STATEMENT OF ACCOUNTS
2010/11

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EXPLANATORY FOREWORD

Introduction from the Borough Treasurer

In line with the changes in requirements for the presentation of Local Authority accounts introduced by the adoption of Internal Financial Reporting Standards from 2010/11, this is the first Statement of Accounts that the authority has prepared to comply with the new accounting regime.

The format of the accounts is different to previous years and I have expanded the information provided in the foreword accompanying the accounting statements to provide an overall explanation of the authority's financial position both during 2010/11 and into 2011/12.

The Statement of Accounts summarises the authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. Figures for the previous year are included to assist in the interpretation of the accounting statements.

The purpose of the Statement of Accounts is to give readers clear information about the authority's finances. It shows the cost of the authority's services in the year, where the money came from to pay for its services and what the assets and liabilities were at the year-end.

The explanatory foreword provides a concise and understandable guide for readers of the accounts of the most significant aspects of the authority's financial performance, year-end position and cash flows.

a. Accounting Statements

The Statement of Accounts comprises:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Notes
- Housing Revenue Account
- Collection Fund

b. Statement of Responsibilities

This statement (page 15) precedes the accounting statements and sets out the responsibilities of the authority and the Borough Treasurer in respect of the Statement of Accounts.

The purpose of the Statement of Responsibilities is to confirm that the Statement of Accounts has been prepared in accordance with proper practices.

c. Movement in Reserves Statement

This Statement (pages 16 &17) shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Accounts Balance before any discretionary transfers to or from earmarked reserves undertaken by the authority.

d. Comprehensive Income and Expenditure Statement

This Statement (page 18) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation. Authorities raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The local taxation position is shown in the Movement in Reserves Statement.

e. Balance Sheet

The Balance Sheet (page 19) shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and the reserves that hold the timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

f. Cash Flow Statement

The Cash Flow Statement (page 20) shows the changes in cash and cash equivalents of the authority during the year. This Statement shows how the authority generates and uses cash and cash equivalents by classifying the cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the authority are funded by way of local taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (borrowing) to the authority.

g. Notes

The Notes (pages 21 to 72) include a summary of the significant accounting policies and other explanatory information.

h. Housing Revenue Account

The Housing Revenue Account (pages 73 to 77) reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989. It essentially contains income from house rents and expenditure related to maintaining council houses.

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

i. Collection Fund

The Collection Fund (pages 78 to 81) is an agent's statement that reflects the statutory obligation for the authority, as a billing authority, to maintain a separate Collection Fund. The Statement shows the transactions for council tax and non-domestic rates and the way these have been distributed to precepting authorities, the General Fund and the Government non-domestic rates pool.

j. Comparison to revenue budget

The General Fund revenue budget for 2010/11 was approved as £16,593k by Council on the 23 February 2010. This compares to the actual outturn as follows:

Budget 2009/10 £000	**Actual 2009/10 £000**		**Budget 2010/11 £000**	**Actual 2010/11 £000**
13,778	14,774	Revenue budget/outturn	16,574	14,573
66	1,960	Earmarked reserve movements	19	1,853
13,844	**16,734**	**Net revenue budget/outturn**	**16,593**	**16,426**
(4,431)	(4,437)	Council tax	(4,417)	(4,428)
(9,413)	(12,589)	General Government grants	(12,176)	(12,024)
(13,844)	**(17,026)**	**Total revenue financing**	**(16,593)**	**(16,452)**
-	**(292)**	**Deficit/(surplus) for the year**	**-**	**(26)**

The main variations from the 2010/11 approved budget are:

- write back (reclassification) of insurance provision £627k
- reduction in staff costs £245k
- concessionary travel scheme £204k
- treasury activities £150k
- benefits (net of subsidy receivable) £134k
- property rents receivable £131k
- bad debt provision not required £115k
- benefit overpayments recovered £102k

The contribution to earmarked reserves includes:

- reclassification of insurance provision £627k
- new contribution from the main variations noted above £850k

The Housing Revenue Account budget for 2010/11 was approved as a balanced budget by Council on the 23 February 2010. This compares to the actual outturn as follows:

Budget 2009/10 £000	**Actual 2009/10 £000**		**Budget 2010/11 £000**	**Actual 2010/11 £000**
(9,212)	(9,037)	Income	(9,080)	(9,066)
9,159	9,022	Expenditure	9,080	8,889
(53)	**(15)**	**Deficit/(surplus) on HRA services**	**-**	**(177)**
-	38	Transfers to/(from) earmarked reserves	-	(38)
(53)	**23**	**Deficit/(surplus) for the year**	**-**	**(215)**

The main variation from the 2010/11 approved budget is largely due to a saving in staffing costs of £161k.

k. Reserves and balances

The reserves and balances held by the authority at the year end were:

	Balance at 31 March 2010	**Movements in 2010/11**	**Balance at 31 March 2011**
	£000	**£000**	**£000**
General Fund:			
Committed reserves			
VAT & insurance	(462)	(683)	(1,145)
Budget setting	(311)	156	(155)
Public buildings	-	(500)	(500)
Pay review	(176)	-	(176)

GF Properties	(262)	(79)	(341)
Leisure Centre income	(194)	70	(124)
Other reserves: to public buildings	(500)	500	-
Committed reserves total	**(1,905)**	**(536)**	**(2,441)**
Available reserves			
General reserve	(303)	(1,064)	(1,367)
Festivals	(114)	51	(63)
Market Hall	(51)	-	(51)
Park Vale	(56)	-	(56)
Other reserves: to general reserve	(214)	214	0
Available reserves total	**(738)**	**(799)**	**(1,537)**
HRA:			
Committed reserves			
Major Repairs Reserve	(411)	212	(199)
Grants and contributions:			
Committed reserves	(2,746)	(497)	(3,243)
Total of all earmarked reserves	**(5,800)**	**(1,620)**	**(7,420)**

	Balance at 31 March 2010	Movement in 2010/11	Balance at 31 March 2011
	£000	£000	£000
Fund balances:			
General Fund	(2,263)	(26)	(2,289)
HRA	(823)	(215)	(1,038)

l. Material assets and liabilities

During 2010/11 the authority has not acquired any material assets or incurred any material liabilities.

m. Retirement benefits

The Balance Sheet shows the authority's future liability for pensions relating to current and previous employees. This is matched by the pensions reserve at the Balance Sheet date. There is no overall effect from the authority's pension liability on the council tax or housing rent levels. The accounting costs of retirement benefits that are included in the Comprehensive Income and Expenditure Statement and Housing Revenue Account are adjusted to a funding basis in the Movement in Reserves Statement.

n. Material and unusual charges and credits

The Comprehensive Income and Expenditure Statement include the following items with separate disclosure on the face of the Statement:

Pensions valuation adjustment – on the 22 June 2010, the Government announced that with effect from 1 April 2011 public service pension schemes would have their pension increases calculated by reference to Consumer Price Index (CPI), rather than Retail Price Index (RPI) which had been used in the past. As increases in CPI are expected to be less than RPI on average, the effect is a reduction in the value of the authority's pension liabilities by £4,827k for 2010/11 and has been recognised as a past service gain in accordance with the guidance in Urgent Issues Task Force Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund or Housing Revenue Account.

Revaluation of council dwellings - during 2010/11, the authority has recognised a revaluation loss of £19,025k in relation to its council dwellings. Local authority housing is valued at Existing Use Value of Social Housing. Existing Use means the delivery of appropriate housing to those who are unable to obtain suitable housing through the wider housing market. The Value is obtained by taking the cost of buying a vacant dwelling and applying an adjustment factor according to the type of tenancy and regional factors to reflect that the property is used as Social Housing. The adjustment factor for the North West for 2010/11 is 35%, a decrease from 48% which was set in 2005. The reasons for the decrease are caused by the growth of vacant possession values in the housing market, falling yields in the private rented market and continued rent restructuring in the public sector.

Write back of insurance provision – the authority has carried an insurance provision for a number of years. Whilst reviewing the accounting requirements for this Statement it was determined that the provision was technically a reserve rather than a provision. For accounting purposes, provisions cannot be transferred to reserves, they are written back to the Comprehensive Income and Expenditure Statement and then a transfer to earmarked reserves is made in the Movement in Reserves Statement.

o. Significant change in accounting policies

2010/11 is the first year that the Statement of Accounts has been prepared in accordance with proper practices based on International Financial Reporting Standards (IFRS).

The move to IFRS-bases accounting statements from the UK GAAP (generally accepted accounting practices) results in a number of significant changes in accounting practice. The key accounting changes include:

- Grants and contributions for capital purposes are recognised as income immediately rather than being deferred to revenue to match the depreciation of an asset.

- Grants and contributions for revenue purposes are recognised as income immediately and carried forward as earmarked grants (reserves) where they are unspent.

- The main financial statements have changed and there are additional requirements for segmental reporting.

- There is a greater emphasis on component accounting and on derecognising parts of an asset that are replaced.

- Property leases are classified and accounted for as separate leases of land and buildings. Arrangements that may contain the substance of a lease must be assessed.

- Impairment losses are taken to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset.

- IFRS accounting introduced a new classification of non-current assets held for sale. There are specific criteria that apply to this classification.

- All employee benefits are accounted for as they are earned by the employee. This required accruals for items such as holiday pay.

- The definition of associates is based on the ability to control rather than actual control, the authority's group boundaries have been re-assessed.

The date of transition for the presentation of the accounting statements is 1 April 2009. The primary statements are presented in their new format in this Statement of Accounts, but the change in format and presentation has had no impact on reported balances or previously reported outturn. I have prepared the following narrative and supporting notes to explain the key changes in the main accounting statements.

Movement in Reserves Statement

The Movement in Reserves Statement replaces the Statement of Movement on General Fund and has been restated for 2009/10. The key adjusted figures are:

	2009/10 Published Accounts	**2009/10 Restated**
	£000	**£000**
Surplus or (deficit) on the provision of services	76	(2,143)
Adjustments between accounting basis & funding basis under regulations	(2,244)	(109)
Transfers to/(from) Earmarked Reserves	1,876	1,960
General Fund surplus in 2009/10	**(292)**	**(292)**

The adjusted items are:

	£000	*£000*
Surplus or (deficit) on the provision of services UK-GAAP per 2009/10 published accounts		***76***
Remove HRA items previously included in the Statement		*1,916*
General Fund items:		
Inclusion of capital grants and contributions	*(5,012)*	
Inclusion of revenue grants and contributions	*(84)*	
Inclusion of accrued leave	*5*	
Removal of deferred grants	*956*	*(4,135)*

Surplus or (deficit) on the provision of services IFRS per 2009/10 restated		***(2,143)***

Adjustments between accounting basis & funding basis under regulations UK-GAAP per 2009/10 published accounts		*(2,244)*
Remove HRA items included in the UK-GAAP Statement		*(1,939)*
Reversal of capital grants and contributions	*5,012*	
Reversal of accrued leave	*(5)*	
Removal of deferred grants	*(956)*	
Removal of HRA balance included in the UK-GAAP Statement	*23*	*4,074*
Adjustments between accounting basis & funding basis under regulations IFRS per 2009/10 restated		***(109)***

Transfers to/(from) Earmarked Reserves	***1,876***	***1,960***

The Movement in Reserves Statement also include the Statement of Movement on the HRA and this has also been restated for 2009/10. The key adjusted figures are:

	2009/10 Published Accounts	**2009/10 Restated**
	£000	**£000**
Surplus or (deficit) on the provision of services	**(1,916)**	**(1,861)**
Adjustments between accounting basis & funding basis under regulations	1,939	1,846
Transfers to/(from) Earmarked Reserves	-	38
HRA deficit in 2009/10	**23**	**23**

The adjusted items are:

	£000	***£000***
Surplus or (deficit) on the provision of services UK-GAAP per 2009/10 published accounts		***(1,916)***
Inclusion of revenue grants and contributions	*(38)*	
Inclusion of accrued leave	*10*	
Removal of deferred grants	*83*	*55*
Surplus or (deficit) on the provision of services IFRS per 2009/10 restated		***(1,861)***

Adjustments between accounting basis & funding basis under regulations UK-GAAP per 2009/10 published accounts		***1,939***
Reversal of accrued leave	*(10)*	
Removal of deferred grants	*(83)*	*(93)*
Adjustments between accounting basis & funding basis under regulations IFRS per 2009/10 restated		*1,846*

Transfers to/(from) Earmarked Reserves		***38***

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement replaces the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses and has been restated for 2009/10. The key adjusted figures are:

	2009/10 Published Accounts	2009/10 Restated
	£000	£000
(Surplus) or deficit on the provision of services	**76**	**(4,004)**
(Surplus) or deficit on the revaluation of Property, Plant and Equipment	(1,669)	(1,669)
Actuarial (gains)/losses on pension assets/liabilities	9,216	9,216
Total Comprehensive Income and Expenditure	**7,623**	**3,543**

The IFRS adjustments are:

	General Fund	*HRA*	*Total*
	£000	*£000*	*£000*
(Surplus) or deficit on the provision of services UK-GAAP Income and Expenditure Statement per 2009/10 published accounts: ***includes the General Fund and the HRA***	*76*	*-*	*76*
Move HRA items previously included in the Statement	*1,916*	*(1,916)*	*-*
Separated between General Fund & HRA	***1,992***	***(1,916)***	***76***
Adjusted items:			
Inclusion of capital grants and contributions	*(5,012)*	*-*	*(5,012)*
Inclusion of revenue grants and contributions	*(84)*	*(38)*	*(122)*
Inclusion of accrued leave	*5*	*10*	*15*
Removal of deferred grants	*956*	*83*	*1,039*
(Surplus) or deficit on the provision of services IFRS per 2009/10 restated	***(2,143)***	***(1,861)***	***(4,004)***

Balance Sheet

The Balance Sheet has been restated as at 1 April 2009 and 1 April 2010. The key adjusted figures are:

	31 March 2009 UK-GAAP	1 April 2009 IFRS	31 March 2010 UK-GAAP	1 April 2010 IFRS
	£000	£000	£000	£000
Long Term Assets	171,999	171,999	176,258	176,258
Current Assets	11,626	11,626	8,182	8,182
Current Liabilities	(6,292)	(5,948)	(6,862)	(6,411)
Long Term Liabilities	(93,740)	(51,708)	(101,608)	(55,603)
Net Assets	**83,593**	**125,969**	**75,970**	**122,426**
Total Reserves	**(83,593)**	**(125,969)**	**(75,970)**	**(122,426)**

The IFRS adjustments are:

	£000
Current Liabilities 31 March 2009 UK-GAAP per 2009/10 published accounts	(6,292)
Earmark revenue grants received in advance of use	386
Accrued leave	(42)
Current Liabilities 1 April 2009 IFRS per 2009/10 restated	**(5,948)**

Current Liabilities 31 March 2010 UK-GAAP per 2009/10 published accounts	(6,862)
Earmark revenue grants received in advance of use 2008/09	386
Accrued leave 2008/09	(42)
Movement in earmarked revenue grants received in advance of use 2009/10	122
Movement in accrued leave 2009/10	(15)
Current Liabilities 1 April 2010 IFRS per 2009/10 restated	**(6,411)**

Long Term Liabilities 31 March 2009 UK-GAAP per 2009/10 published accounts	(93,740)
Extinguish deferred grants to Capital Adjustment Account	39,011
Reclassify unapplied capital grants to Capital Grants Unapplied	3,021
Long Term Liabilities 1 April 2009 IFRS per 2009/10 restated	**(51,708)**

Long Term Liabilities 31 March 2010 UK-GAAP per 2009/10 published accounts	(101,608)
Extinguish deferred grants to Capital Adjustment Account 2008/09	39,011
Reclassify unapplied capital grants to Capital Grants Unapplied 2008/09	3,021
Extinguish movement in deferred grants to Capital Adjustment Account 2009/10	4,752
Reclassify movement in unapplied capital grants to Capital Grants Unapplied 2009/10	(779)
Long Term Liabilities 1 April 2010 IFRS per 2009/10 restated	**(55,603)**

Total Reserves 31 March 2009 UK-GAAP per 2009/10 published accounts	(83,593)
Earmark revenue grants received in advance of use 2008/09	(386)
Accrued leave 2008/09	42
Extinguish deferred grants to Capital Adjustment Account 2008/09	(39,011)
Reclassify unapplied capital grants to Capital Grants Unapplied 2008/09	(3,021)
Total Reserves 1 April 2009 IFRS per 2009/10 restated	**(125,969)**

Total Reserves 31 March 2010 UK-GAAP per 2009/10 published accounts	(75,970)
Earmark revenue grants received in advance of use 2008/09	(386)
Accrued leave 2008/09	42
Movement in earmarked revenue grants received in advance of use 2009/10	(122)
Movement in accrued leave 2009/10	15
Extinguish deferred grants to Capital Adjustment Account 2008/09	(39,011)
Reclassify unapplied capital grants to Capital Grants Unapplied 2008/09	(3,021)
Extinguish movement in deferred grants to Capital Adjustment Account 2009/10	(4,752)
Reclassify movement in unapplied capital grants to Capital Grants Unapplied 2009/10	779
Total Reserves 1 April 2010 IFRS per 2009/10 restated	**(122,426)**

Cash Flow Statement

Under IFRS the cash flow statement includes the movements in cash and cash equivalents, where under UK-GAAP only cash was reported. The authority did not hold cash equivalents in the restated periods, so no adjustments have been made to the cash and cash equivalents reported, however the presentation of the Statement has changed to match the new format of the other accounting statements.

p. Financial planning

The revenue budget for 2011/12 was initially approved as £14,114k by Council on the 1 March 2011, together with an initial Medium Term Budget for the years 2012/13 to 2014/15. The approved budget included reductions of £1,193k which were required to achieve a balanced budget against the anticipated Formula Grant. The actual settlement was lower than anticipated meaning that in addition to cutting £1,193k from the budget, there remained a deficit of £396k will be funded from the restructuring reserve in 2011/12.

The reduction in Formula Grant (Central Government support) each year has left the authority with a large deficit to eliminate to reach the budget level that the funding levels indicate. The reduction in formula grant over the Government's Spending Review period is currently estimated to be £12,775k.

A transition grant has been allocated to smooth the reduction from the 2010/11 budget level to the 2014/15 budget level. The transition grant is £4,630k and will be received in 2011/12 & 2012/13 in monthly instalments.

A Deficit Reduction Strategy currently is being developed by the authority's Management Team and Executive Members; 8 voluntary redundancies were approved on 23 March 2011 and the cost of these is included in the accounting statements for 2010/11. The current budget for 2011/12 and the projected Medium Term Budget are as follows:

	Budget	**Budget**	**Budget**	**Budget**
	2011/12	**2012/13**	**2013/14**	**2014/15**
	£000	**£000**	**£000**	**£000**
Revenue budget/outturn	12,116	12,744	13,343	13,911
Earmarked reserve movements	(302)	46	46	46
Net revenue budget/outturn	**11,814**	**12,790**	**13,389**	**13,957**
Council tax	(4,341)	(4,461)	(4,572)	(4,686)
General Government grants	(7,077)	(6,205)	(5,487)	(4,852)
Total revenue financing	**(11,418)**	**(10,666)**	**(10,059)**	**(9,538)**
Use of restructuring reserve	**(396)**	**-**	**-**	**-**
Deficit/(surplus) for the year	**-**	**2,124**	**3,330**	**4,419**

q. Future changes

Local Government Resource Review

The Government has initiated a Local Government Resource Review which will deliver proposals by July 2011. The Review will consider the way in which local authorities are funded, with a view to giving local authorities greater financial autonomy and strengthening the incentives to support growth in the private sector and regeneration of local economies. It will look at ways to reduce the reliance of local government on central government funding, increase local accountability and ensure that the benefits of economic growth are reflected in the resources authorities have.

The authority currently raises and pays substantially more into the business rates national pool than the allocation received; changes to the business rates system are to be launched in 2013/14 and progress will be monitored.

The second phase of the Local Government Resource Review will focus on community budgets.

Universal Credit

The Government is planning to implement the Universal Credit for new housing benefit claimants from April 2013 and existing claims will transfer over a period of four and a half years, ending in September 2017. Council tax benefit will not be part of the Universal Credit arrangements, the Government intend this responsibility to be localised to local authorities along with a 10% overall saving to be achieved.

Housing Revenue Account Self-Financing

The Government has set the timetable for the reform of the current housing finance system, to be completed for April 2012. The reform gives authorities the freedom to fund and run their council homes without central government subsidy. The current housing subsidy system will be abolished and rents will be retained by the authority following a one-off and final settlement of the current system. The authority currently pays into the national housing subsidy pool and although that will cease, nationally some £28 billion of debt is likely to be allocated; associated debt costs will be financed by the Housing Revenue Account.

r. Capital and borrowing

The authority's capital investment for 2010/11 and how it has been financed is shown below:

2009/10		2010/11
£000		£000
11,640	**Capital investment**	**8,908**
(1,174)	Financed by borrowing	-
(8,300)	Financed by grants and contributions	(6,378)
(300)	Financed by capital receipts	(529)
(1,791)	Financed by Major Repairs Reserve	(1,846)
(75)	Financed by revenue balances	(155)
(11,640)	**Total financing**	**(8,908)**

The future capital investment for the years 2011/12 to 2014/15 and the financing is planned to be:

	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000
Capital investment	**6,765**	**5,142**	**5,083**	**4,830**
Financed by borrowing	(1,421)	(2,400)	(1,800)	(1,500)
Financed by grants and contributions	(498)	(399)	(399)	(399)
Financed by capital receipts	(998)	(331)	(831)	(831)
Financed by reserves	(3,848)	(2,012)	(2,053)	(2,100)
Total financing	**(6,765)**	**(5,142)**	**(5,083)**	**(4,830)**

The authority has long-term debt which has been borrowed in previous years to fund capital projects. In financing the capital investment for 2010/11 no borrowing was required due to other resources being available. It is necessary to borrow to finance future capital investment, where other resources are not available, and the cost of borrowing has been built into the medium term budget.

The authority's borrowing is limited by the Prudential Code for Capital Finance in Local Authorities and the approved limit is agreed by Council each year. The authorised limit and borrowing for the year and current estimates to 2013/14 is shown below:

	2011/12	2012/13	2013/14
	£000	£000	£000
Authorised limit on external debt	29,000	31,000	33,000
Total of external loans	23,811	26,211	28,011

s. Provisions and contingencies

The authority has carried an insurance provision for a number of years. Whilst reviewing the accounting requirements for this Statement it was determined that the provision was technically a reserve rather than a provision. For accounting purposes, provisions cannot be transferred to reserves, they are written back to the Comprehensive Income and Expenditure Statement and then a transfer to earmarked reserves is made in the Movement in Reserves Statement.

No new provisions have been created.

The authority has included the Scheme of Arrangement with Municipal Mutual Insurance (MMI) into the contingent liabilities disclosed in the Notes to the accounting statements. A contingent Scheme of Arrangement under section 425 of the Companies Act 1985 became effective on 21 January 1994 but remains held in reserve because a surplus at the conclusion of the run-off period continues to be foreseen by the Directors. The reserve is held by MMI and their primary objective is to conclude the run-off of the MMI's business and pay Scheme creditors. Should the Scheme not achieve a solvent run-off, the Scheme debtors would be liable to contribute.

t. Material events after the reporting date

To address the future budget deficit, applications for voluntary redundancy were invited after the settlement announcement. 8 voluntary redundancies were approved on 23 March 2011 and the cost of these is included in the accounting statements for 2010/11. 18 further voluntary redundancy applications were approved on the 20 June 2011 and the cost of these is £574k.

u. Current economic climate

In 2010/11 the authority continued its cautious approach towards counterparty investment decisions. Deposits have been limited to the authority's main bank, the HSBC which has one of the highest credit rating scores and a solid capitalisation value.

The authority's provision for bad and doubtful receivable debt has been reviewed and in normal circumstances could potentially be reduced, but given the current economic climate it is not certain that a reduced provision would be sufficient.

M Saleh CPFA, BA, M.Litt
Borough Treasurer

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The authority is required to:

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

The Borough Treasurer's Responsibilities

The Borough Treasurer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LAASAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Borough Treasurer has:

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

The Borough Treasurer has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the authority for 2010/11 and of its expenditure and income for the year ended 31 March 2011.

M Saleh CPFA, BA, M.Litt
Borough Treasurer
30 June 2011 revised 21 September 2011

Councillor Mrs A Burns
Audit Committee Chairman
29 September 2011

ACCOUNTING STATEMENTS

Movement in Reserves Statement

2009/10 Restated	General Fund Balance £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2009	**(1,971)**	**(3,006)**	**(846)**	**-**	**(1,573)**	**-**	**(7,396)**	**(76,197)**	**(83,593)**
IFRS adjustments	-	(386)	-	-	-	(3,021)	(3,407)	(38,969)	(42,376)
Adjusted balance at 31 March 2009	**(1,971)**	**(3,392)**	**(846)**	**-**	**(1,573)**	**(3,021)**	**(10,803)**	**(115,166)**	**(125,969)**
Movement in reserves during 2009/10									
(Surplus) or deficit on the provision of services	(2,143)	-	(1,861)	-	-	-	(4,004)	-	(4,004)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	7,547	7,547
Total Comprehensive Income and Expenditure	**(2,143)**	**-**	**(1,861)**	**-**	**-**	**-**	**(4,004)**	**7,547**	**3,543**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(109)	-	1,846	(412)	(336)	779	1,768	(1,768)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(2,252)**	**-**	**(15)**	**(412)**	**(336)**	**779**	**(2,236)**	**5,779**	**3,543**
Transfers to/(from) Earmarked Reserves (Note 8)	1,960	(1,998)	38	-	-	-	0	-	0
(Increase)/Decrease in 2009/10	**(292)**	**(1,998)**	**23**	**(412)**	**(336)**	**779**	**(2,236)**	**5,779**	**3,543**

2010/11	General Fund Balance £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Major Repairs Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2010 carried forward	**(2,263)**	**(5,390)**	**(823)**	**(412)**	**(1,909)**	**(2,242)**	**(13,039)**	**(109,387)**	**(122,426)**
IFRS classification adjustment	-	(17)	-	-	-	17	0	-	0
Adjusted balance at 31 March 2010	**(2,263)**	**(5,407)**	**(823)**	**(412)**	**(1,909)**	**(2,225)**	**(13,039)**	**(109,387)**	**(122,426)**
Movement in Reserves during 2010/11									
(Surplus) or Deficit on the provision of services	(6,616)	-	17,951	-	-	-	11,335	-	11,335
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(5,060)	(5,060)
Total Comprehensive Income and Expenditure	**(6,616)**	**-**	**17,951**	**-**	**-**	**-**	**11,335**	**(5,060)**	**6,275**
Adjustments between accounting basis & funding basis under regulations (Note 7)	4,737	-	(18,128)	213	231	1,201	(11,746)	11,746	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(1,879)**	**-**	**(177)**	**213**	**231**	**1,201**	**(411)**	**6,686**	**6,275**
Transfers to/(from) Earmarked Reserves (Note 8)	1,853	(1,815)	(38)	-	-	-	0	-	0
(Increase)/Decrease in 2010/11	**(26)**	**(1,815)**	**(215)**	**213**	**231**	**1,201**	**(411)**	**6,686**	**6,275**
Balance at 31 March 2011 carried forward	**(2,289)**	**(7,222)**	**(1,038)**	**(199)**	**(1,678)**	**(1,024)**	**(13,450)**	**(102,701)**	**(116,151)**

Comprehensive Income and Expenditure Statement

2009/10 Restated				2010/11		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
8,843	(7,098)	1,745	Central services to the public	8,285	(7,302)	983
18,970	(6,788)	12,182	Cultural, environmental, regulatory and planning services	15,750	(5,970)	9,780
2,366	(1,524)	842	Highways and transport services	2,045	(1,263)	782
7,588	(9,037)	(1,449)	Local authority housing (HRA)	8,103	(9,066)	(963)
21,762	(20,991)	771	Other housing services	23,225	(22,611)	614
(1,258)	-	(1,258)	Exceptional item: revaluation of council dwellings (HRA)	19,025	-	19,025
-	-	-	Exceptional item: pensions valuation adjustment (Note 5)	(4,827)	-	(4,827)
1,627	(86)	1,541	Corporate and democratic core	1,579	(85)	1,494
315	-	315	Non distributed costs	57	-	57
60,213	**(45,524)**	**14,689**	**Cost of Services**	**73,242**	**(46,297)**	**26,945**
		399	Other operating expenditure (Note 9)			358
		2,947	Financing and investment income and expenditure (Note 10)			2,463
		(22,039)	Taxation and non-specific income (Note 11)			(18,431)
		(4,004)	**(Surplus) or Deficit on Provision of Services**			**11,335**
		(1,670)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			1,304
		9,216	Actuarial (gains)/losses on pension assets/liabilities			(6,364)
		7,546	**Other Comprehensive Income and Expenditure**			**(5,060)**
		3,542	**Total Comprehensive Income and Expenditure**			**6,275**

Balance Sheet

31 March 2009 Restated	31 March 2010 Restated		Notes	31 March 2011
£000	£000			£000
171,992	176,248	Property, Plant & Equipment	12	157,731
7	10	Long Term Debtors	22	6
171,999	**176,258**	**Long Term Assets**		**157,737**
30	30	Inventories	14	31
7,004	7,026	Short Term Debtors	15	5,282
4,592	1,126	Cash and Cash Equivalents	16	3,852
11,626	**8,182**	**Current Assets**		**9,165**
(633)	(489)	Short Term Borrowing	13	(489)
(5,315)	(5,922)	Short Term Creditors	17	(5,804)
(5,948)	**(6,411)**	**Current Liabilities**		**(6,293)**
(509)	(680)	Provisions	18	(47)
(29,000)	(22,390)	Long Term Borrowing	13	(22,390)
(22,199)	(32,433)	Other Long Term Liabilities	21	(22,021)
-	(100)	Capital Grants Receipts in Advance		-
(51,708)	**(55,603)**	**Long Term Liabilities**		**(44,458)**
125,969	**122,426**	**Net Assets**		**116,151**
(10,803)	(13,039)	Usable Reserves	19	(13,450)
(115,166)	(109,387)	Unusable Reserves	20	(102,701)
(125,969)	**(122,426)**	**Total Reserves**		**(116,151)**

Cash Flow Statement

2009/10 Restated			2010/11
£000		£000	£000
(4,004)	**Net (surplus) or deficit on the provision of services**		**11,335**
	Adjustments to net surplus or deficit on the provision of services for non-cash movements		
(4,127)	- depreciation of non current assets	(4,011)	
(1,706)	- revaluation of non current assets	(19,214)	
(980)	- pension fund adjustments	4,088	
(323)	- movement in bad debt provision	(51)	
6	- contributions from provisions	633	
(931)	- carrying amount of assets sold	(549)	
(13)	- other non-cash movement	(154)	
(1)	- increase/(decrease) in inventories	1	
22	- increase/(decrease) in debtors	(1,744)	
(597)	- (increase)/decrease in creditors	1,264	
(8,650)			**(19,737)**
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
879	Proceeds from the assets sold	422	
5,012	Capital grants credited to the provision of services	2,844	
5,891			**3,266**
(6,763)	**Net cash flows from Operating Activities (Note 23)**		**(5,136)**
2,067	Investing Activities (Note 24)		3,139
8,159	Financing Activities (Note 25)		(729)
3,463	**Net (increase) or decrease in cash and cash equivalents**		**(2,726)**
4,589	Cash and cash equivalents at the beginning of the reporting period		1,126
1,126	**Cash and cash equivalents at the end of the reporting period**		**3,852**

Notes to the Accounts

1. ACCOUNTING POLICIES

a. General Principles

The Statement of Accounts summarises the authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. The Regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

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

b. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

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

not certain, they are not recognised in the Comprehensive Income and Expenditure Statement.

c. Cash and Cash Equivalents

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

d. Council tax and business rate transactions

As the billing authority, the Council accounts for its own share of the council tax transactions in the Balance Sheet and its share of the collection fund balance is held in the Collection Fund Adjustment Account. The precepting authorities' share of the council tax transactions as well as their share of the collection fund balance is accounted for as a debtor or creditor with those authorities.

The transactions for business rates will similarly be treated as a debtor or creditor with the Government national business rates pool.

e. Exceptional Items

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

f. 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, that is, 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 authority'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.

g. Charges to Revenue for Non-Current Assets

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

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

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

h. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account balance to be charged with the amount payable by the authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the

Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The authority's redundancy policy was amended by Council on the 16 March 2011 to introduce an enhanced redundancy payment to encourage voluntary applications, but suspended the enhancement of pensions.

Post Employment Benefits

Employees of the authority are members of the Local Government Pension Scheme, administered by Cumbria County Council.

The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Cumbria pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and other factors, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using the applicable discount rate based on the indicative rate of return on AA rated corporate bonds.
- The assets of Cumbria pension fund attributable to the authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the authority, based on an average of the expected long-term return credited to the Financing and Investment

Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- gains or losses on settlements and curtailments – the result of actions to relieve the authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the Cumbria pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund and Housing Revenue Account balance to be charged with the amount payable by the authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The authority also 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 are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

i. Events after the Balance Sheet Date

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.

j. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, where it is material. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where premiums and discounts have been charged to the Housing Revenue Account, regulations state that the impact on the Housing Revenue Account Balance must be spread over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, restricted to a term of 10 years.

Financial Assets

Loans and Receivables

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market. These are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event and the payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Loans and receivables also include assets traded in an active market, such as stocks, shares and gilts. In line with the Treasury Strategy the authority does not currently trade in this type of asset.

k. Foreign Currency Translation

Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

l. Government Grants and Contributions

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

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

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

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

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

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

m. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The authority's inventories are stocks purchased for internal issue and for resale as merchandise.

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

n. Leases

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

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

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

The Authority as Lessee

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting 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 (for example, there is a rent-free period at the commencement of the lease).

Vehicles and equipment that are contained within a contractual arrangement are deemed to be an operating lease where the Council does not significantly control the physical assets and where the term of the contract is less than the expected useful life of the assets.

The Authority as Lessor

Operating Leases

Where the authority grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a premium paid at the commencement of the lease).

All operating leases are recognised by the authority for disclosure purposes, building leases not less than 10 years and land leases not less than 50 years are assessed for evidence of a finance lease. Vehicle and equipment operating leases are deemed to be immaterial.

o. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the authority’s status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

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

p. 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 authority 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 (repairs and maintenance) is charged as an expense when it is incurred. Acquisitions under £10,000 are deminimus and are not considered to create an asset.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The authority does not capitalise borrowing costs.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (which will not lead to a variation in the cash flows of the authority). 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 authority.

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Where an item of Property, Plant and Equipment with a value over £150,000 has major components whose cost is not less than 20% of the total cost of the asset, the components are treated as separate assets. For existing assets the components are recognised on replacement until a revaluation is performed.

Impairment

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

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

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

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

Depreciation

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

Deprecation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- plant and equipment – straight-line allocation over the useful life of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over the useful life of the asset.

Where an item of Property, Plant and Equipment with a value over £150,000 has major components whose cost is not less than 20% of the total cost of the asset, the components are depreciated separately. For existing assets the components are recognised on replacement until a revaluation is performed.

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.

Disposals and Non-current Assets Held for Sale

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

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

Council dwellings are available for sale to sitting tenants under the provisions of the Right to Buy legislation. The authority does not classify these are held for sale unless there is a formal exchange date available at the year end.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (that is 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 in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

q. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

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

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

Contingent Assets

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

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

r. Reserves

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

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

s. Revenue Expenditure Funded from Capital under Statute

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

t. 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.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

For 2010/11 the only accounting policy change that needs to be reported relates to Financial Reporting Standard (FRS) 30 Heritage Assets. The disclosure requirements will be detailed in the 2011/12 Code of Practice on Local Authority Accounting. Heritage Assets are those assets held and maintained for their contribution to knowledge and culture, they can have historical, artistic, scientific, geophysical or environmental qualities.

Full adoption of the standard will be required for the 2011/12 Statement of Accounts. However, the authority is required to make disclosure of the estimated effect of the new standard. The standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Balance Sheet. The heritage assets held by the authority include various historical collections, portraits, books and civic regalia. To obtain a full valuation of the authority's heritage assets would be costly and subjective and for that reason, the authority will be using the valuation for insurance purposes.

Recognising the historical assets owned by the authority, using their insurance valuation for 2010/11, would increase the authority's Balance Sheet by £2,365k.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The authority has considered the classification of its leases, both as lessor and lessee, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements.

- The authority is deemed to control assets that fall within contractual and other arrangements which involve the provision of a service using specific underlying assets and which therefore are considered to contain a lease. The accounting treatment for leases has been applied to these arrangements to determine whether the lease contained within them is a finance or an operating lease.
- The authority has considered whether any property should be classed as an investment property or property, plant and equipment.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the authority's Balance Sheet at the 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Revaluation of Property, Plant and Equipment

Property, plant and equipment (with the exception of infrastructure, community assets, assets under construction and equipment) are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset. Advice has been provided by the authority's external valuers. If the actual results differ from the assumptions the value of property, plant and equipment will be over or understated. This would be adjusted when the assets were next revalued. For instance if council dwellings were not impaired in 2010/11, but it was subsequently determined that the impairment to the value should have been 10%, their value in the Balance Sheet would be overstated by £6,315k and the depreciation charged to the HRA for 2011/12 would be overstated by £210k.

Depreciation of Property, Plant and Equipment

Assets are depreciated based on useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to maintain the expenditure on repairs and maintenance resulting in uncertainty in the useful lives assigned to assets by the valuers. If the useful life of assets is reduced depreciation increases and the carrying amount of assets falls. Some of the authority's assets are carried at an impaired value (revaluation loss), awaiting an improvement in their market; these are council dwellings and some properties rented out on a commercial basis. The impaired values then have useful lives applied to calculate the depreciation charge. If the impairment increased or if there was a reversal of the previous loss, the value of the asset and the related depreciation would be over or under stated. For instance if the useful life of the council dwellings was determined to be 25 years, rather than the current 30 years, the depreciation charge to the HRA for 2011/12 would be £2,526k rather than £2,105k.

Arrears

At 31 March 2011 the authority had outstanding sundry debtors, housing rent debtors and council tax debtors. A review of these outstanding balances was undertaken and the provisions for bad and doubtful debts reviewed. However in the current economic climate it is not certain that such a provision allowance would be sufficient. An increase in the sundry debtor arrears of 10% would require a contribution from General Fund of £37k and for housing rent debtors, a contribution from the HRA of £21k. An increase in council tax debtors would be collected from future years liabilities.

Pensions liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions. A firm of actuaries are engaged to provide the authority with expert advice about the assumptions to be applied.

The effects of the net pensions liability of changes in individual assumptions can be measured. These assumptions interact in complex ways, but some examples of their sensitivity based on 31 March 2011 figures are:

- +0.1% per annum increase in the discount rate assumption would result in an increase in the net pensions liability of £1,241k; or,
- +0.1% per annum increase in the salary inflation assumption would result in an increase in the net pensions liability of £263k; or,
- 1 year addition to the member's life expectancy assumption would result in an increase in the net pensions liability of £1,992k.

These changes would affect the net pensions liability and the pensions reserve carried in the Balance Sheet, they would not impact on the General Fund or HRA balance.

Financial instruments

The authority's external borrowing is all from the Public Works Loans Board and is included in the accounting statements at amortised cost. The fair value of the authority's external borrowing is estimated by the Public Works Loans Board. The calculation is independently calculated by the authority's treasury advisors to check the reasonableness of the fair value calculated.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be to decrease the fair value of fixed rate borrowing liabilities by £3,557k. A 1% fall would increase the fair value by the same amount. Borrowings are not carried at fair value, so nominal gains and losses on fixed borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

5. MATERIAL ITEMS OF EXPENSE AND INCOME

The Comprehensive Income and Expenditure Statement includes the following items:

Pensions valuation adjustment – on the 22 June 2010, the Government announced that with effect from 1 April 2011 public service pension schemes would have their pension increases calculated by reference to Consumer Price Index (CPI), rather than Retail Price Index (RPI) which had been used in the past. As increases in CPI are expected to be less RPI on average, the effect is a reduction in the value of the authority's pension liabilities for accounting purposes.

Revaluation of council dwellings - during 2010/11, the authority has recognised a revaluation loss of £19,025k in relation to its council dwellings. Local authority housing is valued at Existing Use Value of Social Housing. Existing Use means the delivery of appropriate housing to those who are unable to obtain suitable housing through the wider housing market. The Value is obtained by taking the cost of buying a vacant dwelling and applying an adjustment factor according to the type of tenancy and regional factors to reflect that the property is used as Social Housing. The adjustment factor for the North West for 2010/11 is 35%, a decrease from 48% which was set in 2005. The reasons for the decrease are caused by the growth of vacant possession values in the housing market, falling yields in the private rented market and continued rent restructuring in the public sector.

Write back of insurance provision – the authority has carried an insurance provision for a number of years. Whilst reviewing the accounting requirements for this Statement it was determined that the provision was technically a reserve rather than a provision. For accounting purposes, provisions cannot be transferred to reserves, they are written back to the Comprehensive Income and Expenditure Statement and then a transfer to earmarked reserves is made in the Movement in Reserves Statement.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was originally authorised for issue by the Borough Treasurer on the 30 June 2011 and are now authorised for issue on the 21 September 2011 after incorporating revisions from the audit. Events taking place after this date are not reflected in the accounting statements or notes. Where events taking place before this date provided information about conditions existing at the 31 March 2011, the figures in the accounting statements and notes have been adjusted in all material respects to reflect the impact of this information.

To address the future budget deficit, applications for voluntary redundancy were invited after the settlement announcement. 8 voluntary redundancies were approved on 23 March 2011 and the cost of these is included in the accounting statements for 2010/11. 18 further voluntary redundancy applications were approved on the 20 June 2011 and the cost of these is £574k.

There are no other events after the Balance Sheet date to disclose.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

The authority holds the following usable reserves:

- General Fund Balance

  This is a prudent level of balance maintained for potential emergency or unexpected expenditure on General Fund services (excludes the HRA). The surplus or deficit for the year is added or deducted from the balance each year.

- Housing Revenue Balance

  This is a prudent level of balance maintained for potential emergency or unexpected expenditure on the authority's housing services (the HRA). The surplus or deficit for the year is added or deducted from the balance each year.

- Major Repairs Reserve

  This is the balance of resources available to meet capital investment in the authority's dwelling stock. When the reserve is used, it is transferred to the Capital Adjustment Account and is no longer available.

- Capital Receipts Reserve

  This is the balance of proceeds from the sale of non-current assets, available to meet future capital investment. When the receipts are used, they are transferred to the Capital Adjustment Account and are no longer available.

- Capital Grants Unapplied

This is the balance of grants received and receivable from external bodies, available to meet future capital investment. These grants are generally for specific capital projects and are held in this balance until the expenditure is incurred. When the grant is used, it is transferred to the Capital Adjustment Account and is no longer available.

	Usable Reserves					
2010/11	**General Fund Balance £000**	**Housing Revenue Account £000**	**Major Repairs Reserve £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the CIES:						
Charges for depreciation and impairment of non-current assets	(2,177)	(1,834)	-	-	-	4,011
Revaluation losses on Property, Plant and Equipment	(246)	(18,968)	-	-	-	19,214
Capital grants and contributions applied	3,632	-	-	-	-	(3,632)
Revenue expenditure funded from capital under statute	(2,348)	-	-	-	-	2,348
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(357)	(192)	-	-	-	549
Insertion of items not debited or credited to the CIES						
Statutory provision for the financing of capital investment	1,121	-	-	-	-	(1,121)
Capital expenditure charged against the General Fund and HRA balances	1,512	-	-	-	-	(1,512)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the CIES	187	-	-	-	(187)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	1,388	(1,388)

	Usable Reserves					
2010/11	**General Fund Balance £000**	**Housing Revenue Account £000**	**Major Repairs Reserve £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	162	326	-	(488)	-	0
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	529	-	(529)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(194)	-	-	194	-	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	(4)	-	4
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Reserve credited to the HRA	-	1,634	(1,634)	-	-	0
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	1,847	-	-	(1,847)
Adjustments primarily 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	-	241	-	-	-	(241)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	1,857	395	-	-	-	(2,252)
Employer's pension contributions and direct payments to pensioners payable in the year	1,575	261	-	-	-	(1,836)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	11	-	-	-	-	(11)

	Usable Reserves					
2010/11	**General Fund Balance £000**	**Housing Revenue Account £000**	**Major Repairs Reserve £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	2	9	-	-	-	(11)
Total Adjustments	**4,737**	**(18,128)**	**213**	**231**	**1,201**	**11,746**

	Usable Reserves					
2009/10 Comparative Figures	**General Fund Balance £000**	**Housing Revenue Account £000**	**Major Repairs Reserve £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the CIES:						
Charges for depreciation and impairment of non-current assets	(2,418)	(1,709)	-	-	-	4,127
Revaluation losses on Property, Plant and Equipment	(2,953)	1,247	-	-	-	1,706
Capital grants and contributions applied	7,280	-	-	-	(1,663)	(5,617)
Revenue expenditure funded from capital under statute	(2,288)	-	-	-	-	2,288
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(629)	(302)	-	-	-	931
Insertion of items not debited or credited to the CIES						
Statutory provision for the financing of capital investment	1,105	-	-	-	-	(1,105)
Capital expenditure charged against the General Fund and HRA balances	316	-	-	-	-	(316)

	Usable Reserves					
2009/10 Comparative Figures	**General Fund Balance £000**	**Housing Revenue Account £000**	**Major Repairs Reserve £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the CIES	-	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	2,442	(2,442)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	490	388	-	(878)		0
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	300	-	(300)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(244)	-	-	244	-	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	(2)	-	2
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Reserve credited to the HRA	-	2,202	(2,202)	-	-	0
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	1,790	-	-	(1,790)
Adjustments primarily 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	-	241	-	-	-	(241)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the CIES	(2,273)	(477)	-	-	-	2,750
Employer's pension contributions and direct payments to pensioners payable in the year	1,505	265	-	-	-	(1,770)

	Usable Reserves					
2009/10 Comparative Figures	**General Fund Balance £000**	**Housing Revenue Account £000**	**Major Repairs Reserve £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	6	-	-	-	-	(6)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(6)	(9)	-	-	-	15
Total Adjustments	**(109)**	**1,846**	**(412)**	**(336)**	**779**	**(1,768)**

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	Balance at 1 April 2009	Transfers Out 2009/10	Transfers In 2009/10	Balance at 31 March 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Committed reserves							
VAT & insurance	(462)	-	-	(462)	-	(683)	(1,145)
Budget setting	(500)	189	-	(311)	156	-	(155)
Public buildings	-	-	-	-	-	(500)	(500)
Pay review	(176)	-	-	(176)	-	-	(176)
GF Properties	-	-	(262)	(262)	55	(134)	(341)
Leisure Centre income	(270)	76	-	(194)	70	-	(124)
Other reserves: to public buildings	(500)	-	-	(500)	500	-	-
Committed reserves total	**(1,908)**	**265**	**(262)**	**(1,905)**	**781**	**(1,317)**	**(2,441)**

Available reserves							
General reserve	(303)	-	-	(303)		(1,064)	(1,367)
Festivals	(115)	1	-	(114)	51	-	(63)
Market Hall	(51)	-	-	(51)	-	-	(51)
Park Vale	(47)	-	(9)	(56)	-	-	(56)
Other reserves: to general reserve	(225)	84	(73)	(214)	214	-	0
Available reserves total	**(741)**	**85**	**(82)**	**(738)**	**265**	**(1,064)**	**(1,537)**
HRA:							
Committed reserves							
Major Repairs Reserve	-	1,791	(2,202)	(411)	1,846	(1,634)	(199)

Grants and contributions for revenue purposes are recognised as income immediately and carried forward as earmarked grants (reserves) where they are unspent at the year-end date:

	Balance at 1 April 2009	Transfers Out 2009/10	Transfers In 2009/10	Balance at 31 March 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011
	£000	£000	£000	£000	£000	£000	£000
Grants and contributions:							
Committed reserves	(743)	222	(2,225)	(2,746)	290	(787)	(3,243)
Total of all earmarked reserves	**(3,392)**	**2,363**	**(4,771)**	**(5,800)**	**3,182**	**(4,802)**	**(7,420)**

9. OTHER OPERATING EXPENDITURE

2009/10		2010/11
£000		£000
102	Parish council precepts	103
244	Payments to the Government Housing Capital Receipts Pool	194
53	(Gains)/losses on the disposal of non-current assets	61
399	**Total**	**358**

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10		2010/11
£000		£000
995	Interest payable and similar charges	978
1,969	Pensions interest cost and expected return on pensions assets	1,504
(17)	Interest receivable and similar income	(19)
2,947	**Total**	**2,463**

11. TAXATION AND NON SPECIFIC GRANT INCOMES

2009/10		2010/11
£000		£000
(4,438)	Council tax income	(4,428)
(7,316)	Non-domestic rates	(7,932)
(5,273)	Non-ring fenced government grants	(4,092)
(5,012)	Capital grants and contributions	(1,979)
(22,039)	**Total**	**(18,431)**

12. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2010/11

	Council Dwellings £000	Other Land and Buildings £000	Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
at 1 April 2010	83,357	60,477	3,738	2,043	9,805	9,067	11,303	179,790
IFRS reclassifications	-	(1,274)	-	3,404	-	(7,408)	5,278	-
At 1 April 2010 reclassified	**83,357**	**59,203**	**3,738**	**5,447**	**9,805**	**1,659**	**16,581**	**179,790**
additions and enhancements	1,846	997	447	226	268	4	2,772	6,560
revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,302)	(67)	-	-	-	-	-	(1,369)
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(19,025)	(243)	-	-	-	-	-	(19,268)
eliminate depreciation on revaluation	(1,586)	(357)	-	-	-	-	-	(1,943)
derecognition – disposals	(144)	(70)	-	-	-	(177)	(160)	(551)
At 31 March 2011	**63,146**	**59,463**	**4,185**	**5,673**	**10,073**	**1,486**	**19,193**	**163,219**
Accumulated Depreciation and Revaluation								
at 1 April 2010	-	(1,316)	(1,906)	(232)	(88)	-	-	(3,542)
depreciation charge	(1,586)	(1,659)	(555)	(66)	(25)	-	-	(3,891)
eliminate depreciation on revaluation	1,586	357	-	-	-	-	-	1,943
derecognition – disposals	-	2	-	-	-	-	-	2
At 31 March 2011	**-**	**(2,616)**	**(2,461)**	**(298)**	**(113)**	**-**	**-**	**(5,488)**
Net Book Value at 31 March 2011	**63,146**	**56,847**	**1,724**	**5,375**	**9,960**	**1,486**	**19,193**	**157,731**
Net Book Value at 31 March 2010 (includes IFRS reclassifications)	**83,357**	**57,887**	**1,832**	**5,215**	**9,717**	**1,659**	**16,581**	**176,248**

Comparative Movements in 2009/10

	Council Dwellings £000	Other Land and Buildings £000	Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
at 1 April 2009	80,371	59,331	3,514	2,001	9,516	8,183	10,581	173,497
reclassification of assets	(60)	2,811	(42)	42	(54)	60	(2,757)	-
eliminate prior year depreciation on revaluation	-	-	-	-	-	-	(15)	(15)
additions and enhancements	1,791	1,675	395	-	385	1,503	3,601	9,350
revaluation increases/(decreases) recognised in the Revaluation Reserve	1,765	(39)	-	-	(3)	-	(54)	1,669
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,258	(2,836)	-	-	(12)	(63)	(53)	(1,706)
eliminate depreciation on revaluation	(1,561)	(312)	-	-	-	-	-	(1,873)
derecognition – end of useful life	-	-	(129)	-	-	-	-	(129)
derecognition – assets written out to revenue	-	(45)			(27)	-	-	(72)
derecognition – disposals	(207)	(108)	-	-	-	(616)	-	(931)
At 31 March 2010	**83,357**	**60,477**	**3,738**	**2,043**	**9,805**	**9,067**	**11,303**	**179,790**
Accumulated Depreciation and Impairment								
at 1 April 2009	-	-	(1,316)	(124)	(50)	-	(15)	(1,505)
depreciation charge	(1,561)	(1,628)	(761)	(66)	(38)	-	-	(4,054)
reclassification of assets	-	-	42	(42)	-	-	-	-
eliminate prior year depreciation on revaluation	-	-	-	-	-	-	15	15
eliminate depreciation on revaluation	1,561	312	-	-	-	-	-	1,873
derecognition – end of useful life	-	-	129	-	-	-	-	129
At 31 March 2010	**-**	**(1,316)**	**(1,906)**	**(232)**	**(88)**	**-**	**-**	**(3,542)**
Net Book Value at 31 March 2010	**83,357**	**59,161**	**1,832**	**1,811**	**9,717**	**9,067**	**11,303**	**176,248**
Net Book Value at 31 March 2009	**80,371**	**59,331**	**2,198**	**1,877**	**9,466**	**8,183**	**10,566**	**171,992**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings: 30 years straight line depreciation
- Other Land and Buildings: 5-75 years straight line depreciation
- Plant, Furniture & Equipment: 3-50 years straight line depreciation
- Infrastructure: 3-50 years straight line depreciation

Capital Commitments

At the 31 March 2011, the authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £1,213k. Similar commitments at the 31 March 2010 were £2,691k. The major commitments are:

31 March 2010		31 March 2011
£000		£000
2,254	Building refurbishment	554
250	Link Road phase 2	-
166	Environmental improvements	-
21	Retentions	96
-	Play areas	236
-	Regeneration	76
-	Housing market renewal	251
2,691	**Total**	**1,213**

Effects of Changes in Estimates

In January 2011, the Department for Communities and Local Government issued updated Stock Valuation for Resource Accounting guidance. This guidance applies from 2010/11 onwards and includes the adjustment factor to be applied to local authority housing valuations. Local authority housing is valued at Existing Use Value of Social Housing. The Value is obtained by taking the cost of buying a vacant dwelling and applying an adjustment factor according to the type of tenancy and regional factors to reflect that the property is used as Social Housing. The adjustment factor for the North West for 2010/11 is 35%, a decrease from 48% which was set in 2005. This has led to the authority making a material change to its accounting estimate for Council Dwellings; however the effect will not appear in the accounting statements until 2011/12 as the authority calculates depreciation on the opening value of non-current assets.

	Building element of carrying value 1 April 2011	Depreciation 2011/12
	£000	£000
Council dwellings with adjustment factor of 35%	50,886	1,696
Council dwellings with adjustment factor of 48%	69,787	2,326
Reduced depreciation charge		**630**

Revaluations

The authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out externally by the authority's valuer Norfolk Property Services, Mr M Messenger RICS. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list-prices adjusted for the condition of the asset.

Not all assets were revalued in 2010/11 and some assets last valuation was certified by either Mr R Bulger FRICS of the Valuation Office Agency or Mr S Adams FRICS of Peill and Company; both are external valuers.

Financial year	Valuer	Value £000	Total £000
Carried at fair value:			
2008/09	Norfolk Property Services	38,989	
	Peill and Company	7,751	
	Valuation Officer Agency	139	
Total fair value of assets valued in 2008/09			**46,879**
2009/10	Norfolk Property Services	1,455	
	Peill and Company	4,513	
	Valuation Officer Agency	586	
Total fair value of assets valued in 2009/10			**6,554**
2010/11	Norfolk Property Services	68,940	
Total fair value of assets valued in 2010/11			**68,940**
Assets carried at historical cost:			**35,358**
Net Book Value at 31 March 2011			**157,731**

The last full valuation of the authority's assets was carried out at the 1 April 2008; the five year anniversary. During 2010/11 Norfolk Property Services were appointed as the authority's valuers and a rolling programme will be adopted.

13. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term			Current	
	31 March 2011	31 March 2010		31 March 2011	31 March 2010
	£000	£000		£000	£000
Debtors					
Loans and receivables	-	-		961	1,039

Borrowings					
Financial liabilities at amortised cost	(22,390)	(22,390)		(489)	(489)
Creditors					
Financial liabilities carried at contract amount	-	-		(4,114)	(4,414)

Income, Expense, Gains and Losses

	2010/11			2009/10		
	Financial liabilities measured at amortised cost £000	**Financial Assets: Loans and Receivables £000**	**Total £000**	**Financial liabilities measured at amortised cost £000**	**Financial Assets: Loans and Receivables £000**	**Total £000**
Total expense in Surplus or Deficit on the Provision of Services: **interest expense**	**978**	**-**	**978**	**995**	**-**	**995**
Total income in Surplus or Deficit on the Provision of Services: **interest income**	**-**	**(20)**	**(20)**	**-**	**(17)**	**(17)**
Net (gain)/loss for the year	**978**	**(20)**	**958**	**995**	**(17)**	**978**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2011 of 4.11% to 4.2% for loans from the Public Works Loans Board (PWLB)
- no early repayment or impairment is recognised
- where an instrument matures in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2010			31 March 2011	
Carrying amount	**Fair value**		**Carrying amount**	**Fair value**
£000	**£000**		**£000**	**£000**
1,039	1,039	Loans and receivables	961	961
(22,390)	(23,007)	Borrowings long-term	(22,390)	(23,776)
(489)	(489)	Borrowings short-term	(489)	(489)
(4,414)	(4,414)	Creditors	(4,114)	(4,114)
(26,254)	**(26,871)**	**Total**	**(26,032)**	**(27,418)**

The fair value of the liabilities is lower than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders below current market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

14. INVENTORIES

31 March 2009	31 March 2010		31 March 2011
£000	£000		£000
12	13	Tourist Information shop	13
11	11	Dock Museum shop	13
7	6	Other stocks held for internal issue	5
30	**30**	**Total**	**31**

15. DEBTORS

31 March 2009 Restated	31 March 2010 Restated		31 March 2011
£000	£000		£000
2,963	3,825	Central government bodies	3,132
1,983	1,565	Other local authorities	1,014
2,058	1,636	Other entities and individuals	1,136
7,004	**7,026**	**Total**	**5,282**

Within the other entities and individuals, the benefit overpayments to be recovered by deduction from ongoing entitlements have been brought into the accounts in 2010/11. For comparative purposes, the figure for debtors at 31 March 2010 has been restated as has the provision for bad and doubtful debts, in line with the authority's accounting policy for benefit overpayments.

16. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2009 Restated	31 March 2010		31 March 2011
£000	£000		£000
2	2	Cash held by the Council	2
4,587	1,123	Bank current accounts	3,849
3	1	Interest income	1
4,592	**1,126**	**Total Cash and Cash Equivalents**	**3,852**

17. CREDITORS

31 March 2009 Restated	31 March 2010 Restated		31 March 2011
£000	£000		£000
(297)	(460)	Central government bodies	(663)
(115)	(448)	Other local authorities	(602)
(4,903)	(5,014)	Other entities and individuals	(4,539)
(5,315)	**(5,922)**	**Total**	**(5,804)**

The receipts in advance at 31 March 2010 have been restated as revenue grants that have no conditions of repayment attached to them and are now carried in the accounting statements as earmarked reserves.

The benefits payable during employment creditor was introduced in this Statement and the restatement includes this for 2009/10. There is no effect on the General Fund or HRA balances for this restatement as the creditor is matched with the Accumulated Absence Account, with entries from the Movement in Reserves Statement in accordance with regulation.

18. PROVISIONS

	Insurance Provision	Early Retirement Provision	Total
	£000	£000	£000
Balance at 1 April 2009	**(450)**	**(59)**	**(509)**
Amounts used in 2009/10	-	6	6
Amounts added in 2009/10	(177)	-	(177)
Balance at 31 March 2010	**(627)**	**(53)**	**(680)**
Amounts used in 2010/11	-	6	6
Unused amounts reversed in 2010/11	627	-	627
Balance at 31 March 2011	**-**	**(47)**	**(47)**

The early retirement provision was established in 2005/06 and provides for the payment of annual amounts due to be paid for discretionary pension benefits from enhanced early retirements in 2005/06 onwards.

The authority has carried an insurance provision for a number of years. Whilst reviewing the accounting requirements for this Statement it was determined that the provision was technically a reserve rather than a provision.

19. USABLE RESERVES

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

20. UNUSABLE RESERVES

31 March 2009 Restated	31 March 2010 Restated		31 March 2011
£000	£000		£000
(29,269)	(30,169)	Revaluation Reserve	(28,137)
(108,849)	(112,135)	Capital Adjustment Account	(96,771)
665	424	Financial Instruments Adjustment Account	182
(7)	(5)	Deferred Capital Receipts Reserve	(1)
22,199	32,395	Pensions Reserve	21,944
52	46	Collection Fund Adjustment Account	35
43	57	Accumulated Absences Account	47
(115,166)	**(109,387)**	**Total Unusable Reserves**	**(102,701)**

Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

2008/09	2009/10			2010/11
£000	£000			£000
(16,155)	**(29,268)**	**Balance at 1 April**		**(30,169)**
(33,620)	(2,210)	Upward revaluation of assets	(2,797)	
18,932	541	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	4,101	
(14,688)	**(1,669)**	**(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**1,304**
1,506	713	Difference between fair value depreciation and historical cost depreciation	686	
69	21	Accumulated gains on assets sold	42	
-	34	Accumulated gains on items removed from Non-Current Assets	-	
1,575	**768**	**Amount written off to the Capital Adjustment Account**		**728**
(29,268)	**(30,169)**	**Balance at 31 March**		**(28,137)**

Capital Adjustment Account

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

The Account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

2008/09 Restated	2009/10 Restated			2010/11
£000	£000			£000
(116,197)	(108,848)	**Balance at 1 April**		(112,135)
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
3,543	4,128	▪ Charges for depreciation and impairment of non-current assets	4,012	
17,042	1,706	▪ Revaluation losses on Property, Plant and Equipment	19,214	
1,570	2,288	▪ Revenue expenditure funded from capital under statute	2,348	
1,123	931	▪ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	549	
(1,575)	(768)	Adjusting amounts written out of the Revaluation Reserve	(728)	
21,703	**8,285**	**Net written out amount of the cost of non-current assets consumed in the year**		**25,395**
		Capital financing applied in the year:		
(642)	(300)	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(529)	
(1,951)	(1,791)	▪ Use of the Major Repairs Reserve to finance capital expenditure	(1,846)	
(10,817)	(5,859)	▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,632)	
-	(2,442)	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	(1,389)	

(814)	(1,105)	▪ Statutory provision for the financing of capital investment charged against the General Fund balance	(1,121)	
(130)	(75)	▪ Capital expenditure charged against the General Fund balance	(1,513)	(10,030)
(108,848)	**(112,135)**	**Balance at 31 March**		**(96,770)**

Financial Instruments Adjustment Account

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

2008/09	2009/10		2010/11
£000	£000		£000
906	665	Balance at 1 April	424
(241)	(241)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(241)
665	**424**	**Balance at 31 March**	**183**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority 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.

2008/09	2009/10		2010/11
£000	£000		£000
22,822	22,199	Balance at 1 April	32,395
(1,345)	9,216	Actuarial (gains) or losses on pensions assets and liabilities	(6,364)
2,354	2,750	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,252)
(1,632)	(1,770)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,836)
22,199	**32,395**	**Balance 31 March**	**21,943**

Deferred Capital Receipts Reserve

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

2008/09	2009/10		2010/11
£000	£000		£000
(9)	(7)	Balance at 1 April	(5)
2	2	Transfer to the Capital Receipts Reserve upon receipt of cash	4
(7)	**(5)**	**Balance at 31 March**	**(1)**

Collection Fund Adjustment Account

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

2008/09	2009/10		2010/11
£000	£000		£000
(22)	52	Balance at 1 April	46
74	(6)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax calculated for the year in accordance with statutory requirements	(11)
52	**46**	**Balance at 31 March**	**35**

Accumulated Absences Account

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

2008/09	2009/10		2010/11
£000	£000		£000
0	42	Balance at 1 April	57
42	15	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(11)
42	**57**	**Balance at 31 March**	**46**

21. OTHER LONG TERM LIABILITIES

2008/09	2009/10		2010/11
£000	£000		£000
(22,199)	(32,395)	Pension scheme liabilities	(21,944)
-	(38)	Compulsory purchase proceeds	(77)
(22,199)	**(32,433)**	**Total**	**(22,021)**

22. LONG TERM DEBTORS

2008/09	2009/10		2010/11
£000	£000		£000
7	5	RTB mortgage principal	1
-	5	Catering contract deposit	5
7	**10**	**Total**	**6**

23. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2009/10		2010/11
£000		£000
19	Interest received	20
(1,139)	Interest paid	(978)

24. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2009/10		2010/11
£000		£000
1,642	Purchase of property, plant and equipment	1,533
6,695	Other payments for investing activities	4,872
(490)	Proceeds from the sale of property, plant and equipment	(422)
(5,780)	Other receipts from investing activities	(2,844)
2,067	**Net cash flows from investing activities**	**3,139**

25. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2009/10		2010/11
£000		£000
6,610	Repayments of amounts borrowed	-
1,549	Agency transactions relating to NNDR and council tax (billing authority)	(729)
8,159	**Net cash flows from financing activities**	**(729)**

26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the authority's Executive Committee on the basis of budget reports analysed across subjective headings. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year
- expenditure on support services is budgeted for centrally and not charged during the year
- no charges are made in relation to accrued leave.

The income and expenditure of the authority's directorates expressed in the subjective headings recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure 2010/11	**Chief Executive**	**Director of Regeneration and Community Services**	**Director of Corporate Services**	**Borough Treasurer**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	-	(14,111)	(1,510)	(958)	(16,579)
Government grants	-	(915)	(58)	(26,571)	(27,544)
Total Income	**-**	**(15,026)**	**(1,568)**	**(27,529)**	**(44,123)**
Staff pay	388	5,314	1,287	1,171	8,160
Other service expenses	245	13,715	2,149	29,295	45,404
Total Expenditure	**633**	**19,029**	**3,436**	**30,466**	**53,564**
Net Expenditure	**633**	**4,003**	**1,868**	**2,937**	**9,441**

Directorate Income and Expenditure 2009/10 comparative figures	**Chief Executive**	**Director of Regeneration and Community Services**	**Director of Corporate Services**	**Borough Treasurer**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	-	(14,085)	(1,737)	(674)	(16,496)
Government grants	-	(857)	(45)	(25,019)	(25,921)
Total Income	**-**	**(14,942)**	**(1,782)**	**(25,693)**	**(42,417)**
Staff pay	378	5,449	1,361	1,062	8,250
Other service expenses	270	14,381	2,374	27,384	44,409
Total Expenditure	**648**	**19,830**	**3,735**	**28,446**	**52,659**
Net Expenditure	**648**	**4,888**	**1,953**	**2,753**	**10,242**

The analysis includes 100% of services and 100% of direct costs. The Code requires that at least 75% of the gross expenditure is included, however for 2010/11 in total the analysis represents 73% of the gross expenditure; excluding the exceptional items from the gross expenditure makes this 90%.

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2010/11	2009/10
	£000	£000
Net expenditure in the Directorate Analysis	9,441	10,242
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	17,867	5,172
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(363)	(725)
Cost of Services in Comprehensive Income and Expenditure Statement	**26,945**	**14,689**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	**Directorate Analysis £000**	**Amounts not reported to management for decision making £000**	**Amounts not included in I&E £000**	**Cost of Services £000**	**Corporate Amounts £000**	**Total £000**
Fees, charges & other service income	(16,579)	-	(147)	(16,726)	-	(16,726)
Interest and investment income	-	-	-	-	(3,372)	(3,372)
Income from council tax	-	-	-	-	(4,428)	(4,428)
Government grants and contributions	(27,544)	-	123	(27,421)	(14,003)	(41,424)
Total Income	**(44,123)**	**-**	**(24)**	**(44,147)**	**(21,803)**	**(65,950)**
Staff pay	8,160	(321)	(461)	7,378	-	7,378
Pensions valuation adjustment	-	(4,827)	-	(4,827)	-	(4,827)
Other service expenses	45,404	(627)	122	44,899	-	44,899
Support Service recharges*	-	(90)	-	(90)	-	(90)
Depreciation, revaluation & impairment	-	23,732	-	23,732	-	23,732
Interest Payments	-	-	-	-	5,835	5,835
Precepts	-	-	-	-	103	103
Payments to Housing Capital Receipts Pool	-	-	-	-	194	194
(Gain) or Loss on Disposal of Non-Current Assets	-	-	-	-	61	61

Total Expenditure	**53,564**	**17,867**	**(339)**	**71,092**	**6,193**	**77,285**
(Surplus) or deficit on the Provision of Services	**9,441**	**17,867**	**(363)**	**26,945**	**(15,610)**	**11,335**

* The gross value of support services recharged to and between front line services is £5,357k, with £90k being recharged to capital projects.

2009/10 comparative figures	**Directorate Analysis £000**	**Amounts not reported to management for decision making £000**	**Amounts not included in I&E £000**	**Cost of Services £000**	**Corporate Amounts £000**	**Total £000**
Fees, charges & other service income	(16,496)	-	(261)	(16,757)	-	(16,757)
Interest and investment income	-	-	-	-	(2,696)	(2,696)
Income from council tax	-	-	-	-	(4,438)	(4,438)
Government grants and contributions	(25,921)	-	(122)	(26,043)	(17,601)	(43,644)
Total Income	**(42,417)**	**-**	**(383)**	**(42,800)**	**(24,735)**	**(67,535)**
Staff pay	8,250	(571)	(408)	7,271	-	7,271
Other service expenses	44,409	-	66	44,475	-	44,475
Support Service recharges*	-	(111)	-	(111)	-	(111)
Depreciation, revaluation & impairment	-	5,854	-	5,854	-	5,854
Interest Payments	-	-	-	-	5,643	5,643
Precepts	-	-	-	-	102	102
Payments to Housing Capital Receipts Pool	-	-	-	-	244	244
(Gain) or Loss on Disposal of Non-Current Assets	-	-	-	-	53	53
Total Expenditure	**52,659**	**5,172**	**(342)**	**57,489**	**6,042**	**63,531**
(Surplus) or deficit on the Provision of Services	**10,242**	**5,172**	**(725)**	**14,689**	**(18,693)**	**(4,004)**

* The gross value of support services recharged to and between front line services is £5,604k, with £111k being recharged to capital projects.

27. MEMBERS' ALLOWANCES

The authority paid the following amounts to members of the Council during the year.

2009/10		**2010/11**
£000		**£000**
83	Basic allowances	84
34	Extra responsibility allowance	33
19	Expenses	19
136	**Total**	**136**

The Mayor of the Borough also receives an honorarium for their year of office to cover mayoral duties and civic receptions. The honorarium for 2010/11 was £5k (£5k for 2009/10).

28. OFFICERS' REMUNERATION

The remuneration paid to the authority's senior employees is as follows:

		Salary and allowances	Benefits in kind	Total remuneration excluding pension contributions	Employers pension contribution	Total remuneration including pension contributions
		£000	£000	£000	£000	£000
Chief Executive	2010/11	99	-	**99**	12	**111**
	2009/10	99	-	**99**	11	**110**
Director of Regeneration and Community Services	2010/11	70	2	**72**	8	**80**
	2009/10	66	5	**71**	7	**78**
Director of Corporate Services	2010/11	73	-	**73**	9	**82**
	2009/10	72	-	**72**	8	**80**
Borough Treasurer	2010/11	54	4	**58**	8	**66**
	2009/10	55	6	**61**	6	**67**

The allowances are for car subsidy, telephones and local election allowance, the benefits in kind relate to lease cars.

29. EXTERNAL AUDIT COSTS

The authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the authority's external auditors.

2009/10		2010/11
£000		£000
121	Fees payable to Audit Commission with regard to external audit services carried out by the appointed auditor for the year	131
45	Fees payable to Audit Commission for the certification of grant claims and returns for the year	12
166	**Total**	**143**

30. GRANT INCOME

The authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2010/11:

2009/10		2010/11
£000		£000
	Credited to Taxation and Non Specific Grant Income	
(7,316)	Non-domestic rates redistribution	(7,932)
(1,689)	Revenue support grant	(1,152)
(3,485)	Area based grant	(2,940)
(73)	Housing, planning delivery grant	-
(26)	Local authority business growth incentive	-
-	Community assets fund	(677)
(1,111)	Cumbria County Council	(311)
(1,487)	North West development agency	(273)
(911)	Housing market renewal	(217)
-	Housing capital grant	(168)
-	Rural regeneration	(100)
(505)	West Lakes renaissance	-
(464)	Heritage lottery	-
(200)	Seaside town grant	-
-	Other grants	(231)
(334)	Other contributions	(1)
(17,601)	**Total**	**(14,002)**
	Credited to Services	
(24,223)	Housing & council tax benefits subsidy	(25,794)
(1,493)	Housing capital grant	(1,175)
(760)	Benefits administration	(733)
(347)	Disabled facilities grant	(521)
-	Inspiring communities	(238)
(373)	Concessionary fares	(153)
(247)	Cumbria County Council	(143)
(52)	Housing market renewal	(113)
(617)	Other grants	(389)
(28,112)	**Total**	**(29,259)**

31. RELATED PARTIES

The authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the authority or to be controlled or influenced by the authority. Disclosure of these transactions allows readers to assess the extent to which the authority 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 authority.

Government bodies

Central government has effective control over the general operations of the authority – it is responsible for providing the statutory framework within which the authority operates and provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (such as council tax bills and housing benefits). Precept transactions with Cumbria County

Council and the Police Authority are disclosed in the Collection Fund. Transactions with Cumbria County Council as the administering pensions authority are disclosed in note 36. Grants receipts outstanding at 31 March 2011 are disclosed in Note 15 and grant income for 2010/11 is disclosed in Note 30.

Members

Members of the council have direct control over the authority's financial and operating policies. During 2010/11, works and services to the value of £15k were commissioned from companies in which 3 members had an interest. These transactions were fully compliant with the authority's procurement policy. During 2010/11, housing benefit to the value of £198k was paid to 2 members in their capacity as private landlords. The total of members' allowances paid in 2010/11 is shown in Note 27.

Officers

Officers of the council have direct control over the authority's finances and operational decisions. During 2010/11, housing benefit to the value of £4k was paid to 1 officer in their capacity as a private landlord.

32. 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 authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

2009/10		2010/11
£000		£000
33,874	***Opening Capital Financing Requirement***	**33,943**
	Capital investment	
9,351	Property, Plant and Equipment	6,560
2,288	Revenue Expenditure Funded from Capital under Statute	2,348
	Sources of finance	
(300)	Capital receipts	(529)
(8,299)	Government grants and other contributions	(6,378)
(1,791)	Sums set aside from revenue	(1,846)
(75)	Direct revenue contributions	(155)
(1,105)	Minimum Revenue Provision	(1,121)
33,943	***Closing Capital Financing Requirement***	**32,822**
	Explanation of movements in year	
69	Increase in underlying need to borrow (unsupported by government financial assistance)	(1,121)
69	***Increase/(decrease) in Capital Financing Requirement***	**(1,121)**

33. LEASES

The authority does not hold any finance leases, but has a number of operating leases, both as lessee and lessor.

Authority as Lessee

Operating Leases

The authority has a number of assets embedded in contractual arrangements, these are vehicles and equipment. The authority also leases in an operational building, allotments and other land and buildings, and is a sub-lessee for officers cars.

The authority has 11 non-specialist vehicles and 23 photocopiers on short term agreements utilised across a number of departments. These are considered deminimus and are not included in the lease figures below.

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2010		31 March 2011
£000		£000
605	Not more than one year	576
2,072	Later than one year and not later than five years	1,991
1,142	Later than five years	647
3,819		**3,214**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to the non-embedded leases is:

31 March 2010		31 March 2011
£000		£000
155	Minimum lease payments	157
(34)	Sublease receipts	(35)
121		**122**

Authority as Lessor

Operating Leases

The authority leases out property under operating leases for the provision of community services and for economic regeneration purposes to provide suitable affordable premises for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2010		31 March 2011
£000		£000
(737)	Not more than one year	(782)
(1,745)	Later than one year and not later than five years	(1,590)
(1,750)	Later than five years	(1,603)
(4,232)		**(3,975)**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £61k contingent rents were receivable by the authority (£62k in 2009/10).

34. REVALUATION LOSSES

During 2010/11, the authority has recognised a revaluation loss of £19,025k in relation to its council dwellings.

Local authority housing is valued at Existing Use Value of Social Housing. Existing Use means the delivery of appropriate housing to those who are unable to obtain suitable housing through the wider housing market. The Value is obtained by taking the cost of buying a vacant dwelling and applying an adjustment factor according to the type of tenancy and regional factors to reflect that the property is used as Social Housing.

The adjustment factor for the North West for 2010/11 is 35%, a decrease from 48% which was set in 2005. The reasons for the decrease are caused by the growth of vacant possession values in the housing market, falling yields in the private rented market and continued rent restructuring in the public sector.

The recoverable amount of the dwellings has been reduced to their value in use and the revaluation loss charged to the Comprehensive Income and Expenditure Statement.

35. TERMINATION BENEFITS

The authority agreed voluntary redundancy applications from 8 employees in 2010/11, incurring liabilities of £183k (none in 2009/10).

36. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pensions Scheme, administered by Cumbria County Council – this is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets.

Transactions Relating to Post-employment Benefits

The authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the authority 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 via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

£000		£000	£000
2009/10		**2010/11**	**2010/11**
	Comprehensive Income and Expenditure Statement		
	Cost of Services:		
699	▪ current service cost	1,048	
31	▪ past service costs	(4,804)	
51	▪ curtailment cost	-	
	Financing and Investment Income and Expenditure		
4,648	▪ interest cost	4,857	
(2,679)	▪ expected return on scheme assets	(3,353)	
2,750	***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***		**(2,252)**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
9,216	▪ actuarial (gains) and losses		(6,364)
(11,966)	***Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account***		**(8,616)**

	Movement in Reserves Statement	
(2,750)	**reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code**	**2,252**

	Actual amounts charged against the General Fund Balance for pensions in the year:	
1,770	**employers' contributions payable to scheme**	**1,836**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £6,554k (£12,918k for 2009/10).

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

£000		£000
2009/10		**2010/11**
(66,650)	Opening balance at 1 April	(87,856)
6	Prior year contributions to the scheme	109
(699)	Current service cost	(1,048)
(4,648)	Interest cost	(4,857)
(370)	Contributions by scheme participants	(364)
(18,837)	Actuarial (gains) and losses	7,237
3,424	Benefits paid	3,660
(31)	Past service costs	4,804
(51)	Curtailments	-
(87,856)	**Closing balance at 31 March**	**(78,315)**

Reconciliation of fair value of the scheme (plan) assets:

£000		£000
2009/10		2010/11
44,445	Opening balance at 1 April	55,461
2,679	Expected rate of return	3,353
9,621	Actuarial (gains) and losses	(873)
1,770	Employer contributions	1,726
370	Contributions by scheme participants	364
(3,424)	Benefits paid	(3,660)
55,461	**Closing balance at 31 March**	**56,371**

The assets at the 31 March 2011 consist of:

£000		£000
2009/10		2010/11
29,449	Equities	29,087
11,314	Government bonds	10,147
5,435	Other bonds	7,892
3,217	Property	3,439
1,276	Cash/liquidity	902
4,770	Other	4,904
55,461	**Balance at 31 March**	**56,371**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £4,232k (£12,300k in 2009/10).

Scheme History

	2006/07	2007/08	2008/09	2009/10	2010/11
	£000	£000	£000	£000	£000
Present value of liabilities	(72,669)	(79,108)	(66,650)	(87,856)	(78,315)
Fair value of assets	57,379	56,171	44,445	55,461	56,371
Scheme surplus/(deficit)	**(15,290)**	**(22,937)**	**(22,205)**	**(32,395)**	**(21,944)**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £21,944k has a substantial impact on the Total Reserves of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy as it will be made good by contributions over the remaining working life of employees (this is, before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the authority in the year to 31 March 2012 is £1,959k.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary rates and other factors. The Local Government Pension Scheme has been assess by Mercer Limited an independent firm of actuaries, estimates for the County Council Fund being based on the latest actuarial valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

2009/10		2010/11
	Long-term expected rate of return on assets in the scheme:	
7.5%	Equities	7.5%
4.5%	Government bonds	4.4%
5.2%	Other bonds	5.1%
6.5%	Property	6.5%
0.5%	Cash/liquidity	0.5%
7.5%	Other	7.5%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.2	▪ Men	21.8
24.1	▪ Women	24.4
	Longevity at 65 for future pensioners:	
22.2	▪ Men	23.2
25.0	▪ Women	26.0
3.3%	Rate of RPI inflation	3.4%
2.8%	Rate of CPI inflation	2.9%
5.05%	Rate of increase in salaries	4.65%
3.3%	Rate increase in pensions	2.9%
5.6%	Rate for discounting scheme liabilities	5.5%
50%	Take-up of option to convert annual pension into retirement lump sum	50%

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Differences between the expected and actual return on assets	0.6	(5.6)	(30.7)	17.3	(1.5)
Experience (gains) and losses on liabilities	-	0.4	-	-	6.3

37. CONTINGENT LIABILITIES

The authority is a member of the Scheme of Arrangement with Municipal Mutual Insurance (MMI). A contingent Scheme of Arrangement under section 425 of the Companies Act 1985 became effective on 21 January 1994 but remains held in reserve because a surplus at the conclusion of the run-off period continues to be foreseen by the Directors. The reserve is held by MMI and their primary objective is to conclude the run-off of the MMI's business and pay Scheme creditors. Should the Scheme not achieve a solvent run-off, the Scheme debtors would be liable to contribute. The authority's maximum liability would be £1,369k; the value of claims paid since the inception of the Scheme. In addition, there are existing outstanding claims as at 31 March 2011 totalling £45k.

38. CONTINGENT ASSETS

Contingent assets represent proceeds to the authority where a dwelling sold under the tenant's Right to Buy is sold on within 5 years of the purchase from the authority. There is a statutory calculation to claw back a proportion of the discount originally awarded to the tenant that purchased the dwelling from the authority.

39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The authority'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 authority might not have 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.

The authority's overall Treasury Management Strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Treasury risk management is carried out by the Borough Treasurer under policies approved by Council in the annual Treasury Management Strategy. The authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers.

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the authority are as detailed below:

- Minimum credit rating of A (Fitch or equivalent)
- UK institutions provided with support from the UK Government
- Building societies limited by value based on their asset size.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by Council.

The authority had no exposure to credit risk during 2010/11 or 2009/10 as there were no authority funds invested in the market.

No credit limits were exceeded during the reporting period.

The authority does not generally allow credit for customers, such that £528k of the £977k balance owed by trade debtors is past its due date for payment. The past due amount can be analysed by age as follows:

31 March 2010		31 March 2011
£000		**£000**
288	Less than three months	314
90	Three to six months	23
87	Six months to one year	68
197	More than one year	123
662		**528**
495	Provision for bad and doubtful debts	365
75%	Percentage of provision	69%

Of the £528k debt at 31 March 2011, £299k is currently held in dispute or being paid by instalments which adds a risk to their eventual repayment.

Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing during specified periods to reduce exposure to large fixed rate sums falling due for refinancing, through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

31 March 2010		31 March 2011
£000		**£000**
4,000	Between 20 and 25 years	10,000
6,000	Between 25 and 30 years	-
12,390	Between 40 and 45 years	12,390
22,390		**22,390**

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The authority has a number of strategies for managing interest rate risk:

- The Treasury Management Strategy sets an indicator to provide the maximum limits for fixed and variable interest rate exposure.
- The Borough Treasurer monitors market and forecast interest rate 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 rate borrowing would be postponed.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be to decrease the fair value of fixed rate borrowing liabilities by £3,557k. A 1% fall would increase the fair value by the same amount.

Price Risk

The authority does not invest in equity shares or marketable bonds so has no exposure to loss from movements in the stock market.

Foreign Exchange Risk

The authority has no financial assets or liabilities denominated in foreign currencies so has no exposure to loss from movements in exchange rates.

HRA INCOME AND EXPENDITURE STATEMENT

2009/10 Restated		2010/11	
£000		£000	£000
	Expenditure		
2,960	Repairs and maintenance	2,904	
2,657	Supervision and management	2,579	
2	Rents, rates, taxes and other charges	2	
192	Negative HRA Subsidy payable (Note 8)	777	
304	Depreciation and impairment of dwellings (Note 7)	20,675	
159	Depreciation and impairment of non-dwelling assets	127	
12	Debt management costs	12	
44	Movement in the allowance for bad debts	52	
6,330	**Total Expenditure**		**27,128**
	Income		
(8,336)	Dwelling rents	(8,423)	
(307)	Non-dwelling rents	(322)	
(357)	Charges for services and facilities	(298)	
(37)	Contributions from other Local Authorities	(23)	
(9,037)	**Total Income**		**(9,066)**
(2,707)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**18,062**
111	HRA services' share of Corporate and Democratic Core		113
-	HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services		(838)
(2,596)	**Net (Income)/Expenditure for HRA Services**		**17,337**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(86)	Gain or (loss) on sale of HRA non-current assets		(134)
469	Interest payable and similar charges		487
-	Interest and investment income		-
352	Pensions interest cost and expected return on pension assets (Note 10)		261
(1,861)	**(Surplus) or deficit for the year on HRA services**		**17,951**

Movement on the HRA Statement

2009/10 Restated			2010/11
£000			£000
(846)	Balance on the HRA at the end of the previous year		(823)
(1,861)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	17,951	
1,846	Adjustments between accounting basis and funding basis under statute	(18,128)	
(15)	**Net (increase) or decrease before transfers to or from reserves**	**(177)**	
38	Transfers to or (from) reserves	(38)	
23	**(Increase) or decrease in the year on the HRA**		**(215)**
(823)	Balance in the HRA at the end of the current year		(1,038)

Notes to the HRA

1. Dwelling stock

	31 March 2010	Movements	31 March 2011
1 bed house	143	-	143
2 bed house	389	(4)	385
3+ bed house	922	-	922
Total houses	**1,454**	**(4)**	**1,450**
1 bed flat	949	(3)	946
2 bed flat	306	1	307
3+ bed flat	8	-	8
Total flats	**1,263**	**(2)**	**1,261**
Dwelling stock	**2,717**	**(6)**	**2,711**

2. HRA non-current assets

31 March 2010		31 March 2011
£000		£000
83,357	Council dwellings	63,146
2,170	Land and buildings	2,294
29	Equipment	16
85,556	**HRA assets**	**65,456**

3. Vacant possession of dwellings

Council dwellings are held in the Balance Sheet at their Existing Use Value of Social Housing. The valuation in the Balance Sheet for council dwellings would be higher without the adjustment that is made. The valuation in the Balance Sheet would be higher if the Existing Use Value in Vacant Possession was used.

The adjustment factor for the North West for 2010/11 is 35%, a decrease from 48% which was set in 2005. The reasons for the decrease are caused by the growth of vacant possession values in the housing market, falling yields in the private rented market and continued rent restructuring in the public sector.

31 March 2010		31 March 2011
Adjustment factor 48%		Adjustment factor 35%
£000		£000
83,357	Balance Sheet value EUV-SH	63,146
90,303	Difference of EUV-SH and EUV-VP	117,272
173,660	**Value of dwelling stock at EUV-VP**	**180,418**

4. Major Repairs Reserve

An element of the HRA subsidy receivable is the Major Repairs Allowance (MRA). The MRA is intended to pay for major capital expenditure on council dwellings. The subsidy system allows the creation of the Major Repairs Reserve (MRR) to hold the MRA until it is used for capital expenditure.

2009/10		2010/11
£000		£000
	MRR transfers in the year:	
(1,561)	From HRA for dwellings depreciation	(1,696)
(148)	From HRA for other depreciation	(138)
(641)	Difference between MRA and dwellings depreciation	63
148	To HRA for depreciation of other assets	138
(2,202)	**MRA receivable for the year**	**(1,633)**
1,791	Capital expenditure financed by MRR	1,846
0	**Balance brought forward**	**(411)**
(411)	Balance carried forward	(198)

5. HRA Capital Financing Requirement

2009/10		2010/11
£000		£000
9,010	**Opening Capital Financing Requirement**	**9,010**
	Capital investment:	
1,791	Council dwellings	1,846
34	Surplus assets	-
	Source of finance:	
(1,791)	Major Repairs Reserve	(1,846)
(34)	Grants and contributions	-
9,010	**Closing Capital Financing Requirement**	**9,010**

6. HRA non-current asset disposals

2009/10		2010/11
£000		£000
288	Carrying value of dwellings sold	192
49	Carrying value of other assets sold	-
(207)	Sale proceeds from dwellings	(323)
(94)	Sale proceeds from other assets	-
(36)	**Net gain on disposals**	**(131)**

7. Depreciation and revaluation loss on dwellings

2009/10		2010/11	
£000		£000	£000
104	Revaluation loss	19,862	
(1,362)	Reversal of previous revaluation loss	(837)	19,025
1,562	Depreciation for current year	1,586	
-	Depreciation adjustments on loss reversal	110	1,696
-	Depreciation adjustments on loss reversal I&E adjustment		(46)
304			**20,675**

8. HRA subsidy

The subsidy payable from the HRA to Government is composed of elements of subsidy payable and receivable for the financial year:

2009/10		2010/11
£000		£000
(1,826)	Allowance for management	(1,877)
(3,015)	Allowance for maintenance	(3,069)
(2,203)	Major Repairs Allowance	(1,633)
(881)	Charges for capital	(881)
8,078	Rent receivable	8,243
153	**Total current year HRA subsidy payable**	**783**

The Major Repairs Allowance for 2009/10 included £300k of the allowance for 2010/11 advanced by the Government as part of the measures to aid economic recovery.

9. Rent arrears and provision

2009/10		2010/11
£000		£000
327	Arrears at year end	292
253	Provision for bad and doubtful debts	215
77%	**Percentage of provision**	**74%**

10. Transactions Relating to Post-employment Benefits

The authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the authority is required to make on the HRA is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out via the Movement on the HRA Statement. The following transactions have been made in the HRA Income and Expenditure Statement and the Movement on the HRA Statement during the year:

£000		£000
2009/10		**2010/11**
	HRA	
	Cost of Services:	
125	▪ current service cost	182
-	▪ past service costs	(838)
	Financing and Investment Income and Expenditure	
830	▪ interest cost	843
(478)	▪ expected return on scheme assets	(582)
477	*Total Post Employment Benefit Charged to the HRA Income and Expenditure Account*	(395)
	Movement in Reserves Statement	
(477)	▪ reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	395
	Actual amounts charged against the HRA Balance for pensions in the year:	
265	▪ employers' contributions payable to scheme	261

COLLECTION FUND

2009/10		2010/11	
£000		£000	£000
	Income		
(26,976)	Income from Council Tax	(27,264)	
	Transfers from General Fund:		
(6,221)	- Council Tax benefits	(6,474)	
(19,716)	Income collectable from business ratepayers	(18,758)	
(52,913)	**Total Income**		**(52,496)**
	Expenditure		
	Precepts and demands:		
24,542	- Cumbria County Council	25,026	
4,448	- Barrow Borough Council	4,452	
4,053	- Cumbria Police Authority	4,177	
	Business rate:		
19,614	- Payment to national pool	18,657	
102	- Costs of collection	101	
	Bad and doubtful debts:		
(698)	- Write offs	(324)	
932	- Provisions	592	
52,993	**Total Expenditure**		**52,681**
80	**(Surplus)/Deficit for the year**		**185**

Notes to the Collection Fund

1. Income from business ratepayers

Under the arrangements for uniform business rates the Council collects business rates for its area that are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by central government. The pool pays back to the Council their share of the pool based on a standard amount per head of the local adult population.

The total non-domestic rateable value at the 31 March 2011 was £58,039k (£48,432 at the 31 March 2010).

The national non-domestic rate multiplier for 2010/11 was 41.4 pence in the pound (48.5 pence in the pound for 2009/10).

A small business rate relief scheme was also introduced on the 1 April 2005 whereby, providing certain conditions are met, occupiers of properties with a rateable value of less than £15k pay a reduced rate of 40.7 pence in the pound (48.1 pence in the pound for 2009/10) and can also qualify for rate relief.

2. Bad and doubtful debts

Provision has been made for the potential bad and doubtful debts of the Collection Fund.

The arrears at the year-end together with the aggregate Balance Sheet provision and overall percentage provisions are:

31 March 2010		31 March 2011
£000		£000
	Council Tax	
4,010	Arrears	3,959
2,577	Provision for bad and doubtful debts	2,520
64%	Percentage of provision	64%
	Business ratepayer	
1,223	Arrears	1,291
938	Provision for bad and doubtful debts	1,161
77%	Percentage of provision	90%

These balances relate to the total Collection Fund transactions for the year. The council tax transactions are apportioned between the precepting authorities and form part of the debtor for Cumbria County Council and the Police Authority, with the Council's share contained in the relevant Balance Sheet headings.

3. Collection Fund balance

The Collection Fund balance for each year belongs to the precepting authorities and is divided against the precept for the following year. Due to the timing of setting Council Tax each year there is a two year gap between establishing the balance for the year and returning the surplus or deficit.

Deficit for 2009/10 to be distributed in 2011/12		Deficit for 2010/11 to be distributed in 2012/13
£000		**£000**
60	Cumbria County Council	137
10	Police Authority	23
10	Barrow Borough Council	25
80		**185**

4. Council Tax base

The Council Tax base is the number of properties against which the Council Tax can be collected. All properties on the valuation list are split into eight bands, A to H, and each band is given a standard factor to convert it to a band D equivalent. The total of the band D equivalent, net of discounts and adjustments, is then multiplied by an assumed collection rate to give the tax base for the area.

The collection rate was assumed to be 98% for 2010/11 as it was in 2009/10.

The Council Tax base for the year was set as:

2009-10 Band D equivalent number of chargeable dwellings	Band	Standard factor	2010/11 Band D equivalent number of chargeable dwellings
29	Disabled reductions		30
10,849	A	6/9	10,839
3,810	B	7/9	3,808
3,724	C	8/9	3,739
2,054	D	9/9	2,065
1,085	E	11/9	1,083
311	F	13/9	313
107	G	15/9	109
1	H	18/9	-
21,970	Equivalent chargeable dwellings		21,986
21,531	98% of which gives the Council Tax base		21,546

The total of the precepts and demands on the collection fund is divided by the tax base to arrive at the band D Council Tax, and by applying the standard factor to each band the tax figures are calculated.

2009/10 Council Tax	Band	Property value	2010/11 Council Tax
£			£
1,019.97	A	Up to £39,999	1,038.17
1,189.97	B	£40,000 to £51,999	1,211.20
1,359.96	C	£52,000 to £67,999	1,384.23
1,529.96	**D**	**£68,000 to £87,999**	**1,557.26**
1,869.95	E	£88,000 to £119,999	1,903.32
2,209.95	F	£120,000 to £159,999	2,249.36
2,549.93	G	£160,000 to £319,999	2,595.42
3,059.91	H	£320,000 and over	3,114.51

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARROW BOROUGH COUNCIL

Opinion on the Authority accounting statements

I have audited the accounting statements of Barrow Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Barrow Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Borough Treasurer and auditor

As explained more fully in the Statement of the Borough Treasurer's Responsibilities, the Borough Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Barrow Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Barrow Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of Barrow Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Gina Martlew
Officer of the Audit Commission
Audit Commission
2nd Floor Aspinall House
Aspinall Close
Middlebrook
Bolton
BL6 6QQ

Date 30 September 2011