BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Thursday, 25th September, 2014
at 2.00 p.m. (Committee Room No. 4)

A G E N D A

PART ONE

1. To note any items which the Chairman considers to be of an urgent nature.

2. To receive notice from Members who may wish to move any delegated matter non-delegated and which will be decided by a majority of Members present and voting at the meeting.

3 Admission of Public and Press

To consider whether the public and press should be excluded from the meeting during consideration of any of the items on the agenda.

4 Declarations of Interest

To receive declarations by Members and/or co-optees of interests in respect of items on this Agenda.

Members are reminded that, in accordance with the revised Code of Conduct, they are required to declare any disclosable pecuniary interests or other registrable interests which have not already been declared in the Council's Register of Interests. (It is a criminal offence not to declare a disclosable pecuniary interest either in the Register or at the meeting).

Members may however, also decide, in the interests of clarity and transparency, to declare at this point in the meeting, any such disclosable pecuniary interests which they have already declared in the Register, as well as any other registrable or other interests.

5 To confirm the Minutes of the meeting held on 26th June, 2014 (copy attached) (Pages 1-9).

6. Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

(D) 7. Statement of Accounts 2013-2014 (Pages 10-12).

(D) 8. Internal Audit Final Report (Pages 13-14).

(D) 9. Internal Audit Progress Report (Page15).

(D) 10. Performance Reporting Update (Pages 16-19).

(D) 11. Assurance Statement (Pages 20-21).

(D) 12. Risk Management (Page 22).

(D) 13. Local Government Ombudsman Annual Letter 2014 (Page 23).

(D) 14. Monitoring Priority 1 Recommendations (Pages 24-27).

NOTE **(D) - Delegated**
(R) - For Referral to Council

Membership of Committee

Councillors Burns (Chairman)
Pointer (Vice-Chairman)
Doughty
W McClure
Murray
Thurlow

For queries regarding this agenda, please contact:

Sharron Rushton
Democratic Services Officer
Tel: 01229 876321
Email: srushton@barrowbc.gov.uk

Published: 17th September, 2014

AUDIT COMMITTEE

Meeting Thursday 26th June, 2014
at 2.00 p.m.

PRESENT:- Councillors Burns (Chairman), Pointer (Vice Chairman), Murray, Sweeney and Thurlow.

Also present were Jackie Bellard and Len Cross from Grant Thornton and Keith Jackson from Internal Audit.

1 – Declarations of Interest

Councillor Pointer declared an Other Registrable Interest in Agenda Item No. 8 - External Audit – Fraud Briefing and Agenda Item No. 10 - External Audit – Committee Update as he was a member of the Barrow and District Disability Association.

2 – Minutes

The Minutes of the meeting held on 6th March, 2014 were taken as read and confirmed.

3 – Apologies for Absence/Attendance of Substitute Members

An apology for absence was received from Councillor Doughty.

Councillor Sweeney had attended as a substitute for Councillor Doughty for this meeting only.

4 – External Audit Fee Letter 2014-2015

A copy of the External Audit fee letter for 2014-2015 had been appended to the report. Len Cross and Jackie Bellard of Grant Thornton attended the meeting to explain that the Main Audit fee remained the same as it was for 2013-2014 and that the Billing Schedule was as follows:-

Main Audit Fee	**£**
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December 2014	16,814.75
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Grant Certification	
December 2015	18,310.00
Total	**85,569.00**

RESOLVED:- To note the External Audit fee for 2014-2015.

5 – External Audit – Fraud Briefing

A copy of a Fraud Briefing from the Protecting the Public Purse work carried out in 2012-2013 had been appended to the report. Len Cross and Jackie Bellard attended the meeting to present the report to Members.

RESOLVED:- To receive the Fraud Briefing from the Protecting the Public Purse work carried out in 2012-2013.

6 – External Audit Plan for the Year Ended 31st March, 2014

Len Cross attended the meeting to present the External Audit Plan for the Year ended 31st March, 2014 to Members. He explained that in planning their audit they needed to understand the challenges and opportunities the Council was facing namely:-

1. Impact of the economic downturn and reduced government grants;
2. Efficiency Grant;
3. Empty Homes Grant;
4. Monitoring the Changes from National Non-Domestic Rates (NNDR); and
5. Pensions.

In planning the Audit they had also considered the impact of key developments in the sector and had taken into account national audit requirements as set out in the Code of Audit Practice. He reported that as part of the interim audit work and the impact of the findings on the accounts audit approach they had considered:-

- Early substantive testing; and
- Value for money.

He reported that the Code of Audit Practice required the External Auditors to issue a conclusion on whether the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This was known as the Value for Money (VfM) conclusion. He advised that the Value for Money conclusion would be based on two reporting criteria specified by the Audit Commission.

He reported that the results of the VfM audit work and the key messages arising would be reported in the Audit Findings report and in the Annual Audit Letter. Any additional reporting to the Council would be agreed on a review by review basis.

RESOLVED:- To receive and note the External Audit Plan for the Year ended 31st March, 2014.

7 – External Audit - Committee Update

Len Cross attended the meeting to present the report to Members.

The report provided the Committee with details on progress in delivering responsibilities as External Auditors. It also included a summary of emerging national issues and developments that may be relevant to the Council and included a number of challenge questions in respect of those emerging issues which the Committee may wish to consider.

Progress as at June 2014

- **2013-14 Accounts Audit Plan** – Members had been requested to note that the Audit Plan was included as an Agenda Item for this meeting (Minute No. 6). The Interim work had been completed and the plan had been updated to reflect the current position;

- **Interim Accounts Audit** – this had been completed in March 2014;

- **2013-14 Final Accounts Audit** – fieldwork would commence on the Council's Accounts in July 2014;

- **Value for Money (VfM) Conclusion** – a substantial proportion of the fieldwork in support of the VfM conclusion had been completed and the auditors would be considering the Council's 2013-14 financial statement as part of the work required to produce their Financial Resilience report.

Emerging Issues and Developments

The following emerging issues and developments had been identified within the report:-

- **Accounting and Audit Issues** – LAAP Bulletin 98: Closure of the 2013/14 accounts and related matters

Local Government Guidance

- Audit Commission VfM Profiles;
- Local Government Pension Scheme (LGPS) reform; and
- Fraud Prevention;

Grant Thornton

- Local Government Governance Review; and
- Events.

RESOLVED:- To receive and note the External Audit Update for June 2014.

8 – Internal Audit Final Reports

The Director of Resources reported that Internal Audit had completed a number of audits in accordance with the approved Annual Plan. On completion, the final reports were presented to this Committee for consideration.

The Council's Internal Audit Manager attended the meeting to present the reports to Members.

There had been ten 2013-2014 final reports appended for consideration. The reports included and their assurance levels were as follows:-

1. Council Tax – Substantial Assurance;
2. Accounts Receivable – Substantial Assurance;
3. Accounts Payable – Substantial Assurance;
4. Housing Rents – Substantial Assurance;
5. Receipt Book Checks – Substantial Assurance;
6. IT Infrastructure Management – Substantial Assurance;
7. Housing Benefits – Substantial Assurance;
8. Performance Management – Substantial Assurance;
9. Heating, Ventilation and Air Conditioning Maintenance Contract – Substantial Assurance; and
10. Cumbria Housing Partners (CHP) Contracts – Substantial Assurance.

There had been one 2014-2015 final report appended for consideration:-

11. Car Park Meter Income – Substantial Assurance.

Members considered the reports and raised their concerns with the Head of Internal Audit.

RESOLVED:- To note the Internal Audit Final Reports.

9 – Internal Audit Annual Report 2013-2014

The Council's Internal Audit Manager attended the meeting and presented the Internal Audit Annual Report for 2013-14 to the Committee. He explained that the purpose of the Annual Report was to meet the Head of Internal Audit's annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS). The Head of Internal Audit's formal annual report presented an opinion on the overall adequacy and effectiveness of the internal control environment; and

a) Included an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;

b) Disclosed any qualifications to that opinion, together with the reasons for the qualification, including impairment or restriction in scope;

c) Presented a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;

d) Drew attention to any issues the Head of Internal Audit judged particularly relevant to the preparation of the Annual Governance Statement;

e) Compared the work actually undertaken with the work that was planned; and

f) Commented on compliance with these standards and the Internal Audit quality assurance programme.

The 2013-14 year opinion was that the Annual Report provided reasonable assurance that the organisation's framework of governance, risk management and control predominantly operated satisfactorily during 2013-14.

The detailed opinion was that, for the systems reviewed, the Council had basically sound systems of control in place, although there were weaknesses which put some of the system objectives at risk. The profile of assurance was in Internal Audit's experience comparable to other local authorities, with the majority of the Council systems receiving Substantial Assurance.

Weaknesses found as a result of the Internal Audit's work, together with their recommendations for improvement, had been included in their reports to senior management and Members. Additional weaknesses identified through the Annual Governance Statement process had been recorded separately and reflected the assurance provided from all sources both internal and external.

Progress against 2013-14 Annual Plan

A detailed analysis of the current situation regarding the 2013/14 Plan had been appended to the Internal Audit Annual report. The assessment of auditable areas had identified 74 systems, which covered the Council's operations. The audit coverage achieved in the period, compared to the audit plan, is set out in the table below. The difference in planned coverage compared to actual mainly related to changes made to the audit plan to accommodate requests for an increased number of contract audit reviews. In addition, Housing Benefit Grant Certification testing had been completed which had not been reflected in these figures, all of which had been included within regular progress reports issued to this Committee.

	Percentage of systems covered		**Percentage of risk covered**	
	2013/14	**2012/13**	**2013/14**	**2012/13**
Planned	34%	43%	70%	55%
Achieved	35%	41%	78%	52%

The following table summarised the assurance levels recorded in final reports relating to the years 2013-14 and 2012-13. The majority of Council systems had achieved the level of Substantial Assurance.

Final Reports	**Total**	**Unqualified Assurance**		**Substantial Assurance**		**Restricted Assurance**		**No Assurance**	
		No.	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
2013-14	22	2	9	20	91	0	0	0	0
2012-13	19	3	16	14	74	2	10	0	0

A summary of the number of audit recommendations made in the Internal Audit Final reports issued during 2013-14 along with the management responses were as follows:-

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made 2013-14	**60**	0	39	21
Fully Accepted	**54**	0	33	21
Partly Accepted	**6**	0	6	0
Not Accepted	**0**	0	0	0

During the year Internal Audit had reported on the implementation of 121 agreed audit recommendations made in previous reports. The results were as follows:-

	Fully Implemented	Not Implemented	Overtaken by Events	TOTAL
2013-14	57	37	27	121
2012-13	103	23	23	149

For the recommendations not fully implemented revised dates had been agreed with management for their implementation. Internal Audit would further review progress on their implementation during 2014-15.

RESOLVED:- To note the Internal Audit Annual Report for 2013-14.

10 – Internal Audit Charter

The Director of Resources reported that the Internal Audit Charter described the relationship between the Council as the client organisation and Furness Audit as the external provider of its internal audit service, together with a statement of the extent of that service.

A copy of the Internal Audit Charter had been appended to the report.

RESOLVED:- To endorse the Internal Audit Charter.

11 – Annual Review of Internal Audit 2013-2014

The Director of Resources reported that an annual review of the effectiveness of the Internal Audit service was required by the Accounts and Audit Regulations 2011.

Internal Audit must comply with proper practice as defined by the code of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This code was recognised in the Accounts and Audit Regulations as proper practice.

For the year 2013-14 a review had been undertaken and the Director of Resources was satisfied that the Internal Audit service was effective.

RESOLVED:- To endorse the review.

12 – Internal Audit Performance Indicators

The Director of Resources set out the performance indicators for the Internal Audit Service.

The proposed indicators were the percentage of:-

1. Draft reports issued within 10 working days of completion of audit fieldwork;
2. Management Responses received within 20 working days of issue of the Draft report;
3. Final Reports issued within 10 working days of receipt of management response; and
4. Priority 1 and Priority 2 recommendations acceptable to the audit client.

Publishing the indicators would allow the Audit Committee to fulfil its annual review of the Council's Internal Audit arrangements and effectiveness.

RESOLVED:- To approve the performance indicators.

13 – Audit Committee Terms of Reference

The Director of Resources reported that the Audit Committee Terms of Reference which were set out in the Council's constitution had been reported to this Committee to provide Members with the framework of the Committee's business and responsibilities. She advised that the Terms of Reference had not changed since last year.

RESOLVED:- To note that the Audit Committee Terms of Reference as set out in the Council's constitution remained unchanged.

14 – Annual Review of Audit Committee Effectiveness

The Director of Resources that the Chartered Institute of Public Finance and Accountancy (CIPFA) had recommended that an assessment be undertaken by the Audit Committee to ensure that its effectiveness was regularly reviewed. CIPFA had recommended that this could be approved by using an evaluation checklist such as CIPFA's Toolkit for Local Authority Audit Committees, a copy of which had been appended to the report. She reported that the initial review during 2013-14 was performed by the Chair and Vice-Chair with the Director of Resources and there had been no significant changes since last year.

RESOLVED:- To approve the review.

15 – Accounts – Committee Update

The Director of Resources advised that the Statement of Accounts for 2013-14 had been drafted and that the ledgers had been closed. She proposed that an informal session covering the Statement of Accounts be arranged for Members prior to the September Audit Committee where Members would be provided with the Grant

Thornton publication ‘A Guide to Local Authority Accounts’. This guide provided the links between the accounting statements and explained their purpose, which would support the accounts session.

RESOLVED:- To note the report and agree that a session on the Statement of Accounts be offered to all Members.

16 – Annual Governance Statement

The Corporate Support Manager reported that the Council had responsibility for ensuring that Council business was conducted with the law and proper standards, and that public money was safeguarded and properly accounted for. Part of this governance process was the preparation and publication of an Annual Governance Statement which was a self-assessment of how effective the Council considered its governance arrangements to be.

The following members of staff had been involved in preparing the Annual Governance Statement for 2013-14:-

- Executive Director: Head of Paid Services;
- Deputy Executive Director: Monitoring Officer;
- Borough Treasurer: S151 Officer;
- Assistant Director of Community Services;
- Assistant Director of Regeneration and the Built Environment;
- Housing Manager;
- Internal Audit Manager;
- Policy Review Officer; and
- The Governance Group

The Annual Governance Statement and supporting principles had been attached as appendices to the Corporate Support Manager’s report.

RESOLVED:- To agree that the Annual Governance Statement and supporting evidence be submitted to the External Auditor’s for their consideration.

17 – Risk Management

The Corporate Support Manager attached as an appendix to his report, the Risk Register for 2014-15. He reported that the Register continued to focus on those business critical risks which were under the control of the Council including:-

1. Impact of changes to the benefit system on income for the Housing Department;
2. Future financial stability and sustainability of the Council;
3. Failure of external partner, service providers or contractors;
4. Level of sickness worsens;
5. Performance of service delivery contractors;
6. Impact of Welfare Reform Changes;
7. Failure to deliver waterfront Barrow Regeneration Programme;

8. Not having appropriate governance arrangements in place;
9. Failure to maintain Health and Safety arrangements;
10. Capacity to undertake statutory inspections, investigations and enforcement action;
11. Legal challenge to procurement of contracts;
12. Information Technology security breach;
13. Incidents of fraud, bribery or corruption;
14. Major incident affecting service delivery; and
15. Major incident affecting ICT systems.

He reported that the Risk Register had been reviewed by Management Board at their meeting in June 2014 and the following changes were agreed:-

- A risk relating to IT security had been added to the Register to protect the Council's access to the Public Sector Network;
- Risk 10 relating to the Council's capacity to undertake statutory inspections: The mitigated risk had been reduced from 9 to 6 because the Council now had an Officer in place.

Full details of the Operational Risks outlined above, including their potential impact on mitigating actions had been included in the appendix to his report. It was noted that the Operational Risks would be used to inform the development of the Council's Business Continuity Plan.

RESOLVED:- To note the information and the risks would be monitored by the appropriate Officer.

18 – Monitoring Priority 1 Recommendations

The Corporate Support Manager reported that Internal Audit undertook reviews of the Council's systems as defined in the Annual Audit Plan. The audit conclusion may include Priority 1 recommendations which related to major issues that needed to be brought to the attention of Senior Management. Senior Managers would consider the recommendations and determine whether to accept or reject them. If the recommendations were accepted, the Managers were agreeing to implement the recommendations.

To ensure that all agreed Internal Audit Priority 1 recommendations were implemented in a timely manner they were now tracked by Management. There had not been any additions to this list in 2013-14 to date.

The Council's business continuity arrangements had not yet been finalised and it was anticipated that this would be completed in Quarter 3.

RESOLVED:- To note the information.

The meeting closed at 3.20 p.m.

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

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at 2.00 p.m.

PRESENT:- Councillors Burns (Chairman), Pointer (Vice Chairman), Murray, Sweeney and Thurlow.

Also present were Jackie Bellard and Len Cross from Grant Thornton and Keith Jackson from Internal Audit.

1 – Declarations of Interest

Councillor Pointer declared an Other Registrable Interest in Agenda Item No. 8 - External Audit – Fraud Briefing and Agenda Item No. 10 - External Audit – Committee Update as he was a member of the Barrow and District Disability Association.

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Recommendations	Total	Priority 1	Priority 2	Priority 3
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RESOLVED:- To note the Internal Audit Annual Report for 2013-14.

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The Director of Resources reported that the Internal Audit Charter described the relationship between the Council as the client organisation and Furness Audit as the external provider of its internal audit service, together with a statement of the extent of that service.

A copy of the Internal Audit Charter had been appended to the report.

RESOLVED:- To endorse the Internal Audit Charter.

11 – Annual Review of Internal Audit 2013-2014

The Director of Resources reported that an annual review of the effectiveness of the Internal Audit service was required by the Accounts and Audit Regulations 2011.

Internal Audit must comply with proper practice as defined by the code of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This code was recognised in the Accounts and Audit Regulations as proper practice.

For the year 2013-14 a review had been undertaken and the Director of Resources was satisfied that the Internal Audit service was effective.

RESOLVED:- To endorse the review.

12 – Internal Audit Performance Indicators

The Director of Resources set out the performance indicators for the Internal Audit Service.

The proposed indicators were the percentage of:-

1. Draft reports issued within 10 working days of completion of audit fieldwork;
2. Management Responses received within 20 working days of issue of the Draft report;
3. Final Reports issued within 10 working days of receipt of management response; and
4. Priority 1 and Priority 2 recommendations acceptable to the audit client.

Publishing the indicators would allow the Audit Committee to fulfil its annual review of the Council's Internal Audit arrangements and effectiveness.

RESOLVED:- To approve the performance indicators.

13 – Audit Committee Terms of Reference

The Director of Resources reported that the Audit Committee Terms of Reference which were set out in the Council's constitution had been reported to this Committee to provide Members with the framework of the Committee's business and responsibilities. She advised that the Terms of Reference had not changed since last year.

RESOLVED:- To note that the Audit Committee Terms of Reference as set out in the Council's constitution remained unchanged.

14 – Annual Review of Audit Committee Effectiveness

The Director of Resources that the Chartered Institute of Public Finance and Accountancy (CIPFA) had recommended that an assessment be undertaken by the Audit Committee to ensure that its effectiveness was regularly reviewed. CIPFA had recommended that this could be approved by using an evaluation checklist such as CIPFA's Toolkit for Local Authority Audit Committees, a copy of which had been appended to the report. She reported that the initial review during 2013-14 was performed by the Chair and Vice-Chair with the Director of Resources and there had been no significant changes since last year.

RESOLVED:- To approve the review.

15 – Accounts – Committee Update

The Director of Resources advised that the Statement of Accounts for 2013-14 had been drafted and that the ledgers had been closed. She proposed that an informal session covering the Statement of Accounts be arranged for Members prior to the September Audit Committee where Members would be provided with the Grant Thornton publication 'A Guide to Local Authority Accounts'. This guide provided the links between the accounting statements and explained their purpose, which would support the accounts session.

RESOLVED:- To note the report and agree that a session on the Statement of Accounts be offered to all Members.

16 – Annual Governance Statement

The Corporate Support Manager reported that the Council had responsibility for ensuring that Council business was conducted with the law and proper standards, and that public money was safeguarded and properly accounted for. Part of this governance process was the preparation and publication of an Annual Governance Statement which was a self-assessment of how effective the Council considered its governance arrangements to be.

The following members of staff had been involved in preparing the Annual Governance Statement for 2013-14:-

- Executive Director: Head of Paid Services;
- Deputy Executive Director: Monitoring Officer;
- Borough Treasurer: S151 Officer;
- Assistant Director of Community Services;
- Assistant Director of Regeneration and the Built Environment;
- Housing Manager;
- Internal Audit Manager;
- Policy Review Officer; and
- The Governance Group

The Annual Governance Statement and supporting principles had been attached as appendices to the Corporate Support Manager's report.

RESOLVED:- To agree that the Annual Governance Statement and supporting evidence be submitted to the External Auditor's for their consideration.

17 – Risk Management

The Corporate Support Manager attached as an appendix to his report, the Risk Register for 2014-15. He reported that the Register continued to focus on those business critical risks which were under the control of the Council including:-

1. Impact of changes to the benefit system on income for the Housing Department;
2. Future financial stability and sustainability of the Council;
3. Failure of external partner, service providers or contractors;
4. Level of sickness worsens;
5. Performance of service delivery contractors;
6. Impact of Welfare Reform Changes;
7. Failure to deliver waterfront Barrow Regeneration Programme;
8. Not having appropriate governance arrangements in place;
9. Failure to maintain Health and Safety arrangements;

10. Capacity to undertake statutory inspections, investigations and enforcement action;
11. Legal challenge to procurement of contracts;
12. Information Technology security breach;
13. Incidents of fraud, bribery or corruption;
14. Major incident affecting service delivery; and
15. Major incident affecting ICT systems.

He reported that the Risk Register had been reviewed by Management Board at their meeting in June 2014 and the following changes were agreed:-

- A risk relating to IT security had been added to the Register to protect the Council's access to the Public Sector Network;
- Risk 10 relating to the Council's capacity to undertake statutory inspections: The mitigated risk had been reduced from 9 to 6 because the Council now had an Officer in place.

Full details of the Operational Risks outlined above, including their potential impact on mitigating actions had been included in the appendix to his report. It was noted that the Operational Risks would be used to inform the development of the Council's Business Continuity Plan.

RESOLVED:- To note the information and the risks would be monitored by the appropriate Officer.

18 – Monitoring Priority 1 Recommendations

The Corporate Support Manager reported that Internal Audit undertook reviews of the Council's systems as defined in the Annual Audit Plan. The audit conclusion may include Priority 1 recommendations which related to major issues that needed to be brought to the attention of Senior Management. Senior Managers would consider the recommendations and determine whether to accept or reject them. If the recommendations were accepted, the Managers were agreeing to implement the recommendations.

To ensure that all agreed Internal Audit Priority 1 recommendations were implemented in a timely manner they were now tracked by Management. There had not been any additions to this list in 2013-14 to date.

The Council's business continuity arrangements had not yet been finalised and it was anticipated that this would be completed in Quarter 3.

RESOLVED:- To note the information.

The meeting closed at 3.20 p.m.

Part One

AUDIT COMMITTEE	(D) Agenda Item 7
Date of Meeting: 25th September, 2014	
Reporting Officer: Director of Resources	

Title: Statement of Accounts 2013-2014

Summary and Conclusions:

This report presents the audited accounts for 2013-2014 and the report of the External Auditors; the Audit Findings Report. The report also contains the letter of representation for approval and the Annual Governance Statement for separate consideration and approval.

Recommendations:

Members are recommended:

1. To receive the Statement of Accounts for 2013-2014;
2. To receive the External Auditor's Audit Findings Report and raise any questions;
3. To approve the letter of representation and authorise the Chair of this committee and the Director of Resources to sign on behalf of the Council;
4. To receive the Annual Governance Statement and raise any questions;
5. To approve the Annual Governance Statement and authorise the Chair of this Committee to sign on behalf of the Council; and
6. To approve the audited accounts and authorise the Chair of this committee to sign on behalf of the Council.

Report

The Accounts and Audit Regulations require the draft Statement of Accounts to be made available to the External Auditors by 30th of June each year. This date was met and the Statement was placed on the Council's website.

The Statement of Accounts must be approved by 30th September, 2014, by this Committee.

This report will be presented as follows:

- Statement of Accounts for 2013/14 – Director of Resources
- Audit Findings Report – Grant Thornton
- Letter of Representation – Director of Resources
- Annual Governance Statement – Corporate Support Manager

The Statement of Accounts

The audited Statement of Accounts is attached at **Appendix 1**. In approving the Statement of Accounts, Members are asked to undertake a review using their knowledge of the Council together with the External Auditor's report and raise any questions.

The Explanatory Foreword summarises the key issues in the accounting statements. The General Fund result for the year was a contribution to the Restructuring Reserve of £2.532m with no change in the fund balance. For the Housing Revenue Account the result was a surplus was £0.386m which increased the fund balance.

The Council's net worth has increased from £83.864m to £94.032m. This is largely due to the re-measurement of the pension, an increase in the value of property, plant and equipment, additional short term investments with a corresponding reduction in cash (not invested) at year-end.

The outturn for 2013-2014 was reported to the Executive Committee on the 10th September, 2014 and a separate session has been held with Members.

Audit Findings Report

The External Auditor is required to report to this committee on the conclusions of the audit, noting any adjustments made to the draft accounts as published. This is the Audit Findings Report attached at **Appendix 2**. Subject to Members agreeing the Letter of Representation, the External Auditor will give an unqualified audit opinion.

The External Auditor's team have undertaken the audit in a professional and consultative manner. I am happy with the service provided. My staff and I have worked constructively with the External Auditor and her team.

Letter of Representation

The purpose of this letter is to provide assurance to the External Auditors on relevant and significant matters relating to the financial year. The Letter of Representation is issued to disclose the material facts affecting the 2013-2014 transactions of the Council; the letter is at **Appendix 3**. There are no significant issues to highlight.

Annual Governance Statement

The Annual Governance Statement (AGS) has to be published alongside the Statement of Accounts, although it does not form part of it. The AGS was presented to this committee on 26th June, 2014 and the suggested revisions have been made. The AGS is attached at **Appendix 4** for Members to approve and authorise the Chair to sign on behalf of the Council.

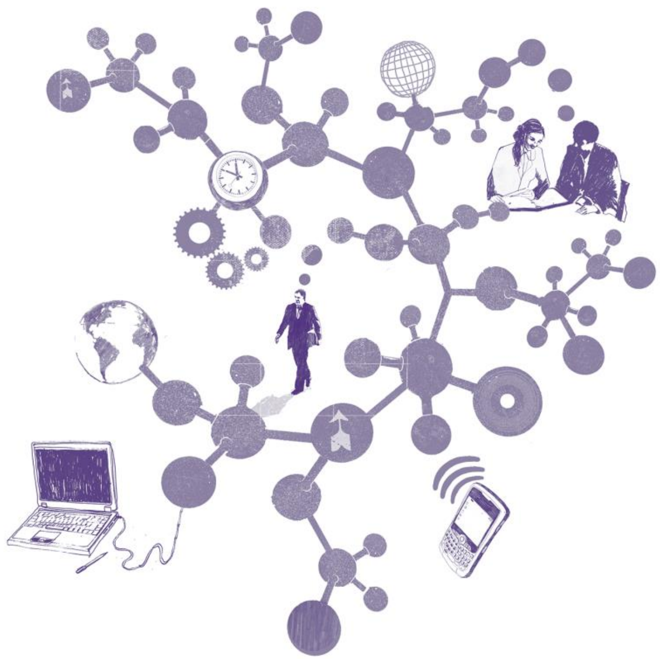
Background Papers

Nil

The Audit Findings for Barrow in Furness Borough Council

Year ended 31 March 2014

September 2014



Jackie Bellard
Engagement Lead
T 0161 234 6394
E jackie.bellard@uk.gt.com

Len Cross
Audit Manager
T 0161 234 6387
E leonard.e.cross@uk.gt.com

Daniel Watson
Executive
T 0161 234 6344
E daniel.watson@uk.gt.com

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Barrow in Furness Borough Council's ('the Council') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated June 2014.

Our audit is substantially complete although we are finalising our work in the following areas:

- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We expect to provide an unqualified opinion on the financial statements.

None of the agreed amendments impacted on the Council's reported financial position. Minor amendments were agreed to improve the content of the Explanatory Foreword and its links to other parts of the financial statements.

Further details are set out in section 2 of this report.

Value for Money conclusion
We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)
We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls
The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Our work has not identified any control weaknesses which we wish to highlight for your attention

The way forward
Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Resources..

There are no recommendations arising from our audit of the Council's 2013/14 financial statements.

Acknowledgment
We would like to take this opportunity to record our appreciation for the assistance provided by the Director of Resources, her finance team and other staff during our audit.

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 26th June 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you in June 2014.

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix A.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	• review of revenue recognition policies. • testing of material revenue streams.	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls	• review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions	• Our audit work has not identified any evidence of management override of controls. • As previously reported our interim audit journals testing identified 5 journals where the officers posting the journal had also approved those journals. We were satisfied that these journals were correctly and validly raised and were for non material amounts. The Director of Resources has confirmed the measures that have been taken to further strengthen controls and help ensure full compliance with the policy around segregation of journal approval and posting going forward. • We set out later in this section of the report our work and findings on key accounting estimates and judgments.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period.	We have undertaken the following in relation to this risk: • documented our understanding of the processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • performed substantive testing of the material operating expenditure • sample testing of other operating expenditure • review of any significant items	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accrual understated	We have undertaken the following in relation to this risk: • documented our understanding of the processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • sample testing of payroll calculations and contracts of employment • rationalised payroll costs by reference to staff numbers, and salary increases applied in the year.	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare Expenditure	Welfare benefit expenditure improperly computed.	We have undertaken the following in relation to this risk: • documented our understanding of the processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • sample testing of welfare benefit expenditure • Carried out a programme of work as part of the certification of the housing benefits subsidy grant claim.	Our audit work has not identified any significant issues in relation to the risk identified.
Property, plant & equipment	Revaluation measurement not correct	We have undertaken the following in relation to this risk: • documented our understanding of the processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • work to gain assurance over the work of the Council's valuer	Our audit work has not identified any significant issues in relation to the risk identified

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	Accounting Policies Note 1b states that activity [income and expenditure] is accounted for in the year [accounting period] that it takes place, not simply when cash payments are made or received.	The recognition of revenue by the Council is in line with recognised accounting guidance and in line with CIPFA's recommended approach.	●
Judgements and estimates	Key estimates and judgements include: – useful life of capital equipment – pension fund valuations and settlements – revaluations – impairments – provisions	The judgements and estimates included within the financial statements have been based on a sound rationale. The judgements and estimates are supported where necessary by advice given by professional experts including Mercers who provide assurance around the asset lives and the pension fund respectively. Property, Plant & Equipment (PPE) disclosure note 13 confirms that 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, and that each year a review of appropriate work is carried to ensure that the carrying value of assets last valued in previous years is not materially different from their fair value. This review concluded that the fair value was not materially different. We are satisfied that the carrying amount of PPE (based on these valuations) does not differ materially from the fair value at 31 March 2014. In our view, however, this rolling programme does not meet the Code’s requirement in paragraph 4.1.2.35 to value items within a class of property, plant and equipment simultaneously.	●

Assessment

● Marginal accounting policy which could potentially attract attention from regulators
● Accounting policy appropriate but scope for improved disclosure
● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates (cont'd)		This paragraph of the Code, which is based on IAS16 Property, Plant and Equipment, does permit a class of assets to be revalued on a rolling basis provided that: • the revaluation of the class of assets is completed within a 'short period' • the revaluations are kept up to date. We would normally expect this 'short period' to be within a single financial year. The council may wish to consider how its policy demonstrates compliance with the Code.	●
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	●

Assessment

- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

	Detail	Financial statements impact
1	**NNDR APPEALS PROVISION** The short term debtors balance sheet figure was reported in the draft accounts net of an NNDR appeals provision of £409k . This provision should have been separately reported in the balance sheet and supporting disclosure notes. Correcting this misstatement was restricted to the balance sheet and supporting disclosure notes and accordingly had no impact on the CIES or the Council's financial position. .	No overall impact on the financial position but amendment to the following core statements and disclosures **Provisions note 24** New column added to show a zero brought forward balance, additional provisions made in 2013/14 of **£409k** and balance at 31 March 2014 of **£409k**. Provisions total amended. **Balance sheet** Additional provision of **£409k** amends balance sheet provisions figure to **£473k.** Short term debtors increased by **£409k** to **£2,782k**, reflecting the transfer of the provision for NNDR appeals to the provisions balance. **short term debtors disclosure note 21** "*other entities and individuals*" total increased by **£409k** to **£1,572k**, increasing disclosure note total to **£2,782k**.

Adjusted misstatements

	Detail	Financial statements impact
1	**NNDR APPEALS PROVISION (cont'd)**	**short term debtors disclosure note 21** "*other entities and individuals*" total increased by **£409k** to **£1,572k**, increasing disclosure note total to **£2,782k**. **cash flow disclosure note 31 - adjustments to the net (surplus) or deficit on the provision of services for non-cash movements** • decrease in provisions - amended from **£777k** to **£368k**; • increase in debtors - amended from **£517k** to **£926k**
2	**Audit Fees** Although not significant in terms of the overall financial statements the 2013/14 core audit fee was incorrectly misstated at **£58k** and in ledger terms reflects a brought forward accrual plus in year payments on account. The disclosure note has been corrected to **£67k** as per the Audit Fee letter dated 2 April 2013. The error is trivial; accordingly the CIES has not been amended.	No impact

Adjusted misstatements

	Detail	Financial statements impact
3	**Disclosure - Financial Instruments note 19** Within the financial instruments disclosure note 19 the prior year "*loans and receivables*" figure was restated from **£578k** to **£726k** without explanation. An explanatory commentary has now been added. The re-statement did not impact on other 2012/13 financial statement comparator disclosures There were also inconsistencies between the disclosure note's "*Categories of Financial Instruments"* and "*Fair Value of Assets and Liabilities*" tables,. The later of these incorrectly included 31 March 2013 and 2014 balances of **£61k** and **£79k** in the "loans and receivables long term" line relating to items which do not meet the definition of financial instruments. Correcting amendments do not have any impact beyond disclosure note 19. .	No impact

Unadjusted misstatements

There were no unadjusted misstatements arising from the audit of the Council's 2013/14 financial statements.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Our work has not identified any significant control weaknesses which we wish to highlight for your attention.

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A letter of representation has been requested from the Council.
4.	**Disclosures**	• Our audit work identified no material omissions in the financial statements.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed
6.	**Going concern**	• Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code. These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

The Council has sound financial governance arrangements and financial controls in place. This is supported by members who consistently provide a robust challenge to financial matters. There is also a well established approach to strategic financial planning, through the three year medium term financial strategy, which is aligned to the corporate priorities of the Council.

Along with many other councils, Barrow in Furness continues to operate within an increasingly challenging financial environment. However, against this backdrop the Council has demonstrated a track record of meeting efficiency targets and managing its revenue budget well.

Going forward, over the next three years to 2016/17, the Council forecasts a budget gap of £2.136m. Whilst this represents a significant challenge the Council does have a good track record of delivering savings and with General Fund and earmarked reserves of £2m and £10.197m respectively, including restructuring reserves totalling £5.329m the Council is well placed to meet that challenge

Our audit plan presented to the Audit Committee on 26 June highlighted the following local risks:

- managing a budget gap, projected at the time of reporting to be circa £2.1m in the 3 years to 31 March 2017;
- ensuring the Council remains on track to meet the DCLG's eligibility criteria for receipt and retention of allocated efficiency grant monies;
- applying cluster of empty homes monies allocated by the Homes and Community Agency to the Barrow Island flats and refurbishment upgrade

Value for Money

Based on our review and discussions with management we are satisfied that the Council is taking appropriate steps to ensure that:

- it remains financially resilient;
- it remains on track to meet the government's eligibility criteria for receipt of Efficiency Support Grant (ESG), the DCLG's indicating in its 2014 summer technical release that ESG will be rolled into the Council's RSG;
- cluster of empty homes grant monies has been properly accounted for

Value for money conclusion

On the basis of evidence seen, there does not appear to be a risk to the VFM conclusion arising from the arrangements followed by the Council.

Challenging economy, efficiency and effectiveness
We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

The Council has a good understanding of its costs and this enables it to make informed decisions based on accurate information. Regular budget monitoring also ensures that the latest available information can be used to assess how well placed the Council is to deliver its efficiency targets and meet its forecasts for income and expenditure levels.

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Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	**Inadequate arrangements**

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Key indicators of performance	The Council has healthy reserve balances and sufficient assets to cover its liabilities. The Council continues to demonstrate good financial performance and in 2013/14 the Council delivered a General Fund surplus of £2.643m on the provision of services and at 31 March 2014 held General Fund and earmarked balances of £2.0m and £10.197m respectively. Borrowing remained unchanged in year and is comfortably within the prudential limit approved by the Council and the Council's working capital ratio (current assets/current liabilities) remains healthy, increasing in year from 3.0 to 3.36. Last year we issued a separate report following our review of the Council's arrangements for securing financial resilience. One of the areas that we assessed as amber, indicating potential risk and/or weaknesses was workforce/sickness absence. We acknowledged then that Management were working closely with employees and the Council's Occupational health provider to reduce the level of long and short term sickness. The indications are that these arrangements are starting to deliver, with a 10% reduction in the average number of days lost due to sickness absence from 12.03 days in 2012/13 to 10.79 days in 2013/14.	**Green**	**Green**

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Strategic financial planning	The Council has sound financial planning and review processes in place and continues to demonstrate a strong track record in delivering an outturn within budget estimates. The Medium Term Financial Plan(MTFP) recognises the critical importance of financial planning as a strategic management tool to help to ensure the Council achieves its key priorities. The current MTFP covering the financial period 2014/15 – 2016/17 is framed around delivery of the Council's corporate priorities, highlights the key financial risks, and adopts a prudent approach to funding streams. The MTPF focuses on delivering the key components of the budget strategy approved by the Council on 24 January 2014 which are: • the prudent use of balances; • efficiency measures, • reducing staffing numbers, • increasing income, and • service reductions. In projecting budget deficits for each of the three years to 31 March 2017 and £2.136m cumulatively, underlying budget assumptions are realistic and prudent, including those on the future level of Government support and grants. Whilst there remains a considerable challenge ahead of the Council to address the future budget gap, the Council does have a good track record of delivering savings. Further, with General Fund and earmarked balances at 31 March 2014 of £2m and £10.197m respectively, including a restructuring reserve totalling £5.329m the Council is well placed to meet that challenge.		

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Financial governance	Financial governance arrangements at the Council are good. The Council has a well-established approach to financial governance with all executive members and senior officers involved in the budget process. They have demonstrated a good understanding of the financial environment and the challenges facing the Council. Members provide a robust challenge on financial matters. Updates on the Council's financial performance is reported quarterly to the Executive Committee and is under-pinned by the Council's Consultation policy document. The Council consults with staff and the public to help ensure a period of consultation and consideration of alternative budgets precedes the preparation and approval of each annual budget . The Council continues to manage its strategic and operational risks, maintaining a corporate risks register and updates of these risks along with the addition of new risks are considered regularly by the Council's Executive Committee and the Audit Committee.	Green	Green
Financial control	The Council has a robust and effective business planning and budget setting process and maintaining spend within budget is seen as a priority. The Council manages budgets well and has a good track record in achieving the overall budget and mitigating any overspends identified in year. The 2013/14 outturn report shows that the Council was able to maintain General Fund balances at a prudent level of £2m. This was net of transferring over £2m to earmarked reserves which will, amongst other things, enable the Council to manage projected revenue deficits over the next three years to March 2017. The key financial systems provide reliable and timely financial monitoring information to enable the Council to identify and manage financial risks.	Green	Green

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Prioritising resources	Senior management and members work well together in developing the Council's priorities and the Medium Term Financial Plan (MTFP). The MTFP is at the forefront of the Council's business, supported by the Director of Resources quarterly reports to the Council's Executive Committee. The Council has a good track record and continues to challenge the way services are delivered. A recent example was a review - carried out in support of the Council's business case for Efficiency Support Grant – to explore the potential to realise savings from shared management arrangements with another council.	Green	Green
Improving efficiency & productivity	The Council has a proven track record of delivering savings and generating additional income and as the Director of Resources' 2013/14 statements Explanatory Foreword reports the Council generated £0.83m of cost reductions and additional income in year which has been added to reserves to help manage projected future year deficits.	Green	Green

Section 4: Fees, non audit services and independence

Fees, non audit services and independence

We confirm below our final fees charged for the audit.

Fees

	Per fees letter £	Actual fees £
Council audit	67,259	67,259
Grant certification	21,200	18,730
Total audit fees	**88,459**	**85,989**

There is an additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for a district council and is subject to agreement by the Audit Commission.

Our grant certification fee is still an estimate as our work on the Council's Housing benefits subsidy claim is still on-going and will not be finalised until late November 2014.

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Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

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 2014 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, 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 2013/14.

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 Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources' Responsibilities, the Director of Resources 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 Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 2013/14 and applicable law.

Opinion on other matters

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

Matters on which 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 October 2013, 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 2014.

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 October 2013, 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 2014.

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.

Jackie Bellard

Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Grant Thornton UK LLP,
4 Hardman Square,
Spinningfields, Manchester M3 3EB

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Statement of Accounts 2013/14

Contents:

1. Introduction

The Statement of Accounts summarises the authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. 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 and year-end position.

The 2013/14 accounting statements have been prepared in compliance with the CIPFA Code of Practice on Local Authority Accounts in the United Kingdom which is based on International Financial Reporting Standards (the Code) and consist of:

- **Statement of Responsibilities** (page 10) – this precedes the accounting statements and sets out the responsibilities of the authority and of the Director of Resources 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.

- **Movement in Reserves Statement** (pages 11 and 12) – this 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.

- **Comprehensive Income and Expenditure Statement** (page 13) – this 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.

- **Balance Sheet** (page 14) - this shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and the reserves that hold the timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

- **Cash Flow Statement** (page 15) – this shows the changes in the authority's cash and cash equivalents 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.

- **Notes to the Main Accounting Statements** (pages 16 to 72) – these include a summary of the significant accounting policies and other explanatory information.

- **Housing Revenue Account and Notes** (pages 73 to 79) – this 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.

- **Collection Fund and Notes** (pages 80 to 83) – this 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; the council tax preceptors being Cumbria County Council, the Police and Crime Commissioner for Cumbria and the General Fund; the non-domestic rates being shared proportionately between central government (50% share), Cumbria County Council (10%) and the General Fund (40%).

2. Net Assets of the Authority

The authority has net assets of £94.4m; this is the difference between its assets and liabilities. This shows the cash balance that would have been left if the Council was to have realised its assets (selling its land and buildings and other assets) and settled its liabilities (paid its creditors and repaid its borrowing). This is an increase in the opening net assets of the authority from £83.9m to £94.4m; this is largely attributable to the decrease in the pension liability from £29.3m to £24.7m and the increase in short term investments at the Balance Sheet date from £6.5m to £11.0m.

3. General Fund Outturn

The original budget was approved by full Council on the 26 February 2013 as £11.2m with a contribution to the restructuring reserve of £727k; the income being greater than the expenditure forecast.

The revised budget was approved by full Council on the 4 March 2014 as £12.8m with a contribution to the restructuring reserve of £1,141k. During the final quarter of the financial year further funding was received from central government which totalled £236k, giving a final revenue budget of £13m.

The actual outturn for the General Fund was a contribution to the restructuring reserve of £2,532k. The authority's policy is to contribute this surplus into the restructuring reserve as set out in Medium Term Financial Plan to fund forecast future budget deficits.

The actual cost reductions and additional income, excluding additional expenditure funded from earmarked grants, grants received and spent in the year, and technical accounting, compared to the original budget are:

Item	Total	One-off	Budget 2014/15	For review
	£000	£000	£000	£000
Staff related costs	117	5	67	45
Property costs	46	-	-	46
Supplies and services	308	121	39	148
Contracted services	87	-	87	-
External income	241	230	(4)	15
Housing benefits	110	110	-	-
Treasury portfolio	184	-	155	29
General grants and taxation	928	365	78	485
Internal charges to the HRA and capital	(216)	-	(216)	-
Cost reductions and additional income in 2013/14	**1,805**	**831**	**206**	**768**
Original approved contribution to reserves	727	727	-	-
Total added to the restructuring reserve for 2013/14	**2,532**	**1,558**	**206**	**768**

The table indicates where the cost reduction or additional income is considered to be one-off in nature, already rolled into the 2014/15 revenue budget when it was originally set, or whether the item should be reviewed as it may be possible to reduce the 2014/15 budget and the on-going base budget. These items will be looked at in detail as part of the 2014/15 budget cycle.

A more detailed analysis of the changes during 2013/14 is set out in the following table:

Item	Total	One-off	Budget 2014/15	For review
	£000	£000	£000	£000
Staff related costs:	**117**	**5**	**67**	**45**
Employer National Insurance contributions	57	-	57	-
Staff training and conferences	37	-	-	37
Pension costs	10	-	10	-
Staff transport	8	-	-	8
Staff turnover	5	5	-	-
Property costs:	**46**	**-**	**-**	**46**
Supplies and services:	**308**	**121**	**39**	**148**
Computers and telephones	112	-	39	73
Homeless support	71	71	-	-
Review of bad debt provision	50	50	-	-
Office supplies	48	-	-	48
Other supplies and services	27	-	-	27
Contracted services:	**87**	**-**	**87**	**-**
Inflation on contracted services	54	-	54	-
Leisure venue building cleaning costs	33	-	33	-
External income:	**241**	**230**	**(4)**	**15**
Commercial rent portfolio	79	-	79	-
Additional grants and contributions	55	55	-	-
Cemetery and crematorium income	47	47	-	-
Cluster of Empty Homes revenue grant	42	42	-	-
Park Leisure Centre income	29	-	29	-
Development control income	24	-	-	24

Land charge search fees	23	-	-	23
The Forum income	22	22	-	-
Elections funding	18	18	-	-
Bulky household collections	(12)	-	-	(12)
Building control income	(16)	-	(16)	-
Soccer Centre income	(51)	-	(51)	-
Off street car parking income	(65)	-	(45)	(20)
Other income	46	46	-	-
Housing benefits:	**110**	**110**	**-**	**-**
Overpayment recoveries	86	86	-	-
Subsidy claimed	24	24	-	-
Treasury portfolio:	**184**	**-**	**155**	**29**
Capital programme revisions in the year	127	-	127	-
Interest earned on investments	57	-	28	29
General grants and taxation:	**928**	**365**	**78**	**485**
Business rates retention scheme	274	44	-	230
Small business rate relief grant	255	-	-	255
Additional Efficiency Support Grant	176	176	-	-
New burdens grants from Government	102	24	78	-
Efficiency Support Grant rescheduled into 2014/15	99	99	-	-
Redistribution of funds from Government	22	22	-	-
Internal charges to the HRA and capital	**(216)**	**-**	**(216)**	**-**
Cost reductions and additional income in 2013/14	**1,805**	**831**	**206**	**768**
Original approved contribution to reserves	727	727	-	-
Total added to the restructuring reserve for 2013/14	**2,532**	**1,558**	**206**	**768**

4. Housing Revenue Account Outturn

The original budget was approved by full Council on the 26 February 2013 as a balanced budget; the income matching the expenditure forecast. The revised budget was approved by full Council on the 4 March 2014 with a contribution to the fund balance of £10k; the income being greater than the expenditure forecast. The actual outturn for the Housing Revenue Account was an addition to the fund balance of £386k. The main reasons for the surplus are:

- Void major improvement scheme rescheduled into 2014/15 £187k
- Reduced share of Corporate Management costs £61k
- Staff turnover savings £52k
- Net additional rent related income £50k
- Income from Cumbria housing planned maintenance framework £36k

5. Revenue Reserves and Balances

The authority held the following General Fund reserves and balances during 2013/14:

1 April 2013 £000		**31 March 2014 £000**
2,000	General Fund balance	2,000
1,000	General Fund reserve	1,548
3,634	Restructuring reserves	5,329
517	Ring-fenced reserves	646
1,895	Other earmarked reserves	1,888
1,071	Earmarked revenue grants	786
10,117		12,197

The authority held the following Housing Revenue Accounts reserve and balance during 2013/14:

1 April 2013 £000		31 March 2014 £000
1,991	Housing Revenue Account balance	2,377
131	Major repairs reserve	597
2,122		2,974

6. Capital Expenditure and Financing

During 2013/14 the authority's capital expenditure was £7.4m:

- Investment in public buildings £2.1m
- Investment in private sector housing £2m
- Investment in public sector housing £1.9m
- Investment in other public assets £1.4m

This expenditure was financed by:

- Capital receipts £1.9m
- Major repairs reserve £1.9m
- Borrowing £1.6m
- Revenue grants and reserves £1.4m
- Capital grants £0.6m

The capital receipts and grants received in the year and unapplied at the 31 March 2014 are:

- Capital receipts
  - At 1 April 2013 £1.9m
  - Plus receipts of £0.2m from:
    - Walney Island Coastguard Station
    - 11 dwellings under the Right to Buy
  - Less receipts used in financing 2013/14 £1.9m
  - At 31 March 2014 £0.2m

- Capital grants
  - At 1 April 2013 £2.2m
  - Plus grants of £2.2m from:
    - Clusters of Empty Homes
    - Individual Electoral Registration IT grant
    - Big Local Trust
    - Disabled Facilities Grant
    - INSPIRE
  - Less grants used in financing in 2013/14 £0.3m
  - At 31 March 2014 £4.1m
    - £3m of this balance relates to Clusters of Empty Homes

7. Treasury Management

The authority managed its cash and investments in-house during 2013/14. As at 31 March 2014, £11m of investments and cash of £3.4m were managed in-house. The authority has 24 loans outstanding at 31 March 2014; 19 of these, £17.1m, relate to the Housing Revenue Account self-financing settlement. The balance outstanding is £39.5m; in total, £26.1m belonging to the Housing Revenue Account and £13.4m to the General Fund. No loans are repayable in 2014/15.

The authorised limit for borrowing in 2013/14 was £58m. These items complied with the authority's Treasury Management Strategy for 2013/14, which was approved by full Council on 26 February 2013.

8. Collection Fund

The Collection Fund balance was a surplus of £135k at 31 March 2014, made up of a surplus on council tax of £819k and a deficit on NNDR of £684k. The council tax surplus is payable in 2015/16 to Cumbria County Council, the Police and Crime Commissioner for Cumbria and the General Fund £114k; split against their 2014/15 precepts. The NNDR deficit will be recovered from central government, Cumbria County Council and the General Fund £274k in 2014/15.

9. Business Rates Retention Scheme

From 1 April 2013, the local government finance regime was revised with the introduction of the Business Rates Retention Scheme. Whilst this did not impact on businesses paying business rates, it is a fundamental change to local authority funding. The main aim of the scheme is to give authorities a greater incentive to grow businesses in the Borough. It does, however, increase the financial risk due to non-collection and volatility of the NNDR tax base. The scheme allows the authority to retain a proportion of the total NNDR received. The Borough share is 40%, the County share is 10% and the remainder is paid to central government. The Business Rates Retention Scheme is reflected in these accounts, principally in the Collection Fund and the Comprehensive Income and Expenditure Account.

10. Local Council Tax Reduction Scheme

From 1 April 2013, the authority's local council tax reduction scheme replaced council tax benefits. Council tax benefits were awarded by the billing authority and reimbursed by the Department of Works and Pensions. When council tax reductions became a local scheme, the central funding (now from the Department for Communities and Local Government) was reduced by 10%. It was left to individual authorities, in consultation with the major preceptors, to design a scheme that either sought to recover some, all or none of the shortfall in funding. The scheme adopted for the Borough did not seek to recover any of the funding shortfall from claimants so that they receive the same financial support as they would under the council tax benefit scheme.

11. Material Assets and Liabilities

During 2013/14 the authority has not acquired any material assets or incurred any material liabilities.

12. Pensions Reserve

International Accounting Standard (IAS) 19 requires the authority to account for its liability under the pension (defined benefits) scheme as it arises. The authority is a member of the Cumbria Local Government Pension Scheme Fund. At 31 March 2014, the actuarial valuation showed a net liability of £24.7m (2012/13 £29.3m). This is explained in detail in Note 40 to the accounting statements (page 66). Part of the authority's employer contributions to the Fund is to recover this deficit. The deficit on the pension scheme has varied substantially in recent years and reflects the volatile nature of financial markets. The deficit at 31 March 2014 was £24.666m, an in year reduction of £4.651m.

The net pension liability included in the Balance Sheet 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.

13. Material and Unusual Charges and Credits

The authority established a provision in 2012/13 for the Municipal Mutual Insurance Scheme of Arrangement and this has been reviewed and reduced by £766k in 2013/14; this appears on the face of the Comprehensive Income and Expenditure Account.

14. Accounting Policies

The authority's accounting policies are explained fully in the first note to the main accounting statements (pages 16 to 29).

As stated earlier, these accounting statements have been prepared following CIPFA'S Code. There have been changes to the way information on pensions is presented in the accounting statements in 2013/14. Where required, restatements for 2012/13 have been made. Further information is available at Note 43 on page 71.

15. Provisions and Contingencies

The provision established in 2012/13 for the Municipal Mutual Scheme of Arrangement has been reduced and the remaining provision reflects the 15% levy due by the authority for the estimated outstanding claims. The reduction in the provision has been returned to the authority's reserves.

16. Material Events After the Accounting Date

The Statement of Accounts was authorised for issue by the Director of Resources on the 30 June 2014. Events taking place after this date are not reflected in the accounting statements or notes. No events have been identified.

17. Financial Resilience

The authority has been subject to significant reductions in its financial settlement from the Government for the last three years. As the formula reductions resulted in a percentage drop greater than the cap set by the Government for 2011/12 and 2012/13, the authority was awarded Transition Grant each year; the grant stream then ended. The Transition Grant was to be used to reduce the authority's net revenue expenditure to the level of future Government financial settlements; a sustainable level based on projections of the future settlements.

For 2013/14 the authority experienced one of the highest reductions in its financial settlement, beyond the forecast made when the Transition Grant was awarded. As the formula reduction was greater than the cap set by the Government again, the authority was eligible to apply for Efficiency Support Grant. Efficiency Support Grant, unlike the Transition Grant, was ring-fenced in its uses; there are four key themes and within those, expenditure can be incurred where a reduction in cost or increase in income can be achieved. The use of the Efficiency Support Grant has been subject to reviews by the Government; further access to the grant depends on satisfactory reviews.

The authority spent the majority of the Efficiency Support Grant received in 2013/14 and has successfully been awarded the grant for 2014/15. Dependent upon the achievement of the efficiency initiatives for 2014/15, the Efficiency Support Grant will be rolled into the Revenue Support Grant that the authority will receive for 2015/16 onwards. This is beneficial to the authority as it removes the one-off grant with specific uses and provides general grant that the authority can use to support the General Fund in its medium and long term plans for financial resilience. The current Medium Term Financial Plan assumes the efficiency grant is rolled into the Revenue Support Grant. However the authority still faces increasing costs and inflationary pressures at a time when Government support is potentially still reducing.

The authority has taken a number of major steps to ensure it remains financially resilient. The main ones are:

- The authority's four year Budget Strategy was approved on the 24 January 2012 and aims to reduce the core budget deficit by over £5m by the end of 2015/16. The five key components identified to drive down the authority's funding requirement are the prudent use of balances, efficiency measure, reducing staff costs, increasing income and service cost reductions. The policies implemented through the Budget Strategy so far, have generated the £5m required; the majority of changes were made in the initial year of the Strategy in order to strengthen reserves for future financial risks.

- The authority is part of the Cumbria Local Enterprise Partnership and is linked with projects included in the Strategic Economic Plan which sets out how £24m of Local Growth Funding would be spent to boost the local economy in the County. The economic impacts of the Strategic Economic Plan are beneficial to the longer term finances of the authority.

- The authority joined a Business Rates Retention Scheme pool for 2014/15 with Cumbria County Council and four other Cumbrian districts. It is expected this will realise an additional income of £0.2m in 2014/15 and this is reflected in the Medium Term Financial Plan.

- The authority has chosen to react positively to the financial challenges by taking the opportunity to do things differently. The broad strategy is to concentrate on three issues; generating income, transforming services to make them more efficient and cost effective, and supporting economic growth and development. The authority has established a Business Improvement Team to continue the Budget Strategy policy themes.

At the end of 2013/14 the authority held General Fund reserves of £3.5m; these core reserves are important in the financial resilience of the authority and required to address any unexpected spending pressures and to cushion any cash flow impacts. The authority's ability to replenish its reserves is very limited.

Taking the 2013/14 outturn into consideration, the Medium Term Financial Plan is broadly balanced for the period 2014/20; as far as current projections have been made. However, a full update of the Plan will be produced during 2014/15 to update all of the assumptions and projections it contains. The Plan does not currently include any increase in the demand for the authority's services which would come from population growth or changes in the local economy. The authority has not separately identified reserves for business rate volatility in relation to the collection rate or future appeals, or for significant increases in the take-up of the local council tax reduction scheme.

The Medium Term Financial Strategy continues the Budget Strategy's aim of eliminating the deficit in the core budget in the longer term. This will require the continued use of reserves to set the pace of change and achieve long term financial resilience. Although the Medium Term Financial Plan is broadly balanced, it is currently projected to require £4.1m of support from the restructuring reserve. Reviewing the outturn items identified in paragraph 3 of this section may impact on the amount of support required from reserves.

The authority has continued to deliver a capital programme, funded from grants and asset sale receipts as well as a modest element of prudential borrowing. The programme is much reduced from previous years as the on-going costs of borrowing impact on the revenue savings that General Fund generates. During 2014/15 the authority will consider the current and future capital projects it wishes to deliver and the resources available to achieve its agreed priorities.

The financial settlement from the Government beyond 2014/15 is not yet known and may differ from the levels anticipated in the Medium Term Financial Plan.

18. Level of Reserves and Balances

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 financial settlement from the Government.

19. Acknowledgement

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 the staff of the Finance Department.

S M Roberts CPFA, ACMA
Director of Resources
Section 151 Officer

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 Director of Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Director of Resources' Responsibilities

The Director of Resources 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 Director of Resources 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 Director of Resources 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 2013/14 and of its expenditure and income for the year ended 31 March 2014.

S M Roberts CPFA, ACMA
Director of Resources
Section 151 Officer
30 June 2014
Revised 12 September 2014

Councillor Mrs A Burns
Audit Committee Chairman
25 September 2014

2012/13 Restated	General Fund Balance £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Major Repairs Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 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	8,161	-	(2,544)	-	-	-	5,617	-	5,617
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	0	3,507	3,507
Total Comprehensive Income and Expenditure	**8,161**	**0**	**(2,544)**	**0**	**0**	**0**	**5,617**	**3,507**	**9,124**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(7,562)	-	2,075	(129)	(759)	(1,713)	(8,088)	8,088	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)**

2013/14	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 2013 brought forward	**(2,000)**	**(8,117)**	**(1,991)**	**(131)**	**(1,865)**	**(2,194)**	**(16,298)**	**(67,566)**	**(83,864)**
Movement in Reserves during 2013/14									
(Surplus) or deficit on the provision of services	(2,643)	-	(1,742)	-	-	-	(4,385)	-	(4,385)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(5,783)	(5,783)
Total Comprehensive Income and Expenditure	**(2,643)**	**-**	**(1,742)**	**-**	**-**	**-**	**(4,385)**	**(5,783)**	**(10,168)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	563	-	1,356	(467)	1,651	(1,938)	1,165	(1,165)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(2,080)**	**-**	**(386)**	**(467)**	**1,651**	**(1,938)**	**(3,220)**	**(6,948)**	**(10,168)**
Transfers to/(from) Earmarked Reserves (Note 8)	2,080	(2,080)	-	-	-	-	0	-	0
(Increase)/Decrease in 2013/14	**0**	**(2,080)**	**(386)**	**(467)**	**1,651**	**(1,938)**	**(3,220)**	**(6,948)**	**(10,168)**
Balance at 31 March 2014 carried forward	**(2,000)**	**(10,197)**	**(2,377)**	**(598)**	**(214)**	**(4,132)**	**(19,518)**	**(74,514)**	**(94,032)**

2012/13 Restated					2013/14		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Notes**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**			**£000**	**£000**	**£000**
8,956	(7,263)	1,693	Central services to the public		2,599	(882)	1,717
4,733	(1,303)	3,430	Cultural and related services		4,416	(1,253)	3,163
4,573	(2,085)	2,488	Environmental and regulatory services		4,714	(1,932)	2,782
3,813	(2,096)	1,717	Planning services		2,064	(2,171)	(107)
608	(981)	(373)	Highways and transport services		1,016	(984)	32
6,470	(10,076)	(3,606)	Local authority housing (HRA)		8,121	(11,256)	(3,135)
22,811	(21,829)	982	Other housing services		24,079	(21,626)	2,453
1,764	(211)	1,553	Corporate and democratic core		1,905	(287)	1,618
9,966	-	9,966	Non distributed costs - revaluation of renewal area	5	-	-	-
254	-	254	Non distributed costs – other		75	-	75
1,018	-	1,018	Exceptional item – MMI provision	5	(766)	-	(766)
64,966	**(45,844)**	**19,122**	**Cost of Services**		**48,223**	**(40,391)**	**7,832**
1,144	(1,491)	(347)	Other operating expenditure	9	1,039	(454)	585
5,380	(2,796)	2,584	Financing and investment income and expenditure	10	5,238	(2,679)	2,559
-	(15,742)	(15,742)	Taxation and non-specific grant income	11	6,257	(21,618)	(15,361)
71,490	**(65,873)**	**5,617**	**(Surplus) or Deficit on Provision of Services**		**60,757**	**(65,142)**	**(4,385)**
(779)	-	(779)	(Surplus) or deficit on revaluation of non-current assets		(785)	-	(785)
4,286	-	4,286	Re-measurements of the net defined benefit liability		-	(4,998)	(4,998)
3,507	**-**	**3,507**	**Other Comprehensive Income and Expenditure**		**(785)**	**(4,998)**	**(5,783)**
74,997	**(65,873)**	**9,124**	**Total Comprehensive Income and Expenditure**		**59,972**	**(70,140)**	**(10,168)**

31 March 2013		Notes	31 March 2014
£000			£000
143,595	Property, Plant & Equipment	13	145,500
737	Heritage Assets	14	703
45	Assets Held For Sale	15	0
61	Long Term Debtors	30	286
144,438	**Long Term Assets**		**146,489**
6,506	Short Term Investments	19	11,018
19	Inventories	20	27
2,395	Short Term Debtors	21	2,782
4,799	Cash and Cash Equivalents	22	3,439
13,719	**Current Assets**		**17,266**
(494)	Short Term Borrowing	19	(494)
(4,084)	Short Term Creditors	23	(4,534)
(4,578)	**Current Liabilities**		**(5,028)**
(841)	Provisions	24	(473)
(39,479)	Long Term Borrowing	19	(39,479)
(29,395)	Other Long Term Liabilities	27	(24,743)
(69,715)	**Long Term Liabilities**		**(64,695)**
83,864	**Net Assets**		**94,032**
(16,298)	Usable Reserves	25	(19,518)
(67,566)	Unusable Reserves	26	(74,514)
(83,864)	**Total Reserves**		**(94,032)**

The unaudited accounts were issued on the 30 June 2014, and the audited accounts were authorised for issue on the 12 September 2014.

S M Roberts CPFA, ACMA
Director of Resources
Section 151 Officer

2012/13 Restated		Notes	2013/14
£000			**£000**
5,617	**Net (surplus) or deficit on the provision of services**		**(4,385)**
(15,843)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	31	(4,230)
3,343	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	32	2,150
(6,883)	**Net cash flows from Operating Activities**	**33**	**(6,465)**
8,178	Investing Activities	34	7,741
(503)	Financing Activities	35	84
792	**Net (increase) or decrease in cash and cash equivalents**		**1,360**
5,591	Cash and cash equivalents at the beginning of the reporting period	22	4,799
4,799	Cash and cash equivalents at the end of the reporting period	22	3,439
792	**Net (increase) or decrease in cash and cash equivalents**		**1,360**

Index of Notes to the Main Accounting Statements

Note 1. ACCOUNTING POLICIES

a. General Principles

The Statement of Accounts summarises the authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. 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 2013/14 and the Service Reporting Code of Practice 2013/14, 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 and business rates 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 or business rate transactions as well as their share of the collection fund balance is accounted for as a debtor or creditor with those bodies. The County Council and Government share of the business rate transactions as well as their share of the council tax is accounted for as a debtor or creditor with those bodies. The Police & Crime Commissioner for Cumbria share of the council tax is also accounted for as a debtor or creditor.

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 Cumbria pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and other factors, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using the applicable discount rate based on the indicative rate of return on AA rated corporate bonds.
- The assets of the Cumbria pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.
- The change in the net pensions liability is analysed into the following components:
    - Service cost comprising:

        - 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 as a result of a scheme amendment or curtailment 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
        - net interest on the net defined benefit liability (asset), that is, net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
    - Re-measurements comprising:
        - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
        - 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
    - 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 or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers 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 pensioners 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.

However, the authority has made an interest free loan using Cluster of Empty Homes funding to a private landlord at less than market rate (soft loan). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a higher effective rate of interest than the rate receivable from the private landlord, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain 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. Upon repayment, the Cluster of Empty Homes funding is recognised as a capital receipt.

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.

m. Efficiency Support Grant

Efficiency Support Grant is a revenue grant paid by Central Government in 2013/14. It is paid to authorities who would otherwise see a reduction in 'revenue spending power' of more than 8.8% in 2013/14. The grant is the amount needed to ensure that no authority experiences a revenue spending power reduction of more than 8.8%. 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.

n. 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:
    - 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 chain 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.

- War memorials are carried at depreciated historic cost.

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 2013/14 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 `**r.**' in this summary of significant accounting policies).

o. 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.

p. 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, including peppercorn 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.

q. 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 Code of Practice 2013/14. 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 the Service Reporting Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

r. 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).

Depreciation 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 as 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.

s. 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.

t. 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.

u. 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.

v. 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.

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

The Code has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes as detailed below. A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

- IFRS 10 Consolidated Financial Statements – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The authority does not have any group accounting relationships.

- IFRS 11 Joint Arrangements – This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The authority has no material joint venture arrangements.

- IFRS 12 Disclosures of Involvement with Other Entities – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The authority has no arrangements with other entities under IFRS12.

- IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures – These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements due to the changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore also no impact as a result of changes in IAS 27 and IAS 28.

- IAS 32 Financial Instruments Presentation – The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.

Note 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 lease 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.

Note 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 2014 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 2013/14, 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 £6,140k and the depreciation charged to the HRA for 2014/15 would be overstated by £205k.

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 2014/15 would be £1,993k rather than £1,661k.

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 2013/14, but it was subsequently determined that the impairment to the value should have been 10%, their value in the Balance Sheet would be overstated by £60k.

Arrears

At 31 March 2014 the authority had outstanding sundry debtors, housing rent debtors, council tax and business rate 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 £18k and for housing rent debtors, a contribution from the HRA of £57k. An increase in council tax debtors would be collected from future years' liabilities. An increase in the business rates bad debt provision of 10% would impact on the General Fund by £53k.

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 2014 figures are:

- +0.1% per annum increase in the discount rate assumption would result in a decrease in the net pensions liability of £1,474k; or,
- +0.1% per annum increase in the inflation assumption would result in an increase in the net pensions liability of £1,499k; or,
- +0.1% per annum increase in the pay growth assumption would result in an increase in the net pensions liability of £254k; or,
- 1 year increase in the member's life expectancy assumption would result in an increase in the net pensions liability of £1,805k.

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 £5,714k. 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.

Business Rate Appeals

Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in their proportionate share (40% for this authority). Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2014. The estimate has been calculated using the Valuation Office ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2014. An increase in the appeals provision of 10% would require a contribution from General Fund of £41k.

Note 5. MATERIAL ITEMS OF EXPENSE AND INCOME

The Comprehensive Income and Expenditure Statement includes the following items:

<u>In Relation to 2013/14</u>

MMI Provision – The provision established in 2012/13 has been reviewed and reduced by £766k; as a result the remaining provision reflects the 15% levy due by the authority for estimated outstanding claims. The reduction in the provision has been returned to the authority's reserves. The Initial Levy for the scheme of arrangement has been paid in 2013/14 and the 15% levy has been applied to subsequent claims settled.

<u>In Relation to 2012/13</u>

MMI Provision – 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 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.

Note 6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was originally authorised for issue by the Director of Resources on the 30 June, 2014 and is now authorised for issue on the 12 September 2014, after incorporating revisions from the audit. Events taking place after this date are not reflected in the accounting statements or notes. Where any other events taking place before this date provided information about conditions existing at the 31 March 2014, the figures in the accounting statements and notes have been adjusted in all material respects to reflect the impact of this information. No events have been identified.

Note 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 2013/14	Usable Reserves: General Fund Balance £000	Usable Reserves: Housing Revenue Account £000	Usable Reserves: Major Repairs Reserve £000	Usable Reserves: Capital Receipts Reserve £000	Usable Reserves: Capital Grants Unapplied £000	Usable Reserves: 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	(1,495)	(1,661)	-		-	(3,156)	3,156
Revaluation losses on Property, Plant and Equipment	97	(288)	-	-	-	(191)	191
Capital grants and contributions applied	632	-	-	-	-	632	(632)
Revenue expenditure funded from capital under statute	(2,222)	-	-	-	-	(2,222)	2,222
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(385)	(308)	-	-	-	(693)	693
Insertion of items not debited or credited to the CIES							
Statutory provision for the financing of capital investment	903	-	-	-	-	903	(903)
Voluntary provision for the financing of capital investment	-	1,070	-	-	-	1,070	(1,070)
Capital expenditure charged against the General Fund and HRA balances	1,380	-	-	-	-	1,380	(1,380)
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the CIES	2,264	-	-	-	(2,264)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	326	326	(326)
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	70	384	-	(454)	-	0	0
Cluster of Empty Homes loan repayment	-	-	-	(8)	-	(8)	8
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	1,880	-	1,880	(1,880)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(233)	-	-	233	-	0	0
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Reserve credited to the HRA	-	2,266	(2,266)	-	-	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	1,931	-	-	1,931	(1,931)
Increase in the Major Repairs Reserve for depreciation of non-dwelling assets	-	-	(132)	-	-	(132)	132
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	(68)	33	-	-	-	(35)	35
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,845)	(465)	-	-	-	(2,310)	2,310
Employer's pension contributions and direct payments to pensioners payable in the year	1,641	322	-	-	-	1,963	(1,963)
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax & NNDR income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(182)	-	-	-	-	(182)	182
Adjustments primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	6	3	-	-	-	9	(9)
Total Adjustments	**563**	**1,356**	**(467)**	**1,651**	**(1,938)**	**1,165**	**(1,165)**

	Usable Reserves						
Adjustments between accounting basis and funding basis under regulations **2012/13 Restated**	**General Fund Balance £000**	**Housing Revenue Account £000**	**Major Repairs Reserve £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Movement in Usable Reserves £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the CIES:							
Charges for depreciation and impairment of non-current assets	(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
Self-financing settlement							
Insertion of items not debited or credited to the CIES	935	-	-	-	-	935	(935)
Statutory 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
Transfer from Deferred Capital Receipts Reserve upon receipt of cash							
Adjustment primarily involving the Major Repairs Reserve:	-	1,905	(1,905)	-	-	0	0
Reversal of Major Repairs Reserve credited to the HRA	-	-	1,903	-	-	1,903	(1,903)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	(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	(1,662)	(418)	-	-	-	(2,080)	2,080
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	**(7,562)**	**2,075**	**(129)**	**(759)**	**(1,713)**	**(8,088)**	**8,088**

Note 8. TRANSFERS (TO)/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14. Grants and contributions for revenue purposes are recognised as income immediately and carried forward as earmarked grants (reserves) where they are unspent at the year-end date.

	Balance at 31 March 2012	Reclassification	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013	Reclassification	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
General reserve	(1,367)	-	367	-	(1,000)	-	-	(548)	(1,548)
Restructuring reserves:									
CCTV	(184)		47	-	(137)	-	30	-	(107)
Neighbourhood Management Team	(50)		50	-	0	-	-	-	0
Grants to external bodies	(400)		159	-	(241)	55	128	-	(58)
Restructuring Reserve	(757)	2,400	-	(3,099)	(1,456)	264	5	(2,532)	(3,719)
Budget setting support	-	(2,400)	600	-	(1,800)	-	600	-	(1,200)
Welfare Support	-	-	-	-	-	(245)	-	-	(245)
Total of restructuring reserves	**(1,391)**	**-**	**856**	**(3,099)**	**(3,634)**	**74**	**763**	**(2,532)**	**(5,329)**
Ring-fenced properties	(515)	-	124	(125)	(516)	-	53	(183)	(646)
Other earmarked reserves:									
VAT & insurance	(1,145)	1,145	-	-	0	-	-	-	0
VAT	-	(250)	-	-	(250)	-	-	-	(250)
Insurance	-	(100)	20	-	(80)	-	12	(218)	(286)
Uninsured losses	-	(500)	-	-	(500)	-	-	-	(500)
MMI reserve	-	(295)	295	-	0	-	-	-	0
Public buildings	(500)	-	-	(225)	(725)	-	259	-	(466)
Apprentices	(176)	-	-	-	(176)	(74)	-	-	(250)
Cremator reline	-	-	-	(46)	(46)	-	-	(34)	(80)
Festivals	(28)	-	16	-	(12)	-	12	-	0
Market Hall	(51)	-	-	-	(51)	-	51	-	0
Park Vale	(56)	-	-	-	(56)	-	-	-	(56)
Total of other earmarked reserves	**(1,956)**	**-**	**331**	**(271)**	**(1,896)**	**(74)**	**334**	**(252)**	**(1,888)**
Earmarked revenue grants	(3,197)	-	2,575	(449)	(1,071)	-	547	(262)	(786)
Total earmarked reserves	**(8,426)**	**-**	**4,253**	**(3,944)**	**(8,117)**	**-**	**1,697**	**(3,777)**	**(10,197)**

The movement in 2013/14 is the net of the transfers out £1,697k and the transfers in (£3,777k); (£2,080k).

Note 9. OTHER OPERATING EXPENDITURE

The authority's other operating expenditure consists of:

2012/13 Restated		2013/14
£000		£000
103	Parish council precepts	91
201	Payments to the Government Housing Capital Receipts Pool	233
18	Pension administration expenses	22
135	Derecognised non-current assets	240
687	Carrying value of disposed non-current assets	453
(1,491)	Sale proceeds from the disposal of non-current assets	(454)
(347)	**Total**	**585**

The gain on the disposal of non-current assets for 2013/14 is £1k; for 2012/13 this was £804k.

Note 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

The authority's financing and investment income and expenditure consists of:

2012/13 Restated		2013/14
£000		£000
1,450	Interest payable and similar charges	1,450
3,930	Interest on pension liabilities	3,788
(2,758)	Interest on plan assets	(2,599)
(38)	Interest receivable and similar income	(80)
2,584	**Total**	**2,559**

Note 11. TAXATION AND NON SPECIFIC GRANT INCOMES

The authority's taxation and specific grant incomes consist of:

2012/13		2013/14
£000		£000
(4,622)	Council tax income	(3,938)
(6,194)	Non-domestic rates pool	-
-	Business rate retention	(8,948)
-	Business rate tariff	6,045
-	Business rate levy	212
(2,851)	Non-ring fenced government grants	(6,468)
(2,075)	Capital grants and contributions	(2,264)
(15,742)	**Total**	**(15,361)**

Note 12. GRANT INCOME

The authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2013/14:

2012/13		2013/14
£000		**£000**
	Credited to Taxation and Non Specific Grant Income	
(6,194)	Non-domestic rates redistribution	-
(120)	Revenue support grant	(4,109)
(2,199)	Local Services Support Grant	-
(161)	New Homes Bonus Grant	(213)
(121)	New Burdens Grant	(94)
-	Efficiency Support Grant	(1,351)
(250)	Weekly Collection Support Grant	(400)
-	Council Tax Transition Grant	(21)
-	DCLG Grants	(327)
(194)	Cumbria County Council	-
(1,663)	Cluster of Empty Homes Grant	(1,599)
(120)	Lottery	(158)
-	Cabinet Office	(460)
(7)	Other Local Authorities	-
(91)	Other contributions	-
(11,120)	**Total**	**(8,732)**
	Credited to Services	
(27,087)	Housing & council tax benefits subsidy	-
-	Housing benefits subsidy	(20,413)
(620)	Benefits administration	(540)
(361)	Disabled Facilities Grant	(413)
(58)	Cluster of Empty Homes Grant	(123)
(239)	Cumbria County Council	(204)
(31)	Other local authorities	(89)
(358)	Other grants	(308)
(28,754)	**Total**	**(22,090)**

Note 13. PROPERTY, PLANT & EQUIPMENT

Movement on Balances Movements in 2013/14	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 2013	**61,810**	**52,638**	**2,369**	**4,492**	**97**	**5,496**	**9,737**	**2,157**	**9,909**	**148,705**
additions and enhancements	1,921	2,389	9	150	-	44	275	-	426	5,214
reclassification start of year	-	(141)	-	-	-	-	56	85	-	0
reclassification in year	-	216	-	-	-	-	-	45	(216)	45
revaluation increases/(decreases) recognised in the Revaluation Reserve	(78)	745	118	-	-	-	-	-	-	785
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(287)	81	(2)	-	-	-	-	9	-	(199)
eliminate depreciation on revaluation	(1,661)	(1,242)	(74)	-	-	-	-	-	-	(2,977)
reclassification year-end	-	-	-	-	-	-	-	66	(66)	0
de-recognitions	-	(64)	-	(1,331)	(71)	(110)	-	-	-	(1,576)
disposals	(308)	-	-	-	-	-	-	(150)	-	(458)
At 31 March 2014	**61,397**	**54,622**	**2,420**	**3,311**	**26**	**5,430**	**10,068**	**2,212**	**10,053**	**149,539**
Accumulated Depreciation and Revaluation										
At 1 April 2013 reclassified	**0**	**(1,248)**	**(69)**	**(3,195)**	**(90)**	**(367)**	**(139)**	**(2)**	**0**	**(5,110)**
Reclassification/eliminate depreciation on transfer	-	1	-	-	-	-	(1)	-	-	0
depreciation charge	(1,661)	(1,074)	(125)	(315)	(7)	(52)	(47)	(2)	-	(3,283)
eliminate depreciation on revaluation	1,661	1,242	74	-	-	-	-	-	-	2,977
derecognition / scrapped	-	1	-	1,301	71	-	-	-	-	1,373
disposals	-	-	-	-	-	-	-	4	-	4
At 31 March 2014	**0**	**(1,078)**	**(120)**	**(2,209)**	**(26)**	**(419)**	**(187)**	**0**	**0**	**(4,039)**
Net Book Value at 31 March 2014	**61,397**	**53,544**	**2,300**	**1,102**	**0**	**5,011**	**9,881**	**2,212**	**10,053**	**145,500**

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**

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

Capital Commitments

At the 31 March 2014, the authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £1,195k. Similar commitments at the 31 March 2013 were £1,571k. The major commitments are:

31 March 2013		31 March 2014
£000		**£000**
69	Building refurbishment	328
66	Retentions	66
1,436	Housing market renewal	153
-	Play Areas	198
-	IT Equipment & Development	450
1,571	**Total**	**1,195**

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, 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 2013/14 and some assets' last valuation was certified by Mr S Adams FRICS of Peill and Company; an external valuer. The authority's HRA dwellings and garages are valued on an annual basis and are carried at fair value. The valuation for 2013/14 was performed by Norfolk Property Services. In addition the Council has also completed, with its valuers, a review of all assets held to ensure that the carrying value of assets last valued in previous years is not materially different from their fair value. This review concluded that the fair value was not materially different from the carrying value at the balance sheet date. 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**	**Total £000**
Assets carried at fair value:		
2009/10	Peill & Company	442
2010/11	Norfolk Property Services	3,685
2011/12	Norfolk Property Services	7,267
2012/13	Norfolk Property Services	23,038
2013/14	Norfolk Property Services	22,528
Total for assets carried at fair value:		**56,960**
Assets carried at historical cost:		**26,047**
Net Book Value at 31 March 2014		**83,007**

Dwellings

For 2012/13 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.

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 were not reflected in the 2012/13 accounting statements. The amendments are, where judged applicable, encompassed within the 2013/14 dwelling valuations.

Note 14. 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 additionally 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 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 and 2013/14, of the Viking Hoard and Bronze Age gold ring fragment were valued by the Treasure Valuation Committee, 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 periods. The authority's accounting policy on depreciation, where the asset is deemed as being of finite life, is applied; such assets within 2013/14 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 2013/14**	**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 2013	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14**	**14**
Heritage Asset – Valuation at 1 April 2013	**30**	**282**	**16**	**13**	**72**	**10**	**72**	**22**	**34**	**30**	**50**	**631**	**79**	**20**	**-**	**730**
At 1 April 2013	30	282	16	13	72	10	72	22	34	30	50	631	79	20	14	**744**
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Service	2	-	-	3	-	-	-	-	-	-	2	7	-	-	-	**7**
De-recognition of assets	(1)	(23)	-	-	(12)	-	-	-	-	-	-	(36)	-	-	-	**(36)**
At 31 March 2014	**31**	**259**	**16**	**16**	**60**	**10**	**72**	**22**	**34**	**30**	**52**	**602**	**79**	**20**	**14**	**715**
Accumulated Depreciation and Revaluation																
Heritage Asset – Cost at 1 April 2013	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**	**(3)**
Heritage Asset – Valuation at 1 April 2013	-	-	-	-	-	-	-	-	-	-	-	-	**(3)**	**(1)**	**-**	**(4)**
At 1 April 2013	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(1)	(3)	**(7)**
depreciation charge	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(1)	(1)	**(5)**
At 31 March 2014	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6)**	**(2)**	**(4)**	**(12)**
Net Book Value at 31 March 2014 – Cost	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10**	**10**
Net Book Value at 31 March 2014 - Valuation	**31**	**259**	**16**	**16**	**60**	**10**	**72**	**22**	**34**	**30**	**52**	**602**	**73**	**18**	**-**	**693**
Total Net Book Value at 31 March 2014	31	259	16	16	60	10	72	22	34	30	52	602	73	18	10	**703**

Movement on Balances **Comparative 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

Depreciation

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

- Historic Collections include 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 & 2013/14 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	635	
Total fair value of assets valued in 2011/12			**635**
2012/13	Treasure Valuation Committee	49	
	Authority's Museum Curator	2	
Total fair value of assets valued in 2012/13			**51**
2013/14	Authority's Museum Curator	7	
Total fair value of assets valued in 2013/14			**7**
Assets carried at historical cost			**10**
Net Book Value at 31 March 2014			**703**

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.

Four Year Summary of Transactions

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £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 Donation/Valuation				
Historic Collection	-	-	51	7
New Statues and Herbert Leigh Boat	19	-	-	-
Total Donations	**19**	**-**	**51**	**7**
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)	(4)
War Memorials (Cost)	(2)	(1)		(1)
Eliminate depreciation on revaluation	59		-	-
Total Accumulated Depreciation & Revaluation	**(2)**	**(16)**	**(4)**	**(5)**

De-recognition of Assets - Historic Collection				
Carrying Value	-	-	**(15)**	**(36)**
Net Book Value at 31 March – Valuation	709	694	726	693
Net Book Value at 31 March - Cost	12	11	11	10
Total Net Book Value 31 March	**721**	**705**	**737**	**703**

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 four years (2010/11, 2011/12, 2012/13 and 2013/14). The requirement to further report a five year summary will be provided as available.

Note 15. ASSETS HELD FOR SALE

One asset was reclassified as held for sale during 2012/13; this asset is a surplus renewal area property and valued at fair value. This asset has subsequently been unclassified in 2013/14 because it is deemed the relevant criteria required can no longer be met. Depreciation is not charged on assets held for sale.

Non-current 2012/13 £000		Non-current 2013/14 £000
45	Property, Plant and Equipment	-
45	**Net Book Value at 31 March**	**0**

Revaluations

Financial Year	Valuer	Value £000	Total £000
Carrying value:			
2012/13 – 2013/14	Ross Estate Agency	45	
Net Book Value at 31 March			**45**

Note 16. 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.

2012/13 Restated		2013/14
£000		£000
50,133	***Opening Capital Financing Requirement***	**47,456**
(2)	Impairment charge for non-dwelling Housing Revenue Account assets	(2)
	Capital investment	
4,848	Property, Plant and Equipment	5,215
642	Revenue Expenditure Funded from Capital under Statute	2,222
	Sources of finance	
(532)	Capital receipts reserve	(1,880)
(839)	Government grants and other contributions	(646)
(1,903)	Use of Major Repairs Reserve	(1,931)
(2,216)	Contributions from earmarked reserves	(1,380)

(935)	Minimum Revenue Provision from General Fund	(903)
(1,740)	Voluntary Revenue Provision from the Housing Revenue Account	(1,070)
	Cluster of Empty Homes	
-	Cluster of Empty Homes loan advance	(312)
-	Cluster of Empty Homes loan repayment	8
47,456	***Closing Capital Financing Requirement***	**46,777**
	Explanation of movements in year	
-	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	1,600
(935)	Decrease in underlying General Fund need to borrow	(903)
(1,740)	Decrease in underlying Housing Revenue Account need to borrow	(1,070)
(2)	Impairment charge for non-dwelling Housing Revenue Account assets	(2)
-	Cluster of Empty Homes loan	(304)
(2,677)	***Increase/(decrease) in Capital Financing Requirement***	**(679)**

Note 17. 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 2013		As at 31 March 2014
£000		**£000**
561	Not more than one year	562
1,654	Later than one year and not later than five years	1,162
82	Later than five years	32
2,297		**1,756**

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 2013		As at 31 March 2014
£000		**£000**
55	Minimum lease payments	51
-	Sublease receipts	(21)
55		**30**

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 2013		31 March 2014
£000		£000
(871)	Not more than one year	(854)
(2,152)	Later than one year and not later than five years	(2,235)
(4,040)	Later than five years	(3,682)
(7,063)		**(6,771)**

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 2013/14 £41k contingent rents were receivable by the authority (£41k in 2012/13).

Note 18. 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.

Statutory provisions, for 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.

Note 19. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Long Term 31 March 2013 £000	Short Term 31 March 2013 Restated £000		Long Term 31 March 2014 £000	Short Term 31 March 2014 £000
		Investments		
-	6,506	Loans and receivables	-	11,018
		Debtors		
-	726	Loans and receivables	207	1,052
		Borrowings		
(39,479)	(494)	Financial liabilities at amortised cost	(39,479)	(494)
		Creditors		
-	(2,022)	Financial liabilities carried at contract amount	-	(1,597)

The long term debtor for 2013-2014 relates to an interest free loan advanced from the Cluster of Empty Homes funding for the purpose of bringing empty homes back into use. The loan advanced was for £312k and is repayable over 10 years; it is represented on the Balance Sheet at the 31 March 2014 as:

Cluster of Empty Homes loan	31 March 2014 £000
Long term debtor for principal due beyond the next 12 months	207
Short term debtor for repayments due in the next 12 months	29
Short term debtor for repayment due on the 31 March 2014	8
Financial Instrument Adjustment Account for the interest on remaining repayments	68
Total advance	**312**

Income, Expense, Gains and Losses

2012/13				2013/14		
Financial liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Total		Financial liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Total
£000	£000	£000		£000	£000	£000
1,450	-	1,450	Total expense in (Surplus) or Deficit on the Provision of Services: **interest expense**	1,450	-	1,450
-	(38)	(38)	Total income in (Surplus) or Deficit on the Provision of Services: **interest income**	-	(80)	(80)
1,450	**(38)**	**1,412**	**Net (gain)/loss for the year**	**1,450**	**(80)**	**1,370**

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 2014 of 1.26% to 3.39% 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 2013 Restated			31 March 2014	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
7,232	7,232	Loans and receivables short-term	12,070	12,070
-	-	Loans and receivables long-term	207	207
(39,479)	(47,361)	Borrowings long-term	(39,479)	(44,240)
(494)	(494)	Borrowings short-term	(494)	(494)
(2,022)	(2,022)	Creditors	(1,597)	(1,597)
(34,702)	**(42,584)**	**Total**	**(29,214)**	**(33,975)**

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 2014) arising from a commitment to pay interest to lenders below current market rates.

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

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 Director of Resources 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.

<u>Credit Risk</u>

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 £11,000k 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 2014 that this was likely to crystallise.

No credit limits were exceeded during the reporting period.

The authority does not generally allow credit for customers, but some of the current balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 March 2013		31 March 2014
£000		**£000**
83	Less than three months	266
29	Three to six months	18
48	Six months to one year	25
127	More than one year	121
287	**Outstanding debt**	**430**
260	Provision for bad and doubtful debts	180
91%	Percentage of provision	42%

The percentage of provision has reduced significantly on the basis of these figures. However, there was a particular debt of £180k in the less than three months total, which was cleared from the balance in early April. This results in the percentage of provision being 72%.

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 2013		31 March 2014
£000		**£000**
1,000	Between 2 and 5 years	2,000
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	6,850
8,500	Between 20 and 25 years	8,239
239	Between 25 and 30 years	-
-	Between 30 and 35 years	-
8,795	Between 35 and 40 years	12,390
3,595	Between 40 and 45 years	-
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 borrowing at fixed interest rates would cause the fair value of the liabilities borrowings to 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 Director of Resources 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 2013		31 March 2014
£000		£000
(6,426)	Decrease in fair value of fixed rate borrowings liability	(5,714)

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.

Note 20. INVENTORIES

The inventories held by the authority consist of:

31 March 2013		31 March 2014
£000		£000
14	Dock Museum shop	17
5	Other stocks held for internal issue	10
19	**Total**	**27**

Note 21. SHORT TERM DEBTORS

The short term debtors held by the authority consist of:

31 March 2013		31 March 2014
£000		£000
742	Central government bodies	1,066
621	Other local authorities	144
1,032	Other entities and individuals	1,572
2,395	**Total**	**2,782**

Note 22. CASH AND CASH EQUIVALENTS

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

31 March 2013		31 March 2014
£000		**£000**
2	Cash held by the authority	2
4,796	Bank current accounts	3,436
1	Investments interest income	1
4,799	**Total Cash and Cash Equivalents**	**3,439**

Note 23. SHORT TERM CREDITORS

The short term creditors held by the authority consist of:

31 March 2013		31 March 2014
£000		**£000**
(1,439)	Central government bodies	(1,132)
(164)	Other local authorities	(943)
(2,481)	Other entities and individuals	(2,459)
(4,084)	**Total**	**(4,534)**

Note 24. PROVISIONS

The provisions held by the authority consist of:

	NNDR Appeals Provision	MMI Provision	Early Retirement Provision	Total
	£000	£000	£000	£000
Balance at 31 March 2013	**-**	**(806)**	**(35)**	**(841)**
Additional provisions made in 2013/14	(409)	-	-	(409)
Amounts used in 2013/14	-	5	6	11
Reduction in provision in 2013/14	-	766	-	766
Balance at 31 March 2014	**(409)**	**(35)**	**(29)**	**(473)**

The NNDR appeals provision has been established in 2013/14 and reflects the Council's proportionate liability (40%) for repayments of successful NNDR appeals.

The Municipal Mutual Insurance (MMI) provision established in 2012/13 has been reviewed and reduced by £766k; as a result the remaining provision reflects the 15% levy due by the authority for estimated outstanding claims. The reduction in the provision has been returned to the authority's reserves. The Initial Levy for the scheme of arrangement has been paid in 2013/14 and the 15% levy has been applied to subsequent claims settled.

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.

Note 25. 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.

Note 26. UNUSABLE RESERVES

31 March 2013		31 March 2014
£000		**£000**
(26,853)	i. Revaluation Reserve	(26,870)
(70,067)	ii. Capital Adjustment Account	(72,555)
27	iii. Financial Instruments Adjustment Account	62
29,317	iv. Pensions Reserve	24,666
(42)	v. Collection Fund Adjustment Account	140
52	vi. Accumulated Absences Account	43
(67,566)	**Total Unusable Reserves**	**(74,514)**

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 on the reserve 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.

2012/13		2013/14	
£000		**£000**	**£000**
(26,853)	**Balance at 1 April**		**(26,853)**
(1,982)	Upward revaluation of assets	(2,196)	
1,203	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	1,411	
(779)	**(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services**		**(785)**
617	Difference between fair value depreciation and historical cost depreciation	548	
162	Accumulated gains on assets sold & derecognised	220	
779	**Amount written off to the Capital Adjustment Account**		**768**
(26,853)	**Balance at 31 March**		**(26,870)**

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. Note 7 provides details of the source of all the transactions posted to the Capital Adjustment Account, apart from those involving the Revaluation Reserve.

2012/13		2013/14	
£000		£000	£000
(77,268)	**Balance at 1 April**		**(70,067)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
3,640	▪ Charges for depreciation and impairment of non-current assets	3,156	
-	▪ Increase in Major Repairs Reserve for depreciation on non-dwelling assets	132	
11,040	▪ Revaluation losses on Property, Plant and Equipment	191	
642	▪ Revenue expenditure funded from capital under statute	2,222	
823	▪ 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	693	
(779)	Adjusting amounts written out of the Revaluation Reserve	(768)	
15,366	**Net written out amount of the cost of non-current assets consumed in the year**		**5,626**
	Capital financing applied in the year:		
(532)	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(1,880)	
(1,903)	▪ Use of the Major Repairs Reserve to finance capital expenditure	(1,931)	
(688)	▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(632)	
(151)	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	(326)	
	▪ Unapplied grants released to Capital Receipts Reserve	8	
(935)	▪ Statutory provision for the financing of capital investment charged against the General Fund balance	(903)	
(1,740)	▪ Voluntary provision for the financing of capital investment charged against the HRA Fund balance	(1,070)	
(2,216)	▪ Capital expenditure charged against the General Fund balance	(1,380)	(8,114)
(70,067)	**Balance at 31 March**		**(72,555)**

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.

2012/13		2013/14
£000		£000
63	**Balance at 1 April**	**27**
(36)	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	35
27	**Balance at 31 March**	**62**

iv. 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.

2012/13		2013/14
£000		£000
24,854	**Balance at 1 April**	**29,317**
4,581	Actuarial (gains) or losses on pensions assets and liabilities	(4,998)
1,785	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	1,711
(1,903)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,364)
29,317	**Balance 31 March**	**24,666**

v. Collection Fund Adjustment Account

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

2012/13		2013/14
£000		£000
2	**Balance at 1 April**	**(42)**
(44)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	182
(42)	**Balance at 31 March**	**140**

vi. 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.

2012/13		2013/14
£000		£000
41	**Balance at 1 April**	**52**
11	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(9)
52	**Balance at 31 March**	**43**

Note 27. OTHER LONG TERM LIABILITIES

The other long term liabilities held by the authority consist of:

2012/13		2013/14
£000		£000
(29,318)	Pension scheme liabilities	(24,666)
(77)	Compulsory purchase proceeds	(77)
(29,395)	**Total**	**(24,743)**

Two properties, that the Council acquired by compulsory purchase order during 2007/08, were sold during 2009/10 and 2010/11. The owners of the properties cannot be traced, so the funds are held as a deferred liability which will be held for the statutory period of 12 years.

Note 28. CONTINGENT LIABILITIES

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The authority has identified the following contingent liabilities as at 31 March 2014:

<u>MMI Scheme of Arrangement</u>

The Scheme of Arrangement was enacted in 2012/13. The liability upon the authority as a scheme creditor cannot be fully estimated at this stage for unknown claims incurred but not reported between 1974 and 1992. Whilst the authority has considered the financial impact in producing its Statement of Accounts there is a risk that the authority's financial liability could increase from this level.

<u>Personal Search Fees</u>

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 £71k. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

<u>NNDR Appeals</u>

The authority has made a provision for NNDR Appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the authority that national and local appeals may have a future impact on the accounts.

Note 29. CONTINGENT ASSETS

A contingent asset is an asset that may be received but only if a future event occurs that is not under the control of the authority. The authority's 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.

Note 30. LONG TERM DEBTORS

The long term debtors held by the authority consist of:

2012/13		2013/14
£000		**£000**
5	Catering contract deposit	-
56	Property rents	79
-	Cluster of Empty Homes loan principal	207
61	**Total**	**286**

Note 31. CASH FLOW STATEMENT – ADJUSTMENTS TO THE NET (SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

The adjustments to the net (surplus) or deficit on the provision of services for non-cash movements consist of:

2012/13 Restated		2013/14
£000		**£000**
(3,640)	Depreciation	(3,288)
(11,042)	Revaluation losses and gains on previous losses	(193)
(114)	(Increase)/decrease in provision for bad debts	(126)
(800)	(Increase)/decrease in provisions	368
377	(Increase)/decrease in creditors	(887)
420	Increase/(decrease) in debtors	926
3	Increase/(decrease) in inventories	9
(177)	Movement in pension liability	(346)
(823)	Carrying amount of non-current assets sold or derecognised	(693)
(47)	Other non-cash movements	-
(15,843)		**(4,230)**

Note 32. CASH FLOW STATEMENT – ADJUSTMENTS FOR ITEMS INCLUDED IN THE NET (SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES THAT ARE INVESTING AND FINANCING ACTIVITIES

The adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities consist of:

2012/13		2013/14
£000	**Investing**	**£000**
1,487	Proceeds from the sale of property, plant and equipment	455
1,856	Other receipts from investing activities	1,763
-	Clusters of Empty Homes soft loan interest	(68)
3,343		**2,150**

Note 33. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2012/13		2013/14
£000		**£000**
(33)	Interest received	(75)
1,450	Interest paid	1,450

Note 34. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The investing activities consist of:

2012/13		2013/14
£000		**£000**
5,021	Purchase of property, plant and equipment	5,137
12,000	Purchase of short-term investments	49,510
-	Clusters of Empty Homes loan advance	312
(1,487)	Proceeds from the sale of property, plant and equipment	(455)
(5,500)	Proceeds from short-term investments	(45,000)
(1,856)	Other receipts from investing activities	(1,763)
8,178	**Net cash flows from investing activities**	**7,741**

Note 35. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The financing activities consist of:

2012/13		2013/14
£000		**£000**
(503)	Agency transactions relating to NNDR and council tax (billing authority)	84
(503)	**Net cash flows from financing activities**	**84**

Note 36. 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 2013/14	**Corporate, Democratic and Support Service**	**Regeneration and the Built Environment**	**Community Services**	**Revenues and Benefits**	**Public Housing**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(42)	(2,093)	(4,190)	(533)	(11,256)	(18,114)
Government grants	(102)	(92)	(1)	(20,953)	-	(21,148)
Total Income	**(144)**	**(2,185)**	**(4,191)**	**(21,486)**	**(11,256)**	**(39,262)**

Staff pay	1,574	1,239	1,554	64	1,130	5,561
Other service expenses	2,264	1,294	5,961	23,458	4,450	37,427
Total Expenditure	**3,838**	**2,533**	**7,515**	**23,522**	**5,580**	**42,988**
Net Expenditure	3,694	348	3,324	2,036	(5,676)	3,726

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 2013/14 the gross expenditure included in the analysis is 89%.

Directorate Income and Expenditure 2012/13 comparative figures Restated	**Corporate, Democratic and Support Service**	**Regeneration and the Built Environment**	**Community Services**	**Revenues and Benefits**	**Public Housing**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(103)	(2,127)	(3,884)	(544)	(10,076)	(16,734)
Government grants	(80)	(88)	(58)	(27,707)	-	(27,933)
Total Income	**(183)**	**(2,215)**	**(3,942)**	**(28,251)**	**(10,076)**	**(44,667)**
Staff pay	1,584	1,299	1,656	62	1,134	5,735
Other service expenses	4,246	1,737	5,437	29,948	2,903	44,271
Total Expenditure	**5,830**	**3,036**	**7,093**	**30,010**	**4,037**	**50,006**
Net Expenditure	5,647	821	3,151	1,759	(6,039)	5,339

<u>Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement</u>

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.

	2013/14	**2012/13**
	£000	**£000**
Net expenditure in the Directorate Analysis	3,726	5,339
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	5,591	15,159
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(1,485)	(1,376)
Cost of Services in Comprehensive Income and Expenditure Statement	**7,832**	**19,122**

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.

2013/14	**Directorate Analysis**	**Amounts not reported to management for decision making**	**Amounts not included in I & E**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(18,114)	-	(217)	(18,331)	-	(18,331)
Interest and investment income	-	-	-	-	(80)	(80)
Income from council tax	-	-	-	-	(3,938)	(3,938)
Government grants and contributions	(21,148)	-	-	(21,148)	(11,423)	(32,571)
Total Income	**(39,262)**	**0**	**(217)**	**(39,479)**	**(15,441)**	**(54,920)**
Staff pay	5,561	535	(1,364)	4,732	-	4,732
Pensions valuation adjustment	-	-	-	-	(2,599)	(2,599)
Other service expenses	37,427	-	96	37,523	22	37,545
Support Service recharges*	-	(25)	-	(25)	-	(25)
Depreciation, revaluation & impairment	-	5,081	-	5,081	-	5,081
Interest Payments	-	-	-	-	5,238	5,238
Precepts	-	-	-	-	91	91
Payments to Housing Capital Receipts Pool	-	-	-	-	233	233
(Gain) or Loss on Disposal of Non-Current Assets	-	-	-	-	239	239
Total Expenditure	**42,988**	**5,591**	**(1,268)**	**47,311**	**3,224**	**50,535**
(Surplus) or deficit on the Provision of Services	3,726	5,591	(1,485)	7,832	(12,217)	(4,385)

** The gross value of support services recharged to and between front line services is £2,324k, with £25k being recharged to capital projects.*

2012/13 Restated	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Cost of Services	Corporate Amounts	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(16,734)	-	(170)	(16,904)	-	(16,904)
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	**(44,667)**	**0**	**(170)**	**(44,837)**	**(15,780)**	**(60,617)**
Staff pay	5,735	337	(1,345)	4,727	-	4,727
Pensions valuation adjustment	-	-	-	-	(2,758)	(2,758)
Other service expenses	44,271	-	139	44,410	18	44,428
Support Service recharges*	-	(24)	-	(24)	-	(24)
Depreciation, revaluation & impairment	-	14,846	-	14,846	-	14,846
Interest Payments	-	-	-	-	5,380	5,380
Precepts	-	-	-	-	103	103
Payments to Housing Capital Receipts Pool	-	-	-	-	201	201
(Gain) or Loss on Disposal of Non-Current Assets	-	-	-	-	(669)	(669)
Total Expenditure	**50,006**	**15,159**	**(1,206)**	**63,959**	**2,275**	**66,234**
(Surplus) or deficit on the Provision of Services	5,339	15,159	(1,376)	19,122	(13,505)	5,617

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

Note 37. 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.

<u>Central Government</u>
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 2014 are disclosed in Note 21 and grant income for 2013/14 is disclosed in Note 12.

<u>Members</u>
Members of the Council have direct control over the authority's financial and operating policies. During 2013/14, housing benefit to the value of £185k was paid to three members in their capacity as

private landlords; £154k, £2k and £29k. In addition, two 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 2013/14 is shown in Note 38. There are no balances outstanding at the 31 March 2014. Details of the entities that members are involved with are recorded in the Register of Members Interests which can be found on the Councils website under each member.

Officers

Officers of the Council have direct control over the authority's finances and operational decisions. During 2013/14 there are no related party transactions to report for officers. There are no balances outstanding at the 31 March 2014.

Note 38. MEMBERS' ALLOWANCES

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

2012/13		**2013/14**
£000		**£000**
85	Basic allowances	84
30	Extra responsibility allowance	30
12	Expenses	9
127	**Total**	**123**

The Mayor of the Borough also receives an honorarium for their year of office to cover mayoral duties and civic receptions. The honorarium for 2013/14 was £6k (£5k for 2012/13).

Note 39. OFFICERS' REMUNERATION

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

2013/14	**Executive Director**	**Deputy Executive Director**	**Borough Treasurer**
	£000	**£000**	**£000**
Salary and allowance	93	67	56
Total remuneration excluding pension contributions	**93**	**67**	**56**
Employers pension contributions	12	8	7
Total remuneration including pension contributions	**105**	**75**	**63**

The allowance is for car subsidy.

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 as the Executive Director with effect from 1 July 2012.

<u>Annualised Salaries 2012-2013</u>

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.

Redundancy payments were made to officers on their departure.

The Director of Regeneration and Community Services was appointed as the 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	2013/14		2012/13	
	Number of Employees	Number leaving in the year	Number of Employees	Number leaving in the year
£50,000 - £54,999	1	1	-	-
£55,000 - £59,999	-	-	-	-
£60,000 - £64,999	-	-	-	-
£65,000 - £69,999	-	-	1	1
£70,000 - £75,999	-	-	-	-
£76,000 - £79,999	-	-	-	-
£80,000 - £85,999	-	-	-	-

These employees left the authority on voluntary redundancy.

Exit Packages

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

Exit package cost band	2013/14		2012/13	
	Number	Cost £000	Number	Cost £000
£0 - £20,000	1	3	6	48
£20,001 - £40,000	-	-	1	34
£40,001 - £60,000	1	43	1	48
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
£100,001 - £120,000	-	-	-	-
£120,001 - £140,000	-	-	-	-
Total	**2**	**46**	**8**	**130**

Termination Benefits

The authority agreed the termination of the contract of two employees in 2013/14, incurring liabilities of £46k (£130k in 2012/13).

Note 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 pension 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:

2012/13 Restated		2013/14	
£000		£000	£000
	Comprehensive Income and Expenditure Statement		
	Cost of Services:		
857	▪ current service cost	1,039	
33	▪ curtailments	60	
	Financing and Investment Income and Expenditure		
3,930	▪ interest on pension liabilities	3,788	
(2,758)	▪ interest on plan assets	(2,599)	
	Other operating expenses		
18	▪ *administration expenses*	22	
2,080	***Total Post-Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services***		**2,310**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
4,887	▪ re-measurements (liabilities and assets)		(4,998)
6,967	***Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Account***		**(2,688)**

	Movement in Reserves Statement:	
(2,080)	▪ reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,310)
	Actual amounts charged against the General Fund balance for pensions in the year	
1,903	▪ Employers' contributions payable to the scheme	1,963

Pensions Assets and Liabilities Recognised in the Balance Sheet

2012/13		2013/14
£000		£000
(92,094)	Present value of the defined benefit obligation	(91,645)
62,777	Fair value of plan assets	66,979
(29,317)	**Net liability arising from defined benefit obligation**	**(24,666)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

2012/13 Restated		2013/14
£000		£000
57,418	Opening fair value of scheme assets	62,777
2,758	Interest on plan assets	2,599
4,887	Re-measurements (assets)	3,427
(18)	Administration expenses	(22)
1,903	Employer contributions	1,963
289	Member contributions	283
(4,460)	Benefits/transfers paid	(4,048)
62,777	**Closing fair value of scheme assets**	**66,979**

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

2012/13 Restated		2013/14
£000		**£000**
(82,272)	Benefit obligation at the beginning of the period	(92,094)
(857)	Current service cost	(1,039)
(3,930)	Interest on pension liabilities	(3,788)
(289)	Member contributions	(283)
	Re-measurements (liabilities):	
-	▪ **Experience gain/(loss)**	(1,868)
(8,324)	▪ **Gain/(loss) on financial assumptions**	4,820
(849)	▪ **Gain/(loss) on demographic assumptions**	(1,381)
(33)	Curtailments	(60)
4,460	Benefits/transfers paid	4,048
(92,094)	**Benefit obligation at the end of the period**	**(91,645)**

Pension scheme assets comprised:

Period Ended 31 March 2013					Period Ended 31 March 2014			
Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total assets	Asset category	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total assets
£000	£000	£000			£000	£000	£000	
				Equities				
9,542	-	9,542	15.2%	UK quoted	9,375	-	9,375	14.0%
-	-	-	-	UK unquoted	-	67	67	0.1%
7,722	-	7,722	12.3%	Global quoted	10,851	-	10,851	16.2%
-	7,533	7,533	12.0%	UK equity pooled	-	8,104	8,104	12.1%
-	11,300	11,300	18.0%	Overseas equity pooled	-	10,315	10,315	15.4%
				Bonds				
4,771	-	4,771	7.6%	UK corporate bonds	4,622	-	4,622	6.9%
188	-	188	0.3%	Overseas corporate bonds	268	-	268	0.4%
-	4,959	4,959	7.9%	UK corporate bonds pooled	-	2,612	2,612	3.9%
-	9,919	9,919	15.8%	UK Government indexed pooled	-	10,449	10,449	15.6%
				Property				
3,516	-	3,516	5.6%	UK	4,622	-	4,622	6.9%
-	377	377	0.6%	Property funds	-	134	134	0.2%
				Alternatives				
-	879	879	1.4%	Hedge funds	-	134	134	0.2%
-	1,067	1,067	1.7%	Private equity funds	-	1,072	1,072	1.6%
-	-	-	-	Infrastructure funds	-	402	402	0.6%
				Cash				
188	-	188	0.3%	Cash instruments	67	-	67	0.1%
502	-	502	0.8%	Cash accounts	3,617	-	3,617	5.4%
-	314	314	0.5%	Net current assets	-	268	268	0.4%
26,429	**36,348**	**62,777**	**100.0%**	**Total**	**33,422**	**33,557**	**66,979**	**100.0%**

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 2013.

The significant assumptions used by the actuary have been:

2012/13		2013/14
	Expected rate of return on assets:	
7.0%	Equities	7.0%
2.8%	Government bonds	3.4%
3.9%	Other bonds	4.3%
5.7%	Property	6.2%
0.5%	Cash/liquidity	0.5%
7.0%	Other	Dependent on type of asset

2012/13		2013/14
	Mortality assumptions:	
	Longevity at 65 for future pensioners:	
24.1	▪ Men	25.7
26.9	▪ Women	28.7
	Longevity at 65 for current pensioners:	
22.2	▪ Men	23.0
24.9	▪ Women	25.5

2012/13		2013/14
	Financial assumptions:	
2.4%	Rate of CPI inflation	2.4%
4.15%	Rate of increase in salaries	3.9%
2.4%	Rate increase in pensions	2.4%
4.2%	Rate for discounting scheme liabilities	4.4%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that the life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, this is on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligations in the Scheme

	Increase in Assumption	Decrease in Assumption
	£000	£000
Rate for discounting scheme liabilities (increase by 1%)	-	1,474
Rate of inflation (increase by 1%)	1,499	-
Rate of increase in salaries (increase by 1%)	254	-
Longevity (increase by 1 year)	1,805	-

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2017.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipated to pay £1,965k expected contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 16 years, 2013/14 (14 years 2012/13).

Note 41. 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.

2012/13		**2013/14**
£000		**£000**
61	Fees payable to external audit with regard to external audit services carried out by the appointed auditor for the year	67
39	Fees payable to external audit for the certification of grant claims and returns for the year	19
100	**Total**	**86**

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

Note 42. 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:

2012/13 £000		**2013/14 £000**
30	Assets	32
(26)	Gross Income	(14)
34	Gross Expenditure	12
8	**Net (surplus) or deficit for the year**	**(2)**

Note 43. PRIOR PERIOD ADJUSTMENT

Employment Benefits - amendments to IAS 19

The 2013/14 Code of Practice on Local Authority Accounting incorporates the amendments to IAS 19 *Employment Benefits* issued in June 2011. The main impact of these amendments relates to the Codes requirements in respect of defined benefit pension plans; this includes the Local Government Pension Scheme. Other changes include revisions to the definitions and recognition criteria for termination benefits and the classification of short-term and long-term employee benefits.

Under the revised standard the change in plan assets and obligations is disaggregated into the following components:

- Service cost comprising current service cost and past service cost;
- Net interest on the defined benefit liability (asset);
- Re-measurements comprising other changes in value of the defined benefit obligation including actuarial gains and losses and the difference between the return on plan assets and the interest income on plan assets included in the net interest calculation.

The net interest on the defined benefit liability (asset) replaces ‘pension interest cost and expected return on plan assets’ in the surplus or deficit on the provision of services. Re-measurements replace ‘actuarial gains and losses’ in Other Comprehensive Income & Expenditure. The total return on plan assets is unaffected by the changes made to IAS 19. However, the revised basis for the calculation of finance costs does affect the amount of that return recognised in the surplus or deficit on the provision of services as opposed to in other comprehensive income.

The Code requires these changes to be applied, with retrospective application from 2013/14. Adjustments made to the amounts previously reported as a result of the retrospective application of the changes made to IAS 19 are summarised below:

Comprehensive Income and Expenditure Statement	**Published 2012/13 £000**	**Restatements £000**	**Restated 2012/13 £000**
• Gross Expenditure			
o Cultural and related services	4,730	3	4,733
o Environmental and regulatory services	4,571	2	4,573
o Planning services	3,810	3	3,813
o Highways and transport services	607	1	608
o Local authority housing (HRA)	6,466	4	6,470
o Other housing services	22,810	1	22,811
o Corporate and democratic core	1,758	6	1,764
• Other operating expenditure	(365)		(347)
o Pension administration expenses		18	
• Financing and investment income & expenditure	2,327		(2,584)
o Interest on pension liabilities		(20)	
o Expected return on pension assets		3,035	
o Interest on plan assets		(2,758)	
• Actuarial (gains)/losses on pension assets/liabilities	4,581	(4,581)	-
• Re-measurement of the net defined benefit liability	-	4,286	4,286
Total of restatements		**0**	

Movement in Reserves Statement	Published 2012/13 £000	Restatement £000	Restated 2012/13 £000
(Surplus) or Deficit on Provision of Services	5,322	295	5,617
Adjustments between accounting & funding basis under regulations	(7,793)	(295)	(8,088)
Total of restatements		**0**	

Cash Flow Statement	Published 2012/13 £000	Restatement £000	Restated 2012/13 £000
Net (Surplus) or Deficit on Provision of Services	5,322	295	5,617
Adjustments to the net (surplus) or deficit on the provision of services for non-cash movements	(15,548)	(295)	(15,843)
Total of restatements		**0**	

The changes made to IAS 19 do not impact on the net defined benefit pension obligation reported in the authority's balance sheet or on the costs of retirement or other employee benefits charged to the General Fund or Housing Revenue Account in accordance with statutory accounting requirements.

The revisions to IAS 19 also:

- Change the definition and recognition point of some of the components and sub-components of defined benefits costs. Under the revised standard past service costs are defined as 'the change in the present value of the defined benefit obligation for employee service resulting from a plan amendment or a curtailment. Curtailments now occur only where an entity significantly reduces the number of employees covered by the plan. Amendments to the terms of a defined benefit plan (so that a significant element of future service will no longer qualify for benefits or will only qualify for reduced benefits) will no longer be recognised as curtailments.

  Under the revised standard past service costs (including curtailments are recognised on the date the plan amendment or curtailment occurs (or when any related restructuring or termination benefits are recognised if this is earlier) regardless of whether the changes are vested or not. Unvested past service benefits are no longer spread over the employees' expected future service period.

- Introduce of new and more extensive disclosures for defined benefit schemes covering the characteristics and risks associated with them, the amounts recognised in the financial statements and how the defined benefit plans may affect timing, amount and uncertainty of the authority's future cash flows. Revised disclosures are set out in Note 43 to the accounts.

- Amend the definitions and recognition criteria for termination benefits. Under the revised standard a liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs. Under the previous version of the standard, termination benefits were recognised when the entity was demonstrably committed either to terminating the employment of employees before the normal retirement date or to providing termination benefits as a result of an offer made in order to encourage voluntary redundancy.

- Change the definition of short- and long-term benefits. Classification is now based on when payment is expected to be made rather than when payment falls due

None of these changes have a material impact on amounts previously reported.

2012/13 Restated			2013/14	
£000		**Note**	**£000**	
	Expenditure			
2,179	Repairs and maintenance		2,780	
2,176	Supervision and management		2,912	
3	Rents, rates, taxes and other charges		8	
2	Negative HRA Subsidy payable	7	-	
1,822	Depreciation, impairment and revaluation of dwellings	5	1,948	
129	Depreciation and revaluation of other HRA property	6	134	
14	Debt management costs		10	
145	Movement in the allowance for bad debts		329	
6,470	**Total Expenditure**			**8,121**
	Income			
(9,494)	Dwelling rents		(9,793)	
(343)	Non-dwelling rents		(335)	
(238)	Charges for services and facilities		(1,128)	
(1)	Contributions from other local authorities		-	
(10,076)	**Total Income**			**(11,256)**
(3,606)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**			**(3,135)**
227	HRA services' share of Corporate and Democratic Core			288
(1)	HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services			(1)
(3,380)	**Net (Income)/Expenditure for HRA Services**			**(2,848)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(327)	Gain or (loss) on sale of HRA non-current assets			(76)
4	Pension administration expenses	11		5
920	Interest payable and similar charges			931
239	Pensions interest cost and expected return on pension assets	11		246
(2,544)	**(Surplus) or deficit for the year on HRA services**			**(1,742)**

Movement on the HRA Statement

2012/13 Restated		2013/14	
£000		**£000**	
(1,522)	Balance on the HRA at the end of the previous year		(1,991)
(2,544)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(1,742)	
2,075	Adjustments between accounting basis and funding basis under statute	1,356	
(469)	**(Increase) or decrease in the year on the HRA**		**(386)**
(1,991)	Balance on the HRA at the end of the current year		(2,377)

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 Housing Revenue Account

1. HRA Self-Financing

HRA self-financing came into effect from 1 April 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 dwelling 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 2013/14.

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.

2. Dwelling Stock

The dwelling stock held by the authority consists of:

	31 March 2013	Movements	31 March 2014
1 bed house	143	-	143
2 bed house	381	(1)	380
3+ bed house	917	(9)	908
Total houses	**1,441**	**(10)**	**1,431**
1 bed flat	944	(3)	941
2 bed flat	306	2	308
3+ bed flat	6	-	6
Total flats	**1,256**	**(1)**	**1,255**
Dwelling stock	**2,697**	**(11)**	**2,686**

3. HRA Non-Current Assets

The Housing Revenue Account non-current assets held by the authority consist of:

31 March 2013		31 March 2014
£000		**£000**
61,810	Council dwellings	61,397
2,300	Land and buildings	2,300
7	Equipment	-
64,117	**HRA assets**	**63,697**

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 £61,397k on the Balance Sheet. At vacant possession the same dwellings would have a value of £175,420k with the difference of £114,023k 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 2013		31 March 2014
£000		**£000**
61,810	Balance Sheet value EUV-SH	61,397
114,790	Difference of EUV-SH and EUV-VP	114,023
176,600	**Value of dwelling stock at EUV-VP**	**175,420**

5. Depreciation and Revaluation of Dwellings

The depreciation and revaluation of dwellings for the year consists of:

2012/13		2013/14	
£000		**£000**	**£000**
741	Revaluation loss	742	
(613)	Reversal of previous revaluation loss	(473)	269
1,660	Depreciation for current year		1,661
34	Impairment loss		18
1,822			**1,948**

6. Depreciation and Revaluation of Other HRA Property

The depreciation and revaluation of other HRA property for the year consists of:

2012/13		2013/14	
£000		£000	£000
2	Revaluation loss	-	-
127	Depreciation for current year		132
-	De-recognition of non-current assets		2
129			**134**

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:

2012/13		2013/14
£000		£000
2	Settlement of previous year claim	-
2	**Total expenditure for the year**	**-**

8. HRA Capital Financing Requirement

The movements in the HRA capital financing requirement for the year consist of:

2012/13 Restated		2013/14
£000		£000
26,099	**Opening Capital Financing Requirement**	**24,357**
(2)	Impairment charge for non-dwelling Housing Revenue Account assets	(2)
	Capital investment:	
1,903	Council dwellings	1,931
	Source of finance:	
(1,903)	Major Repairs Reserve	(1,931)
(1,740)	Voluntary Revenue Provision – towards the repayment of HRA Debt	(1,070)
24,357	**Closing Capital Financing Requirement**	**23,285**
	Explanation of movements in year	
-	HRA self-financing settlement payment	
(1,740)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	(1,070)
(2)	Impairment charge for non-dwelling Housing Revenue Account assets	**(2)**
(1,742)	**Increase(decrease) in Capital Financing Requirement**	**(1,072)**

9. HRA Non-Current Asset Disposals

The HRA non-current asset disposals for the year consist of:

2012/13		2013/14
£000		£000
297	Carrying value of dwellings sold	308
(620)	Sale proceeds from dwellings	(384)
(323)	**Net gain on disposals**	**(76)**

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.

2012/13		**2013/14**
£000		**£000**
	MRR transfers in the year:	
(1,660)	From HRA for dwellings depreciation	(1,661)
(245)	Difference between MRA and dwellings depreciation	(605)
(1,905)	**MRA for the year**	**(2,266)**
(127)	Increase for depreciation of non-dwelling assets	(132)
1,903	Capital expenditure financed by MRR	1,931
(2)	**Balance brought forward**	**(131)**
(131)	Balance carried forward	(598)

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:

2012/13 Restated		**2013/14**	
£000		**£000**	**£000**
	HRA		
	Cost of Services:		
175	▪ current service cost	214	
	Financing and Investment Income and Expenditure		
802	▪ interest cost	782	
(563)	▪ expected return on scheme assets	(536)	
	Other operating expenditure		
4	▪ pension administration expenses	5	
418	***Total Post Employment Benefit Charged to the HRA Income and Expenditure Account***		**465**

	Movement in Reserves Statement	
(418)	• reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(465)
	Actual amounts charged against the HRA balance for pensions in the year	
314	• employers' contributions payable to scheme	322

12. Rent Arrears

At 31 March 2014 the HRA rent arrears and the Balance Sheet provision in respect of uncollectable debts was:

2012/13		2013/14
£000		**£000**
412	Arrears at year end	672
314	Provision for bad and doubtful debts	469
76%	**Percentage of provision**	**70%**

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 2013		31 March 2014
£000		**£000**
(1,991)	Total HRA balance carried forward	(2,377)
(788)	*Of which: committed to on-going housing maintenance*	*(187)*

14. Prior Period Adjustment

Employment Benefits - amendments to IAS 19

The 2013/14 Code of Practice on Local Authority Accounting incorporates the amendments to IAS 19 *Employment Benefits* issued in June 2011. The main impact of these amendments relates to the Codes requirements in respect of defined benefit pension plans; this includes the Local Government Pension Scheme. Other changes include revisions to the definitions and recognition criteria for termination benefits and the classification of short-term and long-term employee benefits.

Under the revised standard the change in plan assets and obligations is disaggregated into the following components:

- Service cost comprising current service cost and past service cost;
- Net interest on the defined benefit liability (asset);
- Re-measurements comprising other changes in value of the defined benefit obligation including actuarial gains and losses and the difference between the return on plan assets and the interest income on plan assets included in the net interest calculation.

The net interest on the defined benefit liability (asset) replaces 'pension interest cost and expected return on plan assets' in the surplus or deficit on the provision of services. Re-measurements replace 'actuarial gains and losses' in Other Comprehensive Income & Expenditure. The total return on plan assets is unaffected by the changes made to IAS 19. However, the revised basis for the calculation of finance costs does affect the amount of that return recognised in the surplus or deficit on the provision of services as opposed to in other comprehensive income.

The Code requires these changes to be applied, with retrospective application from 2013/14. Adjustments made to the amounts previously reported as a result of the retrospective application of the changes made to IAS 19 are summarised below:

HRA Income and Expenditure Statement	**Published 2012/13 £000**	**Restatements £000**	**Restated 2012/13 £000**
• Expenditure o Supervision and Management	2,172	4	2,176
• Other operating expenditure o Pension administration expenses	-	4	4
• Financing and investment income & expenditure o Pensions interest cost and expected return on pension assets	186	(186)	-
o Interest on pension liabilities and interest on plan assets	-	239	239
Total of restatements		**61**	

Movement on the HRA Statement	**Published 2012/13 £000**	**Restatement £000**	**Restated 2012/13 £000**
Adjustments between accounting & funding basis under regulations	2,136	(61)	2,075
Total of restatements		**(61)**	

The changes made to IAS 19 do not impact on the net defined benefit pension obligation reported in the authority's balance sheet or on the costs of retirement or other employee benefits charged to the Housing Revenue Account in accordance with statutory accounting requirements.

2012/13		2013/14		
		Council Tax	Business Rates	Total
£000		£000	£000	£000
	Income			
(27,765)	Income from Council Tax	(28,688)	-	(28,688)
	Transfers from General Fund:			
(6,410)	- Council Tax benefits	-	-	-
(22,521)	Income collectable from business ratepayers	-	(23,556)	(23,556)
-	Transitional Protection Payment	-	(108)	(108)
(56,696)	**Total Income**	**(28,688)**	**(23,664)**	**(52,352)**
	Expenditure			
	Precepts and demands:			
25,014	- Cumbria County Council	20,366	-	20,366
4,602	- Barrow Borough Council	3,824	-	3,824
4,324	- Cumbria Police & Crime Commissioner	3,588	-	3,588
	Business rates:			
22,421	- Payment to national pool	-	-	-
	- Barrow Borough Council	-	9,222	9,222
	- Cumbria County Council	-	2,305	2,305
	- Central Government	-	11,527	11,527
100	- Costs of collection	-	99	99
	Bad and doubtful debts:			
(211)	- Write offs	(226)	(79)	(305)
303	- Provisions	317	252	569
	Provision for appeals	-	1,022	1,022
56,553	**Total Expenditure**	**27,869**	**24,348**	**52,217**
(143)	**(Surplus)/Deficit for the year**	**(819)**	**684**	**(135)**

	Collection Fund balances			
19	Balance brought forward at 1 April	(309)	-	(309)
(185)	Distribution of previous years surplus/deficit	165	-	165
(143)	**(Surplus)/Deficit for the year (as above)**	**(819)**	**684**	**(135)**
(309)	Balance carried forward at 31 March	(963)	684	(279)
	Allocated to			
(42)	- Barrow Borough Council	(134)	274	140
(227)	- Cumbria County Council	(703)	68	(635)
-	- Central Government	-	342	342
(40)	- Cumbria Police & Crime Commissioner	(126)	-	(126)
(309)	**Balance carried forward at 31 March**	**(963)**	**684**	**(279)**

Notes to the Collection Fund

1. Collection Fund General Note

The Collection Fund is an agent statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The Statement shows the transactions of the billing authority in relation to collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to local government bodies and the Government.

The authority has a statutory requirement to operate the Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund, therefore, is to isolate the income and expenditure relating to the Council Tax and Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses or deficits declared by the billing authority in relation to Council Tax are apportioned to the precepting bodies in the subsequent financial year and paid or received a year later. The precepting bodies for this authority are Cumbria County Council and the Cumbria Police & Crime Commissioner

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give authorities greater incentive to grow business in their area. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base. The scheme allows the authority to retain a proportion of the total NNDR received. The proportionate share for the authority is 40% with the remainder paid to the precepting bodies. The precepting bodies for this authority are central Government (50%) and Cumbria County Council (10%).

NNDR surpluses or deficits declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions, and are also paid or received in that year.

The Code stipulates that a Collection Fund Income and Expenditure account is included in the authority's accounts. The Collection Fund balance sheet meanwhile is incorporated into the authority's Balance Sheet.

2. Income from Business Ratepayers

The Council collects National Non-Domestic Rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by central Government.

In previous financial years the total amount, less certain reliefs and other deductions, was paid to a central pool (the NNDR pool) administered by central government, which, in turn, paid to local authorities their share of the pool based on a standard amount per head of the local adult population. In 2013/14 the administration of NNDR changed following the introduction of the business rate retention scheme which aims to give authorities a greater incentive to grow business but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due.

The scheme allows the authority to retain a proportion of the total NNDR received; the authority's share is 40% with the remainder paid to the precepting bodies, central Government (50%) and Cumbria County Council (10%).

The business rates payable for 2013/14 were estimated before the start of the financial year as £11,527k to Central Government, £2,305k to Cumbria County Council and £9,222k to this authority. These sums have been paid in 2013/14 and charged to the collection fund in year.

When the scheme was introduced, central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities received their baseline amount. Tariffs due from authorities payable to central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. Barrow Borough Council paid a tariff of £6,045k in 2013/14. The authority received a transition protection payment of £108k for 2013/14.

The business rates retention scheme also includes a safety net threshold. The safety net provides local authorities with protection against significant decreases in their retained business rate income. The safety net is calculated at 92.5% of baseline amount. The authority does not qualify for a safety net payment in 2013/14.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2014. As such authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2013/14 has been calculated at £1,022k.

The total non-domestic rateable value at the 31 March 2014 was £59,231k (£59,047k at the 31 March 2013).

The national non-domestic rate multiplier for 2013/14 was 47.1 pence in the pound (45.8 pence in the pound for 2012/13).

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 46.2 pence in the pound (45.0 pence in the pound for 2012/13) and can also qualify for rate relief.

3. 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 2013		31 March 2014
£000		**£000**
	Council Tax	
3,760	Arrears	3,692
2,054	Provision for bad and doubtful debts	1,919
55%	Percentage of provision	52%
	Business ratepayers	
1,550	Arrears	1,553
1,236	Provision for bad and doubtful debts	1,330
80%	Percentage of provision	86%

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

4. Council Tax Base

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into valuation bands for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken by the authority for the forthcoming year and dividing this by the 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.

In 2013/14 the local government finance regime was revised and council tax benefit is no longer received by the authority. This has been replaced by the Local Council Tax Reduction Scheme which is set and administered by each billing authority.

The Council Tax base for 2013/14 was 17,532 (21,535 for 2012/13). The reduction between financial years is as a result of the Government Council Tax legislation changes which revised the way central Government pay Council Tax benefit compensation to the authority. The tax base for 2013/14 was approved by Council on 23 February 2013. The collection rate was assumed to be 97% for 2013/14 (98% in 2012/13).

The Council Tax base for the year was set as:

2012/13 Band D equivalent number of chargeable dwellings	Band	Standard factor	2013/14 Band D equivalent number of chargeable dwellings
32	Disabled reductions		28
10,813	A	6/9	7,510
3,793	B	7/9	3,420
3,729	C	8/9	3,569
2,091	D	9/9	2,051
1,093	E	11/9	1,071
316	F	13/9	320
106	G	15/9	106
2	H	18/9	2
21,975	Equivalent chargeable dwellings		18,076
21,535	**For 2012/13: 98% of which gives the Council Tax base**		
	For 2013/14: 97% of which gives the Council Tax base		**17,532**

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.

2012/13 Council Tax	Band	Property value	2013/14 Council Tax
£			£
1,047.47	A	Up to £39,999	1,052.70
1,222.05	B	£40,000 to £51,999	1,228.15
1,396.63	C	£52,000 to £67,999	1,403.60
1,571.21	**D**	**£68,000 to £87,999**	**1,579.05**
1,920.37	E	£88,000 to £119,999	1,929.95
2,269.52	F	£120,000 to £159,999	2,280.85
2,618.68	G	£160,000 to £319,999	2,631.75
3,142.42	H	£320,000 and over	3,158.10

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 2014 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 2013/14.

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 Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer 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 Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 2013/14 and applicable law.

Opinion on other matters

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

Matters on which 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 October 2013, 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 2014.

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 October 2013, 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 2014.

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.

Jackie Bellard
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester M3 3EB

25 September 2014

Accounting Policies
Accounting policies are the specific principles, bases, conventions, rules and practices applied by the authority in preparing and presenting its financial statements.

Accruals Basis
The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods and services are received rather than when the payment is made.

Actuarial Gains and Losses (Pensions)
Actuarial gains and losses are changes in the present value of defined benefit obligation resulting from:

- experience adjustments(the effects of differences between the previous actuarial assumptions and what has actually occurred)
- the effects of changes in actuarial assumptions.

Amortisation
Amortisation is the method of allocating the cost of an intangible asset over its useful life.

Asset
An asset is a resource controlled by the authority as a result of past events and from which future economic or service potential is expected to flow to the authority.

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.

Audit of Financial Statements
An audit is an examination by an independent expert of the authority's financial affairs to check that the relevant, legal obligations and codes of practice have been followed.

Balance Sheet
The Balance Sheet shows the value of all assets and liabilities recognised by the authority as at the Balance Sheet date.

Budget
The budget expresses the authority's service delivery plans and capital programme in monetary terms.

Capital Adjustment Account
The Capital Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction and enhancement of those assets under statutory provision.

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

Capital expenditure
Capital expenditure is expenditure on the acquisition of an asset that will be used to provide services beyond the reporting period or expenditure which adds to and not merely maintains the value of an existing fixed asset

Capital Financing Requirement
The capital financing requirement is the capital investment funded from borrowing which has yet to be repaid

Capital programme
The capital programme is a financial summary of the capital projects that the authority intends to carry out over a specified period of time. It also provides estimates of the capital resources available to finance the programme.

Capital receipt
A capital receipt is the proceeds from the sale of an asset. The government prescribes the amount of the receipt which must be set aside to repay debt and the usable amount which may be utilized to finance capital expenditure.

Capital Receipts Reserve
The capital receipts reserve holds the proceeds of non current assets sales available to meet future capital investment. These capital receipts are held in this reserve until such time they are used to finance capital expenditure.

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

Cash Flow Statement
The cash flow statement shows the changes in cash and cash equivalents of the authority during the reporting period.

Collection Fund
The Collection Fund is a separate fund recording the expenditure and income relating to council tax and non domestic rates.

Collection Fund Adjustment Account
The collection fund adjustment account is used specifically to manage the accounting processes for council tax and non domestic rates.

Community Asset
Community assets are assets that the authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings not used for operational purposes.

Comprehensive Income and Expenditure Account
The Comprehensive Income and Expenditure Account 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 taxation.

Contingent Asset
A contingent asset is an asset that may be received but only if a future event occurs that is not under the control of the authority.

Contingent Liability
A contingent liability is a potential liability that depends on the occurrence or non-occurrence of one or more uncertain future events.

Creditors
Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

Current Asset
A current asset is an asset that is intended to be sold within the normal operating cycle: the asset is held primarily for the purpose of trading or the authority expects to realise the asset within 12 months after the reporting date.

Debtors
These are sums of money due to the Council that have not been received at the date of the balance sheet.

Deferred Liability
A deferred liability is a sum of money that is either not payable until some point after the next reporting period or is paid over a number of reporting periods.

Department for Communities and Local Government (DCLG)
A Department of Central Government with an overriding responsibility for determining the allocation of general resources to Local Authorities.

Depreciated Replacement Cost (DRC)
Depreciated replacement cost is a method of valuation which provides the current cost of replacing the asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimization.

Depreciation
Depreciation is the method of allocation the cost of a tangible asset over its useful life.

Donated Asset
A donated asset is an asset transferred at nil value or acquired at less than fair value.

Earmarked Reserves
Earmarked reserves are to be used to meet specific, known or predicted future expenditure.

Employee Benefits
Employee benefits are all forms of consideration given by the authority in exchange for service rendered by employees or for the termination of employment.

Events after the Reporting Period
Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statements are authorized for issue. Two types of events can be identified

- those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period)
- those that are indicative of conditions that arose after the reporting period (non adjusting events after the reporting period).

Exceptional Items
Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Fair Value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction.

Finance Lease
A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not be eventually transferred.

Financial Instruments Adjustment Account
The Financial Instruments Adjustment Account provides a specific accounting mechanism to reconcile the different rates at which gains and losses are recognized under proper accounting practices for borrowing and investments and are required by statute to be met from the general fund balance.

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

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.

Government Grants
Government grants are grants made by the government towards either revenue or capital expenditure to support the cost of the provision of the authority's services. These grants may be directed towards the cost of particular schemes or used to support the revenue spend of the authority.

Grants and Contributions
Grants and contributions are assistance in the form of transfer of resources to an authority in return for past or future compliance with certain conditions relating to the operation of activities. They exclude those forms of assistance which cannot reasonably have a value placed upon them and transactions with organisations which cannot be distinguished from the normal service transactions of the authority.

Heritage Asset
A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture. With regard to intangible assets, a heritage intangible asset is one with cultural, environmental or historical significance.

Housing Benefits
Housing benefits is a national system of financial assistance to individuals towards certain housing costs. Housing benefits is administered by the authority and subsidised by central government.

Housing Revenue Account (HRA)
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.

Impairment Loss
An impairment loss is an amount by which the carrying amount of an asset exceeds its recoverable amount.

Intangible Asset
An intangible asset is an identifiable non monetary asset without physical substance. It must be controlled by the authority as a result of past events and future economic or service benefits must be expected to flow from the intangible asset to the authority. The most common class of intangible asset in local authorities is computer software.

International Accounting Standards (IAS)
International Accounting Standards are standards for the preparation and presentation of financial statements.

International Financial Reporting Standards (IFRS)
International Financial Reporting Standards advise the accounting treatment and disclosure requirements of transactions so that the authority's accounts present fairly the financial positions of the authority.

Investing Activities
Investing activities are activities relating to the acquisition and disposal of long term assets and other investments not included in cash equivalents.

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.

Lease
A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Liability
These are amounts due to individuals or organisations which will have to be paid at some time in the future.

Major Repairs Reserve
The Major Repairs Reserve controls the element of the capital resources required to be used on HRA assets or for capital financing purposes. The reserve is credited with an amount equivalent to the total depreciation charges for all HRA assets and future capital expenditure on those assets.

Material
Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature and size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

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

Minimum Revenue Provision (MRP)
MRP is the minimum amount which must be charged each year in order to provide for the repayment of loans and other amounts borrowed by the authority.

Movement in Reserves Statement
The Movement in Reserves Statement shows the movement in the year on the different reserves held by the authority, analysed into usable reserves and other reserves.

Non Current Asset
A non current asset is an asset that does not meet the definition of a current asset and has a long term benefit to the authority.

Non Domestic Rates (NDR)
NDR is a scheme for collecting contributions from business towards the cost of local government services. Each business has a ratable value. The Government determines how much a business has to pay per £ of ratable value.

Operating Activities
Operating activities are the activities of the authority that are not investing or financing activities

Pension Reserve
The Pensions Reserve is a specific accounting mechanism used to reconcile the payment made for the year to various statutory pension schemes in accordance with those schemes' requirements and the net charge in the authority's recognized liability under IAS 19 "Employee Benefits" for the same period. A transfer is made to or from the Pensions Reserve to ensure that the charge to the General Fund balance reflects the amount to be raised in taxation. The reserve normally is at the same level as the pension liability carried on the top half of the Balance Sheet.

Precept
The amount that the 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.

Provision
A provision is a liability of uncertain timing or amount.

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.

Related Party
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions or if the related party entity and another entity are subject to common control. Related parties include:

- an entity that has an interest in the authority that gives it significant influence over the authority
- key management personnel, and close family members of key management personnel.

Reporting Period
The reporting period is the length of time covered by the financial statements.

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.

Revaluation Reserve
The revaluation reserve records the unrealised revaluation gains arising from holding non current assets. The reserve increases when assets are revalued upwards, and decreases when assets are revalued downwards or are disposed of or as assets are depreciated.

Revenue Expenditure
Revenue expenditure is the day-to-day running costs relating to the reporting period.

Revenue Expenditure Funded from Capital under Statue (REFFCUS)
Revenue expenditure funded from capital under statue is revenue expenditure incurred that may be funded from capital resources under statutory provisions but does not result in the creation of non current assets. Items generally include grants, advances and financial assistance to others, cost of stock issues, expenditure on property not owned by the authority and amounts directed under section 16(2) of Part 1 of the Local Government Acct 2003 by the Secretary of State.

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.

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.

Treasury Management
Treasury management is 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.

Trust Funds
Trust Funds are funds administered by the authority on behalf of charitable organisations and/or specific organisations.

Usable Reserves
Usable reserves are those reserves that can be applied to fund expenditure or reduce local taxation.

Unsupported (Prudential) Borrowing
Borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

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.

North West
Member Development Charter Authority

BOROUGH OF BARROW IN FURNESS
www.barrowbc.gov.uk

Grant Thornton LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Barrow Borough Council
Resources Directorate
TOWN HALL · DUKE STREET
BARROW-IN-FURNESS · CUMBRIA LA14 2LD
Tel: (01229) 876543
DX 63917 BARROW-IN-FURNESS
Email: customerservices@barrowbc.gov.uk
www.barrowbc.gov.uk

Our Ref: SMR/LoR **Contact Name:** Susan Roberts **Date:** 25/09/2014
Your Ref: -

Dear Sirs

Barrow in Furness Borough Council

Financial Statements for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the financial statements of Barrow in Furness Borough Council for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.

ii. We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi. We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.

vii. Except as stated in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent
   b. none of the assets of the Council has been assigned, pledged or mortgaged
   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for.

ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

x. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii. We have adjusted the misstatements brought to our attention in the Audit Findings Report; these do not alter the Council's financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

   b. additional information that you have requested from us for the purpose of your audit; and

   c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xvi. We have communicated to you all deficiencies in internal control of which management is aware.

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

   a. management;

   b. employees who have significant roles in internal control; or

   c. others where the fraud could have a material effect on the financial statements.

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii. We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on **25 September 2014.**

Signed on behalf of the Audit Committee

S M Roberts CPFA, ACMA
Director of Resources
25 September 2014

Councillor Mrs A Burns
Audit Committee Chairman
25 September 2014

Draft Annual Governance Statement 2013-2014

Author: Corporate Support Manager
Date published: September 2014
Review date: June 2015

Endorsed by Audit Committee

Resource Directorate
Town Hall
Duke Street
Barrow-in-Furness
Cumbria
LA14 2LD
directorsadmin@barrowbc.gov.uk

Annual Governance Statement – 2013-2014

1. Scope and Responsibility

Barrow Borough Council is responsible for delivering a wide range of statutory and discretionary services to the public and organisations in the area of the Borough. The Council is responsible for ensuring that its business is conducted in accordance with law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

2. Governance

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined, controlled and achieved.

3.The Council's Governance Framework

Effective governance in the public sector encourages improved decision making and efficient use of resources. Effective governance is characterised by robust scrutiny, which provides important pressures for improving public sector performance and tackling corruption. Effective governance can improve management leading to better service delivery, and, ultimately, better outcomes.
The Council's governance framework comprises the systems and processes, and the culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

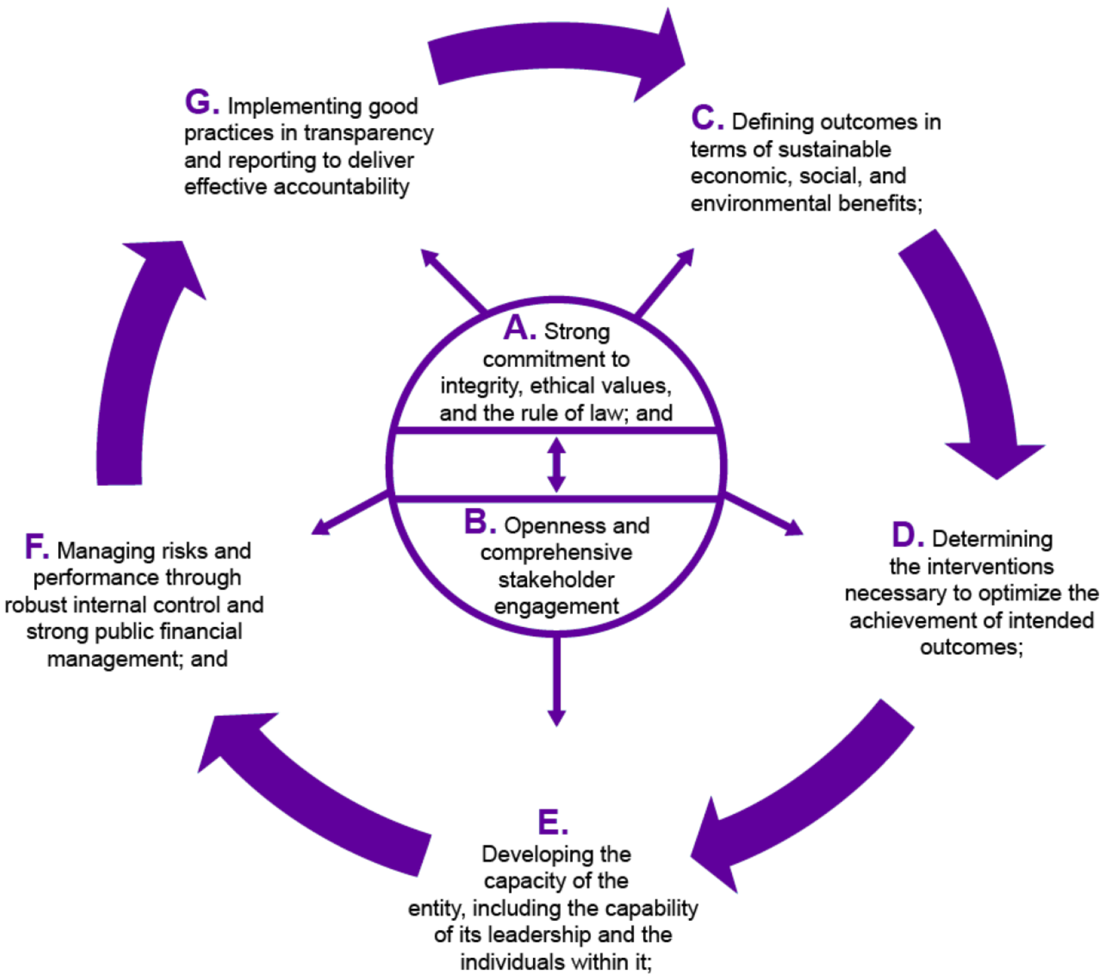
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Barrow Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

CIPFA has developed a framework for good governance in the public sector, based on the International Framework, Good Governance in the Public Sector The framework comprises of seven principles of good governance.

The seven principles of good governance set out in the framework are:

A. Strong commitment to integrity, ethical values, and the rule of law.
B. Openness and comprehensive stakeholder engagement.
C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
D. Determining the interventions necessary to optimise the achievement of intended out comes.
E. Developing the capacity of the entity, including the capability of its leadership and the individuals within it.
F. Managing risks and performance through robust internal control and strong public financial management.
G. Implementing good practices in transparency and reporting to deliver effective accountability.

The core principles for good governance in the public sector are high level and bring together a number of concepts. The figure below sets out the relationship between the principles:



4. Review of Effectiveness

Barrow Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

A management group consisting of the following Officers were involved in compiling this Annual Governance Statement which reviews the effectiveness of our governance framework:

- Executive Director Head of Paid Services
- Deputy Executive Director - Monitoring Officer
- Director of Resources - S151 Officer
- Assistant Director - Community Services
- Assistant Director - Regeneration and the Built Environment
- Assistant Director - Housing
- Democratic Services Manager
- Internal Audit Manager
- Corporate Support Manager

In compiling the Annual Governance Statement the group considered recommendations from the Internal Audit annual report and the Audit Commission's Annual Governance Report.

5. Self-assessment

The Council has assessed itself against the principles of good governance that are defined in the Local Code of Corporate Governance.

In order to demonstrate that the existing arrangements are fit for purpose and are complied with when carrying out the responsibilities and functions of the Council, a self-assessment process has been undertaken and this is supported by an assurance statement completed by the members of the Management Board.
In addition the Council has established a governance group who has collected assurance information using questionnaires which were completed by departmental managers.
Analysis of this information indicated that there were not any significant assurance issues but that there was scope for some improvement and an action plan will be developed to address this.

Based on the self-assessment the Council considers its governance arrangements to be of a satisfactory standard.

To support the self-assessment we reviewed the source documents recommended in the CIPFA guidance schedule and identified additional evidence to demonstrate compliance with the suggested supporting principles of good governance.

The Council's governance arrangements conform to the CIPFA framework for good governance in the public sector, based on the 2005 *Good Governance Standard for Public Services*, produced in the UK by the Independent Commission on Good Governance in Public Services.

The Governance framework

The Council has developed a governance framework based on the seven principles of good governance and these are set out below.
The Council provides evidence to demonstrate our commitment to these principles and this is in appendix 1.
There are a number of key elements that should be included within the Annual Governance Statement. These are listed in appendix 2 with a signpost to where they can be found within the document.

Principle A: Strong commitment to integrity, ethical values, and the rule of law.

The Council is responsible for using financial resources collected through taxation to provide services for our citizens. We are accountable not only for how much we spend but also for the way we use the resources with which we have been entrusted. In addition, we have an overarching mission to serve the public interest, in adhering to the requirements of legislation and government policies.
Ethical values and standards are defined in the Council's Constitution and should form the basis for all our policies, procedures and actions as well as the behaviour of our Members and staff.
Council officers may be involved with interpreting laws; such activities demand a high standard of conduct that prevents these roles being brought into disrepute. We should demonstrate a strong commitment to the rule of law as well as compliance with all relevant laws.
This makes it essential that we can demonstrate the integrity of all our actions and that we have mechanisms in place that encourage and enforce a strong commitment to ethical values and legal compliance at all levels.

1. The Council will maintain shared values including leadership values (openness, support and respect) both for the Council and its officers. These are defined in the constitution and reflect public expectations about the conduct and behaviour of individuals.
2. We use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the Council. We demonstrate this by adherence to the constitution and it will be reviewed and agreed as part of the Council Plan for 2014/15.
3. We have adopted formal codes of conduct defining standards of personal behaviour for Members and officers.
4. We maintain the Audit Committee to raise awareness and take the lead

in ensuring high standards of conduct are embedded within the Council's culture.

5. We have put in place arrangements to ensure that Members and staff of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests and anti-corruption policies.
6. We ensure that systems and processes for financial administration and control, protection of the Council's resources and assets, comply with ethical standards; and are subject to monitoring of their effectiveness.
7. We will ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making if appropriate.
8. Officers will actively recognise the limits of lawful activity placed on them but also strive to utilise their powers to the full benefit of their communities.
9. Officers will observe all specific legislative requirements placed upon the Council as well as the requirements of general law, and in particular integrate the key principles of administrative law – rationality, legality and natural justice into the procedures and decision making.
10. We have put in place effective systems to protect the rights of staff. Ensure that policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place.
11. We have established a governance group with the remit of collecting assurance information across all departments.
12. We will publish an Annual Governance Statement, signed by the Executive Director and the Chair of the Audit Committee to confirm that we are satisfied that we have effective governance arrangements in place.

Principle B: Openness and comprehensive stakeholder engagement

The Council operates for the public good and recognises there is a need for openness about our activities as well as clear channels of communication and engagement with all stakeholders. We must demonstrate that we act in the public interest at all times to maintain public trust and confidence. We should demonstrate clear reasoning for decision making and ensure that this is formally recorded for retrospective public scrutiny.

1. We will ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.
2. We will maintain culture of accountability so that Members and Officers

understand to whom they are accountable and for what.

3. We will strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public.
4. In 2014 we will put in place arrangements to enable the Council to engage effectively with the wider community. These arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands.
5. We will publish an annual report giving information on the Council's vision, strategy, plans and financial statements as well as information about outcomes, achievements.
6. We will deliver effective scrutiny of the Council's business as appropriate and produce an annual report on the activities of scrutiny function.
7. We will ensure that the Council as a whole is open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings. We will attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.
8. In 2014 we will review our procedures and guidance for determining whether an issue is dealt with under part 1.

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.

The Council has prepared and published a plan which sets out its priorities; a Medium Term Financial Plan which is a financial representation of the Council's Vision and supports the priorities and a Workforce Strategy which demonstrates how we will develop the capability and capacity to deliver the priorities. We will review these documents on a regular basis to ensure they reflect the vision of the Council.

1. We will make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.
2. We will publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance.
3. We will ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.
4. We will identify and monitor service performance indicators which demonstrate how the quality of service for users is to be measured. This will include a phased introduction of an effective data collection

system for all priority services.

5. We maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved.
6. We ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management.
7. In 2014/15 we will prepare a Council Plan linking together the three corporate documents outlined above.

Principle D: Determining the interventions necessary to optimise the achievement of intended outcomes.

The Council clearly defines its priorities and plans which are aimed at delivering the outcomes that the Council intends. These will focus on delivering effective and efficient services for the residents. We assess the risks of not achieving those outcomes and ensure that there are mitigating actions in place to support the achievement of intended outcomes. The Council's financial management arrangements ensure that there is adequate resource available to deliver those outcomes. The Council reviews progress against delivering those outcomes through its performance management arrangements.

1. We will make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.
2. We have risk management arrangements in place including mitigating actions to support the achievement of the Council's intended outcomes.
3. We will ensure that there are effective arrangements in place to monitor service delivery.
4. We will put in place effective arrangements to deal with a failure in service delivery and explore options for improving service delivery and outcomes for our residents.
5. We have prepared contingency arrangements including disaster recovery plan, business continuity plan and arrangements for delivering services during adverse weather conditions.
6. We will provide senior managers and Members with timely financial and performance information.
7. We ensure that budget calculations are robust and reserves are adequate.
8. We will align financial and performance data to provide an overall understanding of performance and report this to the Executive Committee.

Principle E: Developing the capacity of the Council including the capability of its leadership and the individuals within it.

The Council will develop and retain a management structure that provides leadership and creates the opportunity for staff to work effectively and efficiently to achieve the Council objectives. We will provide training and support to enable staff to develop their skills so they can achieve their full potential.

1. Through the constitution we have set out a clear statement of the respective roles and responsibilities of the Council's Executive Committee and the Members individually.
2. We have set out a clear statement of the respective roles and responsibilities of the Council's other committees and senior officers.
3. We have developed protocols to ensure effective communication between Council Members and officers in their respective roles.
4. We have developed protocols to ensure that the Leader and Executive Director negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained.
5. We have set out the terms and conditions for remuneration of Members and officers and publish an Annual Pay policy statement in accordance with the requirements of the Localism Act 2011.
6. We have determined a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required.
7. We will ensure that effective management arrangements are in place at the top of the organisation.
8. The Executive Director is responsible and accountable to the Council for all aspects of operational management.
9. The Chief Financial Officer is a member of the Council's Senior Management Board, with access to the Executive Director and other members of the leadership team.
10. The Section 151 Officer responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
11. We have appointed a professionally qualified and experienced Chief Financial Officer, who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds; together with professional accountability for finance staff throughout the Council
12. The Monitoring Officer responsible to the Council for ensuring that the constitution is adhered to.
13. We will assess the skills required by Members including understanding of financial systems. We will agree a personal development plan to

develop skills and address any training gaps, to enable roles to be carried out effectively.

14. We will assess the skills required by officers through the appraisal process and address any training gaps, to enable roles to be carried out effectively.
15. We will develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.
16. We will ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.
17. We will review the scope of the Chief Financial Officer's non-financial areas of responsibility to ensure financial matters are not compromised.
18. We provide the Chief Financial Officer with the resources, expertise and systems necessary to perform the role effectively within the Council.

Principle F: Managing risks and performance through robust internal control and strong public financial management.

The Council recognises the need to implement an effective performance management system that will allow us to deliver services effectively and efficiently. We understand that risk management, internal control and strong financial management are essential for us to achieve our objectives and we have put appropriate arrangements in place.

1. We will maintain an effective Audit Committee which is independent of the executive and scrutiny functions.
2. We will enable the Chief Financial Officer to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained.
3. We will ensure that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their job.
4. We will ensure our arrangements for financial and internal control and management of risk to be formally addressed within the annual governance reports.
5. We will ensure effective internal control arrangements exist for sound financial management systems and processes.

Principle G: Implementing good practices in transparency and reporting to deliver effective accountability.

The Council recognises that effective accountability is concerned not only with reporting on actions completed but ensuring stakeholders are able to understand and respond as the Council plans and carries out its activities in an open manner.

1. We comply with the local government transparency code and publish all required information in a timely manner.
2. We have established a medium term business and financial planning process in order to deliver - a financial strategy ensuring sustainable finances, a robust annual budget process ensuring financial balance and an adequate monitoring process; all of which are subject to regular review.
3. We have put in place effective transparent and accessible arrangements for dealing with complaints.
4. We will maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall;
5. We will maintain an effective Audit Committee which is independent of the Executive and Scrutiny committees.
6. We will ensure an effective internal audit function is resourced and maintained.
7. We will maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.

8 We will attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so. In 2014 we will review our procedures and guidance for determining whether an issue is dealt with under part 1.

9 We will put in place arrangements for whistle-blowing to which staff and all those contracting with the Council have access.

10 We will produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council.

11 We will maintain effective arrangements for determining the remuneration of senior staff and publish an Annual Pay Policy statement in accordance with the requirements of the Localism Act 2011.

12 We will make regular and timely reports to the Executive Committee on in-year expenditure and variation

6. Internal Audit opinion

An important part of the governance arrangements is the maintenance of an Internal Audit function, which operates in accordance with Public Sector Internal Audit Standards. The effectiveness of the Internal Audit function is reviewed on an annual basis. The Internal Audit function examines and evaluates the adequacy of the Council's system of internal controls as a contribution to ensuring that resources are used in an economical, efficient and effective manner. The work is delivered through a risk-based approach to the Internal Audit planning process; resulting in the production of an Annual Audit Plan which is approved by the Audit Committee.

The effectiveness of the Internal Audit function is subject to review through the Council's Audit Committee; in addition the Council's External Auditor will place reliance wherever possible on the work carried out by Internal Audit.

The opinion of Internal Audit Manager has been extracted from the Internal Audit Annual Report

My detailed opinion is that, for the systems reviewed, the Council has basically sound systems of control in place, although there are weaknesses which put some of the system objectives at risk. The profile of assurance is in our experience comparable to other local authorities, with the majority of Council systems receiving Substantial Assurance.
Weaknesses found as a result of our work, together with our recommendations for improvement, have been included in our reports to senior management and Members. Additional weaknesses identified through the Annual Governance Statement process are recorded separately and reflect the assurance provided from all sources both internal and external.

7. Financial management

The Director of Resources is the Officer charged with statutory responsibility for the proper administration of the Council’s financial affairs, this statutory role is the Chief Financial Officer. In 2010 CIPFA issued a Statement on the Role of the Chief Financial Officer in Local Government, which sets out five principles that define the core activities and behaviours that belong to the role of the Chief Financial Officer and the governance requirements needed to support them. The Council’s financial management arrangements conform to the governance requirements of the Statement.

The Borough Treasurer:

- Leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- Ensures that budget calculations are robust and reserves and balances are adequate in accordance with CIPFA guidance and best practice.
- Ensures that the appropriate financial information systems, functions and controls are in place so that finances are kept under review on a regular basis.

The Borough Treasurer has established a Medium Term Financial Plan based on the Council’s Budget Strategy in order to meet the challenge of reduced Central Government funding.

8: Significant governance and internal control issues

There were no recommendations relating to the Annual Governance Statement in the 2012/13 Annual Audit Letter. There is one on-going action from the previous year regarding the outstanding Business Continuity Plan.

The Council has identified arrangements for ICT disaster recovery and these are now being implemented. This will facilitate the Council’s business continuity arrangements and the Business Continuity Plan is currently being prepared.

9: Action Plan

Action plan for 2014/15

Action	Responsible officer	Due date
Complete outstanding Business Continuity Plan actions	Corporate Support Manager	Q3 2014/15

10: Certification Statement

The review of the governance arrangements for the financial year 2012-2013 has not highlighted any areas of major concern for the Council. We believe that the existing arrangements are fit for purpose and are adequate to meet the Council's corporate aims.

Councillor Mrs A Burns	P Huck
Chair of the Audit Committee	Executive Director

Appendix 1: Evidence to support compliance with the seven principles:

A: Strong commitment to integrity, ethical values, and the rule of law.

Demonstrating integrity	We have adopted formal codes of conduct defining standards of personal behaviour for Members and officers.	The Council's Constitution part 5 contains codes of conduct for Members and officers.
	We maintain the Audit Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the Council's culture.	The Council's Constitution part 3 defines the terms of reference of the Audit Committee
	We have put in place arrangements to ensure that Members and staff of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests and anti-corruption policies.	The Council's Constitution part 4 sets out the Council's rules of procedure. The Council's local code of governance defines how we manage this. The Council publishes an anti-corruption policy on its website
	We have established a governance group with the remit of collecting assurance information across all departments.	The Council's assurance group meets routinely to review governance arrangements (assurance group minutes)
	We will publish an Annual Governance Statement, signed by the Executive Director and the Chair of the Audit Committee to confirm that we are satisfied that we have effective governance arrangements in place.	The Council's Annual Governance Statement is published on its website.
Strong commitment to ethical values	The Council will maintain shared values including leadership values (openness, support and respect) both for the Council and its officers. These are defined in the constitution and reflect public expectations about the conduct and behaviour of individuals.	The Council's Constitution defines the Council's values
	We use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the Council.	The Council's Constitution defines the Council's values

	We ensure that systems and processes for financial administration and control, protection of the Council's resources and assets, comply with ethical standards; and are subject to monitoring of their effectiveness.	The Council undertakes an annual review of financial regulations and contract standing orders are set out in Part 4 of the Constitution
	We have put in place effective systems to protect the rights of staff. Ensure that policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place.	The Council has Human resources policies to protect staff. The Council has antifraud arrangements in place and fraud hotline
Strong commitment to the rule of law	We will ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making if appropriate.	The Council provides a legal service with access to professional advice to support decision making.
	Officers will actively recognise the limits of lawful activity placed on them but also strive to utilise their powers to the full benefit of their communities.	Officers routinely make use of legal service when carrying out their duties.
	Officers will observe all specific legislative requirements placed upon the Council as well as the requirements of general law, and in particular integrate the key principles of administrative law – rationality, legality and natural justice into the procedures and decision making.	Assessments of the legal implications for all decisions are presented to the Executive Committee as part the executive reporting template.

B: Openness and comprehensive stakeholder engagement

Openness	We will maintain culture of accountability so that Members and Officers understand to whom they are accountable and for what.	The roles and responsibilities of Members and Officers are clearly defined in articles 2 & 3 of the Council's Constitution
	We will deliver effective scrutiny of the Council's business as appropriate and produce an annual report on the activities of scrutiny function.	The Council operates an effective scrutiny function which submits an annual scrutiny report (item 6) of activities to Full Council.

	We will ensure that the Council as a whole is open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings. We will attempt to publish all committee agenda items under “part 1” unless there is the need to preserve confidentiality where it is proper and appropriate to do so.	The Council strive to publish all committee report under part one on the agenda. There may be exemptions under schedule 12 of the Local Government Act 1972.
Engaging individual citizens and service users effectively	In 2014 we will put in place arrangements to enable the Council to engage effectively with the wider community. These arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands.	
	We will publish an annual report giving information on the Council’s vision, strategy, plans and financial statements as well as information about outcomes, achievements.	The Council publishes an Annual Report.
	We will strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public.	
Engaging comprehensively with institutional stakeholders	We will ensure that the Council’s vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.	The Council’s Plan is developed by senior managers who have a good knowledge of the priorities of other stakeholders and is agreed by the Executive Committee item 11.

C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Defining outcomes	We will make a clear statement of the Council’s purpose and vision and use it as a basis for corporate and service planning.	The purpose of the Council is clearly defined in the Constitution The Council’s Plan is developed by senior managers and identifies the Council’s service priorities.

	We will publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance.	The Council publishes an Annual Report that communicates the Council's activities, achievements and financial position
	We will ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.	Assessments of financial and non-financial information for all decisions are presented to the Executive as part the executive reporting template. Example Executive Report
Sustainable economic, social and environmental benefits	We will identify and monitor service performance indicators which demonstrate how the quality of service for users is to be measured. This will include a phased introduction of an effective data collection system for all priority services.	The Council has a limited number of performance indicators which are currently reported to the Overview and Scrutiny committee (item 9). We are developing a suite of meaningful indicators to reflect its priorities.
	We maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved.	The Council's prudential framework is defined in the Budget Strategy. Budgetary control is strictly observed and monitoring reports are presented to Management Board and the Executive Committee on a quarterly basis. Corporate Financial Monitoring
	We ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management.	Prudential indicators agreed with Members prior to each financial year and monitored as part of the Council's quarterly Corporate Financial Monitoring process

D: Determining the interventions necessary to optimise the achievements of intended outcomes.

Robust decision making mechanism	We will make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.	The purpose of the Council is clearly defined in the Constitution The Council's Plan is developed by senior

		managers and identifies the Council's service priorities.
Planning interventions	We have risk management arrangements in place including mitigating actions to support the achievement of the Council's intended outcomes.	The Council has prepared a risk management policy and a risk register which is updated by Management Board and presented to Audit Committee on a quarterly basis
	We will ensure that there are effective arrangements in place to monitor service delivery.	The Council monitors service delivery through its CRM system and point of use monitoring.
	We will put in place effective arrangements to deal with a failure in service delivery and explore options for improving service delivery and outcomes for our residents.	The Council has effective arrangements for monitoring service failure through its CRM system and complaints procedure.
Optimising achievement of intended outcomes	We ensure that budget calculations are robust and reserves are adequate.	The Chief Finance Officer ensures that the budget estimates are robust and based on reasonable assumptions. The reserves and balances are reviewed at budget time and when closing the accounts. The CFO issues an assurance at these times in line with CIPFA recommended practice. All financial systems function in a controlled environment and are subject to regular Internal Audit review.
	We will align financial and performance data to provide an overall understanding of performance.	The Council's Plan aligns financial and performance information

	We have prepared contingency arrangements and are currently developing disaster recovery, business continuity plan and arrangements for delivering services during adverse weather conditions.	
	We will provide senior managers and Members with timely financial and performance information.	The Executive Committee and Management board are presented with financial information as part of the Council's quarterly Corporate Financial Monitoring process. Performance information is present to Scrutiny Committee and Management Board on a quarterly basis.

E: Developing the capacity of the Council including the capacity of its leadership and the individuals within it.

Developing the capacity of the entity	We have determined a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required.	The scheme of delegated and reserved powers defined in Part 3 of the Constitution
	We will ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.	The skills required to undertake a role are identified in job specifications. Skill gaps and development opportunities are identified through the appraisal process. All staff have access to training and development pages on the Intranet.
	We will review the scope of the Chief Financial Officer's non-financial areas of responsibility to ensure financial matters are not compromised.	The scope of the CFO's roles is reviewed as part of the appraisal process
	We provide the Chief Financial Officer with the resources, expertise and systems necessary to perform the role effectively within the Council.	The recent restructure provides the Chief Financial Officer with the resources, expertise and systems necessary to perform the role effectively within the Council.

Developing the entity's leadership	Through the constitution we have set out a clear statement of the respective roles and responsibilities of the Council's Executive Committee and the Members individually.	The roles and responsibilities of the Executive Committee are clearly defined in Part 3 of the Council's Constitution
	We have set out a clear statement of the respective roles and responsibilities of the Council's other committees and senior officers.	The roles and responsibilities of other Committee are clearly defined in Part 3 of the Council's Constitution
	We have developed protocols to ensure effective communication between Council Members and officers in their respective roles.	Protocols to ensure effective communication are clearly defined in Part 5 of the Council's Constitution
	We have developed protocols to ensure that the Leader and Executive Director negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained.	Protocols to ensure effective communication are clearly defined in Part 4&5 of the Council's Constitution
	We will ensure that effective management arrangements are in place at the top of the organisation.	Management arrangements are clearly defined in Part 3 of the Council's Constitution
	The Executive Director is responsible and accountable to the Council for all aspects of operational management.	The Executive Directors responsibilities and accountability are clearly defined in Part 3 of the Council's Constitution
	The Chief Financial Officer is a member of the Council's Senior Management Board, with access to the Executive Director and other members of the leadership team.	The CFO is a member of the Council's Management Board
	The Section 151 Officer responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.	The Borough Treasurer has been appointed as Section 151 officer. Statutory provision is set out in the financial regulations in part 4 of the constitution. The Council produces annual statutory reports including a statement of accounts, budget

		setting report council tax setting report and a treasury policy.
	We have appointed a professionally qualified and experienced Chief Financial Officer, who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds; together with professional accountability for finance staff throughout the Council	The Council has a CIPFA qualified and experienced chief financial officer.
	The Monitoring Officer responsible to the Council for ensuring that the constitution is adhered to.	The Council has appointed a Monitoring Officer to ensure adherence the Constitution
Developing the capability of individuals within the entity	We will assess the skills required by Members including understanding of financial systems. We will agree a personal development plan to develop skills and address any training gaps, to enable roles to be carried out effectively.	The Council has a development strategy for Members. All Members have a Personal Development Plan supported by a learning programme. The Council has induction programmes for Members
	We will assess the skills required by officers through the appraisal process and address any training gaps, to enable roles to be carried out effectively.	The skills required to undertake a role are identified in job specifications. Skill gaps and development opportunities are identified through the appraisal process.
	We will develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.	The Council continues to develop skills through its training programme and provides specialist expertise if required

	We have set out the terms and conditions for remuneration of Members and officers and publish an Annual Pay policy statement in accordance with the requirements of the Localism Act 2011.	Officers pay and conditions are set out in line with the NJC green book. Chief Officers pay and conditions are set out in line with the NJC purple book. The members allowance scheme is defined in part 6 of the constitution. The Council has appropriate pay and conditions policies in place.

F: Managing risks and performance through robust internal control and strong public financial management.

Managing risk	We will ensure that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their job.	The Council has prepared a risk management policy and a risk register which is updated by Management Board and presented to Audit Committee on a quarterly basis
Managing performance	We will maintain an effective Audit Committee which is independent of the executive and scrutiny functions.	The Council has an effective Audit Committee and an Overview and Scrutiny committee
	We will enable the Chief Financial Officer to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained.	The CFO is a director of the Council and is a member of the Council's Management Board
Robust internal control	We will ensure our arrangements for financial and internal control and management of risk to be formally addressed within the annual governance reports.	

	We will ensure effective internal control arrangements exist for sound financial management systems and processes.	The Chief Financial Officer manages the Council's finances within the Financial Regulation framework that is set out in the constitution The council adopts professional accounting standards on reporting. We comply with legislation and statutory requirements relating to financial matters.
	We will have effective governance arrangement with our partners. Partnerships can provide ways to access new resources and share risk. They can also lead to innovative and improved ways of delivering services whilst forging new relationships. Whilst external funding is a very important source of income, funding conditions need to be carefully considered to ensure they are compatible with the aims and objectives of the Council. In some instances, tight specifications may not be flexible enough to link to the Council's overall plan.	The arrangements for partnerships and accessing external funding are clearly stated within the Financial Regulation framework that is set out in the constitution

G: Implementing good practices in transparency and reporting to deliver effective accountability.

Implementing good practices in transparency	We have established a medium term business and financial planning process in order to deliver - a financial strategy ensuring sustainable finances, a robust annual budget process ensuring financial balance and an adequate monitoring process; all of which are subject to regular review.	The medium Term Financial Plan is a financial representation of the Council's vision and supports its' Council's Priorities.

	We have put in place effective transparent and accessible arrangements for dealing with complaints.	The Council has effective arrangements for dealing with complaints through its complaints procedure.
	We will maintain an effective scrutiny function which encourages constructive challenge and enhances the Council’s performance overall;	The Council has an effective Overview and Scrutiny committee
	We will maintain an effective Audit Committee which is independent of the Executive and Scrutiny committees.	The Council has an effective Audit Committee
	We will ensure an effective internal audit function is resourced and maintained.	The Council has effective Internal Audit arrangements
	We will maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.	The Council has effective decision making arrangements through the Executive Committee
	We will put in place arrangements for whistle-blowing to which staff and all those contracting with the Council have access.	The Council has effective whistle blowing arrangements through the fraud hotline
Implementing good practices in transparency reporting	We comply with the local government transparency code and publish all required information in a timely manner.	This Council complies with the Local Government Transparency code
	We will attempt to publish all committee agenda items under “part 1” unless there is the need to preserve confidentiality where it is proper and appropriate to do so.	The Council strive to publish all committee report under part one on the agenda. There may be exemptions under schedule 12 of the Local Government Act 1972.
	We will produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council.	Budget holders have access to a member of the accounts department and financial information is available on-line

	We will maintain effective arrangements for determining the remuneration of senior staff and publish an Annual Pay Policy statement in accordance with the requirements of the Localism Act 2011.	Officers pay and conditions are set out in line with the NJC green book. Chief Officers pay and conditions are set out in line with the NJC purple book. Pay Policy

Appendix 2: Consideration of key elements included within the AGS

	Key elements of the systems and processes that comprise an authority's governance include arrangements for:	**Where included within AGS**
1	Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users	In the evidence section principle C under heading 1 defining outcomes
2	Reviewing the authority's vision and its implications for the authority's governance arrangements	In the evidence section principle B under heading 3 Engaging Comprehensively
3	Translating the vision into objectives for the authority and its partnerships	In the evidence section principle D under heading 1 Robust decision making
4	Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money	In the evidence section principle C under heading 2 Sustainable economic, social and environmental benefits
5	Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements	In the evidence section principle E under heading 2 Developing leadership and principle B under heading 1 Openness
6	Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff	In the evidence section principle E under heading 2 Developing leadership
7	Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality	In the evidence section principle A section 3 Ethical values and principle C under heading 2 Sustainable economic, social and environmental benefits
8	Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability	In the evidence section principle D under heading 2 Planning interventions
9	Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained	In the evidence section principle G under heading 1 Implementing good practices in transparency
10	Ensuring effective management of change and transformation	In the evidence section principle D under heading 2 Planning interventions

11	Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact	In the evidence section principle D under heading 3 Optimising achievement of intended outcomes.
12	Ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact	In the AGS under section F Internal audit opinion
13	Ensuring effective arrangements are in place for the discharge of the monitoring officer function	In the evidence section principle D under heading 2 Planning interventions
14	Ensuring effective arrangements are in place for the discharge of the head of paid services function	In the evidence section principle E under heading 1 Developing the capacity of the entity
15	Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities	In the evidence section principle F under heading 1 Managing performance.
16	Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful	In the evidence section principle A under heading 3 Strong commitment to the rule of law
17	whistleblowing and for receiving and investigating complaints from the public	In the evidence section principle G under heading 1 Implementing good practices in transparency
18	Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training	In the evidence section principle E under heading 2 Developing leadership
19	Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation	In the evidence section principle B under heading 3 Engaging individual citizens and service users effectively
20	Enhancing the accountability for service delivery and effectiveness of other public service providers	In the evidence section principle D under heading 2 Planning interventions
21	Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements	In the evidence section principle F under heading 3 robust internal control.

Part One

AUDIT COMMITTEE	(D) Agenda Item 8
Date of Meeting: **25th September, 2014**	
Reporting Officer: **Director of Resources**	

Title: Internal Audit Final Report

Summary and Conclusions:

Internal Audit perform audits in accordance with the approved Annual Plan. Final reports are presented to Members by the Head of Internal Audit.

Recommendations:

Members are recommended to receive the Internal Audit final report and raise any questions.

Report

There is one final report for consideration by Members:

- Tendering of Catering and Events Management – **Appendix 5**.

This report will be presented by the Head of Internal Audit.

For information the assurance and recommendations assigned to Internal Audit reports are as follows:

The assurance levels are:

None – control is weak, causing the system to be vulnerable to error and abuse.

Restricted – significant weaknesses have been identified in the system of control, which put the system objectives at risk.

Substantial – while there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.

Unqualified – there is an adequate system of control designed to achieve the system objectives.

The recommendation levels assigned to issues identified are:

Priority 1 – **major issues** that Internal Audit considers need to be brought to the attention of senior management.

Priority 2 – **important issues** which should be addressed by management in their areas of responsibility.

Priority 3 – **minor issues** which provide scope for operational improvement.

Previous issues – are issues identified in a previous audit report that have not been entirely implemented at the time of this latest audit.

Background Papers

Nil

BARROW BOROUGH COUNCIL

INTERNAL AUDIT FINAL REPORT CR 85

CATERING AND EVENTS MANAGEMENT & ASSOCIATED CLEANING SERVICES

Executive Summary

Introduction

This contract is for the concessionary provision of exclusive café and events catering at The Forum and the Dock Museum, vending machines at the Park Leisure Centre and associated cleaning of specified areas. The contract is for a two year period commencing on 1 July 2013, with options to extend for two separate subsequent years.

Eighteen firms expressed an interest in the contract, which was advertised via the Chest procurement system. Six of these completed detailed Pre-Qualification Questionnaires, all of which were evaluated and each organisation was invited to formally tender for the service.

Three tenders were received by the return date and evaluated against pre-determined selection criteria. As a result of this evaluation, two tenders were rejected on the grounds that they were invalid. This was reported to the Executive Committee on 26 June 2013, which awarded the contract to the remaining tenderer, Elior UK plc.

Audit Objectives

Internal Audit are required to consider for review all contracts entered into by the Council. The Director of Resources through the Head of Internal Audit will select all contracts valued over £100,000 and a sample of smaller contracts for detailed scrutiny and review.

The audit objectives were to perform an examination of the selection and contract award process and associated documentation.

Key Points
Substantial Assurance
Six important issues
Two minor issues

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that weaknesses have been identified in the evaluation of the tenderers and award of contract for this concession. These weaknesses may put compliance with Contract Standing Orders at risk and could place the Council at risk of a challenge.

We have made six Priority 2 recommendations, which relate to:

- the Assistant Director Community Services commenting on the potential variations in Elior's tender compared to the requirements of the Council's Invitation To Tender document;

- the Assistant Director Community Services:
    a) explaining why the Council's contract with Elior differs from the firm's tender submission; and
    b) discussing the process adopted for reviewing the draft contract;
- in order to achieve wider competition and enable tenders to meet the Council's objectives, the Assistant Director Community Services ensuring that, in re-tendering the catering and cleaning service:
    a) the pricing structure is appropriate;
    b) tender documents are sufficiently clear and contain accurate instructions to tenderers; and
    c) sufficient time is allowed to manage the tender process, including the specification of the service, the preparation of documentation, the evaluation of tenders and negotiation with suppliers;
- the Assistant Director Community Services discussing whether sufficient financial information was reported to the Executive Committee in relation to this contract;
- the Assistant Director Community Services ensuring that, where the Chest procurement software is used, complete documentation is recorded upon the system; and
- Management Board reminding contract managers that the financial standing of tenderers must be assessed as part of tender evaluations, as required by Contract Standing Orders.

In addition we have made two Priority 3 recommendations, which concern:

- the Assistant Director Community Services:
    a) producing documentation to confirm that the decision to procure consultancy services from a single supplier had been authorised appropriately; and
    b) confirming whether an official purchase order had been issued for the consultancy services; and
- Management Board reminding contract managers that all contracts must refer correctly to the specific legislation relating to bribery and corruption.

Management Response

We have received constructive management responses from the Director of Resources and the Assistant Director Community Services, accepting two recommendations and partially accepting six recommendations.

Acknowledgement

Internal Audit would like to thank staff for their co-operation and assistance during the review.

CONTRACT PARTICULARS

Contract Title:	Catering and Events Management & Associated Cleaning Services within Barrow Borough Council
Contract Form:	“Bespoke”
Contractor:	Elior UK plc
Contract Financial Details: Minimum Guaranteed Annual Payment: Catering Payment for daytime outlet and event sales: Cleaning Cost:	 £4,521 subject to minimum sales levels 3.5% of net annual sales £45,877 pa
Commencement Date:	1 July 2013
Contract Period:	Two years
Options to Extend:	Further two years, each consisting of up to 12 calendar months
Minimum Insurance Cover Required: Minimum Insurance Cover Confirmed:	£5m Public Liability £10m Employer’s Liability Yes

Part One

AUDIT COMMITTEE	(D) Agenda Item 9
Date of Meeting: 25th September, 2014	
Reporting Officer: Director of Resources	

Title: Internal Audit Progress Report - September 2014

Summary and Conclusions:

The Internal Audit Progress Report has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.

Recommendations:

Members are recommended to receive the Internal Audit Progress report and raise any questions.

Report

The Internal Audit Progress Report for the period 1st April, 2014 to 10th September, 2014 is attached at **Appendix 6** and will be presented to Members by the Head of Internal Audit

Background Papers

Nil

BARROW BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

April to September 2014

2014/15

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EXECUTIVE SUMMARY

Purpose

The purpose of the report is to update Members of the Council's Audit Committee on:

- Internal Audit work performed up to 10th September 2014, including final reports issued relating to a previous reporting period; and
- Significant issues that have arisen during this period as a result of our work.

Content

The information is presented in the following schedules:

1. *A Statistical Summary of Recommendations*

   This schedule includes all audit recommendations to which Council management have responded between 1st April and 10th September 2014. The figures are analysed according to the 'priority' of the recommendations, and the extent to which each has been accepted by management for action.

2. *Accepted Priority 1 Recommendations*

   This schedule provides details of all major recommendations which have been accepted by management.

3. *Rejected Recommendations*

   This schedule provides details of major and significant (i.e. Priority 1 and Priority 2) recommendations, which have been rejected by Council Management.

4. *Audit Coverage*

   Details of audit assignments carried out in the period, including any checks on external partner organisations.

5. *Classifications of Assurance and Recommendations*

   An explanation of the classifications used for prioritising recommendations and assessing levels of assurance.

1. STATISTICAL SUMMARY OF RECOMMENDATIONS

The following table summarises the number of audit recommendations we have made in our final reports issued up to 10th September 2014; analysed by their priority, including whether accepted by management.

Recommendations	**Total**	**Priority 1**	**Priority 2**	**Priority 3**
Made	**11**	-	7	4
Fully Accepted	**5**	-	1	4
Partly Accepted	**6**	-	6	-
Not Accepted	**-**	-	-	-

2. ACCEPTED PRIORITY 1 RECOMMENDATIONS

No Priority One recommendations were made within the reporting period.

3. REJECTED RECOMMENDATIONS

3.1 PRIORITY ONE RECOMMENDATIONS

There have been no rejected Priority One recommendations during the reporting period.

3.2 PRIORITY TWO RECOMMENDATIONS

There have been no rejected Priority Two recommendations during the reporting period.

4. INTERNAL AUDIT COVERAGE:

APRIL – SEPTEMBER 2014

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	ANNUAL AUDITS			
14-01	Income Collection (The Forum)	1	Initial Final	Substantial
14-02	Housing and Council Tax Benefits	1		
14-03	Council Tax	1	Phase 1 memo issued	
14-04	Business Rates (NNDR)	2	Phase 1 memo issued	
14-05	Risk Management	1		
14-06	Receipt Book Checks	n/a	Ongoing	
14-08	Contract Management Checklist Coverage	1		
14-09	Performance Management	2		
14-10	Budgetary Control	2	In progress	
14-11	Treasury Management	2		
14-12	Car Park Meter Income	2	Final	Substantial
14-13	Payroll (inc. Expenses)	2	In progress	
14-14	Accounts Receivable	2		
14-15	Corporate Control/Governance	2		
14-16	Main Accounting System and Periodic Controls	2	Q1 Complete	
14-17	Procurement (inc. Ordering)	2	Fieldwork Complete	
14-18	Accounts Payable	2		
14-19	Housing Rents	2		
14-20	Standing Orders/Financial Regs/Anti Fraud	2		
14-21	Housing Non Routine Maintenance	2		
14-22	NFI	n/a		
14-23	Sundry Billing and recovery review	n/a	Complete	n/a
14-26	Capital Grant Determination No 31/2295 Declaration - Capital	n/a	Certification	n/a

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	Hardware Funding		letter signed	
14-27	Benefit Certification	n/a	Initial Testing Complete	n/a
14-28	Empty Homes Grant	n/a	Certification letter signed	n/a
	COMMUNITY ORGANISATIONS AND MAYOR'S ACCOUNT	n/a		n/a
-	Hawcoat		Complete	
-	Abbotsvale		Complete	
-	Dalton Community Association			
-	Barrow Playing Fields Users Association		In progress	
14-25	Mayor's Account	n/a	Complete	n/a
	IT ENVIRONMENT AUDITS	1		
IT54	ITIL – IT Infrastructure Library		Commenced	
	CONTRACT AUDIT	1		
CR77	Proposed Soccer Centre, Park Leisure Centre		Initial Draft	Restricted
CR80	Roa Island Jetty		Commenced	
CR81	2011/15 CHP Griffin Roofing Improvements		Initial Final	Substantial
CR82	North Central Group Repair Scheme		Draft	Substantial
CR84	Barrow Cemetery NW Extension		Stage 2 review complete	
CR85	Catering and Events Management		Final	Substantial
CR86	Town Hall Roof		Stage 2 review complete	
CR87	Craven House Roof		Commenced	
CR89	Farm Street Refurbishment		Stage 2 review	

Report Number	Audit Assignment	System Significance Band	Status	Assurance
			complete	
CR90	Re-Roofing Units 9 & 10 James Freel Close		Stage 2 review complete	
CR93	2014/14 CHP Roosegate Roofing		Commenced	
CR94	2014 Devonshire Road Improvements		Commenced	
CR95	Town Hall Ground Floor Improvements		Stage 2 review complete	
CR96	West Shore Coastal Defences		Commenced	
CR97	Maritime Streets Landscaping Design		Commenced	
CR98	Maritime Streets Landscaping Works		Commenced	
14-07	**IMPLEMENTATION REVIEW**	n/a		n/a
08-27	Housing Maintenance (Responsive Repairs)		Complete	
10-27	Non Routine Public Buildings Maintenance		Complete	
06-09	Refuse Collection including Recycling		Complete	
11-25	Insurance		Complete	
11-28	Grounds Maintenance		Complete	
13-01	Income Collection		Complete	
12-21	The Forum		Complete	

Fraud Hotline Calls

	Revenues/ Benefit related	Staff Related	Other	Total
2014/15 (April – September)	26	0	0	**26**
2013/14 (Full year)	106	0	7	**113**

5. CLASSIFICATIONS

5.1 Classification of Assurance Levels

At the conclusion of each audit, we give an overall opinion on the level of assurance, which we consider is provided by the controls in place within the system audited. The following classification of assurance levels has been adopted:

Level		**Definition**
1.	Unqualified Assurance	The controls appear to be consistently applied.
2.	Substantial Assurance	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
3.	Restricted Assurance	The level of non-compliance identified places the system objectives at risk.
4.	None	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

5.2 Priority of Recommendations

Our audit recommendations are categorised by three priority levels: -

Priority 1 Major issues that we consider need to be brought to the attention of senior management.

Priority 2 Important issues which should be addressed by management in their area of responsibility.

Priority 3 Detailed issues of a relatively minor nature.

6. PERFORMANCE

The Public Sector Internal Audit Standards (PSIAs) require Internal Audit to be measured in terms of performance. The indicators below provide information over the arrangements and effectiveness of Internal Audit.

Indicator		2014/15
1	Percentage of Draft reports issued within 10 working days of completion of audit fieldwork.	100%
2	Percentage of Management Responses received within 20 working days of issue of the Draft report.	50%
3	Percentage of Final reports issued within 10 working days of receipt of management response.	100%
4	Percentage of Priority 1 and Priority 2 Recommendations acceptable to the audit client.	100%

Draft Reports issued

Ref	Audit	Date issued
CR81	2011/15 CHP Griffin Roofing Improvements	8th August 2014
CR82	North Central Group Repair Scheme	8th August 2014
14-01	Income Collection (The Forum)	14th August 2014

APPENDIX 1 – RESTRICTED ASSURANCE AUDITS

No Final reports were issued in the period with Restricted Assurance.

Part One

AUDIT COMMITTEE	(D) Agenda Item 10
Date of Meeting: 25th September, 2014	
Reporting Officer: Director of Resources	

Title: Performance Reporting Update

Summary and Conclusions:

This report contains an update on the Council's performance reporting as requested by Members.

Recommendations:

Members are recommended to note the update.

Report

At the Audit Committee of 26th June, 2014, Members requested an update on the Council's performance reporting.

Performance is reported as part of the quarterly Council Finances & Performance report to the Executive Committee. The section covering the performance against the Council's priorities has been included below:

Performance

The Council's priorities and the progress against the 2014-2015 objectives are set out in this section.

1. Housing - the Council is committed to continuing to provide a greater choice of good quality housing and regenerate the oldest and poorest housing in the Borough.

Objective 1.1: bring empty properties back into use - the Council is currently arranging the agreement to advance Cluster of Empty Homes funding to a private landlord with four blocks of Barrow Island flats within the bid. It is anticipated that the first drawdown will take place in quarter 3.

Objective 1.2: improve the choice and quality of properties in the Town Centre - funding for the final Renewal Area group repair schemes has been identified within the Capital Programme and is programmed to take place over the next two years. The clearance area is currently under a period of exclusivity whilst a potential developer can formulate a proposal to take the site forward.

Objective 1.3: adopt the Council's Local Plan - the draft Local Plan will be presented to the Executive Committee on the 10th September, 2014.

Objective 1.4: maintain decent homes standard for the Council's stock - the Council's dwelling stock meets the decent homes standard and the planned programme of improvements is progressing.

2. Regeneration and the Public Realm - the Council is committed to working with partners and service providers to enhance the built environment and public realm.

Objective 2.1: improve the amenities of the Borough - the contracts for waste management and street cleansing and for ground maintenance are under review by officers. The waste management and street cleansing strategy will be produced towards the end of 2014-2015.

The replacement jetty on Roa Island is scheduled to be in place by the end of November 2014.

Objective 2.2: improve the streetscape and central courtyard on Barrow Island - the Barrow Island environmental improvement scheme is due to be tendered within the next month and the scheme is expected to be practically completed by the end of quarter 4. The Council has identified potential matched funding for the highways element of the works to the Maritime Streets as the scheme selected through consultation with residents cannot be fully funded from the Clusters of Empty Homes grant.

The Farm Street Play Area ('the Rec') was completed in July 2014 using Big Lottery and Waste Recycling Environmental Limited (WREN) funding.

Objective 2.3: support the new athletics facility at Furness Academy - the Council has committed the Sports Facilities reserve to the new facilities.

3. Local Economy - the Council is committed to work on mitigating the effects of cuts in public spending, their impact on the local economy and working to secure a long term economic recovery for our community.

Objective 3.1: continue to support the Marina Village development - the Council has set aside funding to allow preliminary market testing to be carried out to determine regional and national house builder views of the local market and the Marina Village residential site. Two of the six remaining parcels of Marina land have been acquired.

Objective 3.2: support the strategy for advanced manufacturing in Furness - the Strategic Economic Plan for Cumbria bid for £24m from the Government's Local Growth Fund. The Plan was submitted by Cumbria Local Enterprise Partnership (LEP) and concentrates on four strategic priorities including advanced manufacturing growth - this priority includes the Barrow Waterfront with a bid of

£7.2m; the project already has £1m earmarked from the Cumbria Infrastructure Fund.

Objective 3.3: young person's employment scheme for the Council - the Council set aside reserves to fund five apprentices positions for three year contracts in setting the 2014-2015 budget. The aim of the scheme is to train and upskill the apprentices with transferable skills and hopefully an interest in the professions required within local government. The five apprentices have been appointed and started with the Council on the 8th September, 2014.

Objective 3.4: support for low income families - the Council will set the 2015-2016 Local Council Tax Reduction Scheme at its meeting in October 2014; the recommendation of the Executive Committee is to continue the current scheme which has no impact on council tax support recipients.

The Council has a welfare support reserve which contains the funding allocated to the welfare advice agencies that are currently supported, together with the funds to top up the discretionary housing payments that are awarded. The Council continues to provide disabled facilities grants.

4. Service Delivery - the Council strives to provide good quality, efficient and effective services while reducing overall expenditure.

Objective 4.1: achieve the budget reductions identified for the Council - the Council has achieved the aim of the Budget Strategy and the 2014-2015 and 2015-2016 General Fund revenue budgets are now projected to balance without the use of reserves. The Council has committed £0.953m of the £1.175m Efficiency Support Grant received for 2014-2015 and built in the savings that should achieve. The Medium Term Financial Plan shows the projected revenue budget out to 2019-2020 and this includes a number of policies and assumptions that have to be realised in order to achieve the projected results.

Objective 4.2: partnership working and shared services - the Executive Committee have agreed that the Council enter an expression of interest in the car parking enforcement tender issued by the University Hospitals of Morecambe Bay NHS Foundation Trust.

The discussions concerning property rationalisation continue with Cumbria County Council; the County Council have moved into Craven House.

Objective 4.3: improving the customer experience - the Council is currently reviewing the web content management system that is in use as it will soon be decommissioned and is taking the opportunity to look at the market for a replacement. The impact of this will be a redesigned website, potentially more integration with self-service with the promotion of user registration and the website will be mobile friendly.

The on-line booking system at the Park Leisure Centre is being progressed at present.

Objective 4.4: measure customer satisfaction **-** this objective is scheduled to commence in quarter 2. There is no current progress to report.

Objective 4.5: implement the workforce strategy **-** the performance appraisals have cascaded from the Executive Director to Management Board as programmed for 2014-2015.

The role of the Business Improvement Team has been formalised and membership has changed. The governance arrangements for the Team allow interactions between Management Board, the IT Steering Group, the Inventive Incentive scheme and departmental managers.

<u>Background Papers</u>

Nil.

Part One

AUDIT COMMITTEE	(D) Agenda Item 11
Date of Meeting: **25th September, 2014**	
Reporting Officer: **Corporate Support Manager**	

Title: Assurance Statement

Summary and Conclusions:

Provide Members with the output from the analysis of the departmental assurance statements from 2013/14.

Recommendations:

Members are invited to consider the report.

Report

To provide evidence to support the Annual Governance Statement service managers complete assurance statement to demonstrate that they are aware of assurance controls that need to in place.

The responses from these assurance statements have been reviewed and the output is detailed below:

All of the 22 managers responded to the questionnaire.

The statistical analysis stated in the table below is based on information from the responses.

Question	Managers responses
Do you assess the risks to service delivery and agree mitigating actions with your line manager?	95% of managers review operation risks with their through regular meetings. This compares to 93% in 2013/14
Do you know where to find the budget for your service and how to find out what funds are available?	All managers know how to access their budget information. 86% of managers have regular contact with their budget account officer. This compares with 79% in 2013/14
Do you monitor the performance of your service and record actions to improve service delivery?	All managers undertake some form of performance management. In most cases this is based on financial performance and responding to customer feedback. Some managers have more comprehensive performance

	management systems in place.
Do you review the outcomes of improvement initiatives and projects?	All managers review outcomes. Some are recorded formally depending on the size of the projects
Do you have a mechanism in place to record and respond to service complaints?	Most departments use the corporate complaints procedure and departmental procedures for dealing with complaints. ICT does not have a complaints procedure.
Do you have a register of relevant contracts for service delivery and support services?	Larger contracts are recorded in a register. Most smaller contracts are recorded on a less formal basis
Do you monitor and record the performance of contractors to ensure they are meeting key contract specifications?	Larger contracts are monitored formally. Most smaller contracts are monitored on a less formal basis
Are your staff aware of the general content of the following corporate policies that are relevant to them and are able to access them? Contract / tendering procedures Employee Code of Conduct Data Protection Policy Financial Regulation Health and Safety policy Information Security Policy Medium term Financial Strategy Registers of interests and hospitality Risk Management Policy Business insurance policy Whistle blowing policy	Most staff are aware where to find policies. Some staff understand the content of these policies but it is not consistent across the council. The main areas of weakness are the corporate performance and risk policies and key financial policies and plans.

Background Papers

Nil.

Part One

AUDIT COMMITTEE	(D) Agenda Item 12
Date of Meeting: 25th September, 2014	
Reporting Officer: Corporate Support Manager	

Title: Risk Management

Summary and Conclusions:

Provide Members with the Council's Risk Register.

Recommendations:

Members are invited to consider the report and determine whether further action is required.

Report

The risk register for 2014/15 is attached as **Appendix 7** it continues to focus on those business critical risks which are under the control of the Council.

The risk register was reviewed by management Board at their meeting in August 2014 and the following changes were agreed:

Risk 10: Capacity to undertake statutory inspections, investigations and enforcement action has changed.

The likelihood and the impact have both been increased to 5 giving a total of 25. The mitigating action is now "Consultancy services are brought in as required for specific issues or to backfill where Council officers deal with complex cases. The mitigated score is now 4x4=16.

A number of minor changes have been as actions have been completed. Changes to responsible officer have been made to reflect the restructure of Council departments.

Operational Risks

Management has agreed a number of operational risks and these are presented in **Appendix 8**. The operational risks will be used to inform the development of the Council's business continuity plan.

Background Papers

Nil.

Risk Register August 2014

Risk category: Corporate financial risks

	Threat	Inherent risk score: Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Residual risk score: Likelihood	Impact	Score
C1	Impact of changes to the benefit system on income for the housing Department	5	5	25	75% of the Services income is received through Housing Benefit. At 2012 rents this equated to £7.1m. Of the 2700 tenancies 2039 receive help with their housing cost through Housing Benefit. The introduction of Universal Credit and changes to how tenants receive support with housing costs, including no direct payments to landlords, poses a risk to the Services income. The loss of housing benefit for under occupation of bedrooms is also having an impact on tenants.	A six point plan will be progressed to mitigate the risk focusing on the introduction of Universal Credit, new under-occupation rules, changes to non-dependant deductions and a Communication Plan. The Service has recently reviewed it's Income Strategy. It will operate a firm but fair approach to assist tenants during the changes whilst ensuring rents due are collected. A new post has been created to assist with income recovery it is anticipated that this post will be cost neutral. Housing officers carry out a pre-tenancy interview to understand who their customers are and how it will be best to engage with them in the future.	Assistant Director - Housing	5	4	20

C2	Future financial stability and sustainability of the Council.	5	5	25	Without sufficient funding plans discretionary services may be at risk of reduction or closure. Statutory services may be delivered with reduced service levels. Staff redundancies may not be avoidable. Funding to external bodies may be reduced. The Council's capital programme and treasury management strategy must be affordable and reduced revenue resources may impact on the Council's plans. The overall capacity of the Council to deliver services may need to be scaled down and may fall below users expectations.	The Council has an approved Budget Strategy to 2015-2016. The policies within the Strategy are the basis for the Council's General Fund revenue budget and its Medium Term Financial Plan. The Budget Strategy led to a restructuring of services and the Council as a whole, but recognised that further restructuring was required to achieve the desired balanced budget by 2015-2016. The Council has planned to use its reserves to set the pace of change but should its main funding reduce further than expected, this will impact on its plans. The Council produced a longer term financial plan in 2013-2014 The impact of restructuring is closely monitored by Management Board, including recruitment and resourcing challenges in statutory services. The Council has a Workforce Strategy. The Council continues to bid for funding of all kinds when it becomes available and although this is not sustainable funding, it does support the delivery of the Councils Priorities.	Executive Director and Director of Resources	4	4	16

	Risk category: Corporate service delivery risks									
	Threat	**Likelihood**	**Impact**	**Score**	**Potential impact**	**Mitigating actions**	**Responsible Officer**	**Likelihood**	**Impact**	**Score**
C3	Failure of external partner, service providers or contractors	3	5	15	This is likely to result in the suspension of some service while alternative service providers are identified	The Council monitors the position of service providers through regular client meetings and will undertake company checks on our contractors The Council retains the intellectual property and assets that will support continuity of services	Management Board	3	4	12
C4	Level of sickness worsens	4	4	16	A significant increase may impact on the Council's capacity to deliver services.	The Council has put a number of measures in place to reduce the current levels of sickness. Details of sickness management will be reported to Management Board on a quarterly basis.	Director of Resources	4	3	12
C5	Performance of service delivery contractors.	3	3	9	Failure to deliver key services. Public dissatisfaction with the service. Public health risk.	The Council has agreed contingency plans with the contractor which are incorporated in the contracts. Protracted industrial action is covered in the contract. The Council is proactively monitoring service delivery and development	Assistant Director - Community Services	3	3	9
C6	Impact of Welfare Reform changes	4	4	16	Increasing numbers of residents experience difficulty in meeting their housing costs and risk homelessness.	1. Continue to support and work with advice agencies throughout the Borough to assist residents to receive appropriate advice. 2. Maximise the Discretionary Housing Payments fund and assist residents in the most challenging financial circumstances to look for longer-term solutions to their problems. 3. The Council has developed a Homeless Strategy based on our approach of preventative work to assist residents under threat of losing their homes and assist those who are homeless, to resolve their issues.	Assistant Director - Housing	4	3	12
C7	Failure to deliver Waterfront Barrow regeneration programme	4	4	16	This will damage the profile of Barrow as a place to live and work. There will be a loss of local confidence and ineffective use of private sector resources	The Council is committed to complete the site assembly. The project can progress in phases subject to the availability of funding.	Executive Director	3	4	12

	Risk category: Corporate compliance risk									
	Threat	**Likelihood**	**Impact**	**Score**	**Potential impact**	**Mitigating actions**	**Responsible Officer**	**Likelihood**	**Impact**	**Score**
C8	Not having appropriate governance arrangements in place	2	3	6	The Council may lose focus on the purpose of the authority and the wider outcomes for the community	The Council continues to monitor and strengthen its governance arrangements. These include: Audit and scrutiny functions. Treasury management Asset management Resource management through the workforce development strategy Performance management Risk management	Director of Resources	2	2	4

	Risk category: Corporate compliance risks									
	Threat	**Likelihood**	**Impact**	**Score**	**Potential impact**	**Mitigating actions**	**Responsible Officer**	**Likelihood**	**Impact**	**Score**
C9	Failure to maintain H&S arrangements	2	5	10	Members of the public and Council employees could be put at risk by Council operations	The establishment of the Technical Services Team and the Health & Safety Management Group has strengthened the Council's H&S arrangements. Management group has identified improvements to health and safety management and as a result a H&S forum will be established. All staff have received electronic H&S training.	Executive Director	2	3	6
C10	Capacity to undertake statutory inspections, investigations and enforcement action.	5	5	25	Compliance with statutory targets may be compromised. Response time for investigations and enforcement action may be compromised.	Consultancy services are brought in as required for specific issues or to backfill where Council officers deal with complex cases	Assistant Director - Regeneration and Built Environment	4	4	16
C11	Legal challenge to Procurement of contracts	2	3	6	Unexpected legal costs and fines. Potentially no agreed contract to cover service due to previous contract lapsing.	Training of staff involved in high value procurement and audit checklists. The Council has introduced corporate logging of contracts	Assistant Director - Regeneration and Built Environment	1	3	3

C12	Information Technology security breach	3	5	15	Corrupt systems and loss of data. Withdrawal of Public Sector Network access. System downtime impacting on service delivery.	Up-to-date Information Security Policy. Staff using email and internet sign up to the Policy. Management overview of email and internet usage. Individual virtual servers for discrete business areas. Business continuity plan.	Director of Resources	1	3	3
C13	Incidents of fraud, bribery or corruption	2	2	4	It would indicate a failure of the Council's systems. Loss of money. Loss of reputation and confidence.	Fraud and corruption policy in place for staff and Members. Effective whistle blowing policy in place. Monitoring of standards and checks by Internal Audit	Director of Resources	1	2	2

	Risk category: Corporate business continuity risks									
	Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
C14	Major incident affecting service delivery	1	5	5	Widespread damage due to fire, flooding or severe weather.	Business continuity plan. Contingency plans. Remote access to Council systems	Director of Resources	1	4	4
C15	Major incident affecting ICT systems	1	4	4	Damage to Council's ICT infrastructure due to fire or flooding. Failure of ICT systems may adversely affect service delivery.	Disaster recovery plan Business continuity plan. Contingency plans. Remote access to Council systems	Director of Resources	1	3	3

Operational risks August 2014

	Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
O1	Not having adequate staffing to deliver key services.	4	5	20	Key services, including statutory services and demand led services cannot be delivered.	The main key services apart from housing, leisure and enforcement are contracted out. Management Board co-ordinate leave to ensure that senior management is available. Staff holiday planning is undertaken by the managers within departments. Consultancy services are used where unplanned absences will result in statutory services being adversely affected. The Council has also agreed mutual aid arrangements for professional support with other local authorities.	Management Board	3	4	12
O2	Access to operational buildings.	2	5	10	Key services, including statutory services and demand led services cannot be delivered.	The Council has a Business Continuity Plan. Services that are contracted out do not depend on the Council's premises being accessible. The leisure services are not statutory - no access would be inconvenient and prevent users from enjoying the facilities. Key back office functions performed in the Town Hall can be carried out from other operational buildings. There are several key holders for each operational building.	Executive Director	1	3	3

Operational risks August 2014

	Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
O3	Inadequate cashflow for operational purposes.	2	5	10	Unable to make payments to benefit recepients, pay staff, pay contractors or suppliers. See item # relating to benefit payments. Services may be suspended or withdrawn should the Council not pay its debts.	The Council's cashflow is monitored daily against projections that are made for the year. The Council pays by BACS and CHAPS and does not issue cheques which can cause fluctuations in cashflow depending on when they are presented by the payee. The Council has an overnight account with its bank with a sufficient balance to cover unexpected payments. It is possible to call investments back before maturity; this incurs a penalty. The Council has headroom within its borrowing limit to draw down either a temporary or long term loans.	Borough Treasurer	1	2	2
O4	Unable to collect household waste.	3	5	15	Households would potentially have side waste if the refuse container filled up due to delays in collections. There are health and safety issues with holding waste and particuarly side waste for householders.	The waste collection service is contracted out. There is a waste management snow plan. There is capacity within the week to put on additional collections to catch up from any delays.	Assistant Director - Community Services	2	3	6
O5	Unable to pay housing benefits to claimants.	3	5	15	Housing benefit recipients would be unable to pay their rent and this may jeopardise their tenancies.	The BACS file is produced by the Council's contractor a day ahead of time. The Council has support for BACS from its supplier and from its bank. Payments can be made by alternative methods in exceptional circumstances.	Director of Resources	2	2	4

Operational risks August 2014

	Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
O6	Maintenance of Council housing stock to decent homes standard.	2	5	10	Living conditions and safety of tenants may be adversely affected.	The housing maintenance programme is provided by a contractor. The housing department's maintenance team closely monitor	Director of Resources	1	3	3
O7	Availability of homeless accommodation.	2	5	10	Nowhere to temporarily house homeless people.	The Council has arrangements with several local hotels and has an account set up with the Travel Lodge now set up. The Council also maintains some dispered accommodation.	Assistant Director - Housing	1	3	3
O8	Unplanned outtage of the cremator.	2	5	10	Services are pre-booked and there would be disruption to users in reschduling or transferring the services. There would be a loss of income.	The cremator is regularly checked by crematorium staff and by the contracted maintenance provider. Arrangements exist with a neighbouring crematorium for the planned outtage that occurs when the Council's cremator is re-lined.	Assistant Director - Community Services	2	3	6
O9	Failure of swimming pool filters or other breakage.	2	4	8	The swimming pool would be unavailble to users until fixed. If the outtage ran over weeks, the gym & swim members may request a partial refund. There would be a loss of income.	The daily checks carried out on the swimming pool and associated plant would identify potential areas of concern and the appropriate contractor would be brought in to address the issues raised.	Assistant Director - Community Services	2	3	6

Part One

AUDIT COMMITTEE		(D) Agenda Item 13
Date of Meeting:	**25th September, 2014**	
Reporting Officer:	**Corporate Support Manager**	

Title: Local Government Ombudsman Annual Letter 2014

Summary and Conclusions:

To consider the Ombudsman's Annual Review Letter for 2014.

Recommendations:

Members are invited to note the report.

Report

The Ombudsman issues an annual review letter to Council's reviewing complaints against the Authority. A copy of the letter and the annual statistics are attached at **Appendix 9**.

During 2014, a total of seventeen complaints/enquiries were received as shown in the review letter. The ombudsman has not provided the detailed breakdown of complaints/enquiries.

Background Papers

Nil.

Local Government
OMBUDSMAN

7 July 2014

By email

Mr Phil Huck
Executive Director
Barrow-in-Furness Borough Council

Dear Mr Phil Huck

Annual Review Letter 2014

I am writing with our annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO) about your authority for the year ended 31 March 2014. This is the first full year of recording complaints under our new business model so the figures will not be directly comparable to previous years. This year's statistics can be found in the table attached.

A summary of complaint statistics for every local authority in England will also be included in a new yearly report on local government complaint handling. This will be published alongside our annual review letters on 15 July. This approach is in response to feedback from councils who told us that they want to be able to compare their performance on complaints against their peers.

For the first time this year we are also sending a copy of each annual review letter to the leader of the council as well as to the chief executive. We hope this will help to support greater democratic scrutiny of local complaint handling and ensure effective local accountability of public services. In the future we will also send a copy of any published Ombudsman report to the leader of the council as well as the chief executive.

Developments at the Local Government Ombudsman

At the end of March Anne Seex retired as my fellow Local Government Ombudsman. Following an independent review of the governance of the LGO last year the Government has committed to formalising a single ombudsman structure at LGO, and to strengthen our governance, when parliamentary time allows. I welcome these changes and have begun the process of strengthening our governance by inviting the independent Chairs of our Audit and Remuneration Committees to join our board, the Commission for Administration in England. We have also recruited a further independent advisory member.

Future for local accountability

There has been much discussion in Parliament and elsewhere about the effectiveness of complaints handling in the public sector and the role of ombudsmen. I have supported the creation of a single ombudsman for all public services in England. I consider this is the best way to deliver a system of redress that is accessible for users; provides an effective and comprehensive service; and ensures that services are accountable locally.

To contribute to that debate we held a roundtable discussion with senior leaders from across the local government landscape including the Local Government Association, Care Quality Commission and SOLACE. The purpose of this forum was to discuss the challenges and opportunities that exist to strengthen local accountability of public services, particularly in an environment where those services are delivered by many different providers.

Over the summer we will be developing our corporate strategy for the next three years and considering how we can best play our part in enhancing the local accountability of public services. We will be listening to the views of a wide range of stakeholders from across local government and social care and would be pleased to hear your comments.

Yours sincerely

Dr Jane Martin
Local Government Ombudsman
Chair, Commission for Local Administration in England

Local authority report – Barrow Borough Council

For the period ending – 31/03/2014

For further information on interpretation of statistics click on this link to go to http://www.lgo.org.uk/publications/annual-report/note-interpretation-statistics/

Complaints and enquiries received

Local authority	Adult care services	Benefits and tax	Corporate and other services	Education and children's services	Environmental services and public protection and regulation	Highways and transport	Housing	Planning and development	Total
Barrow BC	0	5	4	1	2	0	1	4	17

Decisions made

	Detailed investigations carried out						
Local authority	Upheld	Not upheld	Advice given	Closed after initial enquiries	Incomplete/Invalid	Referred back for local resolution	Total
Barrow BC	2	2	3	6	0	5	18

Part One

AUDIT COMMITTEE	**(D) Agenda Item 14**
Date of Meeting: 25th September, 2014	
Reporting Officer: Corporate Support Manager	

Title: Monitoring Priority 1 Recommendations

Summary and Conclusions:

Monitoring the implementation of all agreed Internal Audit, Priority 1 recommendations.

Recommendations:

Members are invited to consider the report and determine whether further action is required.

Report

Internal Audit undertakes reviews of Council's systems as defined in the annual audit plan. The audit conclusion may include priority 1 recommendations which relate to major issues that need to be brought to the attention of senior management. Senior managers consider the recommendations and determine whether to accept or reject them. If the recommendation is accepted the manager is agreeing to implement the recommendation.

To ensure all agreed Internal Audit Priority 1 recommendations are implemented in a timely manner they are now tracked by Management. There have not been any additions to this list in 2013/14 to date.

The Council's business continuity arrangements have not yet been finalised and it is anticipate that this will be complete in Q3.

Disaster recovery arrangements for transferring operations to the Park Leisure Centre have been agreed and funding has been agreed to facilitate this.

Background Papers

Nil

Barrow Borough Council Priority 1 Recommendations 2012/13

Audit Report	Recommendation	Responsible Officer	Current position
RISK MANAGEMENT - BUSINESS CONTINUITY (11-08)	In order to strengthen its Business Continuity Management (BCM) arrangements, the Council should : a) designate a senior officer to be responsible for developing and maintaining its BCM procedures; b) clearly define the roles and responsibilities of the Management Team and an Incident Management Team in respect of BCM; c) consider suitable training for all staff directly responsible for, or involved in, BCM at both corporate and departmental levels, to include scenario exercises; d) promote, where possible, an awareness of BCM amongst all staff with the aim of embedding its principles into their day to day activities.	Executive Director	**Partially implemented** **The Council has identified the Executive Director as the responsible officer for developing BCM procedures.** **Members of Management Board have clearly defined roles for identifying operation risks and using the information to assist in the development of the Business continuity plan.** **The operational assurance group will consider training needs and present them to management Board.** **No progress to date**

Audit Report	Recommendation	Responsible Officer	Current position
RISK MANAGEMENT - BUSINESS CONTINUITY (11-08)	The Council should produce a formally approved and up to date Business Continuity Plan, considering the following potential areas for inclusion: • clearly defining the scope of its BCM coverage and its links with Emergency Planning and other relevant policies and procedures; • approving a formal BCM policy/strategy; • reviewing and documenting the Business Critical Activities (BCAs) for each of its services; • carrying out an impact analysis which assesses the risks of, and the effect of, disruption to BCAs and also identifies the period that the Council can function without each BCA and the requirements/resources to recover that BCA; • including a corporate incident management plan which designates a team to manage an incident, sets out procedures and resources to enable services to	Executive Director	**Not Implemented** **The policy Review officer will prepare a draft Business Continuity Plan based on the operational risks that are identified by Management Board.**

Audit Report	Recommendation	Responsible Officer	Current position
	resume and identifies accommodation/communications for the team and key service staff; • formulating individual departmental plans to describe the processes needed to recover from an incident affecting their BCAs; • ensuring that the plans consider the costs, feasibility and practicality of contingency measures; and • regularly testing and reviewing these arrangements.		