BOROUGH OF BARROW IN FURNESS

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STATEMENT OF ACCOUNTS 2012/13

Contents List

EXPLANATORY FOREWORD

Introduction from the Borough Treasurer

The Statement of Accounts summarises the authority's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. 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 19) 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 20 & 21) 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 22) 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 23) 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 24) 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 25 to 87) include a summary of the significant accounting policies and other explanatory information.

h. Housing Revenue Account and Notes

The Housing Revenue Account (pages 88-95) 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 96-99) 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

General Fund Revenue

The General Fund net revenue budget for 2012/13 was approved as £13,153k by Full Council on the 28 February, 2012. This compares to the actual outturn as follows:

	Original Budget £000	**Actual Outturn £000**	**Differences £000**
Net expenditure on services	8,939	10,392	1,453
Corporate amounts charged to General Fund	1,531	3,830	2,299
Net Cost of Services charged against the General Fund balance	**10,470**	**14,222**	**3,752**
Contribution to/(from) reserves	2,683	(310)	(2,993)
Net Revenue Budget	**13,153**	**13,912**	**759**
Government grants	(8,575)	(9,045)	(470)
Council tax	(4,578)	(4,578)	0
Total Revenue Financing	**(13,153)**	**(13,623)**	**(470)**
Net (surplus)/deficit on the year	**0**	**289**	**289**

The increase in the net expenditure on services of £1,453k consists of:

- A net overspend against items within the original budget of £181k:
    - A cost of £511k from the shortfall in car parking and Leisure Centre income compared to the budget expectation.
    - An under spend of (£353k) on direct costs such as supplies, services, contracts and staff costs.
    - Additional income of (£125k) from commercial properties.
    - An over spend of £148k from a reduction in the internal recharges from the General Fund to the Housing Revenue Account and the Capital Programme.
- An over spend of £1,018k for the creation of a provision for the Municipal Mutual Scheme of arrangement (see paragraph n. on page 10 for details). This is funded by £67k of one-off income received in the year, £662k of earmarked reserves and £289k of the General Fund balance.
- An over spend of £133k for expenditure incurred that is funded by contributions from existing earmarked reserves.
- An over spend of £121k matched by New Burdens grant for council tax reforms, which is included within general Government grants.

The increase in the corporate amounts charged to General Fund of £2,299k consists of:

- An under spend on treasury activities of (£49k).
- An over spend of £2,348k on projects and items related to the earmarked revenue grants held in reserve and released to cover this expenditure in the year. £2,098k of these grants was used to fund the capital programme for 2012-2013.

The difference between the amount planned to be added to reserves of £2,683k and the result for the year of (£310k) being added to reserves is (£2,993k) and the changes were:

- (£662k) released from reserves to fund the creation of the MMI provision.
- (£133k) of existing earmarked reserves released to cover expenditure incurred within the net expenditure on services in the year.
- (£2,098k) of existing earmarked revenue grants released to fund the capital programme for 2012-2013.
- (£14k) of existing earmarked revenue grants released for the New Homes Bonus for 2012-2013; received in 2011-2012.
- £250k added to earmarked revenue grants in relation to the Weekly Collection Support Scheme.
- £113k added to earmarked revenue grants in relation to Preventing Homelessness.
- (£304k) of earmarked revenue grants being the net of existing grants released to fund expenditure incurred and new grants added and carried forward.
- The reduced contribution to the Restructuring Reserve for 2012-2013 of (£296k); the actual addition to the reserve being lower than the budget expectation.

- £225k added to the Public Buildings major works reserve to fund the capital works to the Town Hall.
- (£74k) being the net release from other earmarked reserves.

The increases in Government Grants of (£470k) were:

- New burdens grant received in the year of (£121k) which was spent as part of the net expenditure on services.
- The first instalment of the 2012-2013 New Homes Bonus, £14k, was received in 2011-2012 and returned to revenue through the release from earmarked revenue grants.
- The first instalment of the three year Weekly Collection Support Scheme was received (£250k) and added to earmarked revenue grants.
- The receipt of (£113k) for Preventing Homelessness was added to earmarked revenue grants.

Housing Revenue Account

The Housing Revenue Account budget for 2012/13 was approved as a balanced budget by Council on the 28 February, 2012. This compares to the actual outturn as follows:

	Original Budget	Actual Outturn	Difference
	£000	£000	£000
Cost of Services	(2,420)	(3,384)	(964)
Corporate Amounts	2,420	2,915	495
Net (surplus)/deficit for the year	**0**	**(469)**	**469**

The differences between the Actual Outturn and the Original Budget are:

	Cost of Services	Corporate Amounts
	£000	£000
Additional income from charges for services & facilities and rents	(56)	
Spend on repairs and maintenance lower than budget expectation	(788)	
Savings in supervision and management costs	(301)	(63)
Final subsidy claim settlement	2	
Dwelling depreciation charge	125	(125)
Non-dwelling depreciation and revaluation losses	8	121
Increase in bad debt provision	46	
Additional voluntary provision for the repayment of debt		858
Saving from interest on loans lower than budget expectation		(296)
Total of differences	**(964)**	**495**

The majority of the £469k surplus is committed to on-going maintenance.

k. Reserves and Balances

The movements in reserves and balances held by the authority have been set out above as part of the analysis of the difference between the original budget and the actual outturn. The usable reserves held by the authority are set out in this section.

General Fund Earmarked Revenue Reserves

	Balance at 31 March 2012	Added in the year	Used in the year	Transfers in the year	Balance at 31 March 2013
	£000	£000	£000	£000	£000
VAT and insurance	(1,145)	-	-	1,145	0
Exempt VAT limit	0	-	-	(250)	(250)
Insurance excesses	0	-	20	(100)	(80)
Uninsured losses	0	-	-	(500)	(500)
MMI scheme of arrangement	0	-	295	(295)	0
Public buildings major works	(500)	(225)	-	-	(725)
Pay and grading review	(176)	-	-	-	(176)
Ring-fenced properties	(515)	(125)	124	-	(516)
Cremator relining	0	(46)	-	-	(46)
Festivals and events	(28)	-	16	-	(12)
Market Hall refurbishment	(51)	-	-	-	(51)
Park Vale (sports facilities)	(56)	-	-	-	(56)
General reserve	(1,367)	-	367	-	(1,000)
Restructuring reserve	(757)	(3,099)	-	2,400	(1,456)
Budget support	0	-	600	(2,400)	(1,800)
Grants to external bodies	(400)	-	159	-	(241)
Closed Circuit TV	(184)	-	47	-	(137)
Neighbourhood management team	(50)	-	50	-	0
Grants and contributions	(3,197)	(448)	2,575	-	(1,070)
Total	**(8,426)**	**(3,943)**	**4,253**	**0**	**(8,116)**

The main change in the use of reserves against the items in the original budget is the contribution to the restructuring reserve. In line with budget expectations the second and final allocation of the Transition Grant was added to the restructuring reserve. The budget also included a contribution from the General Fund result for the year of (£1,310k) but due to reductions in the expected income, net of cost savings, the actual contribution was (£1,013k); lower by £297k.

The main movements in these reserves that were not in the original budget are:

- The MMI scheme of arrangement reserve £295k has been used in setting up the MMI provision in 2012-2013, together with £367k of the general reserve.
- (£225k) has been added to the public buildings major works reserve for external works to the Town Hall.
- Within grants and contributions:
  - £2,098k of existing Working Neighbourhoods grant was used to fund the capital programme for 2012-2013.
  - £218k of existing Working Neighbourhoods grant was used to fund revenue items included in the net expenditure on services.
  - (£250k) was added for the Weekly Collection Support Scheme.

General Fund Balance

The General Fund balance is held for potential emergencies, unexpected events or unbudgeted statutory expenditure. The balance also serves to cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.

2011/12		**2012/13**
£000		**£000**
(2,289)	Balance brought forward	(2,289)
-	Used in the year for the MMI provision	289
(2,289)	**Balance carried forward**	**(2,000)**

Housing Revenue Account

The Major Repairs Reserve contains the balance of funding available for capital works to Council dwellings. The reserve is ring-fenced to the Housing Revenue Account.

2011/12		**2012/13**
£000		**£000**
(198)	Balance brought forward	(2)
(1,916)	Contributions from the Housing Revenue Account	(2,032)
2,112	Used to finance new capital expenditure	1,903
(2)	**Balance carried forward**	**(131)**

Similar to the General Fund balance, the HRA balance is held for potential emergencies, unexpected events or unbudgeted statutory expenditure. The balance also serves to cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing. The HRA balance includes a commitment to on-going repairs and maintenance.

2011/12		**2012/13**
£000		**£000**
(1,038)	Balance brought forward	(1,522)
(484)	Added from the Housing Revenue Account for the year	(469)
(1,522)	**Balance carried forward**	**(1,991)**
371	*Of which: committed to on-going repairs and maintenance*	*788*

The fund balances and reserves are held separately in accordance with statute and cannot subsidise one another.

The following table summarises the revenue reserves and balances held by the authority:

	31 March 2012	**31 March 2013**
	£000	**£000**
General Fund:		
Earmarked revenue reserves	(8,426)	(8,116)
Fund balance	(2,289)	(2,000)
Total General Fund reserves and balances	**(10,715)**	**(10,116)**
Housing Revenue Account:		
Major Repairs Reserve	(2)	(131)
Fund balance	(1,522)	(1,991)
Total Housing Revenue Account reserves and balances	**(1,524)**	**(2,122)**

Usable Capital Reserves

The authority holds capital reserves to fund the Capital Programme; these reserves cannot be used for revenue purposes.

Capital Receipts Reserve

2011/12		**2012/13**
£000		**£000**
(1,678)	Balance brought forward	(1,106)
(512)	Proceeds from the disposal of Property, Plant and Equipment	(1,491)
129	Contribution to the Government capital receipts pool	200
955	Used to finance new capital expenditure	532
(1,106)	**Balance carried forward**	**(1,865)**

The assets sold in 2012/13 are:

- Land at the Dock Museum;
- Land at Ashburner Way;
- Land at Biggar Bank;
- Shop premises; and
- 8 dwellings sold under the Right to Buy provisions.

The dwelling sales are subject to Capital Receipts Pooling legislation and a proportion of each sale is paid to the Government capital receipts pool upon completion.

Capital Grants Unapplied Account

2011/12		2012/13
£000		**£000**
(1,024)	Balance brought forward	(481)
(52)	Grants received in the year	(1,864)
595	Used to finance new capital expenditure	151
(481)	**Balance carried forward**	**(2,194)**

The capital grants unapplied and added to this account for 2012/13 are:

- (£1,663k) for the Cluster of Empty Homes project
- (£194k) for disabled facilities grants
- (£7k) for a private sector housing survey (Cumbria wide)

Usable Capital Reserves	**Balance at 31 March 2012**	**Balance at 31 March 2013**
	£000	**£000**
Capital Receipts Reserve	(1,106)	(1,865)
Capital Grants Unapplied Account	(481)	(2,194)
Total usable capital reserves	**(1,587)**	**(4,059)**

l. Material Assets and Liabilities

During 2012/13 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 includes the following items with separate disclosure on the face of the Statement:

In Relation to 2012/13

MMI Provision – The Council is a member of the Municipal Mutual Insurance (MMI) Scheme of Arrangement. MMI ceased to write new or renew insurance business in 1992 and established a Scheme of Arrangement under provisions within the Companies Act 1985. The Scheme of Arrangement was set up to achieve a solvent run-off for MMI and for members' claims to continue to be settled. The Scheme is no longer projecting a solvent run-off so the members (Scheme Creditors) have been called on to make an Initial Levy. The Council has set up a provision to fund the potential liability of £1,018k, of which £212k has been accounted for a creditor for the Initial Levy in 2012/13.

Revaluation of renewal area - during 2012/13, the authority recognised a revaluation loss of £9,966k in relation to its designated renewal area. This area originally consisted of a number of private dwellings, purchased by the authority over several years, which were deemed not to be fit for purpose. Some of the dwellings have now been renovated and sold on but the majority have been demolished leaving a land area ready for housing regeneration. This revaluation loss has been calculated at existing use, taking account of the regeneration element, by the authority's valuer NPS and has been charged to the Comprehensive Income and Expenditure Statement. In accordance with statutory provisions, the loss does not impact on the General Fund and is reversed out as a movement in reserves. The renewal area was entirely funded by Housing Market Renewal grant, awarded for this specific purpose.

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.

o. Significant Change in Accounting Policies

There have been no significant changes to the authority's accounting policies in 2012/13 however the accounting treatment of non-dwelling assets within the HRA ring-fence has changed:

- The charges in respect of non-dwelling assets now fall on the HRA balance, as the reversal of these charges is no longer permitted. In relation to non-dwelling depreciation, the impact of revenue balances is mirrored by an equal increase in the Major Repairs Reserve from the capital adjustment account (effectively a transfer between revenue and capital); however, any impairment and valuation losses for non-dwellings (net of any charge to the revaluation reserve) will have a real impact on the level of HRA reserves. Impairment and revaluation losses not covered by the Revaluation Reserve are charged to the HRA balance.

- For dwellings, the Major Repairs Reserve (MRR) is credited and the HRA balance is debited with a sum equal to the depreciation. The charge to the HRA balance is then reversed through the Movement in Reserves Statement to the capital adjustment account. If the depreciation charge is lower than the notional Major Repairs Allowance (MRA), the authority can make an adjustment for the difference so that the charge to the HRA balance and transferred to the MRR is the MRA instead of depreciation. This optional adjustment is available only during the five year transition period. Impairment and valuation losses not covered by the Revaluation Reserve are charged to the HRA balance but during the transition period will be reversed through the Movement in Reserves Statement to the capital adjustment account.

p. Financial Planning

The 2010 Comprehensive Spending Review significantly reduced the level of financial settlement for the Council. The Council adopted a Budget Strategy on the 24 January, 2012 with the aim of balancing the General Fund budget by 2015/16.

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:

- Prudent use of balances;
- Efficiency measures;
- Reduce staffing costs;
- Increasing income; and
- Service reductions.

The Medium Term Financial Plan is based on the policies within the Budget Strategy and for 2012/13 – 2015/16 the Plan contained the following projections:

	2012/13	**2013/14**	**2014/15**	**2015/16**
	£000	**£000**	**£000**	**£000**
Net Expenditure before Reserves	10,357	10,610	10,843	10,936
Total Revenue Financing	(11,067)	(10,534)	(10,066)	(10,336)
Net deficit (surplus)	**(710)**	**76**	**777**	**600**
Contribution to (from) the Restructuring Reserve	710	(76)	(777)	(600)
Net deficit (surplus) for the year	**0**	**0**	**0**	**0**

Each time the annual budget is set the intention being to eliminate the 2015/16 £600k deficit from efficiencies and economies that will achieve a sustainable reduction in the Net Expenditure.

The Medium Term Financial Plan for 2013/14 – 2015/16 remains based on the Budget Strategy policies with assumptions and projections updated for the 2012/13 projected outturn available when the budget was set on the 26 February, 2013.

	2013/14	2014/15	2015/16
	£000	£000	£000
Net Expenditure before Reserves	11,058	11,398	11,208
Total Revenue Financing	(11,169)	(10,277)	(10,198)
Net deficit (surplus)	**(111)**	**1,121**	**1,010**
Contribution to (from) the Restructuring Reserve	111	(1,121)	(1,010)
Net deficit (surplus) for the year	**0**	**0**	**0**

The 2015/16 projected deficit has increased by £410k. This follows on from revisions to the assumptions and projections within the Budget Strategy and their cumulative impact across the Plan.

The Restructuring Reserve is being used in setting the pace of change in the Council's budget reduction process. The projected use of the Restructuring Reserve and the balance of £546k remaining available for on-going restructuring costs is:

	2011/12	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000	£000
Balance at 1 April	-	757	1,455	1,836	1,162
Funds added	2,744	3,098	711	-	-
Funds used or set aside	(1,987)	(2,400)	(330)	(674)	(616)
Balance at 31 March	**757**	**1,455**	**1,836**	**1,162**	**546**

Key Priorities

The Key Priorities of the authority and the actions identified at the start of 2012/13 and completed are:

1. Provide good quality efficient and cost effective services while reducing overall expenditure.

   - Development of the all-weather soccer centre project in preparation for a mid-2013 commencement.
   - Retendering of the authority's venue catering & cleaning contract in preparation for a mid-2013 contract award.
   - The Housing Department carried out a Survey of Tenants and Residents (STAR survey) to understand the expectations and aspirations of tenants and residents.
   - Progress was made in the review of recycling collections to maximise recycling income and mitigate the impact of a reduction in the value of recycling rewards.

2. Continue to support housing market renewal including an increase in the choice and quality of housing stock and the regeneration of our oldest and poorest housing.

- Commencement of a two year project to carry out Group Repair Work to 240 properties in the renewal area including chimney stack repairs, door and window replacement, rendering and new rain water goods and cavity wall insulation.
- In partnership with Accent Housing sites were identified to build 27 three bedroom social sector houses.

3. Work to mitigate the effects of the recession and cuts in public expenditure and their impact on the local economy and secure a sustainable and long term economic recovery for our community.

- The authority transferred the management of Waterside House to BAE Systems and secured a long term rental stream.
- Substantial refurbishment of Phoenix Business Centre was completed
- The authority approved the default Council Tax Reduction Scheme ensuring that those in receipt of council tax benefit were not disadvantaged from the change.

4. Continue to improve and enhance the built environment and public realm, working with key partners to secure regeneration of derelict and underused land and buildings in the Borough.

- The external refurbishment of 102 Abbey Road, a listed building on the principal road into Barrow-in-Furness, was completed.

The authority continues to strive to achieve its key priorities whilst delivering the key components of the Budget Strategy.

<u>2013/14 Financial Settlement</u>

The 2013/14 financial settlement for the authority is £6,843k. This represents a reduction in Revenue Spending Power against 2012/13 of 16.9%. Revenue Spending Power represents the Total Revenue Financing element of the authority's budget or accounts (general Government grants and council tax).

The Government identified the seven authorities with the biggest reduction in Revenue Spending Power and made an Efficiency Support Grant (ESG) available. To be awarded the ESG, authorities were required to submit a business case setting out the plan for reducing the Net Expenditure towards to a sustainable level that reflected the financial settlement. This mirrors the aim of the Budget Strategy.

The authority submitted an acceptable business case and the ESG for 2013/14 has been awarded. The award is £1,175k and the broad areas of expenditure are:

- Capital investment;
- Invest to Save;
- Investment in efficiencies including channel shift, and;
- Contract negotiations.

Taking the ESG into account the Revenue Spending Power reduction is reduced to 8.8% against 2012/13.

<u>2014/15 Financial Settlement</u>

The 2014/15 financial settlement for the authority is estimated to be £5,961k. This represents a reduction in Revenue Spending Power against 2013/14, excluding the ESG of 16.8%.

The Efficiency Support Grant will be available to the authority for 2014/15, but award will depend on the performance in 2013/14. If the ESG were awarded for 2014/15, the reduction in Revenue Spending Power against 2013/14 would be 7.1%.

The Efficiency Support Grant stream ends in 2014/15.

q. Future Changes

Council Tax Reduction Scheme

The authority has approved the national prescribed default Council Tax Reduction Scheme and this applies from April 2013. Operating the default scheme means that the people in receipt of council tax benefit receive the same value as a reduction to their council tax bill and this is funded locally rather than nationally. The authority is funding the reduction in Government grant for this from technical reforms to council tax discounts and premiums, a one-off transition grant and the balance is built into the 2013/14 General Fund budget.

Business Rates Retention Scheme

The Government financial settlement for 2013/14 includes the Business Rate Retention Scheme. From April 2013 the authority will continue to collect the business rates for the borough and will pay 50% to the Government, leaving a 50% local share. The local share is then split with 20% paid to Cumbria County Council and 80% retained by this authority; this is 40% of the total business rates for the borough.

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% 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. Tariffs and top-ups will be adjusted at each five yearly revaluation so that an authority's retained rates income is not affected.

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. Universal Credit will eventually replace:

- Income-based Jobseeker's Allowance
- Income-related Employment and Support Allowance
- Income Support
- Working Tax Credit
- Child Tax Credit
- Housing Benefit

Universal Credit was introduced on 29 April 2013 in selected areas of Greater Manchester and Cheshire and will be gradually rolled out to the rest of the United Kingdom from October 2013 and will be completed by 2017.

r. Capital and Borrowing

Capital

The authority's capital investment for 2012/13 and how it has been financed is shown below:

2011/12		2012/13
£000		£000
6,671	**Capital investment**	**5,490**
(1,308)	Financed by borrowing	-
(2,296)	Financed by grants and contributions	(839)
(955)	Financed by capital receipts	(532)
(2,112)	Financed by Major Repairs Reserve	(1,903)
-	Financed from reserves	(2,216)
(6,671)	**Total financing**	**(5,490)**

The future capital investment for the years 2013/2014 to 2015/16 and the financing is planned to be:

	2013/14	2014/15	2015/16
	£000	£000	£000
Capital investment	**9,962**	**3,000**	**2,898**
Financed by borrowing	(2,800)	(485)	(340)
Financed by grants and contributions	(1,323)	(399)	(399)
Financed by capital receipts	(2,046)	(282)	(281)
Financed by major repairs reserve	(2,296)	(1,834)	(1,878)
Financed by reserves	(1,497)	-	-
Total financing	**(9,962)**	**(3,000)**	**(2,898)**

The authority has received £3,442k of 'Cluster of Empty Homes Funding'; half in 2012/13 and half in 2013/14. The funding has been allocated to bring 229 empty homes back into use and to pay for environmental works in the surrounding areas. The environmental works are currently estimated at £1,500k and the Landscape Institute are running a design competition for this element of the overall scheme. The Cluster of Empty Homes Funding is not yet in the capital programme and will be added once the projects have been approved.

Borrowing

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 2012/13, no external loans were required as other resources were available. It is not expected that it will be necessary to draw down new loans to fund the capital programme up to 2015/16, however the cost of financing from borrowing will increase and this 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. The authorised limit and borrowing for 2012/13 and current estimates to 2015/16 are 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	39,479	39,479	39,479	39,479

The 2013/14 – 2015/16 capital programme includes an element of financing from borrowing, but it is not currently expected that the funds will need to be drawn down so the authority's external loans will not increase.

s. Provisions and Contingencies

The authority has established an MMI provision in 2012/13. The authority is a member of the Municipal Mutual Insurance (MMI) Scheme of Arrangement. MMI ceased to write new or renew insurance business in 1992 and established a Scheme of Arrangement under provisions within the Companies Act 1985. The Scheme of Arrangement was set up to achieve a solvent run-off for MMI and for members' claims to continue to be settled.

The Scheme is no longer projecting a solvent run-off so the members (Scheme Creditors) have been called on to make an Initial Levy. The Council has set up a provision to fund the potential liability of £1,018k, of which £212k has been included in the accounting statements as a creditor to pay the Initial Levy in 2012/13.

t. Material Events After the Reporting Date

When the new arrangements for the retention of business rates come into effect on 1 April 2013, the authority will assume liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

This will include amounts that were paid over to the government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the authority, but would have been transferred to the government.

When the authority assumes these liabilities on 1 April 2013, the authority will recognise a provision for its respective share of the liability as at 1 April 2013. As this liability does not exist at the Balance Sheet date, the authority has not amended the 2012/13 accounting statements and therefore reports this as a non-adjusting post balance sheet event. The estimated level of liability on 1 April 2013 is £492k. The Government has decided that it will make regulations providing that the cost of such refunds can be spread over the five years 2013/14 to 2018/19, instead of being accounted for in their entirety in 2013/14.

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 2012/13 the authority recommenced investing temporary surplus cash with financial institutions eligible under the counterparty criteria within the Council approved Treasury Strategy. The security and liquidity of the financial institutions meeting the counterparty criteria of the Council limit the risks involved in treasury activities to a prudent level.

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 2012/13 and of its expenditure and income for the year ended 31 March 2013.

S M Roberts CPFA, ACMA
Borough Treasurer
Section 151 Officer
28 June 2013
Revised 17 September 2013

Councillor Mrs A Burns
Audit Committee Chairman
26 September 2013

ACCOUNTING STATEMENTS

Movement in Reserves Statement 2011/12

2011/12	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 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)**

Movement in Reserves Statement 2012/13

2012/13	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 2012 brought forward	**(2,289)**	**(8,427)**	**(1,522)**	**(2)**	**(1,106)**	**(481)**	**(13,827)**	**(79,161)**	**(92,988)**
Movement in Reserves during 2012/13									
(Surplus) or deficit on the provision of services	7,927	-	(2,605)	-	-	-	5,322	-	5,322
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	0	3,802	3,802
Total Comprehensive Income and Expenditure	**7,927**	**0**	**(2,605)**	**0**	**0**	**0**	**5,322**	**3,802**	**9,124**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(7,328)	-	2,136	(129)	(759)	(1,713)	(7,793)	7,793	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**599**	**0**	**(469)**	**(129)**	**(759)**	**(1,713)**	**(2,471)**	**11,595**	**9,124**
Transfers to/(from) Earmarked Reserves (Note 8)	(310)	310	-	-	-	-	0	-	0
(Increase)/Decrease in 2012/13	**289**	**310**	**(469)**	**(129)**	**(759)**	**(1,713)**	**(2,471)**	**11,595**	**9,124**
Balance at 31 March 2013 carried forward	**(2,000)**	**(8,117)**	**(1,991)**	**(131)**	**(1,865)**	**(2,194)**	**(16,298)**	**(67,566)**	**(83,864)**

Comprehensive Income and Expenditure Statement 2012/13

2011/12				2012/13		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
8,477	(7,142)	1,335	Central services to the public – other	8,956	(7,263)	1,693
5,212	(1,491)	3,721	Cultural and related services	4,730	(1,303)	3,427
5,207	(1,961)	3,246	Environmental and regulatory services	4,571	(2,085)	2,486
6,179	(2,233)	3,946	Planning services	3,810	(2,096)	1,714
715	(1,052)	(337)	Highways and transport services	607	(981)	(374)
17,089	-	17,089	Local authority housing (HRA) - self-financing settlement (Note 5)	-	-	0
9,193	(9,555)	(362)	Local authority housing (HRA) – other	6,466	(10,076)	(3,610)
22,471	(21,376)	1,095	Other housing services	22,810	(21,829)	981
1,833	(95)	1,738	Corporate and democratic core	1,758	(211)	1,547
-	-	0	Non distributed costs - revaluation of renewal area (Note 5)	9,966	-	9,966
275	-	275	Non distributed costs – other	254	-	254
-	-	0	Exceptional item – MMI provision (Note 5)	1,018	-	1,018
76,651	**(44,905)**	**31,746**	**Cost of Services**	**64,946**	**(45,844)**	**19,102**
		267	Other operating expenditure (Note 9)			(365)
		1,813	Financing and investment income and expenditure (Note 10)			2,327
		(14,665)	Taxation and non-specific income (Note 11)			(15,742)
		19,161	**(Surplus) or Deficit on Provision of Services**			**5,322**
		1,175	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(779)
		3,161	Actuarial (gains)/losses on pension assets/liabilities			4,581
		4,336	**Other Comprehensive Income and Expenditure**			**3,802**
		23,497	**Total Comprehensive Income and Expenditure**			**9,124**

Balance Sheet

31 March 2012		Notes	31 March 2013
£000			£000
153,520	Property, Plant & Equipment	12	143,595
705	Heritage Assets	13	737
30	Assets Held For Sale	14	45
5	Long Term Debtors	24	61
154,260	**Long Term Assets**		**144,438**
-	Short Term Investments	15	6,506
16	Inventories	16	19
2,382	Short Term Debtors	17	2,395
5,591	Cash and Cash Equivalents	18	4,799
7,989	**Current Assets**		**13,719**
(494)	Short Term Borrowing	15	(494)
(4,316)	Short Term Creditors	19	(4,084)
(4,810)	**Current Liabilities**		**(4,578)**
(41)	Provisions	20	(841)
(39,479)	Long Term Borrowing	15	(39,479)
(24,931)	Other Long Term Liabilities	23	(29,395)
(64,451)	**Long Term Liabilities**		**(69,715)**
92,988	**Net Assets**		**83,864**
(13,827)	Usable Reserves	21	(16,298)
(79,161)	Unusable Reserves	22	(67,566)
(92,988)	**Total Reserves**		**(83,864)**

Cash Flow Statement

2011/12 Restated		2012/13
£000		£000
19,161	**Net (surplus) or deficit on the provision of services**	**5,322**
(6,319)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements (Note 25)	(15,548)
(15,652)	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities (Note 26)	3,343
(2,810)	**Net cash flows from Operating Activities** (Note 27)	**(6,883)**
20,912	Investing Activities (Note 28)	8,178
(19,841)	Financing Activities (Note 29)	(503)
(1,739)	**Net (increase) or decrease in cash and cash equivalents**	**792**
3,852	Cash and cash equivalents at the beginning of the reporting period (Note 18)	5,591
5,591	Cash and cash equivalents at the end of the reporting period (Note 18)	4,799
(1,739)	**Net (increase) or decrease in cash and cash equivalents**	**792**

The Cash Flow Statement for 2011/12 has been restated between the classification headings with no impact on the cash and cash equivalents. The 2012/13 Cash Flow Statement has been prepared on an appropriate basis and the restatement makes the disclosure consistent and comparable.

Notes to the Accounts

1. ACCOUNTING POLICIES

a. General Principles

The Statement of Accounts summarises the authority's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. 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 2012/13 and the Service Reporting Code of Practice 2012/13, 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.

The accounting statements have been prepared on a going concern basis which assumes that the authority will continue in operation for the foreseeable future.

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.
- Revenue from leasehold properties is recognised on an averaged basis where leases contain rent free periods and the first year requires an adjustment of over £10k.
- 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 de-recognition 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 to support the objective of increasing the knowledge, understanding, culture and appreciation of the authority’s history and local area. They 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.

Made up of over 20,000 items of substantially local origin, the authority has three principal collections (summarised below) which are housed within the Dock Museum, Barrow Town Hall or the local area, they include:

- Historic Collections held at market value - carrying value as at 31 March 2013 of £631k:
  - Social history - a large variety of individual items or collections relating to World War I & II; Costume, Medical, Needlework; Toys, Pastimes & School; Domestic & Household, plus a number of other miscellaneous items.
  - Shipbuilder's Models - holding circa 30 to scale models, these exhibits are a testament to the history of the ship building era within Barrow-in-Furness; with many actually being constructed by Barrow Shipyard.
  - Boats - two boats including a 36' 6" timber auxiliary sloop boat, named the White Rose and Banshee, a timber Whammel boat.
  - Marine & Industrial history - a quantity of local marine history items including ships paraphernalia, ships tools and items relating to Furness Railway.
  - Art & Sculpture - circa 50 works of art or sculpture, including local heritage portraits, the local area and seafaring scenes.
  - Ceramics & glass - a large amount of bottles, crested china, commemorative mugs, oil light chimneys, dinner wares, a Satsuma bowl and 17th century salt glazed jugs.
  - Furniture - circa 30 items or sets within Barrow Town Hall, these items include a variety of impressive Edwardian, Victorian, 19th and early 20th century pieces.
  - Silverware - an array of tableware pieces.
  - Regalia – composed of one Mayoral & Mayoress' chain of office, presidential chair of office and a Victorian silver-gilt ceremonial mace.
  - Historic statues – Barrow-in-Furness's founding father statues of Sir James Ramsden, Lord Frederick Cavendish and Henry Schneider.
  - Viking Hoard/Bronze Age/Numismatics – a hoard of coins and a number of pieces of silver being mainly from Anglo-Saxon and Viking periods, Bronze age gold ring fragment and two Arabic dirhams.

  Further information, detailing a number of the above pieces, can be found on the Local History & Heritage section of the Council's website.

- New Statues are carried at market value and depict local heroes of a more recent time. The Herbert Leigh, again carried at market value, is an RNLI life boat that served Barrow between 1952 & 1988. The carrying value of these assets as at 31 March 2013 is £95k.

- War memorials are carried at depreciated historic cost – carrying value as at 31 March 2013 is £11k.

These items are reported in the Balance Sheet, the valuations being initially carried out as at 1 April 2010 and 1 April 2011 with future valuation reviews to be undertaken, in consultation with the appropriate professionals, with sufficient frequency to ensure that the valuations remain current. Heritage assets, added to the collections during 2012/13 have been valued by the Treasure Valuation Committee and, for smaller donated items, by the authority's Museum Curator, as to instruct an official valuer would be too expensive for the relative value of the specific items. Where 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.

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 would also not justify the cost; these being the graving dock, the cenotaph and a stone fountain.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. if an item has suffered physical deterioration or breakage or were doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the authority's general policies on impairment. Should there ever be a disposal of a heritage asset; 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 (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 2012/13. 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, decommissioned or derecognised, 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 Code has adopted the amendments to IAS 19 Employee Benefits and IAS 1 Presentation of Financial Statements which will need to be adopted fully by the authority in 2013/14. This is a change in accounting policy as at 1 April 2013 that will require disclosure and the publication of a Balance Sheet as at the beginning of the earliest comparative period (a third Balance Sheet) in the 2013/14 financial statements.

In respect of the amendments to IAS 19, the change will introduce new classes of components of defined benefit cost to be recognised in the financial statements (net interest on the net defined benefit liability/asset and re-measurements of the net defined benefit liability/asset) together with new definitions of recognition criteria for service costs and termination benefits. The authority's pension actuaries have advised that the effect of the change to IAS 19 on the Comprehensive Income and Expenditure Statement to 31 March 2013 will be a decrease of £295k.

The amendments to IAS 1 Presentation of Financial Statements are presentational only and will require all items presented in the Comprehensive Income and Expenditure Statement to be shown gross.

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 2013 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 2012/13, 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 £6,181k and the depreciation charged to the HRA for 2013/14 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 2013/14 would be £1,992k rather than £1,660k.

Heritage Assets

Heritage assets were brought onto the Balance Sheet from the 1 April 2010 onwards. The assets were valued at 1 April 2010 and 1 April 2011 so that they are 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 2012/13, 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 £63k.

Arrears

At 31 March 2013 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 £21k and for housing rent debtors, a contribution from the HRA of £31k. 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 2013 figures are:

- +0.1% per annum increase in the discount rate assumption would result in a decrease in the net pensions liability of £1,434k; or,
- +0.1% per annum increase in the salary inflation assumption would result in an increase in the net pensions liability of £1,459k; or,
- 1 year addition to the member's life expectancy assumption would result in an increase in the net pensions liability of £1,874k.

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 £6,426k and decrease the fair value of fixed rate investments by £10k. 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 2012/13

MMI Provision – The Council is a member of the Municipal Mutual Insurance (MMI) Scheme of Arrangement. MMI ceased to write new or renew insurance business in 1992 and established a Scheme of Arrangement under provisions within the Companies Act 1985. The Scheme of Arrangement was set up to achieve a solvent run-off for MMI and for members' claims to continue to be settled. The Scheme is no longer projecting a solvent run-off so the members (Scheme Creditors) have been called on to make an Initial Levy. The Council has set up a provision to fund the potential liability of £1,018k, of which £212k has been accounted for as a creditor for the Initial Levy in 2012/13.

Revaluation of renewal area - during 2012/13, the authority recognised a revaluation loss of £9,966k in relation to its designated renewal area. This area originally consisted of a number of private dwellings, purchased by the authority over several years, which were deemed not to be fit for purpose. Some of the dwellings have now been renovated and sold on but the majority have been demolished leaving a land area ready for housing regeneration. This revaluation loss has been calculated at existing use, taking account of the regeneration element, by the authority's valuer NPS and has been charged to the Comprehensive Income and Expenditure 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.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was originally authorised for issue by the Borough Treasurer on the 28 June, 2013, and is now authorised for issue on the 17 September, 2013, after incorporating revisions from the audit. Events taking place after this date are not reflected in the accounting statements or notes.

When the new arrangements for the retention of business rates come into effect on 1 April 2013, the authority will assume liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

This will include amounts that were paid over to the government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the authority, but would have been transferred to the government.

When the authority assumes these liabilities on 1 April 2013, the authority will recognise a provision for its respective share of the liability as at 1 April 2013. As this liability does not exist at the Balance Sheet date, the authority has not amended the 2012/13 accounting statements and therefore reports this as a non-adjusting post balance sheet event. The estimated level of liability on 1 April 2013 is £492k. The Government has decided that it will make regulations providing that the cost of such refunds can be spread over the five years 2013/14 to 2018/19, instead of being accounted for in their entirety in 2013/14.

Where any other events taking place before this date provided information about conditions existing at the 31 March 2013, 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.

General Fund Balance

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.

Housing Revenue Account Balance

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.

Adjustments between accounting basis and funding basis under regulations 2012/13	Usable Reserves: 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	(1,853)	(1,660)				(3,513)	3,513
Revaluation losses on Property, Plant and Equipment	(10,878)	(162)				(11,040)	11,040
Capital grants and contributions applied	688					688	(688)
Revenue expenditure funded from capital under statute	(642)					(642)	642
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(526)	(297)				(823)	823
Insertion of items not debited or credited to the CIES							
Statutory provision for the financing of capital investment	935					935	(935)
Voluntary provision for the financing of capital investment		1,740				1,740	(1,740)
Capital expenditure charged against the General Fund and HRA balances	2,216					2,216	(2,216)
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the CIES	1,864				(1,864)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account					151	151	(151)
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	867	624		(1,491)		0	0
Use of the Capital Receipts Reserve to finance new capital expenditure				532		532	(532)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(200)			200		0	0
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Reserve credited to the HRA		1,905	(1,905)			0	0
Use of the Major Repairs Reserve to finance new capital expenditure			1,903			1,903	(1,903)
Increase in the Major Repairs Reserve for depreciation of non-dwelling assets			(127)			(127)	127
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		36				36	(36)
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,428)	(357)				(1,785)	1,785
Employer's pension contributions and direct payments to pensioners payable in the year	1,589	314				1,903	(1,903)
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	44					44	(44)
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)	(7)				(11)	11
Total Adjustments	**(7,328)**	**2,136**	**(129)**	**(759)**	**(1,713)**	**(7,793)**	**7,793**

Adjustments between accounting basis and funding basis under regulations 2011/12	Usable Reserves: 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)
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
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**

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 2012/13.

	Balance at 1 April 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012	Reclassification	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013
	£000	£000	£000	£000	£000	£000	£000	£000
General Fund:								
Committed reserves								
VAT & insurance	(1,145)	-	-	(1,145)	1,145	-	-	0
VAT	-	-	-	-	(250)	-	-	(250)
Insurance	-	-	-	-	(100)	20	-	(80)
Uninsured losses	-	-	-	-	(500)	-	-	(500)
MMI reserve	-	-	-	-	(295)	295	-	0
Budget setting	(155)	155	-	-	-	-	-	0
Public buildings	(500)	-	-	(500)	-	-	(225)	(725)
Pay review	(176)	-	-	(176)	-	-	-	(176)
GF Properties	(341)	-	(174)	(515)	-	124	(125)	(516)
Cremator Reline	-	-	-	-	-	-	(46)	(46)
Leisure Centre income	(124)	124	-	-	-	-	-	0
CCTV	-	-	(184)	(184)		47	-	(137)
Neighbourhood Management Team	-	-	(50)	(50)		50	-	0
Grants to external bodies	-	-	(400)	(400)		159	-	(241)
Restructuring Reserve	-	-	(757)	(757)	2,400	-	(3,099)	(1,456)
Budget setting support	-	-	-	-	(2,400)	600	-	(1,800)
Committed reserves total	**(2,441)**	**279**	**(1,565)**	**(3,727)**	**0**	**1,295**	**(3,495)**	**(5,927)**
Available reserves								
General reserve	(1,367)	-	-	(1,367)	-	367	-	(1,000)
Festivals	(63)	35	-	(28)	-	16	-	(12)
Market Hall	(51)	-	-	(51)	-	-	-	(51)
Park Vale	(56)	-	-	(56)	-	-	-	(56)
Available reserves total	**(1,537)**	**35**	**-**	**(1,502)**	**0**	**383**	**0**	**(1,119)**

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 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013
	£000	£000	£000	£000	£000	£000	£000
Grants and contributions:							
Committed reserves	(3,243)	231	(185)	(3,197)	2,575	(448)	(1,070)

This can be summarised as:

	Balance at 1 April 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013
General Fund							
Committed reserves	(2,441)	279	(1,565)	(3,727)	1,295	(3,495)	(5,927)
Available reserves	(1,537)	35	-	(1,502)	383	-	(1,119)
Grants							
Committed reserves	(3,243)	231	(185)	(3,197)	2,575	(448)	(1,070)
Total earmarked reserves	**(7,221)**	**545**	**(1,750)**	**(8,426)**	**4,253**	**(3,943)**	**(8,116)**

The movement in 2012/13 is the net of the transfers out £4,253k and the transfers in (£3,943k); £310k.

9. OTHER OPERATING EXPENDITURE

2011/12		2012/13
£000		£000
103	Parish council precepts	103
129	Payments to the Government Housing Capital Receipts Pool	201
35	(Gains)/losses on the disposal of non-current assets	(669)
267	**Total**	**(365)**

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2011/12		2012/13
£000		£000
983	Interest payable and similar charges	1,450
854	Pensions interest cost and expected return on pensions assets	915
(24)	Interest receivable and similar income	(38)
1,813	**Total**	**2,327**

11. TAXATION AND NON SPECIFIC GRANT INCOMES

2011/12		2012/13
£000		£000
(4,477)	Council tax income	(4,622)
(5,360)	Non-domestic rates	(6,194)
(4,596)	Non-ring fenced government grants	(2,851)
(232)	Capital grants and contributions	(2,075)
(14,665)	**Total**	**(15,742)**

12. PROPERTY, PLANT & EQUIPMENT

Movement on Balances **Movements in 2012/13**	**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 2012	**61,713**	**56,285**	**2,317**	**4,393**	**97**	**5,658**	**9,681**	**1,708**	**18,504**	**160,356**
additions and enhancements	1,903	636	-	124	-	-	56	65	2,064	4,848
reclassification start of year	-	-	-	59	-	(59)	-	50	(50)	-
reclassification in year	-	65	-	-	-	-	-	10,574	(10,609)	30
revaluation increases/(decreases) recognised in the Revaluation Reserve	273	320	163	-	-	-	-	23	-	779
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(163)	(719)	(1)	-	-	-	-	(10,208)	-	(11,091)
eliminate depreciation on revaluation	(1,660)	(3,568)	(67)	-	-	-	-	-	-	(5,295)
reclassification year-end	-	-	-	-	-	-	-	(45)	-	(45)
de-recognitions	-	-	-	(84)	-	(103)	-	-	-	(187)
Disposals	(256)	(381)	(43)	-	-	-	-	(10)	-	(690)
At 31 March 2013	**61,810**	**52,638**	**2,369**	**4,492**	**97**	**5,496**	**9,737**	**2,157**	**9,909**	**148,705**
Accumulated Depreciation and Revaluation										
At 1 April 2012 reclassified	**-**	**(3,391)**	**(15)**	**(2,893)**	**(85)**	**(357)**	**(95)**	**-**	**-**	**(6,836)**
reclassification start of year	-	-	-	(8)	-	8	-	-	-	-
depreciation charge	(1,660)	(1,425)	(122)	(319)	(5)	(59)	(44)	(2)	-	(3,636)
eliminate depreciation on revaluation	1,660	3,568	67	-	-	-	-	-	-	5,295
derecognition - disposals	-	-	1	25	-	41	-	-	-	67
At 31 March 2013	**-**	**(1,248)**	**(69)**	**(3,195)**	**(90)**	**(367)**	**(139)**	**(2)**	**-**	**(5,110)**
Net Book Value at 31 March 2013	**61,810**	**51,390**	**2,300**	**1,297**	**7**	**5,129**	**9,598**	**2,155**	**9,909**	**143,595**

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**	**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)
de-recognition – 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	**-**	**(2,581)**	**(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**
Net Book Value at 1 April 2011	**63,146**	**54,553**	**2,294**	**1,707**	**17**	**5,375**	**9,582**	**1,477**	**19,193**	**157,344**

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 2013, 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 £1,571k. Similar commitments at the 31 March 2012 were £365. The major commitments are:

31 March 2012		31 March 2013
£000		£000
265	Building refurbishment	69
49	Retentions	66
51	Housing market renewal	1,436
365	**Total**	**1,571**

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 2012/13 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.

The authority's HRA dwellings and garages are valued on an annual basis and are carried at fair value. The valuation for 2012-2013 was performed by Norfolk Property Services and produced a net book value at the 31 March 2013 of £62,863k.

All other assets are valued as part of a rolling five year programme and the latest valuations are shown in the following table.

Financial year	Valuer	Value £000	Total £000
Assets carried at fair value:			
2008/09	Norfolk Property Services	3,470	
2008/09	Peill & Company	4,797	
2008/09	Valuation Officer Agency	127	8,394
2009/10	Norfolk Property Services	1,203	
2009/10	Peill & Company	858	2,061
2010/11	Norfolk Property Services		4,601
2011/12	Norfolk Property Services		7,552
2012/13	Norfolk Property Services		32,310
Total for assets carried at fair value:			**54,918**
Assets carried at historical cost:			**25,814**
Net Book Value at 31 March 2013			**80,732**

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.

Dwellings

The authority valued their housing stock as at 1 April, 2012. Following this external valuation, the Housing Department identified that some dwelling bedroom numbers had changed over time and amended these on the rent system as at 2 April, 2012. The amendments were actually made at varying times, but dated back to the first rent week for 2012/13.

As these amendments were made after the external valuation and on review it was deemed there would only be a nominal difference to the overall dwelling portfolio and relevant valuations for the period, the Housing Department amendments are not reflected in the 2012/13 accounting statements. The amendments will be encompassed in the 2013/14 dwelling valuation exercise.

13. HERITAGE ASSETS

The authority'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. In addition, during 2012/13 the authority was fortunate, through funding donations, to be able to add a major Viking Hoard of coins and silver pieces to its collections; this is now on exhibition at the Dock Museum.

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 Museum's Curator also 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.

With the adoption of FRS30 into the Code if Practice on Local Authority Accounting for 2011/12, the authority obtained Heritage Asset valuations in order to bring these items on to the Balance Sheet. The valuations were undertaken in March 2012 by the external valuer, Bonhams International Auctioneers and Valuers, the measurement basis being market value. The further additions, during 2012/13, of the Viking Hoard and Bronze Age gold ring fragment were valued by the Treasury Valuation Office, with further immaterial items being valued by the authority's Museum Curator, who also reports, no items held need to be impaired and no disposals have been made within the period. The authority's accounting policy on depreciation, where the asset is deemed as being of finite life, is applied; such assets within 2012/13 have been depreciated on a straight line basis over 25 years.

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.

Movement on Balances Movements in 2012/13	Social History £000	Ship Models £000	Boats £000	Industrial History £000	Art & Sculpture £000	Ceramics & Glass £000	Furniture £000	Silverware £000	Regalia £000	Historic (Old) Statues £000	Viking Hoard, Ring & Numismatics £000	Total Historic Collection £000	New Statues £000	Herbert Leigh – Boat £000	War Memorials £000	Total £000
	HISTORIC COLLECTION															
Cost or Valuation																
Heritage Asset – Cost at 1 April 2012	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14	14
Heritage Asset – Valuation at 1 April 2012	29	297	16	13	72	10	72	22	34	30	-	595	79	20	-	694
At 1 April 2012	**29**	**297**	**16**	**13**	**72**	**10**	**72**	**22**	**34**	**30**	**-**	**595**	**79**	**20**	**14**	**708**
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Service	1	-	-	-	-	-	-	-	-	-	50	51	-	-	-	51
De-recognition of assets	-	(15)	-	-	-	-	-	-	-	-	-	(15)	-	-	-	(15)
At 31 March 2013	**30**	**282**	**16**	**13**	**72**	**10**	**72**	**22**	**34**	**30**	**50**	**631**	**79**	**20**	**14**	**744**
Accumulated Depreciation and Revaluation																
Heritage Asset – Cost at 1 April 2012	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**	**(3)**
At 1 April 2012	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**(3)**	**(3)**
depreciation charge	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(1)		(4)
At 31 March 2013	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**	**(1)**	**(3)**	**(7)**
Net Book Value at 31 March 2013 – Cost	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11**	**11**
Net Book Value at 31 March 2013 - Valuation	**30**	**282**	**16**	**13**	**72**	**10**	**72**	**22**	**34**	**30**	**50**	**631**	**76**	**19**	**-**	**726**
Total Net Book Value at 31 March 2013	30	282	16	13	72	10	72	22	34	30	50	631	76	19	11	737

Movement on Balances **Comparative movements in 2011/12**	**Social History £000**	**Ship Models £000**	**Boats £000**	**Industrial History £000**	**Art & Sculpture £000**	**Ceramics & Glass £000**	**Furniture £000**	**Silverware £000**	**Regalia £000**	**Historic (Old) Statues £000**	**Total Historic Collection £000**	**New Statues £000**	**Herbert Leigh – Boat £000**	**War Memorials £000**	**Total £000**
	HISTORIC COLLECTION														
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	595	91	23		709
At 1 April 2011	**29**	**297**	**16**	**13**	**72**	**10**	**72**	**22**	**34**	**30**	**595**	**91**	**23**	**14**	**723**
eliminate depreciation on revaluation	-	-	-	-	-	-	-	-	-	-	-	(12)	(3)	-	(15)
At 31 March 2012	**29**	**297**	**16**	**13**	**72**	**10**	**72**	**22**	**34**	**30**	**595**	**79**	**20**	**14**	**708**
Accumulated Depreciation and Revaluation															
Heritage Asset – Cost at 1 April 2011	-	-	-	-	-	-	-	-	-	-	-	-	-	(2)	(2)
At 1 April 2011	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**(2)**	**(2)**
depreciation charge	-	-	-	-	-	-	-	-	-	-	-	(12)	(3)	(1)	(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**	**595**	**79**	**20**	**-**	**694**
Total Net Book Value at 31 March 2012	29	297	16	13	72	10	72	22	34	30	595	79	20	11	705

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. Further 2012/13 assets acquired have been valued by The Treasure Valuation Committee or, for non-material assets, the Authority's Museum Curator.

Financial Year	Valuer	Value £000	Total £000
Carried at market value:			
2011/12	Bonhams International Auctioneers & Valuers	675	
Total fair value of assets valued in 2011/12			**675**
2012/13	Treasure Valuation Committee	49	
	Authority's Museum Curator	2	
Total fair value of assets valued in 2012/13			**51**
Assets carried at historical cost			**11**
Net Book Value at 31 March 2013			**737**

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.

Three Year Summary of Transactions

	2010/11 £000	2011/12 £000	2012/13 £000
Assets/Recognised Assets			
Historic Collection	595	-	-
New Statues and Herbert Leigh	415	-	-
War Memorials (Cost)	14	-	-
Total Recognised	**1,024**	**-**	**-**
Value of Heritage Assets Acquired			
Historic Collection	-	-	51
New Statues and Herbert Leigh Boat	19	-	-
Total Donations	**19**	**-**	**51**
Revaluation of Assets			
New Statues and Herbert Leigh	(261)	-	-
Eliminate depreciation on revaluation			
Eliminate depreciation on revaluation	(59)	-	-
Total Revaluation/Depreciation eliminated	**(320)**	**-**	**-**
Accumulated Depreciation and Revaluation			
New Statues and Herbert Leigh	(59)	(15)	(4)
War Memorials (Cost)	(2)	(1)	
Eliminate depreciation on revaluation	59		-
Total Accumulated Depreciation & Revaluation	**(2)**	**(16)**	**(4)**
De-recognition of Assets - Historic Collection			
Carrying Value	-	-	**(15)**
Net Book Value at 31 March – Valuation	709	694	726
Net Book Value at 31 March - Cost	12	11	11
Total Net Book Value 31 March	**721**	**705**	**737**

The authority has obtained appropriate valuations for the majority of its heritage assets held. However, due to the impracticability of the exercise, no valuations prior to 1 April 2010 have been ascertained, therefore, the authority's financial summary, listed above, presently covers three years (2010/11, 2011/12, 2012/13). The requirement to further report a five year summary will be provided as available.

14. ASSETS HELD FOR SALE

One piece of surplus land was reclassified as held for sale during 2011/12. This land has subsequently been unclassified in 2012/13 because it is deemed the relevant criteria required can no longer be met. One further asset has been reclassified as held for sale during 2012/13; this asset is a surplus renewal area property and has been valued at fair value. Depreciation is not charged on assets held for sale.

Non-current 2011/12 £000		Non-current 2012/13 £000
30	Property, Plant and Equipment	45
30	**Net Book Value at 31 March**	**45**

Revaluations

Financial Year	Valuer	Value £000	Total £000
Carrying value:			
2012/13	Ross Estate Agency	45	
Net Book Value at 31 March 2013			**45**

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term			Current	
	31 March 2013	31 March 2012		31 March 2013	31 March 2012
	£000	£000		£000	£000
Investments					
Loans and receivables	-	-		6,506	-
Debtors					
Loans and receivables	-	-		578	648
Borrowings					
Financial liabilities at amortised cost	(39,479)	(39,479)		(494)	(494)
Creditors					
Financial liabilities carried at contract amount	-	-		(2,022)	(2,217)

Income, Expense, Gains and Losses

	2012/13			2011/12		
	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**	1,450	-	1,450	984	-	984
Total income in (Surplus) or Deficit on the Provision of Services: **interest income**	-	(38)	(38)	-	(24)	(24)
Net (gain)/loss for the year	**1,450**	**(38)**	**1,412**	**984**	**(24)**	**960**

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 2013 of 0.52% to 3.13% 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 2012			31 March 2013	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
648	648	Loans and receivables short-term	7,084	7,084
(39,479)	(45,646)	Borrowings long-term	(39,479)	(47,361)
(494)	(494)	Borrowings short-term	(494)	(494)
(2,217)	(2,217)	Creditors	(2,022)	(2,022)
(41,542)	**(47,709)**	**Total**	**(34,911)**	**(42,793)**

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 2013) 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

31 March 2012		31 March 2013
£000		£000
13	Dock Museum shop	14
3	Other stocks held for internal issue	5
16	**Total**	**19**

17. SHORT TERM DEBTORS

31 March 2012		31 March 2013
£000		£000
340	Central government bodies	742
839	Other local authorities	621
1,203	Other entities and individuals	1,032
2,382	**Total**	**2,395**

18. CASH AND CASH EQUIVALENTS

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

31 March 2012		31 March 2013
£000		£000
2	Cash held by the authority	2
5,587	Bank current accounts	4,796
2	Interest income	1
5,591	**Total Cash and Cash Equivalents**	**4,799**

19. SHORT TERM CREDITORS

31 March 2012		31 March 2013
£000		£000
(1,390)	Central government bodies	(1,439)
(342)	Other local authorities	(164)
(2,584)	Other entities and individuals	(2,481)
(4,316)	**Total**	**(4,084)**

20. PROVISIONS

	MMI Provision	Early Retirement Provision	Total
	£000	£000	£000
Balance at 31 March 2012	**-**	**(41)**	**(41)**
Additional provisions made in 2012/13	(1,018)	-	(1,018)
Amounts used in 2012/13	212	6	218
Balance at 31 March 2013	**(806)**	**(35)**	**(841)**

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

The Council is a member of the Municipal Mutual Insurance (MMI) Scheme of Arrangement. MMI ceased to write new or renew insurance business in 1992 and established a Scheme of Arrangement under provisions within the Companies Act 1985. The Scheme of Arrangement was set up to achieve a solvent run-off for MMI and for members' claims to continue to be settled. The Scheme is no longer projecting a solvent run-off so the members (Scheme Creditors) have been called on to make an Initial Levy. The Council has set up a provision to fund the potential liability of £1,018k, of which £212k has been accounted for as a creditor for the Initial Levy in 2012/13.

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

31 March 2012		31 March 2013
£000		£000
(26,853)	i. Revaluation Reserve	(26,853)
(77,268)	ii. Capital Adjustment Account	(70,067)
63	iii. Financial Instruments Adjustment Account	27
0	iv. Deferred Capital Receipts Reserve	0
24,854	v. Pensions Reserve	29,317
2	vi. Collection Fund Adjustment Account	(42)
41	vii. Accumulated Absences Account	52
(79,161)	**Total Unusable Reserves**	**(67,566)**

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.

2011/12		2012/13	
£000		£000	£000
(28,732)	**Balance at 1 April**		**(26,853)**
(1,691)	Upward revaluation of assets	(1,982)	
2,866	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	1,203	
1,175	**(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services**		**(779)**
624	Difference between fair value depreciation and historical cost depreciation	617	
80	Accumulated gains on assets sold & derecognised	162	
704	**Amount written off to the Capital Adjustment Account**		**779**
(26,853)	**Balance at 31 March**		**(26,853)**

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.

2011/12			2012/13
£000			£000
(96,509)	**Balance at 1 April**		**(77,268)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
4,013	▪ Charges for depreciation and impairment of non-current assets	3,640	
3,504	▪ Revaluation losses on Property, Plant and Equipment	11,040	
1,243	▪ Revenue expenditure funded from capital under statute	642	
546	▪ 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	823	
17,089	HRA Self Financing Settlement	-	
(704)	Adjusting amounts written out of the Revaluation Reserve	(779)	
25,691	**Net written out amount of the cost of non-current assets consumed in the year**		**15,366**
	Capital financing applied in the year:		
(955)	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(532)	
(2,112)	▪ Use of the Major Repairs Reserve to finance capital expenditure	(1,903)	
(1,114)	▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(688)	
(595)	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	(151)	
(1,086)	▪ Statutory provision for the financing of capital investment charged against the General Fund balance	(935)	
-	▪ Voluntary provision for the financing of capital investment charged against the HRA Fund balance	(1,740)	
(588)	▪ Capital expenditure charged against the General Fund balance	(2,216)	(8,165)
(77,268)	**Balance at 31 March**		**(70,067)**

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.

2011/12		2012/13
£000		£000
183	Balance at 1 April	63
(120)	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	(36)
63	**Balance at 31 March**	**27**

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.

2011/12		2012/13
£000		£000
(1)	Balance at 1 April	**0**
1	Transfer to the Capital Receipts Reserve upon receipt of cash	0
0	**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.

2011/12		2012/13
£000		£000
21,943	Balance at 1 April	24,854
3,161	Actuarial (gains) or losses on pensions assets and liabilities	4,581
1,962	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	1,785
(2,212)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,903)
24,854	**Balance 31 March**	**29,317**

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.

2011/12		2012/13
£000		£000
35	Balance at 1 April	2
(33)	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	(44)
2	**Balance at 31 March**	**(42)**

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.

2011/12		2012/13
£000		£000
46	Balance at 1 April	41
(5)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	11
41	**Balance at 31 March**	**52**

23. OTHER LONG TERM LIABILITIES

2011/12		2012/13
£000		£000
(24,854)	Pension scheme liabilities	(29,318)
(77)	Compulsory purchase proceeds	(77)
(24,931)	**Total**	**(29,395)**

24. LONG TERM DEBTORS

2011/12		2012/13
£000		£000
5	Catering contract deposit	5
-	Property rents	56
5	**Total**	**61**

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

2011/12 Restated		2012/13
£000		£000
(4,013)	Depreciation	(3,640)
(3,281)	Revaluation losses and gains on previous losses	(11,042)
323	(Increase)/decrease in provision for bad debts	(114)
6	(Increase)/decrease in provisions	(800)
2,369	(Increase)/decrease in creditors	377
(1,378)	Increase/(decrease) in debtors	420
(13)	Increase/(decrease) in inventories	3
250	Movement in pension liability	118
(769)	Carrying amount of non-current assets sold or derecognised	(823)
187	Other non-cash movements	(47)
(6,319)		**(15,548)**

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

2011/12 Restated		2012/13
£000	**Investing**	£000
(17,089)	HRA self-financing settlement payment	-
505	Proceeds from the sale of property, plant and equipment	1,487
932	Other receipts from investing activities	1,856
(15,652)		**3,343**

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2011/12		2012/13
£000		£000
(24)	Interest received	(33)
978	Interest paid	1,450

28. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2011/12 Restated		2012/13
£000		£000
5,260	Purchase of property, plant and equipment	5,021
-	Purchase of short-term investments	12,000
17,089	HRA self-financing settlement payment	-
(505)	Proceeds from the sale of property, plant and equipment	(1,487)
-	Proceeds from short-term investments	(5,500)
(932)	Other receipts from investing activities	(1,856)
20,912	**Net cash flows from investing activities**	**8,178**

29. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2011/12 Restated		2012/13
£000		£000
(17,089)	Cash receipts of long-term borrowing	-
(2,752)	Agency transactions relating to NNDR and council tax (billing authority)	(503)
(19,841)	**Net cash flows from financing activities**	**(503)**

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 2012/13	**Corporate Management and Housing Services**	**Corporate & Support Services and Electoral Services**	**Economic Development, Planning & Building Control and Environmental Health**	**Leisure, Parking and Environmental Services**	**Financial Services and Revenues & Benefits**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(10,115)	(48)	(2,064)	(4,280)	(599)	(17,106)
Government grants	-	(80)	(88)	(58)	(27,707)	(27,933)
Total Income	(10,115)	(128)	(2,152)	(4,338)	(28,306)	(45,039)
Staff pay	1,376	722	1,363	1,730	547	5,738
Other service expenses	3,237	1,153	1,537	5,896	32,817	44,640
Total Expenditure	4,613	1,875	2,900	7,626	33,364	50,378
Net Expenditure	(5,502)	1,747	748	3,288	5,058	5,339

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 2012/13 the gross expenditure included in the analysis is 77%.

Directorate Income and Expenditure 2011/12 comparative figures (restated to reflect new Management structure in 2012/13)	**Corporate Management and Housing Services**	**Corporate & Support Services and Electoral Services**	**Economic Development, Planning & Building Control and Environmental Health**	**Leisure, Parking and Environmental Services**	**Financial Services and Revenues & Benefits**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(9,569)	(112)	(2,096)	(4,217)	(705)	(16,699)
Government grants	(48)	0	(19)	(42)	(26,847)	(26,956)
Total Income	**(9,617)**	**(112)**	**(2,115)**	**(4,259)**	**(27,552)**	**(43,655)**
Staff pay	1,521	799	1,640	1,900	612	6,472
Other service expenses	4,931	1,361	1,628	6,473	30,841	45,234
Total Expenditure	**6,452**	**2,160**	**3,268**	**8,373**	**31,453**	**51,706**
Net Expenditure	**(3,165)**	**2,048**	**1,153**	**4,114**	**3,901**	**8,051**

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.

	2012/13	2011/12
	£000	£000
Net expenditure in the Directorate Analysis	5,339	8,051
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	15,139	25,284
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(1,376)	(1,589)
Cost of Services in Comprehensive Income and Expenditure Statement	**19,102**	**31,746**

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.

2012/13	**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	(17,106)		(170)	(17,276)		(17,276)
Interest and investment income					(38)	(38)
Income from council tax					(4,622)	(4,622)
Government grants and contributions	(27,933)			(27,933)	(11,120)	(39,053)
Total Income	**(45,039)**	**0**	**(170)**	**(45,209)**	**(15,780)**	**(60,989)**
Staff pay	5,738	317	(1,345)	4,710		4,710
Pensions valuation adjustment					(3,035)	(3,035)
HRA Self Financing Settlement						
Other service expenses	44,640		139	44,779		44,779
Support Service recharges*		(24)		(24)		(24)
Depreciation, revaluation & impairment		14,846		14,846		14,846
Interest Payments					5,400	5,400
Precepts					103	103
Payments to Housing Capital Receipts Pool					201	201
(Gain) or Loss on Disposal of Non-Current Assets					(669)	(669)
Total Expenditure	**50,378**	**15,139**	**(1,206)**	**64,311**	**2,000**	**66,311**
(Surplus) or deficit on the Provision of Services	**5,339**	**15,139**	**(1,376)**	**19,102**	**(13,780)**	**5,322**

** The gross value of support services recharged to and between front line services is £2,779k, with £24k being recharged to capital projects.*

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)**	**0**	**(73)**	**(43,728)**	**(14,689)**	**(58,417)**
Staff pay	6,472	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	45,234	-	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)**	**75,474**	**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.*

31. MEMBERS' ALLOWANCES

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

2011/12		2012/13
£000		£000
85	Basic allowances	85
31	Extra responsibility allowance	30
12	Expenses	12
128	**Total**	**127**

There is also an honorarium for the office of the Mayor's year of office to cover mayoral duties and civic receptions. The honorarium for 2012/13 was £5k (£5k for 2011/12).

32. OFFICERS' REMUNERATION

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

2012/13	**Chief Executive (retired 30/6/2012)**	*** Executive Director (from 1/7/2012)**	*** Director of Regeneration & Community Services (post deleted 30/6/2012)**	**Deputy Executive Director (from 1/4/2012)**	**Borough Treasurer (retired 15/4/2012)**	**Borough Treasurer (from 1/4/2012)**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Salary and allowances	24	70	19	67	3	56
Total remuneration excluding pension contributions	**24**	**70**	**19**	**67**	**3**	**56**
Employers pension contributions	3	9	2	8	0	7
Total remuneration including pension contributions	**27**	**79**	**21**	**75**	**3**	**63**

* The Director of Regeneration and Community Services was appointed Executive Director with effect from 1 July 2012.

2011/12	**Chief Executive**	**Director of Regeneration & Community Services**	**Director of Corporate Services (post deleted 31/12/2011)**	**Borough Treasurer**
	£000	**£000**	**£000**	**£000**
Salary and allowances	103	74	55	54
Benefits in kind	0	0	0	4
Compensation for loss of office	91	0	36	54
Total remuneration excluding pension contributions	**194**	**74**	**91**	**112**
Employers pension contributions	12	9	7	7
Total remuneration including pension contributions	**206**	**83**	**98**	**119**

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

Annualised salaries

The Chief Executive left the authority on voluntary redundancy with effect from 30 June 2012; the annualised salary for 2012/13 was £91K.

The former Borough Treasurer left the authority on voluntary redundancy with effect from 15 April 2012: the annualised salary for 2012/13 was £54K.

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.

Redundancy payments were made to officers on their departure.

The Director of Regeneration and Community Services was appointed Executive Director with effect from 1 July 2012; the annualised salaries for these posts in 2012/13 were £68K & £92K respectively.

Remuneration bands

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	2012/13		2011/12	
	Number of Employees	Number leaving in the year	Number of Employees	Number leaving in the year
£50,000 - £54,999	-	-	4	3
£55,000 - £59,999	-	-	1	1
£60,000 - £64,999	-	-	1	1
£65,000 - £69,999	1	1	-	-
£70,000 - £75,999	-	-	1	1
£76,000 - £79,999	-	-	-	-
£80,000 - £85,999	-	-	1	1

The employee shown in 2012/13 left the authority on voluntary redundancy. For 2011/12, seven of the employees left the authority on voluntary redundancy. Remuneration includes redundancy payments.

Exit Packages

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

Exit package cost band	Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2011/12	2012/13 £000	2011/12 £000
£0 - £20,000	6	15	48	107
£20,001 - £40,000	1	13	34	374
£40,001 - £60,000	1	4	48	209
£60,001 - £80,000	-	2	-	135
£80,001 - £100,000	-	1	-	80
£100,001 - £120,000	-	-	-	-
£120,001 - £140,000	-	1	-	130
Total	**8**	**36**	**130**	**1,035**

The cost of 5 compulsory redundancies was included in the authority's accounts for 2011/12, however one employee was subsequently redeployed and the remaining 4 employees took voluntary redundancy in 2012/13. The effects of this are included in the table above.

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.

2011/12		2012/13
£000		£000
112	Fees payable to external audit with regard to external audit services carried out by the appointed auditor for the year	61
28	Fees payable to external audit for the certification of grant claims and returns for the year	39
140	**Total**	**100**

External audit services were provided by the Audit Commission to 31 October 2012 and by Grant Thornton from 1 November, 2012.

34. GRANT INCOME

The authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2012/13

2011/12		2012/13
£000		£000
	Credited to Taxation and Non Specific Grant Income	
(5,360)	Non-domestic rates redistribution	(6,194)
(1,657)	Revenue support grant	(120)
(2,658)	Local Services Support Grant	(2,199)
(172)	New Homes Bonus Grant	(161)
-	New Burdens Grant	(121)
-	Weekly Collection Support Grant	(250)
(109)	Council Tax Freeze Funding	-
(63)	Cumbria County Council	(194)
	Cluster of Empty Homes Grant	(1,663)
(168)	Lottery	(120)
-	Other Local Authorities	(7)
(1)	Other contributions	(91)
(10,188)	**Total**	**(11,120)**
	Credited to Services	
(26,142)	Housing & council tax benefits subsidy	(27,087)
(71)	Housing capital grant	-
(705)	Benefits administration	(620)
(507)	Disabled facilities grant	(361)
-	Cluster of Empty Homes Grant	(58)
(81)	Cumbria County Council	(239)
(207)	Other Local Authorities	(31)
(622)	Other grants	(358)
(28,335)	**Total**	**(28,754)**

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 2013 are disclosed in Note 17 and grant income for 2012/13 is disclosed in Note 34.

Members
Members of the council have direct control over the authority's financial and operating policies. During 2012/13, housing benefit to the value of £186k was paid to 2 members in their capacity as private landlords; £153k and £33k. In addition, 2 members were in receipt of direct payment in respect of invoices issued for services provided to the Council totalling £1k. The total of members' allowances paid in 2012/13 is shown in Note 31. There are no balances outstanding at the 31 March 2013.

Officers
Officers of the council have direct control over the authority's finances and operational decisions. During 2012/13, housing benefit to the value of £4k was paid to 1 officer in their capacity as a private landlord. In addition, 1 officer was a director of a company that received payment in respect of invoices issued for services provided to the Council totalling £1k. There are no balances outstanding at the 31 March 2013.

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.

2011/12		2012/13
£000		£000
32,822	***Opening Capital Financing Requirement***	**50,133**
	Capital investment	
5,428	Property, Plant and Equipment	4,848
1,243	Revenue Expenditure Funded from Capital under Statute	642
17,089	HRA self-financing settlement payment	-
	Sources of finance	
(955)	Capital receipts	(532)
(2,296)	Government grants and other contributions	(839)
(2,112)	Sums set aside from revenue	(1,903)
-	Contribution from reserves	(2,216)
(1,086)	Minimum Revenue Provision	(935)
-	Voluntary Revenue Provision	(1,740)
50,133	***Closing Capital Financing Requirement***	**47,458**
	Explanation of movements in year	
17,089	HRA self-financing settlement payment	-
222	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(2,675)
17,311	***Increase/(decrease) in Capital Financing Requirement***	**(2,675)**

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.

The authority has 7 non-specialist vehicles and 22 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 2012		As at 31 March 2013
£000		**£000**
566	Not more than one year	561
2,146	Later than one year and not later than five years	1,654
152	Later than five years	82
2,864		**2,297**

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 2012		As at 31 March 2013
£000		**£000**
67	Minimum lease payments	55
(24)	Sublease receipts	0
43		**55**

Sublease receipts for 2012/13 are shown as zero to bring the funds received into accrual accounting alignment.

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 2012		31 March 2013
£000		**£000**
(689)	Not more than one year	(871)
(1,351)	Later than one year and not later than five years	(2,152)
(1,352)	Later than five years	(4,040)
(3,392)		**(7,063)**

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 2012/13 £41k contingent rents were receivable by the authority (£55k in 2011/12).

38. REVALUATION LOSSES

During 2012/13, the Authority recognised a revaluation loss of £9,966k in relation to its Central Renewal Area project. This area originally consisted of a number of private dwellings, purchased by the authority over several years, which were deemed not to be fit for purpose. Some of the dwellings have now been renovated and sold on but the majority have been demolished leaving a land area ready for housing regeneration. This revaluation loss has been calculated at existing use, taking account of the regeneration element, by the authority's valuer NPS and has been charged to the Comprehensive Income and Expenditure Statement. The renewal area was entirely funded by Housing Market Renewal grant, awarded for this specific purpose.

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 was charged as a revaluation loss of £2,317k to the Comprehensive Income and Expenditure Statement.

Statutory provisions, for both the above, 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.

39. TERMINATION BENEFITS

The authority agreed the termination of the contract of 8 employees in 2012/13, incurring liabilities of £130k (£1,035k in 2011/12) – see Note 32 for the number of exit packages and total cost per band. In 2011/12 it was planned that five posts would be made compulsorily redundant as part of the authority's service reviews, however in 2012/13 four of these officers took voluntary redundancy and the other was redeployed. A further four officers took voluntary redundancy in 2012/13.

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:

2011/12		2012/13	
£000		**£000**	**£000**
	Comprehensive Income and Expenditure Statement		
	Cost of Services:		
848	▪ current service cost	837	
260	▪ curtailment cost	33	
	Financing and Investment Income and Expenditure		
4,231	▪ interest cost	3,950	
(3,377)	▪ expected return on scheme assets	(3,035)	
1,962	***Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services***		**1,785**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
3,161	▪ actuarial (gains) and losses		4,581
5,123	***Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account***		**6,366**
	Movement in Reserves Statement:		
(1,962)	**reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code**		**(1,785)**
	Actual amounts charged against the General Fund Balance for pensions in the year:		
2,213	**employers' contributions payable to scheme**		**1,903**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £14,296k (£9,715k for 2011/12).

Assets and Liabilities in Relation to Post-employment Benefits

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

2011/12		2012/13
£000		£000
(78,315)	Opening balance at 1 April	(82,272)
79	Prior year contributions to the scheme	-
(848)	Current service cost	(837)
(4,231)	Interest cost	(3,950)
(333)	Contributions by scheme participants	(289)
(2,554)	Actuarial gains and (losses)	(9,173)
4,190	Benefits paid	4,460
(260)	Curtailments	(33)
(82,272)	**Closing balance at 31 March**	**(92,094)**

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

2011/12		2012/13
£000		£000
56,371	Opening balance at 1 April	57,418
3,377	Expected return	3,035
(607)	Actuarial (gains) and losses	4,592
2,134	Employer contributions	1,903
333	Contributions by scheme participants	289
(4,190)	Benefits paid	(4,460)
57,418	**Closing balance at 31 March**	**62,777**

The assets at the 31 March 2013 consist of:

2011/12		2012/13
£000		£000
29,627	Equities	34,777
9,187	Government bonds	9,982
9,187	Other bonds	9,919
3,675	Property	3,516
919	Cash/liquidity	377
4,823	Other	4,206
57,418	**Balance at 31 March**	**62,777**

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 £7,626k (£2,770k in 2011/12).

Scheme History

	2008/09	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000	£000
Present value of liabilities	(66,650)	(87,856)	(78,315)	(82,272)	(92,094)
Fair value of assets	44,445	55,461	56,371	57,418	62,777
Scheme surplus/(deficit)	**(22,205)**	**(32,395)**	**(21,944)**	**(24,854)**	**(29,317)**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £29,317k 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 2014 is £1,923k.

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:

2011/12		2012/13
	Expected rate of return on assets:	
7.0%	Equities	7.0%
3.1%	Government bonds	2.8%
4.1%	Other bonds	3.9%
6.0%	Property	5.7%
0.5%	Cash/liquidity	0.5%
7.0%	Other	7.0%

2011/12		2012/13
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.8	▪ Men	22.2
24.5	▪ Women	24.9
	Longevity at 65 for future pensioners:	
23.2	▪ Men	24.1
26.0	▪ Women	26.9

2011/12		2012/13
	Financial assumptions:	
2.5%	Rate of CPI inflation	2.4%
4.25%	Rate of increase in salaries	4.15%
2.5%	Rate increase in pensions	2.4%
4.9%	Rate for discounting scheme liabilities	4.2%

2011/12		2012/13
	Commutation of pension for lump sum at retirement:	
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 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Differences between the expected and actual return on assets	(30.7)	17.3	(1.5)	(1.1)	7.3
Experience (gains) and losses on liabilities	-	-	6.3	-	-

41. CONTINGENT LIABILITIES

MMI Scheme of Arrangement

The authority is a member of the Municipal Mutual Insurance (MMI) Scheme of Arrangement. MMI ceased to write new or renew insurance business in 1992 and established a Scheme of Arrangement under provisions within the Companies Act 1985. The Scheme of Arrangement was set up to achieve a solvent run-off for MMI and for members' claims to continue to be settled. In March 2012, the Supreme Court found against MMI in relation to mesothelioma claims. The judgment has significant implications for MMI and the Scheme is now under the control of administrator. The members (Scheme Creditors) have been called on to pay an Initial Levy.

The maximum liability for the authority is £1,199k of claims previously settled at the Balance sheet date; this is net of the Initial Levy of £212k included in the accounts within other creditors. The authority has set up a provision to fund the potential future liability with a value of £806k at the Balance Sheet date (see Note 20).

There are existing outstanding claims as at the 31 March, 2013, of £129k and there may also be further claims arising from events that occurred between 1974 and 1992 that have not yet been reported.

Personal Search Fees

Since the abolition of the Personal Search fee in August 2010, legal proceedings have been issued by a number of Property Search Companies against local authorities across the UK. The claimants are seeking to recover the fees paid in respect of personal searches dating back to 2005. The cost of the claims at present is estimated at £140k. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

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 F1 short-term (Fitch or equivalent)
- UK institutions provided with support from the UK Government
- Building societies limited by value based on their asset size.

The authority's maximum exposure to credit risk in relation to its investments in building societies of £6,500k cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the authority's deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

No credit limits were exceeded during the reporting period.

The authority does not generally allow credit for customers, such that £287k of the £578k 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 2012		31 March 2013
£000		£000
99	Less than three months	83
49	Three to six months	29
64	Six months to one year	48
122	More than one year	127
334	**Outstanding debt**	**287**
272	Provision for bad and doubtful debts	260
81%	Percentage of provision	91%

Of the £287k debt at 31 March 2013, £61k 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 2012		31 March 2013
£000		£000
-	Between 2 and 5 years	1,000
5,000	Between 5 and 10 years	5,000
5,000	Between 10 and 15 years	5,000
7,350	Between 15 and 20 years	7,350
8,500	Between 20 and 25 years	8,500
1,239	Between 25 and 30 years	239
-	Between 30 and 35 years	-
4,000	Between 35 and 40 years	8,795
8,390	Between 40 and 45 years	3,595
39,479		**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:

31 March 2012		31 March 2013
£000		**£000**
-	Decrease in fair value of fixed rate investment assets	(10)
(6,316)	Decrease in fair value of fixed rate borrowings liability	(6,426)
(6,316)		**(6,436)**

There would be no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The impact of a 1% fall would increase the fair values 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. TRUST FUNDS

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

2011/12 £000		2012/13 £000
35	Assets	30
(31)	Gross Income	(26)
31	Gross Expenditure	34
0	**Net (surplus) or deficit for the year**	**8**

HRA INCOME AND EXPENDITURE STATEMENT

2011/12		2012/13	
£000		£000	
	Expenditure		
2,657	Repairs and maintenance	2,179	
2,430	Supervision and management	2,172	
2	Rents, rates, taxes and other charges	3	
1,091	Negative HRA Subsidy payable (Note 7)	2	
17,089	Settlement Payment for Self Financing (Note 8)	-	
2,712	Depreciation, impairment and revaluation of dwellings (Note 5)	1,822	
202	Depreciation and revaluation of other HRA property (Note 6)	129	
18	Debt management costs	14	
79	Movement in the allowance for bad debts	145	
26,280	**Total Expenditure**		**6,466**
	Income		
(8,903)	Dwelling rents	(9,494)	
(315)	Non-dwelling rents	(343)	
(310)	Charges for services and facilities	(238)	
(26)	Contributions from other Local Authorities	(1)	
(9,554)	**Total Income**		**(10,076)**
16,726	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(3,610)**
133	HRA services' share of Corporate and Democratic Core		227
5	HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services		(1)
16,864	**Net (Income)/Expenditure for HRA Services**		**(3,384)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(105)	Gain or (loss) on sale of HRA non-current assets		(327)
467	Interest payable and similar charges		920
158	Pensions interest cost and expected return on pension assets (Note 11)		186
17,384	**(Surplus) or deficit for the year on HRA services**		**(2,605)**

Movement on the HRA Statement

2011/12		2012/13	
£000		£000	
(1,038)	Balance on the HRA at the end of the previous year		(1,522)
17,384	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(2,605)	
(17,868)	Adjustments between accounting basis and funding basis under statute	2,136	
(484)	**Net (increase) or decrease before transfers to or from reserves**	**(469)**	
-	Transfers to or (from) reserves	-	
(484)	**(Increase) or decrease in the year on the HRA**		**(469)**
(1,522)	Balance on the HRA at the end of the current year		(1,991)

The adjustments between the accounting basis and funding basis under statute for the HRA are set out in Note 7 to the Main Accounting Statements.

Notes to the HRA

1. HRA Self-Financing

The HRA has been part of the national housing subsidy system through which council housing rents are standardised across the country. The subsidy system used a national formula to set guideline rents for each property together with allowances for management, maintenance and capital charges based on notional costs.

The subsidy system was introduced in 1990 and was subsequently abolished by the Localism Act 2011. It has been replaced with a new system of self-financing which came into effect from 1 April 2012. Under self-financing the authority is no longer required to transfer its resources to central government, but in return was required to take on additional debt, called the 'self-financing settlement', at a level which is sustainable in the long term. The authority made a settlement payment of £17,089k to the Department for Communities and Local Government on 28 March 2012.

The objectives of self-financing are to give local authorities the power to make the best use of their housing stock, in a way which best meets the needs of individual households in their local area and to enable tenants and local taxpayers to hold their landlord to account for the cost and quality of their housing. Self-financing will provide additional resources from the retention of all council housing rental income and through greater control locally, will enable longer term planning to improve the management and maintenance of housing stock.

The ring-fencing of the HRA remains under self-financing; however there are some technical changes to the rules that govern the operation of the ring fence to take account of the self-financing settlement payment and the new approaches to depreciation and debt management within the HRA.

Under the old system, the authority was required to place some of its income each year into a Major Repairs Reserve, at a level that was at least the level of the Major Repairs Allowance (the amount the government assumed the authority needed to spend on capital works when it calculated subsidy entitlement) which could then be spent on major repairs or on repaying housing debt; this ensured that the authority made appropriate provision for capital works.

Under self-financing, the principles of the Major Repairs Reserve are retained; however, there is no Major Repairs Allowance (MRA). Therefore the authority must now make a local assessment of its capital spending needs to determine the amount to be paid into the Major Repairs Reserve; this assessment is based on the amount which needs to be set aside for depreciation, namely the cost of replacing or renewing all the components of the housing stock plus an amount for the fabric of the building.

To assist local authorities in the change to the statutory accounting arrangements, allow time for the new calculations to be assessed and evaluated and also allow time to move to depreciation, revaluation and impairment losses being real charges to the HRA and impacting on the HRA balance, regulations have been introduced under the Item 8 Determination to allow a five year transition period whereby local authorities are able to:

- Use a notional MRA figure as a measure of the assessment for depreciation, which is equal to the assumption about the need to spend on major repairs used in the self-financing valuation for 2012/13 and each of the next four years;

- Utilise a credit transfer for any excess of housing stock (council dwellings) depreciation above an amount equal to the notional MRA;

- Reverse revaluation and impairment losses on housing stock (council dwellings) out of the HRA where the HRA revaluation reserve cannot meet the loss.

The authority has opted to use these transitional approaches to accounting for 2012/13.

There are no such transitional arrangements in place for depreciation, impairment and revaluation losses on non-dwelling assets; from this reporting period, these charges are real charges to the HRA.

In 2012/13 the authority paid £2k which represented the balance of subsidy due from the authority following the final settlement to the CLG.

2. Dwelling Stock

	31 March 2012	Movements	31 March 2013
1 bed house	143	-	143
2 bed house	384	(3)	381
3+ bed house	920	(3)	917
Total houses	**1,447**	**(6)**	**1,441**
1 bed flat	945	(1)	944
2 bed flat	307	(1)	306
3+ bed flat	6	-	6
Total flats	**1,258**	**(2)**	**1,256**
Dwelling stock	**2,705**	**(8)**	**2,697**

3. HRA Non-Current Assets

31 March 2012		31 March 2013
£000		£000
61,713	Council dwellings	61,810
2,302	Land and buildings	2,300
12	Equipment	7
64,027	**HRA assets**	**64,117**

4. Vacant Possession of Dwellings

In accordance with Government guidance, the valuation of Council dwellings has been reduced by a regional adjustment factor in recognition of their status as social housing. The regional adjustment factor for the North West is 35%. As a consequence the Council recognises dwellings at a value of £61,810k on the Balance Sheet. At vacant possession the same dwellings would have a value of £176,600k with the difference of £114,790k being the cost of providing Council housing at less than open market rents. The reduced Balance Sheet value for Council dwellings also reflects the secure tenancy rights which differ from other tenancies, including the Right to Buy and the right to assign the property or apply for a transfer.

31 March 2012		31 March 2013
£000		£000
61,712	Balance Sheet value EUV-SH	61,810
114,608	Difference of EUV-SH and EUV-VP	114,790
176,320	**Value of dwelling stock at EUV-VP**	**176,600**

5. Depreciation and Revaluation of Dwellings

2011/12		2012/13	
£000		£000	£000
1,086	Revaluation loss	741	
(71)	Reversal of previous revaluation loss	(613)	128
1,697	Depreciation for current year		1,660
-	Impairment Loss		34
2,712			**1,822**

6. Depreciation and Revaluation of Other HRA Property

2011/12		2012/13	
£000		£000	£000
2	Revaluation loss		2
(8)	Reversal of previous revaluation loss		
121	Depreciation for current year		127
87	De-recognition of non-current assets		
202			**129**

7. Negative HRA Subsidy Payable

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

2011/12		2012/13
£000		£000
(1,884)	Allowance for management	-
(3,062)	Allowance for maintenance	-
(1,916)	Major Repairs Allowance	-
(798)	Charges for capital	-
8,756	Rent receivable	-
1,096	**Total current year HRA subsidy payable**	**-**
(5)	Settlement of previous year claim	2
1,091	**Total expenditure for the year**	**2**

8. HRA Capital Financing Requirement

2011/12		2012/13
£000		£000
9,010	**Opening Capital Financing Requirement**	**26,099**
	Capital investment:	
2,112	Council dwellings	1,903
17,089	HRA self-financing settlement payment	-
	Source of finance:	
(2,112)	Major Repairs Reserve	(1,903)
-	Voluntary Revenue Provision – towards the repayment of HRA Debt	(1,740)
26,099	**Closing Capital Financing Requirement**	**24,359**
	Explanation of movements in year	
17,089	HRA self-financing settlement payment	-
-	Decrease in underlying need to borrow(unsupported by Government financial assistance)	(1,740)
17,089	**Increase(decrease) in Capital Financing Requirement**	**(1,740)**

9. HRA Non-Current Asset Disposals

2011/12		**2012/13**
£000		**£000**
117	Carrying value of dwellings sold	297
(215)	Sale proceeds from dwellings	(620)
(98)	**Net gain on disposals**	**(323)**

10. Major Repairs Reserve

The Major Repairs Allowance (MRA) represents the capital cost of keeping the authority's dwelling stock in its current condition. Authorities have the flexibility to spend MRA resources outside of the financial year in which they are allocated, enabling the more efficient planning of works or repayment of debt.

The Major Repairs Reserve (MRR) represents balances carried forward. Under the item 8 determination, local authorities have a five year transitional period to use the MRA, after which traditional depreciation methods are required.

2011/12		2012/13
£000		£000
	MRR transfers in the year:	
(1,697)	From HRA for dwellings depreciation	(1,660)
(122)	From HRA for other depreciation	-
(218)	Difference between MRA and dwellings depreciation	(245)
121	To HRA for depreciation of other assets	-
(1,916)	**MRA for the year**	**(1,905)**
-	Increase for depreciation of non-dwelling assets	(127)
2,112	Capital expenditure financed by MRR	1,903
(198)	**Balance brought forward**	**(2)**
(2)	Balance carried forward	(131)

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:

2011/12		2012/13	
£000		£000	£000
	HRA		
	Cost of Services:		
158	▪ current service cost	171	
5	▪ curtailment costs	-	
	Financing and Investment Income and Expenditure		
785	▪ interest cost	806	
(627)	▪ expected return on scheme assets	(620)	
321	*Total Post Employment Benefit Charged to the HRA Income and Expenditure Account*		357
	Movement in Reserves Statement		
(321)	▪ reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code		(357)
	Actual amounts charged against the HRA Balance for pensions in the year:		
315	▪ employers' contributions payable to scheme		314

12. Rent Arrears

At 31 March 2013 the HRA rent arrears and the Balance Sheet provision in respect of uncollectable debts was:

2011/12		2012/13
£000		**£000**
343	Arrears at year end	412
243	Provision for bad and doubtful debts	314
71%	**Percentage of provision**	**76%**

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 2012		31 March 2013
(1,522)	Total HRA balance carried forward	(1,991)
(371)	*Of which: committed to on-going housing maintenance*	*(788)*

COLLECTION FUND

2011/12		2012/13	
£000		**£000**	**£000**
	Income		
(27,422)	Income from Council Tax	(27,765)	
	Transfers from General Fund:		
(6,332)	- Council Tax benefits	(6,410)	
(21,625)	Income collectable from business ratepayers	(22,521)	
(55,379)	**Total Income**		**(56,696)**
	Expenditure		
	Precepts and demands:		
25,039	- Cumbria County Council	25,014	
4,454	- Barrow Borough Council	4,602	
4,180	- Cumbria Police Authority	4,324	
	Business rate:		
21,524	- Payment to national pool	22,421	
101	- Costs of collection	100	
	Bad and doubtful debts:		
(264)	- Write offs	(211)	
180	- Provisions	303	
55,214	**Total Expenditure**		**56,553**
(165)	**(Surplus)/Deficit for the year** (Note 3)		**(143)**

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 2013 was £59,047k (£58,207k at the 31 March 2012).

The national non-domestic rate multiplier for 2012/2013 was 45.8 pence in the pound (43.3 pence in the pound for 2011/2012).

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 45.0 pence in the pound (42.6 pence in the pound for 2011/2012) 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 2012		31 March 2013
£000		£000
	Council Tax	
3,869	Arrears	3,760
2,172	Provision for bad and doubtful debts	2,054
56%	Percentage of provision	55%
	Business ratepayers	
1,327	Arrears	1,550
1,196	Provision for bad and doubtful debts	1,236
90%	Percentage of provision	80%

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.

(Surplus) for 2011/12 to be distributed in 2013/14		(Surplus) for 2012/13 to be distributed 2014/15
£000		**£000**
(122)	Cumbria County Council	(105)
(21)	Police Authority	(18)
(22)	Barrow Borough Council	(20)
(165)		**(143)**

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 2012/13 as it was in 2011/12

The Council Tax base for the year was set as:

2011/12 Band D equivalent number of chargeable dwellings	Band	Standard factor	2012/13 Band D equivalent number of chargeable dwellings
30	Disabled reductions		32
10,847	A	6/9	10,813
3,805	B	7/9	3,793
3,745	C	8/9	3,729
2,062	D	9/9	2,091
1,084	E	11/9	1,093
318	F	13/9	316
106	G	15/9	106
-	H	18/9	2
21,997	Equivalent chargeable dwellings		21,975
21,557	98% of which gives the Council Tax base		21,535

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.

2011/12 Council Tax	Band	Property value	2012/13 Council Tax
£			£
1,038.17	A	Up to £39,999	1,047.47
1,211.20	B	£40,000 to £51,999	1,222.05
1,384.23	C	£52,000 to £67,999	1,396.63
1,557.26	**D**	**£68,000 to £87,999**	**1,571.21**
1,903.32	E	£88,000 to £119,999	1,920.37
2,249.36	F	£120,000 to £159,999	2,269.52
2,595.42	G	£160,000 to £319,999	2,618.68
3,114.51	H	£320,000 and over	3,142.42

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

Opinion on the Authority financial statements

We have audited the financial statements of Barrow in Furness Borough Council for the year ended 31 March 2013 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 2012/13.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

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. Our 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 us 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, we read all the financial and non-financial information in the foreword by the Borough Treasurer to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Barrow in Furness Borough Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the foreword by the Borough Treasurer for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we 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
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we 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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are 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 2013.

Certificate

We certify that we have completed the audit of the financial statements 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
Associate Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
95, Bothwell Street, Glasgow, G2 7JZ

26 September 2013

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.

<u>Capital resources</u>
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.

<u>CIPFA</u>
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.

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

<u>Codes of practice</u>
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.

<u>Collection Fund</u>
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.

<u>Computer systems</u>
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.

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

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

<u>Council Tax</u>
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.

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.