BOROUGH OF BARROW IN FURNESS

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STATEMENT OF ACCOUNTS 2011/12

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EXPLANATORY FOREWORD

Introduction from the Borough Treasurer

The Statement of Accounts summarises the authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. 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 aims to provide 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:

- Statement of Responsibilities
- Main Accounting Statements
    - Movement in Reserves Statement
    - Comprehensive Income and Expenditure Statement
    - Balance Sheet
    - Cash Flow Statement
    - Notes to the Main Accounting Statement
- Supplementary Accounting Statements
    - Housing Revenue Account and Notes
    - Collection Fund and Notes

b. Statement of Responsibilities

The Statement of Responsibilities (page 16) precedes the accounting statements and sets out the responsibilities of the authority and of 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

The Movement in Reserves Statement (pages 17 &18) 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 unusable reserves. The (Surplus) or Deficit on the Provision 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 for council tax setting and the Housing Revenue Account for dwelling rent setting purposes. The Net (Increase)/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the authority.

d. Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (page 19) 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 20) 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 are 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 21) 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 to the Main Accounting Statements

The Notes to the Main Accounting Statements (pages 22 to 85) include a summary of the significant accounting policies and other explanatory information.

h. Housing Revenue Account and Notes

The Housing Revenue Account (pages 86 to 90) 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 managing and maintaining council dwellings.

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 and Notes

The Collection Fund (pages 91 to 94) 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 net revenue budget

The General Fund net revenue budget for 2011/12 was approved as £14,114k by Council on the 1 March 2011. This compares to the actual outturn as follows:

Net Original Budget	**Actual**		**Net Original Budget**	**Actual**
2010/11	**2010/11**		**2011/12**	**2011/12**
£000	**£000**		**£000**	**£000**
16,574	14,573	Revenue budget/outturn before reserves	12,289	13,180
19	1,853	Earmarked reserve movements	1,825	1,205
16,593	**16,426**	**Net revenue budget/outturn**	**14,114**	**14,385**
(4,417)	(4,428)	Council tax	(4,444)	(4,444)
(12,176)	(12,024)	General Government grants	(9,670)	(9,941)
(16,593)	**(16,452)**	**Total revenue financing**	**(14,114)**	**(14,385)**
0	**(26)**	**Deficit/(surplus) for the year**	**0**	**0**

The main variations in the outturn against the 2011/12 approved budget are:

- Cost of staff redundancies £808k
- One-off costs of restructuring £70k
- Lower car parking income than expected £261k
- Reduced recycling credits £137k
- Lower leisure centre income than expected £119k
- Reduction in bad debt provision (£323k)
- VAT recovered for sports tuition (£81k)
- Higher cemetery and crematorium income than expected (£41k)
- Net saving on treasury activities (£41k)

The difference in the earmarked reserves movements come from:

	Planned	Actual	Difference
	£000	£000	£000
Revenue grants			
Use of earmarked revenue grants	**(121)**	**(46)**	**75**
New Restructuring Reserve			
Create Restructuring Reserve: from Transition Grant	1,699	421	
Add additional Government settlement: from Transition Grant	137	137	
Add additional Government settlement: from Formula Grant	48	48	
Add net surplus on 2011/12 outturn	-	151	
	1,884	**757**	**(1,127)**
Other new reserves			
CCTV: from Transition Grant	120	184	
NMT: from Transition Grant	50	50	
Grants to external bodies: from Transition Grant	-	400	
	170	**634**	**464**
Other existing reserves			
Ring fenced properties	47	174	
Leisure Centre income support	-	(124)	
Budget setting support	(155)	(155)	
Festival fund	-	(35)	
	(108)	**(140)**	**(32)**
Overall totals	**1,825**	**1,205**	**(620)**

The difference between the amount originally earmarked to create the Restructuring Reserve and the actual amount of £421k comes from the Budget Strategy which was agreed by Council after the budget was originally set. Specifically, the difference of £1,278k has three elements: £400k was earmarked for a new reserve for grants to external bodies (as shown in the table above); £808k was used to pay for redundancy costs in 2011/12 and £70k for other one-off restructuring costs. The other new reserves were created in line with the original budget with CCTV being £64k higher due to lower spend than anticipated in 2011/12; a two year allocation was originally approved. The existing reserves have moved with ring fenced properties realising a higher net surplus for 2011/12, the Leisure Centre income support being released to revenue to support the end of the 10% price cut and freeze period, the final of the three year budget setting support being released to revenue and £35k of the festival fund being spent in the year.

The general Government grants increased for:

- Homelessness grant (£113k)
- New homes bonus grant (£158k)

The Housing Revenue Account budget for 2011/12 was approved as a balanced budget by Council on the 1 March 2011. This compares to the actual outturn as follows:

Original Budget	Actual		Original Budget	Actual
2010/11	2010/11		2011/12	2011/12
£000	£000		£000	£000
(9,080)	(9,066)	Income	(9,507)	(9,554)
9,080	8,889	Expenditure	9,507	9,070
0	**(177)**	**Deficit/(surplus) on HRA services**	**0**	**(484)**
-	(38)	Transfers to/(from) earmarked reserves	-	-
0	**(215)**	**Deficit/(surplus) for the year**	**0**	**(484)**

The main variation in the actual outturn against the 2011/12 approved budget comes from the maintenance programme where works cannot be timed to occur with absolute certainty and a new contractor was appointed for all responsive repairs.

k. Reserves and balances

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

	Balance at 31 March 2011	Movement in the year	Balance at 31 March 2012
	£000	£000	£000
General Fund:			
Committed reserves			
VAT & insurance	(1,145)	-	(1,145)
Budget setting support	(155)	155	0
Public buildings	(500)	-	(500)
Pay review	(176)	-	(176)
GF Properties	(341)	(174)	(515)
Leisure Centre income support	(124)	124	0
CCTV	-	(184)	(184)
Neighbourhood Management Team	-	(50)	(50)
Grants to external bodies	-	(400)	(400)
Restructuring Reserve	-	(757)	(757)
Committed reserves total	**(2,441)**	**(1,286)**	**(3,727)**

Available reserves			
General reserve	(1,367)	-	(1,367)
Festivals	(63)	35	(28)
Market Hall	(51)	-	(51)
Park Vale	(56)	-	(56)
Available reserves total	**(1,537)**	**35**	**(1,502)**

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 31 March 2011	**Movement in the year**	**Balance at 31 March 2012**
	£000	**£000**	**£000**
Grants and contributions:			
Committed reserves	**(3,243)**	**46**	**(3,197)**

The Major Repairs Reserve contains the balance of funding available for capital works to Council dwellings:

	Balance at 31 March 2011	**Movement in the year**	**Balance at 31 March 2012**
	£000	**£000**	**£000**
Housing Revenue Account:			
Committed reserves			
Major Repairs Reserve	(199)	197	(2)

The fund balances are held separately in accordance with statute and can not subsidise one another:

	Balance at 31 March 2011	**Movement in the year**	**Balance at 31 March 2012**
	£000	**£000**	**£000**
Fund balances:			
General Fund	(2,289)	-	(2,289)
Housing Revenue Account	(1,038)	(484)	(1,522)

The reserves and balances have been reviewed at the 31 March 2012 and the Borough Treasurer considers the balances to be adequate:

	Balance at 31 March 2012	
	£000	£000
General Fund:		
Committed reserves	(3,727)	
Available reserves	(1,502)	
Grants and contributions	(3,197)	(8,426)
Fund balance		(2,289)
Total General Fund reserves and balances		**(10,715)**
Housing Revenue Account:		
Major Repairs Reserve		(2)
Fund balance		(1,522)
Total Housing Revenue Account reserves and balances		**(1,524)**

l. Material assets and liabilities

During 2011/12 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:

In Relation to 2011/12

HRA Settlement Payment - on the 28 March 2012 the authority paid £17,089k to the Department for Communities and Local Government in order to exit the subsidy system as instructed by the Settlement Payments Determination 2012. Self-financing of the Housing Revenue Account commenced on 1 April 2012.

In Relation to 2010/11

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 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 from 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.

o. Significant change in accounting policies

The 2011/12 Code introduced heritage assets into the authority's financial statements. Heritage assets are held for their contribution to knowledge and culture, they have historical, artistic, scientific, geophysical or environmental qualities.

In accordance with the Code, the authority's heritage assets have been recognised at the 1 April 2010. This includes the reclassification of civic statues and a boat at the Dock Museum previously held as community assets and the recognition of the historic collections held within the Town Hall and the Dock Museum. Heritage assets have been valued by Bonhams, International Auctioneers and Valuers and the net book value at the 31 March 2012 is £705k.

The heritage assets already held within the authority's Balance Sheet have been reclassified as at the 1 April 2010 and the historic collections have been recognised on the Balance Sheet:

The accounting standard for heritage assets was not adopted in time for the 2010/11 accounts, but a disclosure was included based on the insurance valuation for the historic collections of £2,365k. The assets have been valued so that they can be included in the accounts at market value; £595k. The equivalent 2011/12 insurance valuation is £2,197k, but this is a valuation for a different purpose and is not held within the Balance Sheet.

Balance Sheet

	2010/11 Published Accounts			2010/11 Restated
	31 March 2010	**Reclassified community assets**	**Recognised historic collections**	**1 April 2010**
	£000	**£000**	**£000**	**£000**
Property, Plant and Equipment	176,248	(383)	-	175,865
Heritage Assets	0	383	595	978
Unusable Reserves	(109,387)	-	(595)	(109,982)

The recognition of the heritage assets being brought onto the Balance Sheet of the authority is recognised in the Comprehensive Income and Expenditure Statement: (Surplus) or Deficit on revaluation of Property, Plant and Equipment in 2010/11.

The reclassified community assets were revalued in 2011/12 however the revaluation applied for 2010/11; when they became heritage assets. The revaluation has been restated into 2010/11 as the heritage assets as a whole were revalued at the 1 April 2010. This restatement impacts on the main accounting statements and this is set out in the following table 'Transactions restated into 2011/12'.

Before illustrating the restatements made for the heritage assets it is necessary to first highlight that the Code required the 'Cultural, environmental, regulatory and planning services' subjective line on the Comprehensive Income and Expenditure Statement, be separated as:

Comprehensive Income and Expenditure Statement

	2010/11 Published Accounts		
	2010/11 Figures		
	Gross Expenditure	**Gross Income**	**Net Expenditure**
	£000	**£000**	**£000**
Cultural, environmental, regulatory and planning services	15,750	(5,970)	9,780
	2010/11 Figures Restated		
Cultural and related services	5,554	(1,551)	4,003
Environmental and regulatory services	5,217	(2,278)	2,939
Planning services	4,979	(2,141)	2,838
Total	**15,750**	**(5,970)**	**9,780**

The restatements to the 2010/11 main accounting statements for heritage assets are shown in the following table; sub totals have also changed on the face of the statements:

Transactions restated into 2010/11

	2010/11 Restated	Heritage asset revaluation loss	Heritage asset depreciation in year	Heritage asset addition in year	2010/11 Restated
	£000	£000	£000	£000	£000
Balance Sheet: Heritage Assets	978 as restated	(261)	(15)	19	721
Balance Sheet: Property, Plant and Equipment *(£157,731k minus £383k heritage assets)*	157,348	-	15	(19)	157,344
Comprehensive Income and Expenditure Statement: Cultural and related services – gross expenditure	5,554 as restated	261	-	-	5,815
Movement in Reserves Statement: Adjustments between accounting basis & funding basis under regulations – General Fund	4,737	(261)	-	-	4,476
Balance Sheet: Unusable Reserves *(£102,701k plus £595k historic collections)*	(103,296) as restated	261	-	-	(103,035)

p. Financial planning

The revenue budget for 2012/13 was approved on the 28 February 2012 as £13,153k, including parish precepts. The budget was based on the authority's Budget Strategy, agreed by Council on the 24 January 2012. The aim of the Budget Strategy is to balance the authority's revenue budget by 2015/16. The Medium Term Financial Plan projections were agreed with the revenue budget and the detailed plan was approved by the Executive Committee on 18 April 2012.

The Comprehensive Spending Review introduced the term 'Revenue Spending Power', this is defined as the aggregate of Council Tax, Formula Grant and other Specific Grants. The whole Revenue Spending Power was then reduced by an average of 8.9%.

An additional revenue grant 'Transition Grant' is also paid where the reduction in Revenue Spending Power exceeds 8.9%. For Barrow Borough Council, the reduction in Revenue Spending Power for 2011/12 was 24.46% and after the Transition Grant awarded for 2011/12 of £2,544k, this became 8.8%. The authority determined that the Transition Grant should be used to create a Restructuring Reserve that would allow the necessary changes to reach a balanced budget in 2015/16 to be managed effectively.

In monetary terms the Government support reduced from £9,084k in 2010/11 to £7,017k in 2011/12, a reduction of £2,067k, or 22.76%. The savings and reductions that were made in anticipation of the reduction in Government support, together with additional income raised and a review of the Treasury portfolio resulted in a net deficit of £396k being funded from the Restructuring Reserve.

For 2012/13 the Government support reduced from the 2011/12 level to £6,205k (excluding the 2010/11 Council Tax freeze grant), a further reduction of £812k year on year and £2,879k from the 2010/11 level of support. The Revenue Spending Power was reduced by 23.59% for 2012/13, which became 8.8% after the 2012/13 Transition Grant of £2,086k.

As the Government is reducing the Revenue Spending Power for the authority by an average of 23% over the first two years of the CSR, the same reduction has been used for the latter years as well – in cash grant terms rather than Revenue Spending Power.

Over the Comprehensive Spending Review the authority will have lost a total of £12,775k in Government support.

Forecasting the authority's budget requirement with the reduced Government support combined with the effects of the recession, inflation and the shortfall of income from the recycling credits not reaching 40% in 2010/11, produces a cumulative deficit of £5,013k unless corrective action is taken.

The Budget Strategy is based on five components which together with a prudent estimate of 2% growth from economic recovery towards the end of the Medium Term Financial Plan cumulatively balance the 2015/16 revenue budget:

1. Prudent use of balances £600k;
2. Efficiency measures £469k;
3. Reduce staffing costs £1,727k;
4. Increasing income £1,490k; and
5. Service reductions £527k.

Together with £200k from economic recovery, the savings and reductions meet the £5,013k forecast deficit for 2015/16.

q. Future changes

Council Tax Reduction Scheme

All billing authorities are required to adopt a local Council Tax Reduction Scheme to come into force on 1 April 2013 and this will replace the council tax benefit system which ends on 31 March 2013.

On 17 May 2012 the Department for Communities and Local Government issued a number of documents outlining the requirements of authorities, including the preparation of a scheme, transitional arrangements, certain prescribed requirements and the prescribed default scheme.

At the Executive Committee meeting of the 20 June 2012, it was agreed in principle that the prescribed default scheme would be adopted as the proposed local scheme. Initial consultation with the major preceptors is underway.

The proposed local scheme will be presented to the Executive Committee in July 2012 along with any mitigation of costs and the comments from the major preceptors. Once the proposed local scheme is approved, public consultation will be open for 12 weeks. The local Council Tax Reduction Scheme will be presented to the Executive Committee together with the results of the public consultation in November 2012, with approval by the Council anticipated in December 2012.

Business Rates Retention Scheme

Under the current system business rates, which are levied on all non-domestic properties in England, are collected by billing authorities and then pooled at the national level. They are re-distributed by central government to all local authorities as part of their formula grant settlement. Local retention of business rates, including growth in business rates, may provide an opportunity for authorities in England as increases in local authority budgets will be more directly linked to changes in local business rates.

On 17 May 2012 the Department for Communities and Local Government issued a Statement of Intent which confirms that the local share will be set at 50 per cent of business rates revenue. The local share will form the baseline for each authority's funding level and tariff and top up amounts. From April 2013, authorities will keep all of the growth upon their share, subject to the levy on disproportionate benefit. The local share will remain fixed at 50 per cent until a reset of the system when the baseline funding levels for each local authority will be reviewed to take account of changes in relative need and resource. The Government does not intend to reset the system until 2020 at the earliest and in the long-term aspires to a 10-year reset period, although the length of the reset period and scope will not be set in regulation. The statement confirms that tariffs and top-ups will be adjusted at each five yearly revaluation so that an authority's retained rates income is not affected.

Further consultation is expected in the summer of 2012.

Universal Credit

Universal Credit is a new single payment for people who are looking for work or on a low income. Universal Credit aims to help claimants and their families to become more independent and will simplify the benefits system by bringing together a range of working-age benefits into a single streamlined payment.

The new Universal Credit system will be launched in 2013 and will replace:

- income-based Jobseeker's Allowance;
- income-based Employment and Support Allowance;
- Income Support;
- Child Tax Credits;
- Working Tax Credits; and
- Housing Benefit.

The national launch of Universal Credit comes in October 2013 and for claimants this will mean that:

- New claimants: will be able to make claims for Universal Credit from October 2013. From April 2014, all new claims will be for Universal Credit.
- Existing claimants: will move onto Universal Credit in line with a phased approach that the Department of Works and Pensions expect to have completed by the end of 2017.

HRA Self-Financing

April 2012 is the beginning of self-financing for the Housing Revenue Account. Self-financing marks the end of the centralised subsidy system, fully devolves financing to the authority, provides greater transparency for tenants and encourages better long-term asset management.

As a consequence of the subsidy system ending, the authority made a settlement payment of £17,098k to the Department for Communities and Local Government on the 28 March 2012. The cost of that borrowing is built into the Housing Revenue Account business plan.

The authority has more control over the finances of the Housing Revenue Accounts, apart from the Government retaining control over the limit on the overall rented income for which it pays Housing Benefit subsidy.

r. Capital and borrowing

The authority's capital investment for 2011/12 and how it has been financed is shown below:

2010/11		2011/12
£000		£000
8,908	**Capital investment**	**6,671**
-	Financed by borrowing	(1,308)
(6,378)	Financed by grants and contributions	(2,296)
(529)	Financed by capital receipts	(955)
(1,846)	Financed by Major Repairs Reserve	(2,112)
(155)	Financed by revenue balances	-
(8,908)	**Total financing**	**(6,671)**

The future capital investment for the years 2012/13 to 2015/16 and the financing is planned to be:

	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000
Capital investment	**6,405**	**4,832**	**4,480**	**4,280**
Financed by borrowing	(2,400)	(1,800)	(1,500)	(1,500)
Financed by grants and contributions	(453)	(399)	(399)	(399)
Financed by capital receipts	(1,647)	(681)	(581)	(331)
Financed by major repairs reserve	(1,905)	(1,952)	(2,000)	(2,050)
Total financing	**(6,405)**	**(4,832)**	**(4,480)**	**(4,280)**

On the 29 May 2012 the authority was informed that £3,442k of ‘Cluster of Empty Homes Funding’ has been allocated to bring 229 empty homes back into use and to pay for environmental works in the surrounding area, £1,500k. This will be added to the programme once the programme has been approved by Council.

The authority has long-term debt which has been borrowed in previous years to fund capital projects. During 2011/12 borrowing of £17,089k was taken out specifically to pay the Department for Communities and Local Government the settlement payment for the end of the Housing Revenue Account subsidy system. In funding the capital investment for 2011/12, no external loans were required as other resources were available. It is expected that it will be necessary to borrow to fund future capital investment, where other resources are not available, and the cost of borrowing has been built into the Medium Term Financial Plan.

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. On the 24 January 2012, prior to taking out the new borrowing for the HRA self-financing settlement payment, Full Council approved an increase to the authorised limit on external debt to £47,000k for 2011/12.

The authorised limit and borrowing for 2012/13 and current estimates to 2015/16 is shown below:

	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000
Authorised limit on external debt	57,000	59,000	61,000	63,000
Total of external loans	41,879	43,679	45,179	46,679

s. Provisions and contingencies

No new provisions have been created in 2011/12.

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 their 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. In March 2012, the Supreme Court found against MMI in relation to mesothelioma claims. The judgement has significant implications for MMI and for the members of the Scheme of Arrangement and may affect the possibility of a solvent run-off.

t. Material events after the reporting date

No material events have occurred after the reporting date.

u. Current economic climate

The current economic climate has not adversely affected the authority's revenue budgets, capital spending plans or assets and liabilities beyond expectations identified when setting the financial plans for the year.

In 2011/12 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 in light of the amounts written off in recent years and the timing and probability that all amounts will be recovered.

I am satisfied that the authority's reserves and balances are adequate. The levels of reserves and balances will be kept under review taking into account the realisation of the Medium Term Financial Plan assumptions and the core Government funding allocated to the authority.

I would like to take this opportunity to acknowledge the hard work involved in completing the Statement of Accounts and to pass on my thanks to all the officers who have contributed, particularly my own department.

S M Roberts CPFA, ACMA
Borough Treasurer
Section 151 Officer

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs 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 2011/12 and of its expenditure and income for the year ended 31 March 2012.

S M Roberts CPFA, ACMA
Borough Treasurer
Section 151 Officer
29 June 2012 revised 19 September 2012

Councillor Mrs A Burns
Audit Committee Chairman
27 September 2012

ACCOUNTING STATEMENTS

Movement in Reserves Statement 2010/11

2010/11 Restated	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 brought forward	**(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	(6,355)	-	17,951	-	-	-	11,596	-	11,596
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(5,655)	(5,655)
Total Comprehensive Income and Expenditure	**(6,355)**	**-**	**17,951**	**-**	**-**	**-**	**11,596**	**(5,655)**	**5,941**
Adjustments between accounting basis & funding basis under regulations (Note 7)	4,476	-	(18,128)	213	231	1,201	(12,007)	12,007	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(1,879)**	**-**	**(177)**	**213**	**231**	**1,201**	**(411)**	**6,352**	**5,941**
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)**	**6,352**	**5,941**
Balance at 31 March 2011 carried forward	**(2,289)**	**(7,222)**	**(1,038)**	**(199)**	**(1,678)**	**(1,024)**	**(13,450)**	**(103,035)**	**(116,485)**

*** The balance at 31 March 2010 £109,387k plus Historic Collections £595k on 1 April 2010, gives the balance at 1 April 2010 £109,982k (Balance Sheet).**

Movement in Reserves Statement 2011/12

2011/12	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 2011 brought forward	**(2,289)**	**(7,222)**	**(1,038)**	**(199)**	**(1,678)**	**(1,024)**	**(13,450)**	**(103,035)**	**(116,485)**
Movement in Reserves during 2011/12									
(Surplus) or deficit on the provision of services	1,777	-	17,384	-	-	-	19,161	-	19,161
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	4,336	4,336
Total Comprehensive Income and Expenditure	**1,777**	**-**	**17,384**	**-**	**-**	**-**	**19,161**	**4,336**	**23,497**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(2,982)	-	(17,868)	197	572	543	(19,538)	19,538	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(1,205)**	**-**	**(484)**	**197**	**572**	**543**	**(377)**	**23,874**	**23,497**
Transfers to/(from) Earmarked Reserves (Note 8)	1,205	(1,205)	-	-	-	-	0	-	0
(Increase)/Decrease in 2011/12	**0**	**(1,205)**	**(484)**	**197**	**572**	**543**	**(377)**	**23,874**	**23,497**
Balance at 31 March 2012 carried forward	**(2,289)**	**(8,427)**	**(1,522)**	**(2)**	**(1,106)**	**(481)**	**(13,827)**	**(79,161)**	**(92,988)**

Comprehensive Income and Expenditure Statement 2011/12

2010/11 Restated				2011/12		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
8,285	(7,302)	983	Central services to the public	8,477	(7,142)	1,335
5,815	(1,551)	4,264	Cultural and related services	5,212	(1,491)	3,721
5,217	(2,278)	2,939	Environmental and regulatory services	5,207	(1,961)	3,246
4,979	(2,141)	2,838	Planning services	6,179	(2,233)	3,946
2,045	(1,263)	782	Highways and transport services	715	(1,052)	(337)
19,025	-	19,025	Local authority housing - revaluation of council dwellings (Note 5)	-	-	0
-	-	0	Local authority housing - self-financing settlement (Note 5)	17,089	-	17,089
8,103	(9,066)	(963)	Local authority housing - other	9,193	(9,555)	(362)
23,225	(22,611)	614	Other housing services	22,471	(21,376)	1,095
1,579	(85)	1,494	Corporate and democratic core	1,833	(95)	1,738
(4,827)	-	(4,827)	Non distributed costs - pensions valuation adjustment (Note 5)	-	-	0
57	-	57	Non distributed costs - other	275	-	275
73,503	**(46,297)**	**27,206**	**Cost of Services**	**76,651**	**(44,905)**	**31,746**
		358	Other operating expenditure (Note 9)			267
		2,463	Financing and investment income and expenditure (Note 10)			1,813
		(18,431)	Taxation and non-specific income (Note 11)			(14,665)
		11,596	**(Surplus) or Deficit on Provision of Services**			**19,161**
		709	(Surplus) or deficit on revaluation of Property, Plant and Equipment			1,175
		(6,364)	Actuarial (gains)/losses on pension assets/liabilities			3,161
		(5,655)	**Other Comprehensive Income and Expenditure**			**4,336**
		5,941	**Total Comprehensive Income and Expenditure**			**23,497**

Balance Sheet

1 April 2010 Restated	31 March 2011 Restated		Notes	31 March 2012
£000	£000			£000
175,865	157,344	Property, Plant & Equipment	12	153,520
978	721	Heritage Assets	13	705
-	-	Assets Held For Sale	14	30
10	6	Long Term Debtors	24	5
176,853	**158,071**	**Long Term Assets**		**154,260**
30	31	Inventories	16	16
7,026	5,282	Short Term Debtors	17	2,382
1,126	3,852	Cash and Cash Equivalents	18	5,591
8,182	**9,165**	**Current Assets**		**7,989**
(489)	(489)	Short Term Borrowing	15	(494)
(5,922)	(5,804)	Short Term Creditors	19	(4,316)
(6,411)	**(6,293)**	**Current Liabilities**		**(4,810)**
(680)	(47)	Provisions	20	(41)
(22,390)	(22,390)	Long Term Borrowing	15	(39,479)
(32,433)	(22,021)	Other Long Term Liabilities	23	(24,931)
(100)	-	Capital Grants Receipts in Advance		-
(55,603)	**(44,458)**	**Long Term Liabilities**		**(64,451)**
123,021	**116,485**	**Net Assets**		**92,988**
(13,039)	(13,450)	Usable Reserves	21	(13,827)
(109,982)	(103,035)	Unusable Reserves	22	(79,161)
(123,021)	**(116,485)**	**Total Reserves**		**(92,988)**

Cash Flow Statement

2010/11 Restated		2011/12
£000		£000
11,596	**Net (surplus) or deficit on the provision of services**	**19,161**
(19,998)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements (Note 25)	(12,398)
3,266	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities (Note 26)	(16,398)
(5,136)	**Net cash flows from Operating Activities** (Note 27)	**(9,635)**
3,139	Investing Activities (Note 28)	21,658
(729)	Financing Activities (Note 29)	(13,762)
(2,726)	**Net (increase) or decrease in cash and cash equivalents**	**(1,739)**
1,126	Cash and cash equivalents at the beginning of the reporting period (Note 18)	3,852
3,852	Cash and cash equivalents at the end of the reporting period (Note 18)	5,591
(2,726)	**Net (increase) or decrease in cash and cash equivalents**	**(1,739)**

Notes to the Accounts

1. ACCOUNTING POLICIES

a. General Principles

The Statement of Accounts summarises the authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. 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 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards and Financial Reporting Standards.

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 the authority's 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, Barrow Borough 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, run 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 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 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; and, 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.

Transition Grant

Transition Grant is a revenue grant paid by Central Government in 2011/12 and 2012/13. It is paid to authorities who would otherwise see a reduction in ‘revenue spending power’ of more than 8.9% in either year. The grant is the amount needed to ensure that no authority experiences a revenue spending power reduction in either 2011/12 or 2012/13 of more than 8.9%. The definition of ‘revenue spending power’ used to calculate eligibility for the grant is the aggregate of Council Tax, Formula Grant and other Specific Grants. The grant is non-ring fenced and is credited to the Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement; as part of the Local Services Support Grant.

m. Heritage Assets

The authority’s heritage assets are held in the Town Hall, the Dock Museum and the Town area. The historic collections are held to support the objective of increasing the knowledge, understanding, culture and appreciation of the authority’s history and local area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the authority’s accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets. The authority’s collections of heritage assets are accounted for as:

- Historic Collections are carried at market value
    - Social history
    - Ship models
    - Boats
    - Industrial history
    - Art and sculpture
    - Ceramics and glass
    - Furniture
    - Silverware

  - Regalia
  - Old statues
- New statues are carried at market value
- War memorials are carried at depreciated historic cost

These items are reported in the Balance Sheet, the valuations have been carried out at the 1 April 2010 and 1 April 2011. Future valuation reviews will, in consultation with the appropriate professionals, be undertaken with sufficient frequency to ensure that the valuations remain current. Where these assets are deemed to have indeterminate lives no depreciation will be applied. Where the useful life can be determined, the authority’s depreciation policy will be applied. Acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the Dock Museum’s curator. The Dock Museum also holds a collection of ephemera which is not recognised on the Balance Sheet as the value of these small items, even when grouped is deminimus. There are three assets where cost information is not readily available and the authority believes that the benefits of obtaining the valuation for these items would not justify the cost; the graving dock, the cenotaph and the stone fountain.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets - if an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the authority’s general policies on impairment – see ‘q.’ in this summary of significant accounting policies. Should there ever be a disposal the of heritage assets, the proceeds of such items are accounted for in accordance with the authority’s general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see ‘q.’ in this summary of significant accounting policies).

n. 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 sale 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.

o. 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.

p. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Accounting Code of Practice 2011/12. 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 SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

q. 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.

r. 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.

s. 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.

t. 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.

u. 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

The adoption of amendments to *IFRS 7 Financial Instruments: Disclosures* by the Code will result in a change in accounting policy that requires disclosure.

The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1 July 2011 but the authority is not required by the Code to implement this amended disclosure requirement until 1 April 2012.

Following a review of the financial assets and liabilities at 31 March 2012, it is considered unlikely that the IFRS 7 accounting standard will have a material impact on the financial statements of the authority.

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.
- The authority has considered which of its assets should be classified as heritage assets.

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 2012 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 indictors 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 the 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 2011/12, 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 £6,171k and the depreciation charged to the HRA for 2012/13 would be overstated by £206k.

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 2012/13 would be £2,036k rather than £1,696k.

Heritage Assets

Heritage assets have been brought onto the Balance Sheet from the 1 April 2010 onwards. The assets have been valued at 1 April 2010 and 1 April 2011 so that they can be included in the accounts at market value where possible. These assets are revalued on a periodic basis and tested annually for indictors 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 the heritage assets will be over or understated. This would be adjusted when the assets were next revalued. For instance if the historic collections were not impaired in 2011/12, 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 £60k.

Arrears

At 31 March 2012 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 bad debt provision of 10% would require a contribution from General Fund of £27k and for housing rent debtors, a contribution from the HRA of £24k. 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 2012 figures are:

- +0.1% per annum increase in the discount rate assumption would result in an increase in the net pensions liability of £1,284k; or,
- +0.1% per annum increase in the salary inflation assumption would result in an increase in the net pensions liability of £1,307k; or,
- 1 year addition to the member's life expectancy assumption would result in an increase in the net pensions liability of £1,683k.

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 £6,316k. 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:

In Relation to 2011/12

HRA Settlement Payment - on the 28 March 2012 the authority paid £17,089k to the Department for Communities and Local Government in order to exit the subsidy system as instructed by the Settlement Payments Determination 2012. Self-financing of the Housing Revenue Account commenced on 1 April 2012.

In Relation to 2010/11

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 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 from 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.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was originally authorised for issue by the Borough Treasurer on the 29 June 2012 and are now authorised for issue on the 19 September 2012 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 2012, the figures in the accounting statements and notes have been adjusted in all material respects to reflect the impact of this information.

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 following sets out a description of the reserves that the adjustments are made against.

<u>General Fund Balance</u>

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the authority is required to recover) at the end of the financial year. However, the balance is not available to be applied to funding HRA services.

<u>Housing Revenue Account Balance</u>

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the authority's landlord function or that is required to be recovered from tenants in future years.

Major Repairs Reserve

The authority is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and sometimes the financial year in which this can take place.

	Usable Reserves						
2011/12	**General Fund Balance £000**	**Housing Revenue Account £000**	**Major Repairs Reserve £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Usable Reserves £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	(2,195)	(1,818)				(4,013)	4,013
Revaluation losses on Property, Plant and Equipment	(2,408)	(1,096)				(3,504)	3,504
Capital grants and contributions applied	1,113					1,113	(1,113)
Revenue expenditure funded from capital under statute	(1,243)					(1,243)	1,243
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(429)	(117)				(546)	546
Self-financing settlement		(17,089)				(17,089)	17,089
Insertion of items not debited or credited to the CIES							
Statutory provision for the financing of capital investment	1,086					1,086	(1,086)
Capital expenditure charged against the General Fund and HRA balances	588					588	(588)
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the CIES	52				(52)	0	-
Application of grants to capital financing transferred to the Capital Adjustment Account					595	595	(595)

	Usable Reserves						
2011/12	**General Fund Balance £000**	**Housing Revenue Account £000**	**Major Repairs Reserve £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Usable Reserves £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	289	222		(511)		0	-
Use of the Capital Receipts Reserve to finance new capital expenditure				955		955	(955)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(129)			129		0	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				(1)		(1)	1
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Reserve credited to the HRA		1,915	(1,915)			0	-
Use of the Major Repairs Reserve to finance new capital expenditure			2,112			2,112	(2,112)
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		120				120	(120)
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,641)	(321)				(1,962)	1,962

	Usable Reserves						
2011/12	**General Fund Balance £000**	**Housing Revenue Account £000**	**Major Repairs Reserve £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Usable Reserves £000**	**Movement in Unusable Reserves £000**
Employer's pension contributions and direct payments to pensioners payable in the year	1,898	315				2,213	(2,213)
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	33					33	(33)
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	4	1				5	(5)
Total Adjustments	**(2,982)**	**(17,868)**	**197**	**572**	**543**	**(19,538)**	**19,538**

	Usable Reserves						
2010/11 Comparative Figures Restated	**General Fund Balance £000**	**Housing Revenue Account £000**	**Major Repairs Reserve £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Usable Reserves £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)	4,011

	Usable Reserves						
2010/11 Comparative Figures Restated	**General Fund Balance £000**	**Housing Revenue Account £000**	**Major Repairs Reserve £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Usable Reserves £000**	**Movement in Unusable Reserves £000**
Revaluation losses on Property, Plant and Equipment	(507)	(18,968)	-	-	-	(19,475)	19,475
Capital grants and contributions applied	3,632	-	-	-	-	3,632	(3,632)
Revenue expenditure funded from capital under statute	(2,348)	-	-	-	-	(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)	549
Insertion of items not debited or credited to the CIES							
Statutory provision for the financing of capital investment	1,121	-	-	-	-	1,121	(1,121)
Capital expenditure charged against the General Fund and HRA balances	1,512	-	-	-	-	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	(1,388)
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	(529)

	Usable Reserves						
2010/11 Comparative Figures Restated	**General Fund Balance £000**	**Housing Revenue Account £000**	**Major Repairs Reserve £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Usable Reserves £000**	**Movement in Unusable Reserves £000**
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)	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	(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	(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	(2,252)
Employer's pension contributions and direct payments to pensioners payable in the year	1,575	261	-	-	-	1,836	(1,836)

	Usable Reserves						
2010/11 Comparative Figures Restated	**General Fund Balance £000**	**Housing Revenue Account £000**	**Major Repairs Reserve £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Usable Reserves £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	11	-	-	-	-	11	(11)
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	(11)
Total Adjustments	**4,476**	**(18,128)**	**213**	**231**	**1,201**	**(12,007)**	**12,007**

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 2011/12.

	Balance at 1 April 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Committed reserves							
VAT & insurance	(462)	-	(683)	(1,145)	-	-	(1,145)
Budget setting	(311)	156	-	(155)	155	-	0
Public buildings	-	-	(500)	(500)	-	-	(500)
Pay review	(176)	-	-	(176)	-	-	(176)
GF Properties	(262)	55	(134)	(341)	-	(174)	(515)

	Balance at 1 April 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012
	£000	£000	£000	£000	£000	£000	£000
Leisure Centre income	(194)	70	-	(124)	124	-	0
Other reserves: to public buildings	(500)	500	-	-	-	-	0
CCTV	-	-	-	-	-	(184)	(184)
Neighbourhood Management Team	-	-	-	-	-	(50)	(50)
Grants to external bodies	-	-	-	-	-	(400)	(400)
Restructuring Reserve	-	-	-	-	-	(757)	(757)
Committed reserves total	**(1,905)**	**781**	**(1,317)**	**(2,441)**	**279**	**(1,565)**	**(3,727)**
Available reserves							
General reserve	(303)	-	(1,064)	(1,367)	-	-	(1,367)
Festivals	(114)	51	-	(63)	35	-	(28)
Market Hall	(51)	-	-	(51)	-	-	(51)
Park Vale	(56)	-	-	(56)	-	-	(56)
Other reserves: to general reserve	(214)	214	-	0	-	-	0
Available reserves total	**(738)**	**265**	**(1,064)**	**(1,537)**	**35**	**-**	**(1,502)**

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 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012
	£000	£000	£000	£000	£000	£000	£000
Grants and contributions:							
Committed reserves	(2,746)	290	(787)	(3,243)	231	(185)	(3,197)

	Balance at 1 April 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012
General Fund							
Committed reserves	(1,905)	781	(1,317)	(2,441)	279	(1,565)	(3,727)
Available reserves	(738)	265	(1,064)	(1,537)	35	-	(1,502)
Grants							
Committed reserves	(2,746)	290	(787)	(3,243)	231	(185)	(3,197)
Total earmarked reserves	(5,389)	1,336	(3,168)	(7,221)	545	(1,750)	(8,426)

The movement in 2011/12 is the net of the transfers out £545k and the transfers in (£1,750k); (£1,205k).

9. OTHER OPERATING EXPENDITURE

2010/11		2011/12
£000		**£000**
103	Parish council precepts	103
194	Payments to the Government Housing Capital Receipts Pool	129
61	(Gains)/losses on the disposal of non-current assets	35
358	**Total**	**267**

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010/11		2011/12
£000		**£000**
978	Interest payable and similar charges	983
1,504	Pensions interest cost and expected return on pensions assets	854
(19)	Interest receivable and similar income	(24)
2,463	**Total**	**1,813**

11. TAXATION AND NON SPECIFIC GRANT INCOMES

2010/11		2011/12
£000		**£000**
(4,428)	Council tax income	(4,477)
(7,932)	Non-domestic rates	(5,360)
(4,092)	Non-ring fenced government grants	(4,596)
(1,979)	Capital grants and contributions	(232)
(18,431)	**Total**	**(14,665)**

12. PROPERTY, PLANT & EQUIPMENT

Movement on Balances **Movements in 2011/12**	**Council Dwellings £000**	**Other Land and Buildings £000**	**HRA Other Land and Buildings £000****	**Plant, Furniture and Equipment £000**	**HRA 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 2011	63,146	59,463	-	4,185	-	5,673	9,625	1,486	19,193	162,771
reclassification of assets	-	(2,329)	2,329	(97)	97	-	9	(9)	-	0
At 1 April 2011 reclassified	**63,146**	**57,134**	**2,329**	**4,088**	**97**	**5,673**	**9,634**	**1,477**	**19,193**	**162,771**
additions and enhancements	2,112	139	-	341	-	(15)	72	5	2,773	5,427
Reclassification in year	-	3,083	-	-	-	-	-	(30)	(3,083)	(30)
revaluation increases/(decreases) recognised in the Revaluation Reserve	(717)	(958)	205	-	-	-	-	296	-	(1,174)
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(1,015)	(2,386)	(81)	(7)	-	-	(25)	(40)	50	(3,504)
eliminate depreciation on revaluation	(1,696)	(727)	(136)	(29)	-	-	-	-	-	(2,588)
derecognition – disposals	(117)	-	-	-	-	-	-	-	(429)	(546)
At 31 March 2012	**61,713**	**56,285**	**2,317**	**4,393**	**97**	**5,658**	**9,681**	**1,708**	**18,504**	**160,356**
Accumulated Depreciation and Revaluation										
at 1 April 2011	-	(2,616)	-	(2,461)	-	(298)	(52)	-	-	(5,427)
reclassification of assets	-	35	(35)	80	(80)	-	-	-	-	0
At 1 April 2011 reclassified	**-**	**(2,581)**	**(35)**	**(2,381)**	**(80)**	**(298)**	**(52)**	**-**	**-**	**(5,427)**
depreciation charge	(1,696)	(1,537)	(116)	(541)	(5)	(59)	(43)	-	-	(3,997)
eliminate depreciation on revaluation	1,696	727	136	29	-	-	-	-	-	2,588
At 31 March 2012	**-**	**(3,391)**	**(15)**	**(2,893)**	**(85)**	**(357)**	**(95)**	**-**	**-**	**(6,836)**
Net Book Value at 31 March 2012	**61,713**	**52,894**	**2,302**	**1,500**	**12**	**5,301**	**9,586**	**1,708**	**18,504**	**153,520**

**** These assets have always belonged to the HRA, they are split out now to show clearly which assets belong to each Fund.**

Comparative Movements in 2010/11 Restated	**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	59,203	3,738	5,447	9,805	1,659	16,581	179,790
heritage asset reclassification	-	-	-	-	(429)	-	-	(429)
At 1 April 2010 reclassified	**83,357**	**59,203**	**3,738**	**5,447**	**9,376**	**1,659**	**16,581**	**179,361**
additions and enhancements	1,846	997	447	226	249	4	2,772	6,541
revaluation increases/(decreases) 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**	**9,625**	**1,486**	**19,193**	**162,771**
Accumulated Depreciation and Revaluation								
at 1 April 2010	-	(1,316)	(1,906)	(232)	(88)	-	-	(3,542)
heritage asset reclassification	-	-	-	-	46	-	-	46
At 1 April 2010 reclassified	**-**	**(1,316)**	**(1,906)**	**(232)**	**(42)**	**-**	**-**	**(3,496)**
depreciation charge	(1,586)	(1,659)	(555)	(66)	(10)	-	-	(3,876)
eliminate prior year depreciation on revaluation	1,586	357	-	-	-	-	-	1,943
derecognition - disposals	-	2	-	-	-	-	-	2
At 31 March 2011	**-**	**(2,616)**	**(2,461)**	**(298)**	**(52)**	**-**	**-**	**(5,427)**
Net Book Value at 31 March 2011	**63,146**	**56,847**	**1,724**	**5,375**	**9,573**	**1,486**	**19,193**	**157,344**
Net Book Value at 1 April 2010	**83,357**	**57,887**	**1,832**	**5,215**	**9,334**	**1,659**	**16,581**	**175,865**

Depreciation

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

- Council Dwellings: the buildings are depreciated on a straight line basis over 30 years
- Other Buildings: the buildings are depreciated on a straight line basis over various lives between 5 to 75 years
- Plant, Furniture & Equipment: 3-50 years straight line depreciation
- Infrastructure: 3-50 years straight line depreciation depending on the asset type, infrastructure land is not depreciated

All land and land that is part of an overall asset (a component) is not depreciated.

Capital Commitments

At the 31 March 2012, the authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £365k. Similar commitments at the 31 March 2011 were £1,213k. The major commitments are:

31 March 2011		31 March 2012
£000		**£000**
554	Building refurbishment	265
96	Retentions	49
236	Play areas	-
76	Regeneration	-
251	Housing market renewal	51
1,213	**Total**	**365**

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 applied 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 from 2010/11 is 35%, a decrease from 48% which was set in 2005. This led to the authority making a material change to its accounting estimate for Council Dwellings in the effect of the change being evident in these 2011/12 accounting statements due to the authority calculating 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. Valuations were carried out externally by the authority's valuer Norfolk Property Services (NPS), Mr M Messenger RICS, with valuations of land and buildings being 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 2011/12 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	33,919	
	Peill & Company	6,773	
	Valuation Officer Agency	133	
Total fair value of assets valued in 2008/09			**40,825**
2009/10	Norfolk Property Services	1,433	
	Peill and Company	1,323	
Total fair value of assets valued in 2009/10			**2,756**
2010/11	Norfolk Property Services	4,660	
Total fair value of assets valued in 2010/11			**4,660**
2011/12	Norfolk Property Services	70,499	
Total fair value of assets valued in 2011/12			**70,499**
Assets carried at historical cost:			**34,780**
Net Book Value at 31 March 2012			**153,520**

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 has been adopted.

13. HERITAGE ASSETS

The Council's Dock Museum, Town Hall and Town area have a variety of collections that relate to the natural man-made history of Barrow-in-Furness, the surrounding district and beyond. There are several categories of assets within these collections; including furniture, silverware, civic regalia, arts and sculpture, social and industrial history, and more specific assets relating to Barrow's history, such as several ship models, boats and historic statues.

Assets are held to support the objectives of increasing knowledge, understanding, culture and appreciation of our heritage. The Dock Museum's Mission Statement; within its Acquisitions and Disposals Policy 2009-2013, reiterates this commitment to a regional, national and international audience; this document also records the acquisition and disposal of assets. The Dock Museum Curator maintains a comprehensive database to facilitate the management, recording, preservation and conservation (exhibition led rolling programme) of assets. Valuation reports cross reference to these records and the Dock Museum and Barrow Borough Council websites give further information on visiting and viewing details.

The Council has obtained valuations as at 1 April 2010 and 1 April 2011, for the majority of its heritage assets held; it is not practicable to undertake valuations prior to the 1 April 2010 and therefore the authority's financial summary presently covers two years, 2010/11 and 2011/12. The requirement to further report a five year summary is also not provided as it would give no additional information to the tables shown on pages 56 & 57.

The only items that are not reported as assets within the balance sheet are items of deminimus level plus the Graving Dock, Cenotaph war memorial and stone fountain where, following discussions with both of the authority's valuers, Bonhams and NPS, it was deemed impracticable to do so. This is owing to the lack of information on any purchase cost; the lack of comparable market values and the diverse nature of the objects. One class of asset, again due to the impracticable nature of gaining a valuation, is reported at cost.

Asset valuations were undertaken by the external valuer, Bonhams Intenational Auctioneers and Valuers, on 12 March 2012, as directed within The Code 2011/12 and FRS 30: Heritage Assets; the measurement basis being market value, taking into account the expertise of Bonhams and any area specific objects. The authority's accounting policy on depreciation of non-historic collection assets, where the asset is deemed as being of infinite life, shall be applied; such assets within 2011/12 have been depreciated on a straight line basis over 25 years.

Bonhams also reports there would be no change in valuation of assets (impairment) as at 1 April 2010 or 1 April 2011, and that the historic collection items listed as additions for the said periods were not of a material nature and are therefore, not included in the Balance Sheet. One statue addition is reported within 2010/11. No disposals are reported within the periods.

HERITAGE ASSETS

Movement on Balances Movements in 2011/12	Social History £000	Ship Models £000	Boat £000	Industrial History £000	Art & Sculpture £000	Ceramics & Glass £000	Furniture £000	Silverware £000	Regalia £000	Historic (Old) Statues £000	New Statues £000	War Memorials £000	Herbert Leigh – Boat £000	Total £000
Cost or Valuation														
Heritage Asset – Cost at 1 April 2011	-	-	-	-	-	-	-	-	-	-	-	14	-	14
Heritage Asset – Valuation at 1 April 2011	29	297	16	13	72	10	72	22	34	30	91		23	709
At 1 April 2011	**29**	**297**	**16**	**13**	**72**	**10**	**72**	**22**	**34**	**30**	**91**	**14**	**23**	**723**
eliminate depreciation on revaluation	-	-	-	-	-	-	-	-	-	-	(12)	-	(3)	(15)
At 31 March 2012	**29**	**297**	**16**	**13**	**72**	**10**	**72**	**22**	**34**	**30**	**79**	**14**	**20**	**708**
Accumulated Depreciation and Revaluation														
Heritage Asset – Cost at 1 April 2011	-	-	-	-	-	-	-	-	-	-	-	(2)	-	(2)
At 1 April 2011	-	-	-	-	-	-	-	-	-	-	-	**(2)**	-	**(2)**
depreciation charge	-	-	-	-	-	-	-	-	-	-	(12)	(1)	(3)	(16)
eliminate depreciation on revaluation	-	-	-	-	-	-	-	-	-	-	12	-	3	15
At 31 March 2012	-	-	-	-	-	-	-	-	-	-	-	**(3)**	-	**(3)**
Net Book Value at 31 March 2012 – Cost	-	-	-	-	-	-	-	-	-	-	-	**11**	-	**11**
Net Book Value at 31 March 2012 - Valuation	**29**	**297**	**16**	**13**	**72**	**10**	**72**	**22**	**34**	**30**	**79**	-	**20**	**694**
Total Net Book Value at 31 March 2012	29	297	16	13	72	10	72	22	34	30	79	11	20	705

HERITAGE ASSETS

Movement on Balances Comparative movements in 2010/11	Social History £000	Ship Models £000	Boat £000	Industrial History £000	Art & Sculpture £000	Ceramics & Glass £000	Furniture £000	Silverware £000	Regalia £000	Historic (Old) Statues £000	New Statues £000	War Memorials £000	Herbert Leigh – Boat £000	Total £000
Cost or Valuation														
Heritage Asset – Cost at 1 April 2010	-	-	-	-	-	-	-	-	-	-	334	14	81	429
At 1 April 2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**334**	**14**	**81**	**429**
additions and enhancements	-	-	-	-	-	-	-	-	-	-	19	-	-	19
Historic collection revaluation increases/(decreases) recognised in the Revaluation Reserve	29	297	16	13	72	10	72	22	34	30	-	-	-	595
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Service	-	-	-	-	-	-	-	-	-	-	(216)	-	(45)	(261)
eliminate depreciation on revaluation	-	-	-	-	-	-	-	-	-	-	(46)	-	(13)	(59)
At 31 March 2011	**29**	**297**	**16**	**13**	**72**	**10**	**72**	**22**	**34**	**30**	**91**	**14**	**23**	**723**
Accumulated Depreciation and Revaluation	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Heritage Asset – Cost at 1 April 2010	-	-	-	-	-	-	-	-	-	-	(34)	(2)	(10)	(46)
At 1 April 2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(34)**	**(2)**	**(10)**	**(46)**
depreciation charge	-	-	-	-	-	-	-	-	-	-	(12)	0	(3)	(15)
eliminate depreciation on revaluation	-	-	-	-	-	-	-	-	-	-	46		13	59
At 31 March 2011	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0**	**(2)**	**0**	**(2)**
Net Book Value at 31 March 2011- Cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12**	**-**	**12**
Net Book Value at 31 March 2011 – Valuation	**29**	**297**	**16**	**13**	**72**	**10**	**72**	**22**	**34**	**30**	**91**	**-**	**23**	**709**
Total Net Book Value at 31 March 2011	29	297	16	13	72	10	72	22	34	30	91	12	23	721
NBV at 1 April 2010 – Cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12**	**-**	**12**
NBV at 1 April 2010 – Valuation	**29**	**297**	**16**	**13**	**72**	**10**	**72**	**22**	**34**	**30**	**300**	**-**	**71**	**966**
Total Net Book Value at 1 April 2010	29	297	16	13	72	10	72	22	34	30	300	12	71	978

Depreciation

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

- Historic Collections (social history, ship models, boats, industrial history, art & sculpture, ceramics & glass, furniture, silverware, regalia and old statues: no depreciation as assets are deemed to have indeterminate lives
- New Statues: 25 years straight line depreciation
- War Memorials: 25 years straight line depreciation

Revaluations

All non-operational heritage asset valuations, as implemented by the 2011/12 code, have been carried out by Bonhams, International Auctioneers and Valuers.

Financial Year	Valuer	Value £000	Total £000
Carried at market value:			
2011/12	Bonhams International Auctioneers & Valuers	694	
Total fair value of assets valued in 2011/12			**694**
Assets carried at historical cost			**11**
Net Book Value at 31 March 2012			**705**

There is no prescribed minimum period between heritage valuations; however, the carrying amount will need to be reviewed with sufficient frequency ensuring the valuations remain current.

14. ASSETS HELD FOR SALE

One asset has been reclassified as held for sale during 2011/12. This asset is a piece of surplus land and therefore does not attract depreciation.

Non-current 2010/11 £000		Non-current 2011/12 £000
-	Property, Plant and Equipment	30
-	**Net Book Value at 31 March**	**30**

Revaluations

Financial Year	Valuer	Value £000	Total £000
Carrying value:			
2011/12	Norfolk Property Services	30	
Total value of asset 2011/12			**30**
Net Book Value at 31 March 2012			**30**

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term			Current	
	31 March 2012	31 March 2011		31 March 2012	31 March 2011
	£000	£000		£000	£000
Debtors					
Loans and receivables	-	-		648	961
Borrowings					
Financial liabilities at amortised cost	(39,479)	(22,390)		(494)	(489)
Creditors					
Financial liabilities carried at contract amount	-	-		(2,217)	(4,114)

Income, Expense, Gains and Losses

	2011/12			2010/11		
	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**	**984**	**-**	**984**	**978**	**-**	**978**
Total income in (Surplus) or Deficit on the Provision of Services: **interest income**	**-**	**(24)**	**(24)**	**-**	**(20)**	**(20)**
Net (gain)/loss for the year	**984**	**(24)**	**960**	**978**	**(20)**	**958**

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 2012 of 1.07% to 3.26% 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 2011			31 March 2012	
Carrying amount	**Fair value**		**Carrying amount**	**Fair value**
£000	**£000**		**£000**	**£000**
961	961	Loans and receivables	648	648
(22,390)	(23,776)	Borrowings long-term	(39,479)	(45,646)
(489)	(489)	Borrowings short-term	(494)	(494)
(4,114)	(4,114)	Creditors	(2,217)	(2,217)
(26,032)	**(27,418)**	**Total**	**(41,542)**	**(47,709)**

The fair value of the liabilities is higher 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 2012) 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.

16. INVENTORIES

1 April 2010	31 March 2011		31 March 2012
£000	**£000**		**£000**
13	13	Tourist Information shop	-
11	13	Dock Museum shop	13
6	5	Other stocks held for internal issue	3
30	**31**	**Total**	**16**

The Tourist Information shop closed on 31 March 2012. The stock was not replaced during the latter half of 2011/12 and the remaining saleables have been transferred to the Dock Museum shop.

17. SHORT TERM DEBTORS

1 April 2010	31 March 2011		31 March 2012
£000	**£000**		**£000**
3,825	3,132	Central government bodies	340
1,565	1,014	Other local authorities	839
1,636	1,136	Other entities and individuals	1,203
7,026	**5,282**	**Total**	**2,382**

18. CASH AND CASH EQUIVALENTS

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

1 April 2010	31 March 2011		31 March 2012
£000	**£000**		**£000**
2	2	Cash held by the authority	2
1,123	3,849	Bank current accounts	5,587
1	1	Interest income	2
1,126	**3,852**	**Total Cash and Cash Equivalents**	**5,591**

19. SHORT TERM CREDITORS

1 April 2010	31 March 2011		31 March 2012
£000	**£000**		**£000**
(460)	(663)	Central government bodies	(1,390)
(448)	(602)	Other local authorities	(342)
(5,014)	(4,539)	Other entities and individuals	(2,584)
(5,922)	**(5,804)**	**Total**	**(4,316)**

20. PROVISIONS

	Insurance Provision	Early Retirement Provision	Total
	£000	**£000**	**£000**
Balance at 1 April 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)**
Amounts used in 2011/12	-	6	6
Balance at 31 March 2012	**-**	**(41)**	**(41)**

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.

In 2010/11 the insurance provision was credited to revenue and accounted for with the authority's earmarked reserves.

21. USABLE RESERVES

Movements in the authority's usable reserves are set out in summary in the Movement in Reserves Statement and the detailed movements are set out in Note 7.

22. UNUSABLE RESERVES

1 April 2010 Restated	31 March 2011 Restated		31 March 2012
£000	**£000**		**£000**
(30,764)	(28,732)	i. Revaluation Reserve	(26,853)
(112,135)	(96,509)	ii. Capital Adjustment Account	(77,268)
424	182	iii. Financial Instruments Adjustment Account	63
(5)	(1)	iv. Deferred Capital Receipts Reserve	0
32,395	21,943	v. Pensions Reserve	24,854
46	35	vi. Collection Fund Adjustment Account	2
57	47	vii. Accumulated Absences Account	41
(109,982)	**(103,035)**	**Total Unusable Reserves**	**(79,161)**

i. 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.

2009/10	2010/11 Restated		2011/12	
£000	£000		£000	£000
(29,268)	(30,169)	Balance at 1 April		(28,732)
-	(595)	(a) Recognition of historic collections*		-
-	**(30,764)**	**Adjusted balance at 1 April**		**-**
(2,210)	(2,797)	(b) Upward revaluation of assets*	(1,691)	
541	4,101	(c) Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services*	2,866	
(1,669)	**709**	**(d) (Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services***		**1,175**
713	686	Difference between fair value depreciation and historical cost depreciation	624	
21	42	Accumulated gains on assets sold	80	
34	-	Accumulated gains on items removed from Non-Current Assets	-	
768	**728**	**Amount written off to the Capital Adjustment Account**		**704**
(30,169)	**(28,732)**	**Balance at 31 March**		**(26,853)**

*Items (a) + (b) + (c) = (d) in the Comprehensive Income and Expenditure Statement for 2010/11.

ii. 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.

2009/10	2010/11 Restated			2011/12
£000	£000			£000
(108,848)	**(112,135)**	**Balance at 1 April**		**(96,509)**
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
4,128	4,012	▪ Charges for depreciation and impairment of non-current assets	4,013	
1,706	19,475	▪ Revaluation losses on Property, Plant and Equipment	3,504	
2,288	2,348	▪ Revenue expenditure funded from capital under statute	1,243	
931	549	▪ 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	546	
-	-	HRA Self Financing Settlement	17,089	
(768)	(728)	Adjusting amounts written out of the Revaluation Reserve	(704)	
8,285	**25,656**	**Net written out amount of the cost of non-current assets consumed in the year**		**25,691**
		Capital financing applied in the year:		
(300)	(529)	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(955)	
(1,791)	(1,846)	▪ Use of the Major Repairs Reserve to finance capital expenditure	(2,112)	
(5,859)	(3,632)	▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,114)	
(2,442)	(1,389)	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	(595)	
(1,105)	(1,121)	▪ Statutory provision for the financing of capital investment charged against the	(1,086)	

		General Fund balance		
(75)	(1,513)	▪ Capital expenditure charged against the General Fund balance	(588)	(6,450)
(112,135)	**(96,509)**	**Balance at 31 March**		**(77,268)**

iii. Financial Instruments Adjustment Account

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

2009/10	2010/11		2011/12
£000	**£000**		**£000**
665	**424**	**Balance at 1 April**	**183**
(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	(120)
424	**183**	**Balance at 31 March**	**63**

iv. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the 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.

2009/10	2010/11		2011/12
£000	**£000**		**£000**
(7)	**(5)**	**Balance at 1 April**	**(1)**
2	4	Transfer to the Capital Receipts Reserve upon receipt of cash	1
(5)	**(1)**	**Balance at 31 March**	**0**

v. 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 are to be paid.

2009/10	2010/11		2011/12
£000	£000		£000
22,199	**32,395**	**Balance at 1 April**	**21,943**
9,216	(6,364)	Actuarial (gains) or losses on pensions assets and liabilities	3,161
2,750	(2,252)	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	1,962
(1,770)	(1,836)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,212)
32,395	**21,943**	**Balance 31 March**	**24,854**

vi. 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.

2009/10	2010/11		2011/12
£000	£000		£000
52	**46**	**Balance at 1 April**	**35**
(6)	(11)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(33)
46	**35**	**Balance at 31 March**	**2**

vii. 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.

2009/10	2010/11		2011/12
£000	£000		£000
42	**57**	**Balance at 1 April**	**46**
15	(11)	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.	(5)
57	**46**	**Balance at 31 March**	**41**

23. OTHER LONG TERM LIABILITIES

2009/10	2010/11		2011/12
£000	£000		£000
(32,395)	(21,944)	Pension scheme liabilities	(24,854)
(38)	(77)	Compulsory purchase proceeds	(77)
(32,433)	**(22,021)**	**Total**	**(24,931)**

24. LONG TERM DEBTORS

2009/10	2010/11		2011/12
£000	£000		£000
5	1	RTB mortgage principal	-
5	5	Catering contract deposit	5
10	**6**	**Total**	**5**

25. CASH FLOW STATEMENT – ADJUSTMENTS TO THE NET (SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

2010/11 Restated		2011/12
£000		£000
(4,011)	Depreciation	(4,013)
(19,475)	Revaluation losses and gains on previous losses	(3,504)
(51)	(Increase)/decrease in provision for bad debts	323
633	(Increase)/decrease in provisions	6
1,264	(Increase)/decrease in creditors	2,381
(1,744)	Increase/(decrease) in debtors	(4,121)
1	Increase/(decrease) in inventories	(13)
4,088	Movement in pension liability	(2,911)
(549)	Carrying amount of non-current assets sold or derecognised	(546)
(154)	Other non-cash movements	-
(19,998)		**(12,398)**

26. CASH FLOW STATEMENT – ADJUSTMENTS FOR ITEMS INCLUDED IN THE NET (SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES THAT ARE INVESTING AND FINANCING ACTIVITIES

2010/11		2011/12
£000	**Investing**	£000
-	HRA self-financing settlement payment	(17,089)
422	Proceeds from the sale of property, plant and equipment	505
2,844	Other receipts from investing activities	186
3,266		**(16,398)**

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2010/11		2011/12
£000		£000
(20)	Interest received	(24)
978	Interest paid	978

28. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2010/11		2011/12
£000		£000
1,533	Purchase of property, plant and equipment	1,170
4,872	Other payments for investing activities	4,091
-	HRA self-financing settlement payment	17,089
(422)	Proceeds from the sale of property, plant and equipment	(505)
(2,844)	Other receipts from investing activities	(187)
3,139	**Net cash flows from investing activities**	**21,658**

29. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2010/11		2011/12
£000		£000
-	Cash receipts of long-term borrowing	(17,089)
(729)	Agency transactions relating to NNDR and council tax (billing authority)	3,327
(729)	**Net cash flows from financing activities**	**(13,762)**

30. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the 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 are 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

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 2011/12	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	-	(14,441)	(1,553)	(705)	(16,699)
Government grants	-	(109)	-	(26,847)	(26,956)
Total Income	**-**	**(14,550)**	**(1,553)**	**(27,552)**	**(43,655)**
Staff pay	355	5,376	1,047	612	7,390
Other service expenses	344	11,054	2,077	30,841	44,316
Total Expenditure	**699**	**16,430**	**3,124**	**31,453**	**51,706**
Net Expenditure	**699**	**1,880**	**1,571**	**3,901**	**8,051**

Directorate Income and Expenditure 2010/11 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	-	(14,111)	(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**

The analysis includes 100% of services and 100% of direct costs. The Code requires that at least 75% of the gross expenditure is included, for 2011/12 excluding the HRA Self Financing Settlement (£17,089k) the gross expenditure included in the analysis is 87%.

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.

	2011/12	2010/11
	£000	£000
Net expenditure in the Directorate Analysis	8,051	9,441
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	25,284	17,867
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(1,589)	(363)
Cost of Services in Comprehensive Income and Expenditure Statement	**31,746**	**26,945**

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.

2011/12	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	(16,699)	-	(73)	(16,772)	-	(16,772)
Interest and investment income	-	-	-	-	(24)	(24)
Income from council tax	-	-	-	-	(4,477)	(4,477)
Government grants and contributions	(26,956)	-	-	(26,956)	(10,188)	(37,144)
Total Income	**(43,655)**	**-**	**(73)**	**(43,728)**	**(14,689)**	**(58,417)**
Staff pay	7,390	459	(1,574)	6,275	-	6,275
Pensions valuation adjustment	-	-	-	-	(3,377)	(3,377)
HRA Self Financing Settlement	-	17,089	-	17,089	-	17,089
Other service expenses	44,316	-	58	44,374	-	44,374
Support Service recharges*	-	(29)	-	(29)	-	(29)
Depreciation, revaluation & impairment	-	7,765	-	7,765	-	7,765
Interest Payments	-	-	-	-	5,214	5,214
Precepts	-	-	-	-	103	103
Payments to Housing Capital Receipts Pool	-	-	-	-	129	129
(Gain) or Loss on Disposal of Non-Current Assets	-	-	-	-	35	35
Total Expenditure	**51,706**	**25,284**	**(1,516)**	**58,385**	**2,104**	**77,578**
(Surplus) or deficit on the Provision of Services	**8,051**	**25,284**	**(1,589)**	**31,746**	**(12,585)**	**19,161**

* The gross value of support services recharged to and between front line services is £3,702k, with £29k being recharged to capital projects.

2010/11 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	(16,579)	-	(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	-	23,993	-	23,993	-	23,993
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**	**18,128**	**(339)**	**71,353**	**6,193**	**77,546**
(Surplus) or deficit on the Provision of Services	**9,441**	**18,128**	**(363)**	**27,206**	**(15,610)**	**11,596**

* The gross value of support services recharged to and between front line services is £3,665k, with £90k being recharged to capital projects.

31. MEMBERS' ALLOWANCES

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

2010/11		**2011/12**
£000		**£000**
84	Basic allowances	85
33	Extra responsibility allowance	31
19	Expenses	12
136	**Total**	**128**

The Mayor of the Borough also receives an honorarium for their year of office to cover mayoral duties and civic receptions. The honorarium for 2011/12 was £5k (£5k for 2010/11).

32. OFFICERS' REMUNERATION

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

	Chief Executive		Director of Regeneration & Community Services		Director of Corporate Services		Borough Treasurer	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	£000	£000	£000	£000	£000	£000	£000	£000
Salary and allowances	103	99	74	70	55	73	54	54
Benefits in kind	-	-	-	2	-	-	4	4
Compensation for Loss of Office	91	-	-	-	36	-	54	-
Total remuneration excluding pension contributions	**194**	**99**	**74**	**72**	**91**	**73**	**112**	**58**
Employers pension contribution	12	12	9	8	7	9	7	8
Total remuneration including pension contributions	**206**	**111**	**83**	**80**	**98**	**82**	**119**	**66**

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

The Director of Corporate Services left the authority on voluntary redundancy with effect from 31 December 2011; the annualised salary for 2011/12 was £68k. The previous Borough Treasurer left the Authority on voluntary redundancy with effect from 15 April 2012 and the Chief Executive left the Authority on voluntary redundancy with effect from 30 June 2012; these redundancy payments were made to officers on their departure.

The authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2011/12		2010/11	
	Number of Employees	Number leaving in the year	Number of Employees	Number leaving in the year
£50,000 - £54,999	4	3	1	-
£55,000 - £59,999	1	1	-	-
£60,000 - £64,999	1	1	-	-
£65,000 - £69,999	-	-	-	-
£70,000 - £75,999	1	1	-	-
£76,000 - £79,999	-	-	-	-
£80,000 - £85,999	1	1	1	1

7 of these employees left the authority on voluntary redundancy during 2011/12. Remuneration includes redundancy payments.

The numbers of exit packages with total cost per band and total cost of the compulsory and voluntary redundancies are set out in the table below:

Exit package cost band	Number of compulsory redundancies		Number of voluntary redundancies agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12 £000	2010/11 £000
£0 - £20,000	4	-	15	5	19	5	141	81
£20,001 - £40,000	1	-	13	3	14	3	374	104
£40,001 - £60,000	-	-	4	-	4	-	209	-
£60,001 - £80,000	-	-	2	-	2	-	135	-
£80,001 - £100,000	-	-	1	-	1	-	80	-
£100,001 - £120,000	-	-	-	-	-	-	-	-
£120,001 - £140,000	-	-	1	-	1	-	130	-
Total	**5**	**-**	**36**	**8**	**41**	**8**	**1,069**	**185**

33. 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.

2010/11		2011/12
£000		£000
131	Fees payable to Audit Commission with regard to external audit services carried out by the appointed auditor for the year	112
12	Fees payable to Audit Commission for the certification of grant claims and returns for the year	28
143	**Total**	**140**

34. GRANT INCOME

The authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2011/2012

2010/11		2011/12
£000		£000
	Credited to Taxation and Non Specific Grant Income	
(7,932)	Non-domestic rates redistribution	(5,360)
(1,152)	Revenue support grant	(1,657)
(2,940)	Area based grant	-
-	Local Services Support Grant	(2,658)
-	New Homes Bonus Grant	(172)
-	Council Tax Freeze Funding	(109)
(677)	Community assets fund	-
(311)	Cumbria County Council	(63)
(273)	North West development agency	-
(217)	Housing market renewal	-
(168)	Housing capital grant	-
(100)	Rural regeneration	-
0	Lottery	(168)
(231)	Other grants	-
(1)	Other contributions	(1)
(14,002)	**Total**	**(10,188)**
	Credited to Services	
(25,794)	Housing & council tax benefits subsidy	(26,142)
(1,175)	Housing capital grant	(71)
(733)	Benefits administration	(705)
(521)	Disabled facilities grant	(507)
(238)	Inspiring communities	-
(153)	Concessionary fares	-
(143)	Cumbria County Council	(81)
-	Other Local Authorities	(207)
(113)	Housing market renewal	-
(389)	Other grants	(622)
(29,259)	**Total**	**(28,335)**

35. 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.

Central Government

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).

Grants receipts outstanding at 31 March 2012 are disclosed in Note 17 and grant income for 2011/12 is disclosed in Note 30.

Members
Members of the council have direct control over the authority's financial and operating policies. During 2011/12, works and services to the value of £2k were commissioned from companies in which 2 members had an interest. These transactions were fully compliant with the authority's procurement policy. During 2011/12, housing benefit to the value of £171k was paid to 2 members in their capacity as private landlords; £152k and £19k. The total of members' allowances paid in 2011/12 is shown in Note 31. There are no balances outstanding at the 31 March 2012.

Officers
Officers of the council have direct control over the authority's finances and operational decisions. For 2011/12 there are no related party transactions to report for officers. There are no balances outstanding at the 31 March 2012.

36. 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, a measure of the capital expenditure incurred historically by the authority that has yet to be financed.

2010/11		**2011/12**
£000		**£000**
33,943	***Opening Capital Financing Requirement***	**32,822**
	Capital investment	
6,560	Property, Plant and Equipment	5,428
2,348	Revenue Expenditure Funded from Capital under Statute	1,243
-	HRA self-financing settlement payment	17,089
	Sources of finance	
(529)	Capital receipts	(955)
(6,378)	Government grants and other contributions	(2,296)
(1,846)	Sums set aside from revenue	(2,112)
(155)	Direct revenue contributions	-
(1,121)	Minimum Revenue Provision	(1,086)
32,822	***Closing Capital Financing Requirement***	**50,133**
	Explanation of movements in year	
-	HRA self-financing settlement payment	17,089
(1,121)	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	222
(1,121)	***Increase/(decrease) in Capital Financing Requirement***	**17,311**

37. 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 8 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:

As at 31 March 2011		As at 31 March 2012
£000		**£000**
576	Not more than one year	566
1,991	Later than one year and not later than five years	2,146
647	Later than five years	152
3,214		**2,864**

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

As at 31 March 2011		As at 31 March 2012
£000		**£000**
157	Minimum lease payments	67
(35)	Sublease receipts	(24)
122		**43**

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 2011		31 March 2012
£000		£000
(782)	Not more than one year	(689)
(1,590)	Later than one year and not later than five years	(1,351)
(1,603)	Later than five years	(1,352)
(3,975)		**(3,392)**

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 2011/12 £55k contingent rents were receivable by the authority (£61k in 2010/11).

38. REVALUATION LOSSES

During 2011/12, the Authority brought 104 Abbey Road, Barrow-in-Furness, back into use in its original Grade II status using a variety of grant and lottery funding. The property was purchased and renovated as a state of the art dance studio, film & media facility and arts centre. The property complemented the regeneration of the area and is for the use of people of the Borough as an arts exemplar. The property has been valued in its current use which is a purpose built facility that the Authority has leased out; this means that the difference between the purchase and renovation costs and the current use value to the Authority has been charged as a revaluation loss of £2,317k to the Comprehensive Income and Expenditure Statement. Statutory provisions determine that this loss does not impact on the amount to be met from council tax, so this loss is removed through the Movement in Reserves Statement.

During 2010/11, the authority 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 from 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 was reduced to their value in use and the revaluation loss charged to the Comprehensive Income and Expenditure Statement.

39. TERMINATION BENEFITS

The authority agreed the termination of the contract of a number of employees in 2011/12, incurring liabilities of £1,069k (£66k in 2010/11) – see Note 32 for the number of exit packages and total cost per band. Of this total, £91k is payable to the Chief Executive, £54k to the previous Borough Treasurer and £36k to the Director of Corporate Services in the form of compensation for loss of office, as disclosed in Note 32. No pension enhancements were paid. The remaining £888k is payable to 33 officers through voluntary redundancy and 5 officers whose posts have been made redundant as part of the authority's service reviews.

40. 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, run 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:

2010/11		**2011/12**	
£000		**£000**	**£000**
	Comprehensive Income and Expenditure Statement		
	Cost of Services:		
1,048	▪ current service cost	848	
(4,804)	▪ past service costs	-	
-	▪ curtailment cost	260	
	Financing and Investment Income and Expenditure		
4,857	▪ interest cost	4,231	
(3,353)	▪ expected return on scheme assets	(3,377)	
(2,252)	***Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services***		**1,962**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
(6,364)	▪ actuarial (gains) and losses		3,161
(8,616)	***Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account***		**5,123**

	Movement in Reserves Statement	
2,252	**reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code**	**(1,962)**

	Actual amounts charged against the General Fund Balance for pensions in the year:	
1,836	**employers' contributions payable to scheme**	**2,213**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £9,715k (£6,554k for 2010/11).

Assets and Liabilities in Relation to Post-employment Benefits

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

2010/11		2011/12
£000		**£000**
(87,856)	Opening balance at 1 April	(78,315)
109	Prior year contributions to the scheme	79
(1,048)	Current service cost	(848)
(4,857)	Interest cost	(4,231)
(364)	Contributions by scheme participants	(333)
7,237	Actuarial gains and (losses)	(2,554)
3,660	Benefits paid	4,190
4,804	Past service costs	-
-	Curtailments	(260)
(78,315)	**Closing balance at 31 March**	**(82,272)**

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

2010/11		2011/12
£000		**£000**
55,461	Opening balance at 1 April	56,371
3,353	Expected return	3,377
(873)	Actuarial (gains) and losses	(607)
1,726	Employer contributions	2,134
364	Contributions by scheme participants	333
(3,660)	Benefits paid	(4,190)
56,371	**Closing balance at 31 March**	**57,418**

The assets at the 31 March 2012 consist of:

2010/11		2011/12
£000		**£000**
29,087	Equities	29,627
10,147	Government bonds	9,187
7,892	Other bonds	9,187
3,439	Property	3,675
902	Cash/liquidity	919
4,904	Other	4,823
56,371	**Balance at 31 March**	**57,418**

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 £2,770k (£4,232k in 2010/11).

Scheme History

	2007/08	2008/09	2009/10	2010/11	2011/12
	£000	£000	£000	£000	£000
Present value of liabilities	(79,108)	(66,650)	(87,856)	(78,315)	(82,272)
Fair value of assets	56,171	44,445	55,461	56,371	57,418
Scheme surplus/(deficit)	**(22,937)**	**(22,205)**	**(32,395)**	**(21,944)**	**(24,854)**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £24,854k 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 2013 is £1,951k.

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 assessed 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:

2010/11		2011/12
	Long-term expected rate of return on assets in the scheme:	
7.5%	Equities	7.0%
4.4%	Government bonds	3.1%
5.1%	Other bonds	4.1%
6.5%	Property	6.0%
0.5%	Cash/liquidity	0.5%
7.5%	Other	7.0%

	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.8	▪ Men	21.8
24.4	▪ Women	24.5
	Longevity at 65 for future pensioners:	
23.2	▪ Men	23.2
26.0	▪ Women	26.0
2.9%	Rate of CPI inflation	2.5%
4.65%	Rate of increase in salaries	4.25%
2.9%	Rate increase in pensions	2.5%
5.5%	Rate for discounting scheme liabilities	4.9%
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 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Differences between the expected and actual return on assets	(5.6)	(30.7)	17.3	(1.5)	(1.1)
Experience (gains) and losses on liabilities	0.4	-	-	6.3	-

41. 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. In March 2012, the Supreme Court found against MMI in relation to mesothelioma claims. The judgment has significant implications for MMI and for the members of the Scheme of Arrangement and may affect the possibility of a solvent run-off. The authority's maximum liability would be £1,386k; the value of claims paid since the inception of the Scheme. However, based on the MMI accounts for the year to 30 June 2011 it is suggested that the claw-back may be 10% (£137k), but if MMI continue to receive a material number of new claims this could lead to a claw-back of up to 25% (£347k). In addition, there are existing outstanding claims for the authority, as at 31 March 2012 totalling £140k.

42. 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.

43. 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.

The authority had no exposure to credit risk during 2011/12 or 2010/11 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 £334k of the £648k 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 2011		**31 March 2012**
£000		**£000**
314	Less than three months	99
23	Three to six months	49
68	Six months to one year	64
123	More than one year	122
528	**Outstanding debt**	**334**
365	Provision for bad and doubtful debts	272
69%	Percentage of provision	81%

Of the £334k debt at 31 March 2012, £193k 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 2011		**31 March 2012**
£000		**£000**
-	Between 5 and 10 years	5,000
-	Between 10 and 15 years	5,000
-	Between 15 and 20 years	7,350
10,000	Between 20 and 25 years	8,500
-	Between 25 and 30 years	1,239
-	Between 30 and 35 years	-
-	Between 35 and 40 years	4,000
12,390	Between 40 and 45 years	8,390
22,390		**39,479**

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 £6,316k. 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.

44. HERITAGE ASSETS: CHANGE IN ACCOUNTING POLICY REQUIRED BY THE CODE

The 2011/12 Code introduced heritage assets into the authority's financial statements. Heritage assets are held for their contribution to knowledge and culture, they have historical, artistic, scientific, geophysical or environmental qualities.

In accordance with the Code, the authority's heritage assets have been recognised at the 1 April 2010. This includes the reclassification of civic statues and a boat at the Dock Museum previously held as community assets and the recognition of the historic collections held within the Town Hall and the Dock Museum. Heritage assets have been valued by Bonhams, International Auctioneers and Valuers and the net book value at the 31 March 2012 is £705k.

The heritage assets already held within the authority's Balance Sheet have been reclassified as at the 1 April 2010 and the historic collections have been recognised on the Balance Sheet:

Balance Sheet

	2010/11 Published Accounts			2010/11 Restated
	31 March 2010	**Reclassified community assets**	**Recognised historic collections**	**1 April 2010**
	£000	**£000**	**£000**	**£000**
Property, Plant and Equipment	176,248	(383)	-	175,865
Heritage Assets	0	383	595	978
Unusable Reserves	(109,387)	-	(595)	(109,982)

The recognition of the heritage assets being brought onto the Balance Sheet of the authority is recognised in the Comprehensive Income and Expenditure Statement: (Surplus) or Deficit on revaluation of Property, Plant and Equipment in 2010/11.

The reclassified community assets were revalued in 2011/12 however the revaluation applied for 2010/11; when they became heritage assets. The revaluation has been restated into 2010/11 as the heritage assets as a whole were revalued at the 1 April 2010. This restatement impacts on the main accounting statements and this is set out in the following table 'Transactions restated into 2011/12'.

Before illustrating the restatements made for the heritage assets it is necessary to first highlight that the Code required the 'Cultural, environmental, regulatory and planning services' subjective line on the Comprehensive Income and Expenditure Statement, be separated as:

Comprehensive Income and Expenditure Statement

	2010/11 Published Accounts		
	2010/11 Figures		
	Gross Expenditure	**Gross Income**	**Net Expenditure**
	£000	**£000**	**£000**
Cultural, environmental, regulatory and planning services	15,750	(5,970)	9,780
	2010/11 Figures Restated		
Cultural and related services	5,554	(1,551)	4,003
Environmental and regulatory services	5,217	(2,278)	2,939
Planning services	4,979	(2,141)	2,838
Total	**15,750**	**(5,970)**	**9,780**

The restatements to the 2010/11 main accounting statements for heritage assets are shown in the following table; sub totals have also changed on the face of the statements:

Transactions restated into 2010/11

	2010/11 Published Accounts	Heritage asset revaluation loss	Heritage asset depreciation in year	Heritage asset addition in year	2010/11 Restated
	£000	£000	£000	£000	£000
Balance Sheet: Heritage Assets	978 as restated	(261)	(15)	19	721
Balance Sheet: Property, Plant and Equipment *(£157,731k minus £383k heritage assets)*	157,348	-	15	(19)	157,344
Comprehensive Income and Expenditure Statement: Cultural and related services – gross expenditure	5,554 as restated	261	-	-	5,815
Movement in Reserves Statement: Adjustments between accounting basis & funding basis under regulations – General Fund	4,737	(261)	-	-	4,476
Balance Sheet: Unusable Reserves *(£102,701k plus £595k historic collections)*	(103,296) as restated	261	-	-	(103,035)

45. TRUST FUNDS

The Council acts as an administrator of four trust funds created for charitable purposes, they do not belong to the Council and are not included in any of the accounting statements. Their financial information is shown in aggregation below:

2010/11 £000		2011/12 £000
33	Assets	35
(10)	Gross Income	(31)
13	Gross Expenditure	31
3	**Net (surplus) or deficit for the year**	**0**

HRA INCOME AND EXPENDITURE STATEMENT

2010/11		2011/12	
£000		£000	
	Expenditure		
2,904	Repairs and maintenance	2,657	
2,579	Supervision and management	2,430	
2	Rents, rates, taxes and other charges	2	
777	Negative HRA Subsidy payable (Note 6)	1,091	
-	Settlement Payment for Self Financing (Note 7)	17,089	
20,675	Depreciation and impairment of dwellings (Note 4)	2,712	
127	Depreciation and revaluation of other HRA property (Note 5)	202	
12	Debt management costs	18	
52	Movement in the allowance for bad debts	79	
27,128	**Total Expenditure**		**26,280**
	Income		
(8,423)	Dwelling rents	(8,903)	
(322)	Non-dwelling rents	(315)	
(298)	Charges for services and facilities	(310)	
(23)	Contributions from other Local Authorities	(26)	
(9,066)	**Total Income**		**(9,554)**
18,062	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**16,726**
113	HRA services' share of Corporate and Democratic Core		133
(838)	HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services		5
17,337	**Net (Income)/Expenditure for HRA Services**		**16,864**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(134)	Gain or (loss) on sale of HRA non-current assets		(105)
487	Interest payable and similar charges		467
-	Interest and investment income		0
261	Pensions interest cost and expected return on pension assets (Note 11)		158
17,951	**(Surplus) or deficit for the year on HRA services**		**17,384**

Movement on the HRA Statement

2010/11		2011/12	
£000		£000	
(823)	Balance on the HRA at the end of the previous year		(1,038)
17,951	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	17,384	
(18,128)	Adjustments between accounting basis and funding basis under statute	(17,868)	
(177)	**Net (increase) or decrease before transfers to or from reserves**	**(484)**	
(38)	Transfers to or (from) reserves	-	
(215)	**(Increase) or decrease in the year on the HRA**		**(484)**
(1,038)	Balance on the HRA at the end of the current year		(1,522)

Notes to the HRA

1. Dwelling stock

	31 March 2011	Movements	31 March 2012
1 bed house	143	-	143
2 bed house	385	(1)	384
3+ bed house	922	(2)	920
Total houses	**1,450**	**(3)**	**1447**
1 bed flat	946	(1)	945
2 bed flat	307	-	307
3+ bed flat	8	(2)	6
Total flats	**1,261**	**(3)**	**1258**
Dwelling stock	**2,711**	**(6)**	**2705**

2. HRA non-current assets

31 March 2011		31 March 2012
£000		**£000**
63,146	Council dwellings	61,712
2,294	Land and buildings	2,302
16	Equipment	10
65,456	**HRA assets**	**64,024**

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 is 35%.

31 March 2011		31 March 2012
£000		£000
63,146	Balance Sheet value EUV-SH	61,712
117,272	Difference of EUV-SH and EUV-VP	114,608
180,418	**Value of dwelling stock at EUV-VP**	**176,320**

4. Depreciation and Revaluation of Dwellings

2010/11		2011/12	
£000		£000	£000
19,862	Revaluation loss	1,086	
(837)	Reversal of previous revaluation loss	(71)	1,015
1,586	Depreciation for current year		1,697
110	Depreciation adjustments on loss reversal		-
(46)	Depreciation adjustments on loss reversal I&E adjustment		-
20,675			**2,712**

5. Depreciation and Revaluation of Other HRA Property

2010/11		2011/12	
£000		£000	£000
60	Revaluation loss	2	
(69)	Reversal of previous revaluation loss	(8)	(6)
134	Depreciation for current year		121
4	Depreciation adjustments on loss reversal		-
(2)	Depreciation adjustments on loss reversal I&E adjustment		-
0	De-recognition of non current assets		87
127			**202**

6. Negative HRA subsidy payable

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

2010/11		2011/12
£000		£000
(1,877)	Allowance for management	(1,884)
(3,069)	Allowance for maintenance	(3,062)
(1,633)	Major Repairs Allowance	(1,916)
(881)	Charges for capital	(798)
8,243	Rent receivable	8,756
783	**Total current year HRA subsidy payable**	**1,096**
(6)	Settlement of previous year claim	(5)
777	**Total expenditure for the year**	**1,091**

7. Settlement Payment for self-financing

April 2012 is the beginning of self-financing for the Housing Revenue Account. Self-financing marks the end the centralised subsidy system, fully devolves financing to the authority, provides greater transparency for tenants and encourages better long-term asset management. As a consequence of the subsidy system ending, the authority made a settlement payment of £17,089k to the Department for Communities and Local Government on 28 March 2012. The cost of that borrowing is built into the Housing Revenue Account business plan.

8. HRA Capital Financing Requirement

2010/11		2011/12
£000		£000
9,010	**Opening Capital Financing Requirement**	**9,010**
	Capital investment:	
1,846	Council dwellings	2,112
	Source of finance:	
(1,846)	Major Repairs Reserve	(2,112)
9,010	**Closing Capital Financing Requirement**	**9,010**

9. HRA Non-current Asset Disposals

2010/11		**2011/12**
£000		**£000**
192	Carrying value of dwellings sold	117
(323)	Sale proceeds from dwellings	(215)
(131)	**Net gain on disposals**	**(98)**

10. 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.

2010/11		2011/12
£000		£000
	MRR transfers in the year:	
(1,696)	From HRA for dwellings depreciation	(1,697)
(138)	From HRA for other depreciation	(122)
63	Difference between MRA and dwellings depreciation	(218)
138	To HRA for depreciation of other assets	121
(1,633)	**MRA receivable for the year**	**(1,916)**
1,846	Capital expenditure financed by MRR	2112
(411)	**Balance brought forward**	**(198)**
(198)	Balance carried forward	(2)

11. 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:

2010/11		2011/12	
£000		£000	£000
	HRA		
	Cost of Services:		
182	▪ current service cost	158	
(838)	▪ past service costs	-	
-	▪ curtailment costs	5	
	Financing and Investment Income and Expenditure		
843	▪ interest cost	785	
(582)	▪ expected return on scheme assets	(627)	
(395)	*Total Post Employment Benefit Charged to the HRA Income and Expenditure Account*		321
	Movement in Reserves Statement		
395	▪ reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code		(321)
	Actual amounts charged against the HRA Balance for pensions in the year:		
261	▪ employers' contributions payable to scheme		315

12. Rent arrears and provision

2010/11		2011/12
£000		£000
292	Arrears at year end	343
215	Provision for bad and doubtful debts	243
74%	**Percentage of provision**	**71%**

13. HRA Balance

The balance carried forward on the HRA contains an element of funds committed to on-going housing maintenance. This occurs when the repairs and maintenance budget for the year is not fully spent; any under-spend remains as maintenance funding.

31 March 2011		31 March 2012
(1,038)	Total HRA balance carried forward	(1,522)
(26)	Of which: committed to on-going housing maintenance	(371)

COLLECTION FUND

2010/11		2011/12	
£000		**£000**	**£000**
	Income		
(27,264)	Income from Council Tax	(27,422)	
	Transfers from General Fund:		
(6,474)	- Council Tax benefits	(6,332)	
(18,758)	Income collectable from business ratepayers	(21,625)	
(52,496)	**Total Income**		**(55,379)**
	Expenditure		
	Precepts and demands:		
25,026	- Cumbria County Council	25,039	
4,452	- Barrow Borough Council	4,454	
4,177	- Cumbria Police Authority	4,180	
	Business rate:		
18,657	- Payment to national pool	21,524	
101	- Costs of collection	101	
	Bad and doubtful debts:		
(324)	- Write offs	(264)	
592	- Provisions	180	
52,681	**Total Expenditure**		**55,214**
185	**(Surplus)/Deficit for the year** (Note 3)		**(165)**

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 2012 was £58,207k (£58,039k at the 31 March 2011).

The national non-domestic rate multiplier for 2011/12 was 43.3 pence in the pound (41.4 pence in the pound for 2010/11).

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 42.6 pence in the pound (40.7 pence in the pound for 2010/11) 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 2011		31 March 2012
£000		£000
	Council Tax	
3,959	Arrears	3,869
2,520	Provision for bad and doubtful debts	2,172
64%	Percentage of provision	56%
	Business ratepayers	
1,291	Arrears	1,327
1,161	Provision for bad and doubtful debts	1,196
90%	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 2010/11 to be distributed in 2012/13		(Surplus) for 2011/12 to be distributed 2013/14
£000		£000
137	Cumbria County Council	(122)
23	Police Authority	(21)
25	Barrow Borough Council	(22)
185		**(165)**

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 2011/12 as it was in 2010/2011

The Council Tax base for the year was set as:

2010/11 Band D equivalent number of chargeable dwellings	Band	Standard factor	2011/12 Band D equivalent number of chargeable dwellings
30	Disabled reductions		30
10,839	A	6/9	10,847
3,808	B	7/9	3,805
3,739	C	8/9	3,745
2,065	D	9/9	2,062
1,083	E	11/9	1,084
313	F	13/9	318
109	G	15/9	106
-	H	18/9	-
21,986	Equivalent chargeable dwellings		21,997
21,546	98% of which gives the Council Tax base		21,557

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.

2010/11 Council Tax	Band	Property value	2011/12 Council Tax
£			£
1,038.17	A	Up to £39,999	1,038.17
1,211.20	B	£40,000 to £51,999	1,211.20
1,384.23	C	£52,000 to £67,999	1,384.23
1,557.26	**D**	**£68,000 to £87,999**	**1,557.26**
1,903.32	E	£88,000 to £119,999	1,903.32
2,249.36	F	£120,000 to £159,999	2,249.36
2,595.42	G	£160,000 to £319,999	2,595.42
3,114.51	H	£320,000 and over	3,114.51

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

Opinion on the Council's financial statements

I have audited the financial statements of Barrow in Furness Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Barrow in Furness 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 Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial 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 financial statements sufficient to give reasonable assurance that the financial 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 Borough Treasurer; and the overall presentation of the financial statements.

In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion, the financial statements:

- give a true and fair view of the financial position of Barrow in Furness Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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.

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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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 2011, 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 2012.

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 2011, I am satisfied that, in all significant respects, Barrow in Furness Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Barrow in Furness 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

Appointed Auditor

September 2012

Audit Commission, Aspinall House, Aspinall Close, Middlebrook, Bolton BL6 6QQ

GLOSSARY

Asset register
A detailed listing of land, buildings, vehicles and major items of plant and equipment (assets). Asset registers are an important record of the authority's ownership of major items, including land and buildings. They are also a useful basis for arranging appropriate insurance cover and substantiating insurance claims in the event of fire, theft or other loss.

Budget
A statement expressing the authority's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and the capital programme and any authorised amendments to them. It does not however include the forward financial forecast, which is for financial planning purposes only.

Budget Book
The publication in which the authority sets out its budget for a particular financial year.

Budgetary control
The continual review of expenditure and income, both revenue and capital, against planned levels of expenditure and income to help ensure that service objectives are achieved and the overall resources of the authority are not over or under spent.

Budget provision
The amount approved by the authority for a particular cost centre.

Capital contributions
Sums contributed by external persons and bodies towards the cost of capital schemes to be carried out by the authority.

Capital expenditure
This generally relates to expenditure on the acquisition or enhancement of fixed assets which will be of use or benefit to the authority in providing its services for more than one year. It also includes grants to other persons and bodies for spending by them on similar purposes.

Capital programme
The authority's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also provides estimates of the capital resources available to finance the programme and a statement of any under or over programming.

Capital receipts
The proceeds from the disposal of land and other assets which are available to finance new capital expenditure after deducting any amount which is required by statute to be paid over to the Secretary of State. Statute prevents capital receipts being used to finance revenue expenditure.

Capital resources
The resources earmarked either by statute or by the authority to meet the cost of capital expenditure instead of charging the cost directly to revenue. The definition covers borrowing, capital receipts, and grants and contributions from external persons and bodies given for capital purposes. The authority may also contribute revenue resources to the financing of capital expenditure, and for as long as these are included in the capital programme; they are regarded similarly as capital resources.

CIPFA
The Chartered Institute of Public Finance and Accountancy (CIPFA) is the leading professional body for accountants employed in the public sector. It issues Codes of Practice and other guidance as appropriate on matters which are addressed by these Regulations.

Codes of conduct
The protocols within which Members and officers will work as set out in the Constitution.

Codes of practice
Guidance issued normally by professional bodies in relation to standards which are not regulated by statute. For example, CIPFA have issued Codes of Practice giving detailed guidance on accounting standards, Internal Audit and treasury management.

Collection Fund
The fund into which Council Tax and business rates are paid, and out of which the precepts of Cumbria County Council, Cumbria Police Authority and Barrow Borough Council are met. Any surplus or deficit is shared between the various authorities on the basis of precepted amounts.

Computer systems
Commercially available software which might be acquired for use on authority computers, whether local PC or networks. For the purposes of these Regulations, the definition is not intended to cover applications to which such systems might be put.

Contracts Standing Orders
The authority's rules relating to the procurement of works, supplies and services as set out in the Constitution.

Corporate governance
The system by which local authorities direct and control their functions and relate to their communities.

Council Tax
A local tax based on the notional capital value of residential properties. The level set by an authority for a particular year will be broadly determined by its expenditure on General Fund services less other income, use of authority reserves and government grant.

Council Tax base
A figure calculated annually to represent the number of dwellings over which the Council Tax for the following financial year may be collected. All dwellings within the District are valued by the Valuation Office Agency and classified into one of eight bands (A to H), each of which is expressed as a proportion above or below the value of Band D. The Council Tax base is the number of dwellings expressed in terms of a Band D average, after making allowance for discounts, losses, exemptions and appeals. When the authority sets the level of Council Tax for that year, it is expressed as an amount due from Band D properties.

Creditors
A person or body to whom the authority owes money.

Debtors
A person or body who owes the authority money. The debt may derive from a number of sources such as Council Tax or rent arrears, rechargeable works or where an account has been rendered for a service provided by the authority.

DCLG
Department for Communities and Local Government.

Estimates
The amounts which are expected to be spent, or received as income, during an accounting period. The term is also used to describe detailed budgets which are being prepared for the following financial year or have been approved for the current year.

External Audit
An independent examination of the activities and accounts of local authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The external auditor for each authority is appointed by the Audit Commission.

Fees and charges
Charges made to the public for the authority's services and facilities.

Financial Regulations
That part of the Constitution which provides an approved framework for the proper financial management of the authority.

Financial year
The period of twelve months commencing on the 1 April.

General Fund
The revenue fund of the authority covering day-to-day expenditure and income on services. The net cost on this account is met by Government Support and Council Tax.

Housing Revenue Account
The revenue account covering day-to-day expenditure and income arising from the provision of local authority housing. The expenditure and income credits are defined in statute and any balance on the account is only available for spending on the housing stock. Activities relating to the strategic housing function, as opposed to the landlord function for the authority 's own housing stock, are accounted for in the General Fund outside of the Housing Revenue Account.

Internal Audit
An independent appraisal function for review of the internal control system of an organisation. It objectively examines, evaluates and reports on the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources.

Inventory
A detailed listing of all goods, materials, furniture and equipment in the ownership or use of a particular service, other than those held in stocks and stores records. Inventories are normally maintained in sufficient detail as to description, location, age, value etc. to enable any material loss arising from a fire, theft or other event to be identified and to support any insurance claim.

Investment Strategy
A statement of policies for determining the type, value and length of investments that the authority will use to place its surplus funds and also for determining appropriate third parties with whom these investments will be placed.

Leasing
A method of acquiring the use of capital assets which is similar to renting. Normally this kind of arrangement is only suitable for vehicles, plant and equipment. Ownership of the asset remains with the leasing company and the annual rental is charged directly to the authority's revenue accounts.

Medium Term Financial Plan
The estimated value of revenue budget heads for the three financial years immediately following the budget year. The forecast confers no authority to spend, and is made for financial planning purposes only.

Members' Allowances
A scheme of payments to elected Members of the Council in recognition of the duties and responsibilities assumed by them.

Performance Indicators
Data collection designed to measure and compare the performance of all local authorities on a consistent basis.

Precept
The amount that authority and certain other public authorities providing services within the Barrow Borough area require to be paid from the Collection Fund to meet the cost of their services.

Prudential Indicators
The Prudential Indicators are designed to support and record local decision making regarding capital investment. The CIPFA 'Prudential Code for Capital Finance in Local Authorities' requires each local authority to agree and monitor mandatory prudential indicators.

Reserves
A Council's accumulated surplus income in excess of expenditure. Reserves are available at the discretion of the authority to meet items of expenditure in future years, and may be earmarked or held for general purposes.

Revenue
A term used to describe the day-to-day costs of running the authority's services and income deriving from those services. It also includes however charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.

Risk
Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted action, event or occurrence.

Risk management
Risk management is the adoption of a planned and systematic approach to the identification, evaluation and management of risk.

Risk Management Policy and Strategy
This is approved by the Audit Committee endorsing the commitment of the authority to have effective risk management and sets out the responsibility of Members, Heads of Service and all staff for the identification, control and reduction of risk and the containment of loss in all aspects of their activities.

Statement of Accounts
The authority's annual statement on its financial position for the year ending the 31 March. The report is required to be in a prescribed format and is subject to independent review.

Supplementary estimate
The approval of an increase in the level of a particular budget head, or the establishment of a new budget head, under the procedure laid down in the Financial Regulations. Where an existing budget head is involved, a supplementary estimate would not normally be approved where an appropriate virement was available. Supplementary estimates above the level delegated to the Borough Treasurer may only be sanctioned by the Executive Committee.

Treasury Management
The management of the authority's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks. It includes the setting of and monitoring compliance with the Prudential Indicators.

Treasury Management Policy Statement
A statement approved by the Full Council setting out the parameters within which treasury activities are to be managed.

Treasury Management Strategy
The strategy for the treasury management activities to be adopted for a particular financial year as approved by the Executive Committee within the parameters set by the Treasury Management Policy Statement.

Virement
The transfer of budget provision from one budget head to another, under the procedure laid down in the Financial Regulations. Virement decisions apply to revenue expenditure budgets. Virements may not be approved between capital and revenue budget heads. Virements may be approved by officers up to an amount specified in the Regulations, by the Borough Treasurer, or by the Executive Committee.

Write off
The action taken to charge to the authority the amount due from some external party which has been found to be irrecoverable from that party. Whilst the sum remains due to the authority in law, it will no longer be shown as outstanding in the authority's accounts.