008 £'000	2007 £'000
Interest received on:		
Bank Deposits	466	404
Fixed asset investments	2	2
	<u>468</u>	<u>406</u>

6. Employees

The average number of people employed by the Company during the year was:

Service	2008	2007
Chief Executive Division	16	15
Financial Services	13	13
Housing Services	211	197
Asset Management (previously Technical Services)	42	51
Corporate Services	32	27
Repairs & Maintenance	0	56
Total	314	359

7. Employee costs

	2008 £'000	2007 £'000
Wages and salaries	8,503	10,252
Social security costs	711	826
Pension costs	1,683	1,843
	10,897	12,921

Pension costs represent the employer's contributions for the year.

8. Directors

The Directors are defined as being the members of Barnet Homes Ltd's Main Board. None of the Directors received any emoluments but were entitled to reimbursement of incidental expenses incurred when attending Board meetings and other formal events in their capacity as Board members, which amounted to £3,862 in 2007/08 and loss of earnings which amounted to £1,378 in 2007/08.

9. Tax charge on profit on ordinary activities

	2008 £'000	2007 £'000
Analysis of charge in period		
Current tax:		
UK corporation tax on profits for the period	134	112
Prior year adjustment on current tax	-	-
	134	112
Deferred tax:		
Net origination of timing differences	-	-
Prior year adjustments on deferred tax	-	-
	-	-
Tax on profit on ordinary activities	134	112
Current tax reconciliation		
Profit/(Loss) on ordinary activities for the year	1,245	(291)

Theoretical tax at UK corporation tax rate of 30%	374	(87)
Less effects of:		
-deficit from mutual trading activities	(233)	209
marginal relief	(7)	(10)
Prior year adjustment	-	-
Actual current taxation charge	134	112

10. Tangible assets

	Vehicles, Plant & Equipment £'000	Furniture, fixtures & fittings £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 April 07	14	242	350	606
Additions	17	18	74	109
Disposals	-	-	-	-
At 31 March 08	31	260	424	715
Depreciation				
At 1 April 07	2	74	120	196
Charge for year	3	48	117	168
Disposals	-	-	-	-
At 31 March 08	5	122	237	364
Net book value 1 April 07	12	168	230	410
Net book value 31 March 08	26	138	187	351

11. Debtors

	2008 £'000	2007 £'000
Amounts receivable within one year:		
Trade debtors	21	32
Amounts owed by Parent undertaking	3,567	5,148
Other debtors	51	222
Prepayments and accrued income	304	193
	3,943	5,595

12. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade Creditors	4,906	3,428
Amount owed to parent undertaking	1,942	3,232
Corporation tax	134	112
Other taxation and social security	225	267
Other Creditors	1	-
Accruals and deferred income	2,533	3,299
	<hr/>	<hr/>
	9,741	10,338
	<hr/>	<hr/>

13. Investments

Loans

	London Area Procurement Network £'000
Balance at 1 April 2007	37
Advances	-
Repayments	-
Capitalisation of interest	2
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Balance at 31 March 2008	39
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The loan is interest bearing, compounded annually, with no repayments due to be made until March 2009.
(See also Note 17)

14. Cash at bank and in hand

	2008 £'000	2007 £'000
Bank accounts	4,605	428
Cash in hand	3	2
	<hr/>	<hr/>
	4,608	430
	<hr/> <hr/>	<hr/> <hr/>

15. Provisions for liabilities and charges

	Insurance claims £'000	Other tenant claims £'000	Other provisions £'000	Total provisions £'000
Provisions at 1 April 2007	20	10	-	30
Utilised	(9)	(10)		(19)
Released	(4)	-		(4)
Increase in provisions	17	-	107	124
	<hr/>	<hr/>	<hr/>	<hr/>
Provisions at 31 March 2008	24	-	107	131
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

This insurance claims are in respect of public liability claims which are outstanding at 31 March 2008. Barnet Homes Ltd's liability is restricted to the amount of the claim or the policy excess, whichever is the greater. The policy excess increased from £1,000 to £2,500 during the course of the year as the result of positive action taken by the Company to reduce the annual premium.

Included within "Other provisions" is a provision for a possible liability in respect of statutory payments which may become payable as a result of consultation with HM Revenue & Customs.

Also included within "Other provisions" is a provision for increased accommodation costs which may arise as a result of a rent review.

16. Reserves

	2008 £'000
At 1 April 2007	(7,462)
Retained profit for the year	1,111
Actuarial profit on pension scheme	2,063
	<hr/>
Balance as at 31 March 2008	(4,288)
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17. Related party transactions

(a) Barnet Homes Ltd is a local authority controlled company of the London Borough of Barnet established with no share capital and limited by guarantee. The Council has delegated responsibility for overseeing the management and maintenance of its residential stock to Barnet Homes Ltd in accordance with the ten-year management agreement effective from 1 April 2004.

The Council pays the Company a monthly management fee in accordance with that management agreement and any variations subsequently approved.

Barnet Homes Ltd has invoiced a total of £28,309,000 to the London Borough of Barnet relating to 2007/08.

This amount was made up of £19,240,000 for housing management and support services, £475,000 for services undertaken by Barnet Homes Ltd related to the Council's capital works programme and £8,594,000 for repairs and maintenance costs.

Barnet Homes Ltd is responsible for the residential stock capital works programme. In the year ended 31 March 2008 Barnet Homes Ltd incurred expenditure of £36,382,218 which was invoiced to the London Borough of Barnet. The cost and recovery of cost have been matched where the works have been carried out by third parties, only works carried out directly by Barnet Homes are reflected in the profit and loss account.

London Borough of Barnet charged Barnet Homes Ltd £2,879,684 in 2007/08 for provision of support services including office accommodation.

As at 31 March 2008, Barnet Homes Ltd owed £1,942,000 in respect of expenses met by the London Borough of Barnet and Barnet Homes Ltd was owed £3,567,000 by the London Borough of Barnet.

(b) Barnet Homes Ltd is a member of the London Area Procurement Network (LAPN). LAPN is a not-for-profit company limited by guarantee and was established in March 2005 by a group of London ALMOs with the aim of bringing efficiencies into the contract procurement process. Each member's liability is limited to £1. The Chief Executive of Barnet Homes Ltd is also a Director of LAPN. Barnet Homes Ltd does not have significant or overall control of LAPN.

During the course of the year costs incurred with LAPN totalled £404,445 of which £335,590 was charged to capital works projects managed on behalf of the London Borough of Barnet.

At 31 March 2008 Barnet Homes Ltd did not owe any monies to LAPN.

(See also Note 13)

18. Reconciliation of operating profit to net cash inflow from operating activities

	2008 £'000	2007 £'000
Operating profit	869	(554)
Depreciation charges	168	140
Increase/(Decrease) in provisions	111	18
Loss/(Profit) on disposal of fixed assets	(1)	-
(Increase)/Decrease in stocks	12	13
(Increase)/Decrease in debtors	1,661	(1,397)
Increase/(Decrease) in creditors	(631)	3,457
LAPN loan transferred to investments	-	(5)
Pensions operating charge	918	2,715
Pension contributions paid	(1,690)	(1,836)
Net cash inflow from Operating Activities	1,417	2,551

