

# **BOROUGH OF BARROW-IN-FURNESS**

## **AUDIT COMMITTEE**

Meeting, Thursday, 29th September, 2011  
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. Disclosure of Interests.

A Member with a personal interest in a matter to be considered at this meeting must either before the matter is discussed or when the interest becomes apparent disclose

1. ***The existence of that interest to the meeting.***
2. ***The nature of the interest.***
3. ***Decide whether they have a prejudicial interest.***

A note on declaring interests at meetings, which incorporates certain other aspects of the Code of Conduct and a pro-forma for completion where interests are disclosed will be available at the meeting.

5. To confirm the Minutes of the meetings held on 8th March and 7th July, 2011 (copies attached).
6. Apologies for Absence/Attendance of Substitute Members.

#### **FOR DECISION**

- (D) 7. Annual Governance Statement 2010-2011.
- (D) 8. Going Concern Concept.
- (D) 9. Final Accounts for the year ended 31st March, 2011.

- (D) 10. The Audit Commission – Annual Governance Report for the year 2010-2011.
- (D) 11. Letter of Representation 2010-2011.

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

**Membership of Committee**

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

**For queries regarding this agenda, please contact:**

Sharron Rushton  
Democratic Services Officer  
Tel: 01229 876321  
Email: [srushton@barrowbc.gov.uk](mailto:srushton@barrowbc.gov.uk)

Published: 21st September, 2011

# **BOROUGH OF BARROW-IN-FURNESS**

## **AUDIT COMMITTEE**

Meeting: 8th March, 2011  
at 2.00 p.m.

PRESENT:- Councillors Flitcroft (Chairman), Jefferson, Maddox, Sweeney and C. Thomson.

Also present were Heather Green and Gareth Kelly from the Audit Commission.

### **32 – Disclosure of Interests**

Councillor Flitcroft declared a personal interest in Agenda Item 14 – Performance Management (Minute No. 41) as he was the Manager of Cumbria Disability Network.

### **33 – Minutes**

The Minutes of the meeting held on 14th December, 2010 were agreed as a correct record.

### **34 – Apologies for Absence**

An apology for absence was received from Councillor Unwin (Vice Chairman).

### **35 – Audit Commission Reports – Audit Plan 2010/11 and Certification of Claims and Returns – Annual Report**

Heather Green from the Audit Commission attended the meeting and presented two reports to Members:-

1. Audit Plan 2010/11; and
2. Certification of Claims and Returns – Annual Report.

In respect of the Audit Plan, she reported that the Audit Commission's proposed fee for 2010/11 was £118,000 which was 8% above the scale fee and was within the normal level of variation specified by the Commission. The Audit Commission's scale fees for 2010/11 had been increased by 6% to reflect the additional work required as a result of the introduction of IFRS. It was noted that in recognition of the financial pressures faced by audited bodies, the Audit Commission had refunded the transitional costs which had resulted in the Council being refunded £6,422 in April 2010.

In respect of Value for Money (VFM) it was noted that for 2010/11, the Audit Commission had reviewed the approach to Value for Money work. This year, the auditor's conclusion would be based on two criteria, specified by the Commission, related to the Council's arrangements for:-

- Securing financial resilience – focusing on whether the Council was managing its financial risks to secure a stable financial position for the foreseeable future; and
- Challenging how the Council secured economy, efficiency and effectiveness – focusing on whether the Council was prioritising its resources within tighter budgets and improving productivity and efficiency.

Heather reported that she would undertake a risk assessment of the Council's arrangements and would consider any further VFM audit work needed to support her conclusion. She would discuss with Officers and report back to the Audit Committee on any risks she identified.

The VFM conclusion for 2009/10 was qualified because significant weaknesses had been identified in the Council's arrangements for procurement, tendering and contracting. These weaknesses suggested poor governance arrangements for tendering and contracting and exposed the Council to potentially significant risks, including the risk that the Council may not be able to show that its tendering and procurement processes were compliant with all of the laws and regulations. Heather reported that part of her work to support the value for money conclusion in 2010/11 would involve considering whether the Council has addressed the weaknesses that resulted in the qualification.

In respect of the Certification of Claims and Returns – Annual Report, the following key points had been identified:-

1. In 2009/10, the Audit Team had certified seven claims with a total value of over £46 million. Of these, a limited review had been carried out of three claims and a full review of four claims. Two claims had been amended and the Audit Commission had been unable to fully certify three claims and had issued a qualification letter to the grant paying body.
2. The fees charges for the grants certification work in 2009/10 were £22,098. In 2009/10 the Audit Commission were able to place reliance on work undertaken by Internal Audit on the Housing Benefits claim. This had resulted in a significant reduction in fees from 2008/09 (£35,678).

It was noted that the Audit Commission did not find any areas of concern in the way in which most of the claims and returns had been prepared. All claims and returns had been received in time with adequate supporting working papers. However, errors had been found in the Housing Benefit and Council Tax Benefit Subsidy Claim and it was noted that errors in that claim could result in a reduction to the subsidy paid to the Council. The level of Local Authority error overpayments at Barrow was currently below the threshold but there was a risk of loss to the Council if the value of the Local Authority error increased. The Council needed to ensure that the Benefits Service Contract was managed effectively to reduce the occurrence and impact of such errors.

The Borough Treasurer reported that the Council monitored overpayment on a monthly basis to keep it under control.

RESOLVED:- To note the information.

### **36 – Internal Audit – Progress Report April 2010 to February 2011**

The Council's Internal Audit Manager had attended the meeting to present to the report to Members. The report contained a statistical summary of the total number of recommendations (73). It was noted that 72 had been fully accepted and 1 had not been accepted. Each of the recommendations had been assigned a priority graded 1 through to 3; 1 being major issues and 3 being minor issues. A breakdown of restricted assurance audits had been appended to the report.

RESOLVED:- To note the report.

### **37 – Internal Audit – Final Reports**

The Borough Treasurer reported that Internal Audit had completed a number of audits in accordance with the approved annual programme. On completion, 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 seven final reports appended for consideration. Assurance levels for these reports were three Restricted and four Substantial. The reports included:-

1. Alterations to the Park Leisure Centre – Restricted Assurance;
2. IT Asset Management – Restricted Assurance;
3. Refurbishment of ground floor male and female toilets – Substantial Assurance;
4. Council Tax – Substantial Assurance;
5. NNDR – Substantial Assurance;
6. IT General Controls – Restricted Assurance; and
7. Payroll – Substantial Assurance.

Referring to the IT General Controls report, the Committee had been requested to note the Management response on the bottom of page 2 which read "The recently completed back up and recovery project provided much improved capability for the recovery of IT systems. IT Recovery Plans would now be prepared on the basis of the new arrangements. However, the wider business continuity arrangements were beyond the capacity and resources of the current IT Department and consideration should be given to allocation elsewhere".

The Borough Treasurer informed the Committee that the management of the IT Department was currently under review due to the recent retirement of the IT Manager. In the meantime the IT Technical Manager was running the daily business of the Department and the responsibility for the HR management side had been assigned to the Assistant Director (Personnel and Performance).

A Member had suggested the possibility for individual line managers to take responsibility of ensuring that their staff had signed up to the Code of Connection and IT Security requirements. The Borough Treasurer advised the Committee that

he believed arrangements were already in place and that he would check that was the case.

RESOLVED:- To note the reports.

### **38 – Internal Audit Plan 2011/12**

The Borough Treasurer reported that under Section 151 of the Local Government Act 1972, he had the responsibility to ensure the proper management of the finances of the Council. In order to achieve this, an Internal Audit function needed to be maintained to provide him with the assurance necessary to discharge his duties under Section 151.

He reported that the Internal Audit function examined and evaluated the adequacy of the Council's system of internal controls as a contribution to ensuring that resources were used in an economical, efficient and effective manner.

Internal Audit was an independent and objective appraisal function established by the Council for reviewing the system of internal control. This was in compliance with the Accounts and Audit Regulations 2003 as amended, which specifically required a Local Authority to maintain an adequate and effective system of internal audit. This work had been delivered by way of a risk-based approach to the Internal Audit planning process; resulting in the production of an Annual Audit Plan which needed to be approved by this Committee.

The proposed programme for 2011/12 was as follows:-

## **BARROW BOROUGH COUNCIL**

### **INTERNAL AUDIT ANNUAL PLAN 2011/12**

<b>Audit</b>	<b>Significance Band</b>	<b>Directorate</b>	<b>Days</b>
<b>ANNUAL AUDITS</b>			
Income Collection	1	Borough Treasurer's	15
Housing and Council Tax Benefits	1	Borough Treasurer's	35
Council Tax	1	Borough Treasurer's	12
Performance Management	2	Corporate Services	6
Business Rates (NNDR)	1	Borough Treasurer's	10
Risk Management	1	Corporate Services	9
Financial Information System	1	Borough Treasurer's	9

Budgetary Control	2	Borough Treasurer's	9
Treasury Management	2	Borough Treasurer's	7
Car Park Meter Income	2	Regeneration and Community Services	10
Payroll System Review	2	Borough Treasurer's	10
Payroll (inc. Expenses)	2	Borough Treasurer's	15
Accounts Receivable	2	Borough Treasurer's	10
Corporate Control/Governance	2	Corporate Services	5
Periodic Checks	2	Borough Treasurer's	16
Procurement (inc. Ordering)	2	Corporate Services	15
Accounts Payable	2	Borough Treasurer's	10
Housing Rents	2	Regeneration and Community Services	10
Standing Orders/Financial Regulations/Anti Fraud	2	Corporate Services/ Borough Treasurers	10
Housing Maintenance (Day to day repairs)	2	Regeneration and Community Services	18
IT Environment Audits	1		30
Contract Audit	1		40
<b>RISK ASSESSED SYSTEMS</b>			
Leisure Centre	3	Regeneration and Community Services	15
Disabled Facilities Grants	3	Regeneration and Community Services	10
Insurance	3	Borough Treasurer's	8
Asset Register/Property Portfolio	3	Regeneration and Community Services/Borough Treasurer's	10
Cemeteries and Crematoria	4	Regeneration and Community Services	8
Grounds Maintenance	4	Regeneration and Community Services	9

Personnel	4	Corporate Services	9
<b>DESIGNATED ANNUAL AUDIT ACTIVITY</b>			
Other Projects/Cash Floats (Annual)/Receipt Book Checks	-		24
Community Organisations (inc. Mayor's Account)	-		22
Fraud Hotline	-		8
Funding Checks/Grant Claims	-		15
NFI Responsibilities	-		25
<b>AUDIT MANAGEMENT</b>			
Implementation Review	-		10
Probity	-		12
Audit Administration/Advice	-		10
Audit Committee	-		6
Audit Management/ Planning/Reporting	-		10
External Audit Liaison	-		3
CONTINGENCY	-		5
<b>TOTAL CONTRACT DAYS</b>			<b>530</b>

RESOLVED:- To agree to approve the Internal Audit Plan for 2011/12.

### 39 – Risk Management

The Policy Review Officer submitted a report regarding the Council's risk policy and proposed risk register for 2011/12. Members had been invited to consider the report in advance of it going to the Executive Committee for approval on 16th March, 2011.

He reported that Management Board had identified key corporate risks for the Council at their meeting on 9th February, 2011 and in view of the substantial budget deficit and the consequent restrictions on resources, they had been of the view that Council must concentrate on business critical risks rather than including community risks where the Council had little or no direct influence on key factors.



A copy of the updated Risk Register for 2011/12 had been appended to the report and this reflected the Management Board's assessment of significant risks to the Council.

The status of these risks and progress against any action plans would continue to be reviewed on a quarterly basis and be reported to Management Board, the Leader of the Council and this Committee.

It was noted that the Risk Policy had been updated to reflect the changes to reporting lines from the Corporate Services Scrutiny Committee to the Audit Committee and a copy of the updated policy had been appended to the report.

A Member had requested clarity on what the role of the Audit Committee was in respect of Risk Management. The Policy Review Officer informed the Committee that Management Board set the Risk Register which would be approved by Executive Committee and that the role of the Audit Committee was to ensure that the Executive Committee carried out their role and ensure that the Risk Register was reviewed on a quarterly basis. He further reported that business critical risks would be identified by Management Team and compliance risks would be identified by the Auditors.

The Borough Treasurer requested the Committee's comments on the report in advance of it going to the Executive Committee for approval.

**RESOLVED:-** To agree the Risk Register for 2011/12 and the updated Risk Policy as an interim measure and note that more work on the documents would be required as well as training for Members.

#### **40 – Governance Report**

The Policy Review Officer submitted a report providing Members with an update on the progress being made towards preparing the Council's Annual Governance Statement. He reported that the Council was currently collecting evidence to support the six core principles for the Annual Governance Statement as defined in the CIPFA/Solace framework for delivering good governance. These were:-

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of Members and Officers to be effective; and
6. Engaging with local people and other stakeholders to ensure robust public accountability.

It was noted that one piece of evidence was the Code of Corporate Governance which had been updated to include the role of the Chief Financial Officer. A copy of the latest version had been appended to the report.

The Policy Review Officer informed the Committee that at their meeting in June they would be required to review the completed Governance Statement. A Member had requested that training be provided to the Committee prior to that meeting.

RESOLVED:- To note the information.

#### **41 – Performance Management**

The Policy Review Officer submitted a report providing Members with a performance management update for Quarter 3. He reported that twenty priority actions were due to have been completed by the end of Quarter 3 2010/11 of which, sixteen had been completed, two had been subject to delays and were expected to be completed in 2011 and two had not completed due to funding issues.

##### KP1: Safer, cleaner greener

- The Council had changed its waste collection contractor in April and had anticipated an increase in complaints about the waste collection service as changes in working practices had been introduced. An action was to reduce these complaints to the 2009/10 baseline level by the end of Quarter 1. This had been achieved and the Council were currently receiving less than twenty complaints per week.
- There was an action to expand the capacity of recycling bring sites and increase the number of schools that were recycling waste. This had been achieved and the Council were now recycling from most of the schools in the Borough. There was an action to expand recycling to low rise flats in the Borough and at the end of Quarter 1 an additional 1000 flats had received kerbside collection of recyclates.
- There was an action to implement grass cutting for Bigger Bank and this had been implemented.

##### KP 2: Meeting the housing needs of the Borough

- The development of the frail and elderly scheme in Holker Street had been completed.
- The development of additional houses on Greengate Street had been completed.
- The action to progress demolition of 126 properties in the North Central renewal area had started.
- The action to undertake external improvements to properties in sub area D had commenced.
- The action for the acquisition of properties in sub area D had been completed.

### KP 3: Providing easier access to services

- The Council had been assessed at the Achieving level of the Equalities Framework for Local Government. This was due to be completed in Quarter 4 but was achieved earlier than anticipated.

### KP 4: Support economic regeneration

- The refurbishment of 104 Abbey Road had been delayed and was anticipated to be completed in Quarter 1 2011.
- The refurbishment of the Mall was complete.
- The refurbishment of Furness House was complete.
- The action to commence Phase 2 of Waterside House development had been cancelled although some work would be carried out to improve access.
- The action to secure headline funding for Waterfront Barrow had not been completed. The NWDA had stated that they would not be funding this project and an alternative source of funding was being sourced.
- Phases 2 and 3 of the Dalton Road Public Realm Improvement Programme were substantially complete.

### KP 5: Improve the effectiveness and efficiency of our Council

- Eight members of staff who drove a significant number of miles to carry out their jobs had passed a smart driving course to help reduce CO2 emissions.
- The procurement policy had been completed but had been superseded by the Purchasing Guide.

### KP6: Expand facilities and activities for young people

- The Lakes alive spectacular had taken place although the estimated attendance was 6,000 against a target of 8,000.
- The action to deliver the Zircus plus event had been completed.
- The construction of the all weather facility at The Park had been delayed but would be completed in 2011.

### Performance Indicators

The Policy Review Officer reported that there were a number of national indicators and local indicators where it was appropriate to report data on a quarterly basis. The Council had demonstrated improved performance against the following indicators:-

- Collection of Council Tax was marginally lower than Quarter 3 2009/10 and the collection of National Non Domestic Tax had improved.
- The average number of day's sickness absence per member of staff worse than for the same period in 2009/10.
- There had been a decrease in the number of violent crimes.
- There had been an increase in the number of acquisitive crimes including household burglaries and robberies. The robbery figure was based on small numbers (3 in 2009/10 and 12 in 2010/11).

- There had been a marginal decrease in the number incidences of racial violence hate crime reported and only one incident of racial damage.

In respect of Hate Crimes, a Member commented that a number of disability hate crimes had been reported to Cumbria Disability Network. The Policy Review Officer advised the Committee that the information he had collected had been from the Police.

RESOLVED:- To note the information.

The meeting closed at 3.04 p.m.

# **BOROUGH OF BARROW-IN-FURNESS**

## **AUDIT COMMITTEE**

Meeting: 7th July, 2011  
at 2.30 p.m.

PRESENT:- Councillors Burns (Chairman), Pointer (Vice-Chairman), Barlow, W. McClure (Minute Nos. 1-6 only) and Wilson.

Also present was Gareth Kelly from the Audit Commission.

### **1 – Minutes**

The Minutes of the meeting held on 8th March, 2011 were unable to be confirmed as a correct record as none of the current Committee Members had been a Member of the Audit Committee during the last Municipal Year.

### **2 – Apologies for Absence/Attendance of Substitute Member**

An apology for absence was received from Councillor Thurlow. Councillor Barlow attended as a substitute for Councillor Thurlow for this meeting only.

### **3 – Audit Commission Report – International Financial Reporting Standards (IFRS) Restatement and Review of Financial Systems**

Gareth Kelly from the Audit Commission attended the meeting and presented the report to Members. He explained that the Audit Commission had produced a report on IFRS Restatement and Review of Financial Systems which had been appended to the report.

The report set out the findings from an interim audit and covered the work that the Audit Commission had completed on the Council's IFRS restatement as well as the work they undertook each year on the Council's financial systems.

#### **IFRS Restatement Work**

It was noted that in 2010/11, the Council's financial statement had been compiled using IFRS. The Chancellor had announced the move to IFRS reporting for the public sector in the 2007 budget in order to bring benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice. In preparation for the change, Councils had been required to restate their 2009/10 accounts on an IFRS basis. This was because the figures became the prior year comparable figures in the 2010/11 statement of accounts. The restatement exercise required the Council to review and change the opening balance sheet at 1st April, 2009, the closing balance sheet at 31st March, 2010 and the Income and expenditure Account for 2009/10. The Audit Commission was required to review the restated figures to gain assurance over the comparable figures included in the 2010/11 accounts which formed part of their audit opinion work for 2010/11.

The Audit Commission's review had not identified any material errors. However, there had been some issues to resolve to ensure that the restated accounts complied with the Code of Practice on Local Authority Accounting 2010/11 (based on IFRS). These included:-

- Consideration of the need for group accounting;
- Completion of the review and classification of leases;
- Accounting for embedded leases in contracts;
- Completion of notes to the accounts (comparative disclosures); and
- Segmental reporting.

The Audit Commission's experience of IFRS restatements from other sectors was that producing these parts of the accounts for the first time often required significant resources. The Council would need to ensure that sufficient resources were available to complete the restatement, alongside preparing the 2010/11 accounts by 30th June, 2011.

The Council had produced a new set of accounting policies to follow IFRS. The draft accounting policies had been reviewed and were in line with the IFRS code.

### Review of Financial Systems

The Audit Plan for 2010/11 set out the work required in order to meet responsibilities under the Code of Audit Practice. The Code required the Audit Commission to audit the annual accounts and decide whether they presented fairly, the Council's financial position. As part of the work each year, the Audit Commission must understand the systems that record the transactions which lead to material figures in the annual accounts. They did this by documenting and 'walking through' the systems, to ensure that controls within the Council's main financial systems were working as intended; controls were in place to safeguard the Council's assets; and that transactions had been correctly accounted for.

The Audit Commission concluded that all the material systems key controls had been operating as expected from the 'walkthrough' and controls transaction testing with the exception of housing rents. The audit had identified improvement areas for some systems and in respect of IT arrangements. The audit reported had resulted in 11 recommendations which had been detailed in the Action Plan appended to the report.

In respect of IT arrangements, Members had concerns following the recent retirement of the IT Manager. The Council's Internal Audit Manager advised the Committee that Internal Audit had made 36 recommendations relating to IT arrangements in 2010/11 which had previously been presented to this Committee. He agreed to bring it to the next meeting of the Committee for Members' information.

RESOLVED:- (i) To note the Audit Commission report; and

(ii) To note that the Internal Audit report relating to IT would be presented at the next meeting of the Committee.

#### **4 – Internal Audit Annual Report 2010/11**

The Council's Internal Audit Manager attended the Committee and presented the Internal Audit Annual Report for 2010/11 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 Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Head of Internal Audit's formal annual report presented an opinion of the overall adequacy and effectiveness of the internal control environment, and:-

- Included and opinion on the overall adequacy and effectiveness of the organisation's internal control environment;
- Disclosed any qualifications to that opinion, together with the reasons for the qualification;
- Presented a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
- Drew attention to any issues the Head of Internal Audit judged particularly relevant to the preparation of the Annual Governance Statement;
- Compared the work actually undertaken with the work that was planned; and
- Commented on compliance with these standards and the Internal Audit quality assurance programme.

The 2010/11 Year Opinion was that the Annual Report provided reasonable assurance that the majority of key controls had been operating satisfactorily. The detailed opinion was that, for the systems reviewed, the Council had basically sound systems of control in place, although there had been weaknesses which put some of the system objectives at risk. The profile of assurance was comparable to other Local Authorities, with the majority of Council systems receiving Substantial Assurance. There were however, 8 areas where only Restricted Assurance could be provided which related to:-

- Residual Waste;
- IT General Controls Review of report IT 42;
- Catering Contract Sodexo (awaiting management response); and
- IT Asset Management (2009/10 audit finalised in 2010/11).

Specific Contract Audit Reviews:-

- Construction of Holker Street Car Park (2009/10 audit finalised 2010/11);
- Alterations to the Park Leisure Centre (2009/10 audit finalised in 2010/11);
- Construction of Link Road Phase II – Cornmill Crossing to North Road (awaiting management response); and
- Partial demolition of 'Darlington' Steel Portal Framed Warehouse and Re-establishing of Structure (awaiting management response).

The weaknesses found by Internal Audit as a result of their work, together with their recommendations for improvement, had been included in reports to senior management and Members.

### Progress against the 2010/11 Annual Plan

A detailed analysis of the progress against the Audit Plan for 2010/11 had been appended to the Internal Audit Annual Report. The assessment of auditable areas had identified 73 systems which covered the Council's operations. The audit coverage achieved in the period, compared to the Audit Plan was set in the table below. The reduction in planned coverage compared to actual mainly related to changes made to the Audit Plan for the number of contract audits. 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 the Audit Committee.

<b>2010/11</b>	<b>Percentage of Systems Covered</b>	<b>Percentage of Risk Covered</b>
<b>Planned</b>	33	77
<b>Achieved</b>	25	62

A summary of the number of audit recommendations made during the year in the Internal Audit Final Reports was as follows:-

<b>Recommendations</b>	<b>Total</b>	<b>Priority 1</b>	<b>Priority 2</b>	<b>Priority 3</b>
Made	<b>86</b>	2	55	29
Fully Accepted	<b>84</b>	2	53	29
Partly Accepted	<b>1</b>	0	1	0
Not Accepted	<b>1</b>	0	1	0

In addition there had been 7 Priority 1 recommendations, 39 Priority 2 recommendations and 5 Priority 3 recommendations made, where a draft report had been issued, and was awaiting a management response.

During the year Internal Audit had reported on the implementation of 148 agreed audit recommendations made in previous reports. The results were as follows:-

<b>Fully Implemented</b>	<b>Not Implemented</b>	<b>Overtaken by events</b>	<b>TOTAL</b>
58	69	21	148

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 2011/12.

RESOLVED:- To note the Internal Audit Annual Report for 2010/11.



## **5 – Internal Audit – Final Reports**

The Borough Treasurer reported that Internal Audit had completed a number of audits in accordance with the approved annual programme. On completion, 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 13 final reports appended for consideration, all of which had an assurance level of Substantial. The reports included:-

1. Receipt Book Checks;
2. Housing and Council Tax Benefits;
3. Financial Information Systems (FIS);
4. Budgetary Control;
5. Treasury Management;
6. Accounts Receivable;
7. Accounts Payable;
8. Cemeteries and Crematorium;
9. Personnel;
10. Emlyn Street Car Park;
11. Housing Rents;
12. Procurement; and
13. Income Collection

RESOLVED:- To note the Internal Audit Final Reports.

## **6 – Benefit Service Inspection**

The Borough Treasurer reported that the Audit Commission had carried out an inspection of the Benefit Service in July 2008 and at that time they had concluded that the Council provided a 'poor service with poor prospects for improvements'. An improvement plan had been agreed and a re-inspection of the service had been undertaken in January 2010. The re-inspection report had been issued in June 2010 with the conclusion that the Council provided a 'fair service with uncertain prospects for improvements'.

Members' and Officers' views were that the Inspector's conclusions had been very harsh on both occasions and the service provided was good given the level of resources available to the Council.

He reported that the improvement plan had concluded and a closing letter had been received from the Department for Work and Pensions (DWP) which had indicated that the Department was satisfied with progress and action taken by the Council and in particular Members had been referred to the following extract from the letter:-

"I particularly wanted to congratulate your Authority on its performance against the Right Benefit measure, for which you are consistently at the top of your benchmarking group. The Audit Commission report highlighted the success you have had in educating customers of their responsibility to report changes of circumstances to the Benefits

Service. The end result is that Barrow is identifying a very high proportion of the potential changes in their caseload”.

A full copy of the letter from the DWP had been appended to the report. Members had been requested to note that the Benefits Service which was provided by Liberata was monitored on a monthly basis and improvements had been introduced when necessary. Performance was reported at regular intervals.

Also appended to the report had been a list of the improvements that had been implemented which demonstrated that significant effort and resources had been devoted to improving the service. Members had been requested to note that the improvements were not solely those identified by the Inspectors. A service improvement plan was already in operation and remained in place to ensure that the Contractor was providing the level of service determined by the Council.

The benefits performance for 2010/11 against the agreed targets was as follows:-

<b>BENEFITS PERFORMANCE 2010/11</b>		
<u>MEASURE AND DESCRIPTION</u>		<u>PERFORMANCE</u>
<b>NI180 – Right Benefit (YTD)</b>	ACTUAL	14,066
Right Benefit	FORECAST	12,578
<b>NI181 – Right Time (YTD)</b>	ACTUAL	6.4
Average time to process new claims and change events	TARGET	13.5
<b>LPI – New Claims (YTD)</b>	ACTUAL	21.9
Average speed of processing new claims	TARGET	25.0
<b>LPI – Change Events (YTD)</b>	ACTUAL	4.9
Average speed of processing change events	TARGET	12.0
<b>LPI – Processed in 14 days</b>	ACTUAL	96.2%
Percentage of new claims decided within 14 days of receiving all information	TARGET	90.0%
<b>PM17 – Reconsideration in 4 weeks</b>	ACTUAL	83.3%
Percentage of applications for reconsideration processed and notified within 4 weeks	TARGET	80.0%
<b>PM18 – Appeals in 4 weeks</b>	ACTUAL	100.0%
Percentage of appeals submitted in 4 weeks	TARGET	80.0%
<b>PM19 – Appeals in 3 months</b>	ACTUAL	100.0%
Percentage of appeals submitted in 3 months	TARGET	80.0%
<b>LPI – Overpayments</b>	ACTUAL	86.9%
Percentage of HB Overpayments recovered as a percentage of overpayments identified	TARGET	70.0%
<b>LPI – Subsidy</b>	ACTUAL	0.41%
LA Error <0.48% of gross expenditure	TARGET	0.48%
<b>LPI – Sanctions</b>	ACTUAL	49
Number of successful sanctions and prosecutions	TARGET	50
<b>LPI – Quality (YTD)</b>	ACTUAL	15.25%
% financial errors identified by quality tool from random samples	TARGET	12.0%

RESOLVED:- (i) To note the final outcome of the Benefits Service Inspection exercise;

(ii) To note the letter from the Department of Work and Pensions; and

(iii) To note the Service Performance for 2010/11.

## **7 – Risk Management**

The Policy Review Officer explained that the Audit Committee had responsibility for monitoring the Council's risk register on a quarterly basis to ensure that risks were being reviewed appropriately. The risk register had been reviewed by Management Board in June and the following amendments had been made:-

- Risk 6 – The score for the impact of implementing the pay review had been reduced from 4 to 3 because the implications would be considered as part of the comprehensive service review and the impact was lessened.
- Risk 7 – The impact of not achieving the recycling targets had been reduced from 4 to 3 because the financial implications had been accounted for in the 2011/12 budget.

The risk policy had been updated to reflect these changes and the latest version of the Council's Risk Register for 2011/12 had been appended to the report for Members' information.

RESOLVED:- To note the report.

## **8 – Performance Management**

The Policy Review Officer submitted a report providing Members with the end of year performance report for 2010/11 and the proposed priorities for 2011/15.

He reported that 33 priority actions were due to have been completed by the end of 2010/11 of which, 23 had been completed, 8 had been partially achieved or were subject to delays and were not expected to be completed in 2011. Two actions in relation to KP4 had not been completed due to funding issues.

The current status of the actions for each key priority was as follows:-

### **KP1: Safer, cleaner greener**

#### **Achieved**

- The Council changed its waste collection contractor in April and anticipated an increase in complaints about the waste collection service as changes in working practices had been introduced. An action was to reduce these complaints to the 2009/10 baseline level by the end of Quarter 1. This had been achieved and the Council were currently receiving less than 20 complaints per week.
- The action to implement the new grounds maintenance contract had been achieved.

- There had been action to implement grass cutting for Biggar Bank and this had been implemented.
- The action to provide cosmetic enhancement of vacant Town Centre units had been achieved.
- Delivery of “shop front” grants had been successful and would continue whilst external funding was available.

#### **Partially achieved**

- There had been an action to improve recycling and although there had been significant improvement to 36.2%, the target level of 40% had not been achieved. The reduced value of the recycling reward scheme had been incorporated into the 2011/12 budget.

### **KP 2: Meeting the housing needs of the Borough**

#### **Achieved**

- The development of the frail and elderly scheme in Holker Street had been completed.
- The development of additional affordable housing had been successful.
- The Council continued to have >99% of Council dwellings that met the decent home standard.
- The choice based letting programme had been launched.
- The Housing Market Renewal programme had been progressed.

#### **Partially achieved**

- The Council had continued to target private sector grants to reduce fuel poverty but had been unable to measure the outcomes. The outcomes would be compared to the LAA target which had now been deleted, it required undertaking a survey and the cost of the survey was disproportionate to the information that would be gleaned from it.

### **KP 3: Providing easier access to services**

#### **Achieved**

- The Council had improved the effectiveness of on-line transactions resulting in an increase in the number of payments (81% to 82%) and other transactions (5% to 10%) completed on-line. The total number of cleansing calls to CRM had decreased by 32% from 40,647 in 2009/10 to 27,496 in 2010/11.
- The improved website service had also contributed to a reduction in the number of avoidable contacts.
- The Council had been assessed at the Achieving level of the Equalities Framework for Local Government.

### **KP 4: Support economic regeneration**

#### **Achieved**

- The Town Centre link road had been completed and was now open.
- The refurbishment of 104 Abbey Road had been subject to delays but would be completed in the second quarter of 2011/12.

- The refurbishment of the Mall was complete.
- The refurbishment of Furness House was complete.
- Phases 2&3 of the Dalton Road Public Realm Improvement Programme were complete.

#### **Partially achieved**

- The acquisition programme was continuing but was subject to funding.

#### **Not achieved**

- The action to commence Phase 2 of Waterside House development had been cancelled. The new access road to Waterside House had been completed and was now open.
- The action to secure headline funding for Waterfront Barrow had not been completed. A submission had been made for Regional Growth Funding (RGF) but this had been unsuccessful. The Compulsory Purchase Order to acquire land for Waterfront Barrow would not go ahead; however, the Council would still try to acquire land on a voluntary basis.

### **KP 5: Improve the effectiveness and efficiency of our Council**

#### **Achieved**

- Implementation of the Cumbria Climate Change Action Plan was continuing. The Council had been unable to measure progress in terms of CO2 emissions because of issues with the calculation spreadsheet that had not yet been resolved. As a result it was uncertain whether the 10% reduction in CO2 emissions had been achieved.
- The procurement policy had been completed but had been superseded by the Purchasing Guide.
- Cashable savings had been delivered through changes to the ground maintenance and cleansing contracts.
- Processing of benefit claims had improved significantly and performance was in the top 25% of Authorities.

### **KP6: Expand facilities and activities for young people**

#### **Achieved**

- The Multi Use Games Area in Dalton had been subject to some delays but had now been completed and was open to the public.
- Usage of the youth gym at the Park had increased by more than 8%.
- There had been increased participation in organised sports activities in 2010/11 there had been a 19% increase in the number of participants and a 13% increase in the number of attendances.
- The Lakes alive spectacular had taken place although the estimated attendance was 6,000 against a target of 8,000.
- The action to deliver the Zircus plus event had been completed.












#### **Partially achieved**

- The construction of the all weather facility at The Park had been delayed but would be completed in 2011.







## Performance Indicators

The Policy Review Officer reported that there were a number of national indicators and local indicators where it was appropriate to report data on a quarterly basis. The end of year figures for the local indicators are presented in Table 1 and the end of year figures for the national indicators are presented in Table 2 below.

**Table 1: Local Indicator for 2010/11**

Indicator	Description	2009/10	2010/11	Change
9	Percentage of Council tax collected	96.6	96.55	
10	Percentage of NNDR collected	98.7	98.25	
12	Average number of days sick per member of staff	9.14	10.59	
126	Number of burglaries per 1000 households	4.01	4.57	
127a	Violent offences per 1000 population	18.06	16.40	
127b	Robberies per 1000 population	0.06	0.23	
128	Vehicle crimes per 1000 population	3.87	3.65	
218a	Percentage of abandoned vehicles removed within 24 hours	100	75	
	Number of incidences of racial violence	38	32	
	Number of incidences of racial Damage	2	2	
	Number of hate crimes	55	48	

**Table 2: National Indicator for 2010/11**

Indicator	Description	2009/10	2010/11	Change
NI 191	Residual waste per household	864	856	
NI 192	% of waste recycled, composted	34.2	36.0	
NI 195a	% of streets that don't meet the cleanliness standard: litter	1	1	
NI 195b	% of streets that don't meet the cleanliness standard: detritus	2	2	
NI 195c	% of streets that don't meet the cleanliness standard: graffiti	0	0	
NI 195d	% of streets that don't meet the cleanliness standard: fly posting	0	0	

- Collection of Council Tax and National Non Domestic Tax had been marginally lower than in 2009/10.
- The average number of day's sickness absence per member of staff was worse than for the same period in 2009/10.
- There had been a decrease in the number of violent crimes.
- There had been an increase in the number of acquisitive crimes including household burglaries and robberies. The robbery figure was based on small numbers (5 in 2009/10 and 17 in 2010/11).
- There had been a decrease in the number incidences of racial violence and the number of hate crimes reported.
- There had been a marginal reduction in the amount of waste generated and recycling has improved.

### Key Priorities 2011/15

The Policy Review Officer reported that the Council's existing Key Priorities had served well in providing a structured management and direction of its efforts and resources. However, in the new economic reality, faced with massive withdrawal of Central Government grant, the Council must re-organise itself into a leaner organisation unable to offer the same level of support and subsidy to its residents, partners and customers and concentrating on fewer and only the most significant strategic issues.

The Council's overall strategic driver in the coming four years would be retrenchment, the need to become smaller and withdraw from services and functions which it decided would be less important and relevant given the resources available.

However, it would be important that the Council continued to have a strategic view of what was important and to guide Members and Officers in identifying those issues where any spare capacity would be directed.

Clearly the Council's main objective must be to achieve a balanced budget and the overall priority must be to establish an effective and responsible deficit reduction strategy.

Revising the Key Priorities must give recognition to that, but it must also give scope to direct any surplus capacity, including capital resources which remained relatively strong, to the most urgent and important issues in the Borough. To this end the following had been identified as key issues:-

- Efficiency;
- Housing;
- The built environment; and
- The local economy

The scale of resources the Council could bring directly to some of these issues may be reduced, but there was still much the Council could achieve through partnership and influence. That said, the Council must be realistic as to the scale of intervention and positive action it could implement and the key objectives must be realistic.

To this end it was recommended that the Council adopted four new Key Priorities as follows: -

1. Provide good quality efficient and cost effective services while reducing overall expenditure;
2. Continue to support housing market renewal including an increase in the choice and quality of housing stock and the regeneration of our oldest and poorest housing;
3. Work to mitigate the effects of the recession and cuts in public expenditure and their impact on the local economy and secure a sustainable and long term economic recovery for our community; and
4. Continue to improve and enhance the built environment and public realm, working with key partners to secure regeneration of derelict and underused land and buildings in the Borough.

Once adopted by Council, the four Key Priorities would be used as the basis for all future business planning and to direct the activity of any spare capacity and resources.

Although at this time there was not a formal action plan there were a number of improvement activities being implemented and these include:-

- Undertaking a comprehensive service delivery review;
- Transferring management of waste collection, building cleaning and dog warden services to the street care team to reduce management costs;
- Undertaking a business improvement review of the Development Control service and developing a framework for setting local planning fees;
- Introducing self-financing of Council housing services;
- Re-letting the responsive repair contract;
- Reviewing housing support services;
- Updating Information Technology and introducing Customer Relations Management service in the Housing department;
- Demolishing the agreed areas of Marsh Street;
- Demolishing 100 Abbey Road and carrying out external improvements to 102 Abbey Road; and
- Completion of the all weather soccer centre.

An action plan would be developed once the priorities have been adopted.

The Policy Review Officer informed the Committee that Management Board had recommended the proposed Key Priorities for 2011/15 and he recommended that this Committee forward these to the Overview and Scrutiny Committee for their consideration.

RESOLVED:- (i) To note the report; and

(ii) To agree that the proposed key priorities for 2011/15 be forwarded to the Overview and Scrutiny Committee for their consideration.



## 9 – Annual Governance Statement

The Director of Corporate Services reported that part of the 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 2010/11:-

- Chief Executive: Head of Paid Services;
- Director of Corporate Services: Monitoring Officer;
- Borough Treasurer: S151 Officer;
- Internal Audit Manager; and
- Policy Review Officer.

A copy of the Annual Governance Statement had been appended to the report. The statement explained that the Council was responsible for delivering a wide range of statutory and discretionary services to the public in the area of the Borough. The Council was responsible for ensuring that its business was conducted in accordance with law and proper standards, and that public money was safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Council had approved a Code of Corporate Governance, which was consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government. The core principles identified in the framework underpinned the Council's approach to governance. The principles were:-

1. Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting Council values and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which were subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of Members and Officers to be effective; and
6. Engaging with local people and other stakeholders to ensure robust public accountability.

A number of recommendations had been identified in the 2010 Annual Governance report and the Council had adopted these as an Action Plan. The table below indicates progress made against the Plan:-

Table 1: AGR action plan

	Recommendation	Status
R1	The explanatory foreword to the accounts covers areas recommended by the SORP.	This was on-going and would be reflected in the 2010/11 accounts.
R2	Improve the process for preparing the AGS.	The data evidence gathering process was more robust and transparent.
R3	The accounts should disclose the specific purposes of earmarked reserves.	This had been implemented.
R4	Improve access to IT controls in Liberata to facilitate auditing.	Completed.
R5	Reconcile Valuation Office Schedules and CT and NNDR systems.	Completed.
R6	Assess provisions for bad debt against historical collection performance.	On-going.
R7	Include HB over payment recovery in the accounts.	On-going.
R8	Ensure Contract Standing Orders and Financial instructions are kept up to date. Update procurement policy. Improve the tendering process to make it more compliant with Contract Standing Orders.	Completed.

Members had been invited to consider the report and agree to submit the report and supporting evidence to the District Auditors for their consideration.

RESOLVED:- (i) To agree to submit the report and supporting evidence to the District Auditors for their consideration; and

(ii) To agree that the Annual Governance Statement be published on the Council's website.

The meeting closed at 4.20 p.m.

<b>AUDIT COMMITTEE</b>		<b>Part One (D) Agenda Item 7</b>
<b>Date of Meeting: 29th September, 2011</b>		
<b>Reporting Officer: Policy Review Officer</b>		
<p><b>Title: Annual Governance Statement 2010-2011</b></p> <p><b>Summary and Conclusions:</b></p> <p>Provide Members with the refreshed Annual Governance Statement for 2011/12.</p> <p><b>Recommendations:</b></p> <ol style="list-style-type: none"> <li>1. Members are invited to consider the changes to the Annual Governance Statement; and</li> <li>2. The Annual Governance Statement be published on the Council's web site.</li> </ol>		

### **Report**

The Annual Governance Statement was presented to the Audit Committee at its meeting in July following that meeting the District Auditor recommended some changes which have been incorporated in the document.

The updated statement is attached at **Appendix 1** and the changes are on pages 6-7 in the shaded text.

(i) **Legal Implications**

Not Applicable.

(ii) **Financial Implications**

Not Applicable.

(iii) **Health and Safety Implications**

Not Applicable.

(iv) **Key Priorities or Corporate Aims**

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil

<b>AUDIT COMMITTEE</b>	<b>(D) Agenda Item 8</b>
<b>Date of Meeting: 29th September, 2011</b>	
<b>Reporting Officer: Borough Treasurer</b>	
<p><b>Title: Going Concern Concept</b></p> <p><b>Summary and Conclusions:</b></p> <p>International Financial Reporting Standards require the Council's Management Team to assess and determine that it is appropriate to prepare the financial statements on a going concern basis. This should take account of all available information about the future, which is at least, but not limited to a period of twelve months from the end of the reporting period.</p> <p>The accounts of the Council for the period 1st April, 2010 to 31st March, 2011 have been prepared on a going concern basis. This basis assumes that the Council will be able to realise its assets and liabilities in the normal course of business and that it will continue in business for the foreseeable future.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> <li>1. The Council is a going concern</li> <li>2. That it is appropriate for the accounts to be prepared on the going concern basis.</li> </ol>	

### **Report**

International Financial Reporting Standards require the Council's Management Team to assess and determine that it is appropriate to prepare the financial statements on a going concern basis. This should take account of all available information about the future, which is at least, but not limited to a period of twelve months from the end of the reporting period.

Management Team have considered all relevant factors (see the table below) and determined that the Going Concern concept does apply to Barrow Borough Council.

<b>Considerations</b>	<b>Management Team Assessment</b>	<b>Completed</b>	<b>Date</b>
<b>Forecasts and budgets</b>	Council approved the budget for 2011/12 and a four year capital programme.	✓	February 2011

	A three year budget forecast was approved by the Council.	✓	February 2011
	Audit provided an unqualified opinion on the accounts to 31st March 2010.	✓	September 2010
	Senior members are considering a strategy to balance the budget to 2014-2015.		October 2011
<b>Working Capital Facility</b>	The Council's income stream is assessed to be sufficient to provide adequate working capital facility. The Council's banking arrangement is flexible to provide temporary cover if required.	✓	April 2011
<b>Medium &amp; Long Term Plans</b>	The annual budget process provides the following year's budget as well as a three year forecast.	✓	February 2011
<b>New Legislations</b>	The Council is preparing for the major change to the self-financing system for the Housing Revenue Account coming in April 2012.		Ongoing
	The Council is aware of the proposed changes to Universal Credits and the Localisation of Council Tax Benefits coming in 2013-2014.		Ongoing
<b>Cash Flow Timing</b>	A full assessment of projected cash inflows and outflows is carried out on daily basis including timing of receipts and settlement of all known liabilities. There are no known factors which would result in a cash shortage during 2011-2012.		Ongoing
<b>Contingent Liabilities</b>	The Council does not have any material contingent liabilities either at the present time or forecast which are included in the accounts.	✓	June 2011
<b>Risk Management</b>	The Council has a risk management process which focuses on the business critical areas of operations and management.		Ongoing
<b>Political Environment</b>	The Council has moved to a four yearly election cycle. The May 2011 elections resulted in a decisive majority for one political party. It is anticipated that this environment will provide stability in the policy making areas relating to services and the overall direction of the Council.	✓	May 2011

(i) Legal Implications

Not Applicable.

(ii) Financial Implications

Not Applicable.

(iii) Health and Safety Implications

Not Applicable.

(iv) Key Priorities or Corporate Aims

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil

<b>AUDIT COMMITTEE</b>		<b>Part One</b>
<b>Date of Meeting: 29th September, 2011</b>		<b>(D)</b>
<b>Reporting Officer: Borough Treasurer</b>		<b>Agenda Item 9</b>
<p><b>Title: Final Accounts for the Year ended 31st March, 2011</b></p> <p><b>Summary and Conclusions:</b></p> <p>The Accounts and Audit Regulations 2011 require the approval and publication of the Statement of Accounts by 30th September, 2011.</p> <p>This report presents the Council's Statement of Accounts for the year ended 31st March, 2011.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> <li>1. Review and scrutinise the annual statement of accounts. To consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statement that need to be brought to the attention of the Council;</li> <li>2. Formally approve the Statement of Accounts for 2010-2011 and</li> <li>3. Authorise the Chairman of this Committee to sign the accounts on behalf of the Council.</li> </ol>		

## **Report**

The Statement of Accounts for the year is attached at **Appendix 2** to this report.

Local Authority accounts are prepared to comply with The Code of Practice on Local Authority Accounting 2010-2011 incorporating International Financial Reporting Standards.

In preparing the accounts for 2010-2011, your officers have complied with recommended practice and all the relevant legislations.

The Audit Commission have audited the Statement of Accounts for the year and their findings are reported in the Annual Governance Report which has been included as a separate item on the agenda for this meeting.



In addition to the full Statement of Accounts, summary accounts are produced to provide a simplified version of the accounts. These are attached at **Appendix 3** to this report.

(i) Legal Implications

The Accounts and Audit Regulations 2011 require the approval and publication of the Statement of Accounts by 30th September, 2011.

(ii) Financial Implications

As detailed in the Statement of Accounts.

(iii) Health and Safety Implications

Not Applicable.

(iv) Key Priorities or Corporate Aims

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil

<b>AUDIT COMMITTEE</b>		<b>Part One (D) Agenda Item 10</b>
<b>Date of Meeting: 29th September, 2011</b>		
<b>Reporting Officer: Borough Treasurer</b>		
<p><b>Title: Audit Commission – Annual Governance Report for the year 2010-2011</b></p> <p><b>Summary and Conclusions:</b></p> <p>The Annual Governance Report is produced by the Audit Commission following the completion of their audit for each financial year.</p> <p>The Council's External Auditors will attend the meeting to present the report to Members.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> <li>1. Receive the report;</li> <li>2. Raise any questions or concerns with the Appointed Auditor; and</li> <li>3. Approve the recommendations and action plan contained in the report.</li> </ol>		

### **Report**

The Audit Commission Annual Governance Report for 2010-2011 is attached at **Appendix 4**.

(i) **Legal Implications**

It is a statutory requirement to have the accounts certified and published by 30th September, 2011.

(ii) **Financial Implications**

Not Applicable.

(iii) **Health and Safety Implications**

Not Applicable.

(iv) Key Priorities or Corporate Aims

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil

<b>AUDIT COMMITTEE</b>		<b>Part One (D) Agenda Item 11</b>
<b>Date of Meeting: 29th September, 2011</b>		
<b>Reporting Officer: Borough Treasurer</b>		
<p><b>Title: Letter of Representation 2010-2011</b></p> <p><b>Summary and Conclusions:</b></p> <p>As part of the annual process of finalising the Accounts, there is a requirement to provide assurance to the Audit Commission on relevant and significant matters relating to the financial year. A letter of representation is issued to disclose material facts affecting the 2010-2011 transactions of the Council.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> <li>1. Approve the letter of representation for 2010-2011; and</li> <li>2. Authorise the Chairman of the Committee and the Borough Treasurer to sign the letter on behalf of the Council.</li> </ol>		

### **Report**

The letter of representation is attached at **Appendix 5** to this report.

(i) **Legal Implications**

It is a statutory requirement to have the accounts certified and published by 30th September, 2011.

(ii) **Financial Implications**

Not Applicable.

(iii) **Health and Safety Implications**

Not Applicable.

(iv) **Key Priorities or Corporate Aims**

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil



## **Annual Governance Statement 2010-2011**

**Author: Director of Corporate Services**  
**Date published: June 2011**  
**Review date: January 2012**

Endorsed by Audit Committee July 2011  
Chief Executive's Department  
Town Hall  
Duke Street  
Barrow-in-Furness  
Cumbria  
LA14 2LD  
directorsadmin@barrowbc.gov.uk

## **Annual Governance Statement – 2010-11**

### **Scope and responsibility**

Barrow Borough Council is responsible for delivering a wide range of statutory and discretionary services to the public 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.

### **Good governance**

Governance is about how the Council ensures that the right things are done in the right way, for the right people, in a timely, open, honest and accountable manner. This comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which they account to, engage with and, where appropriate, lead the community.

### **The Council's governance framework**

The Council's governance framework comprises the systems and processes, and the culture and values, by which the authority is directed and controlled and the activities through which it gives accounts to, engages with and leads the community.

The Council has approved a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government. The core principles identified in the framework underpin the Council's approach to governance:

1. Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting Council values and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of Members and officers to be effective;

6. Engaging with local people and other stakeholders to ensure robust public accountability.

The framework enables the authority to monitor the achievement of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost effective services. Appendix 1 shows the process involved in preparing the statement.

### **Review of effectiveness**

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

Chief Executive: Head of Paid Services.

Director of Corporate Services: Monitoring Officer.

Borough Treasurer: S151 Officer.

Internal Audit Manager.

Policy Review Officer.

### **Self assessment**

The Council has assessed itself against the six core principles of good governance that are defined in the Code of Corporate Governance. Consideration has been given to the expanded governance requirements for the chief financial officer.

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 was adopted. A scoring system of 1 to 10 was employed whereby 1-3 was poor, 4-7 was adequate and 8-10 was good. The scoring was supported by an assurance statement completed by the members of the Management Team. The scores are in the summary below and the supporting evidence is in appendix 2. Based on the scoring system the Council considers its governance arrangements to be adequate.

To support the scores we reviewed the source documents recommended in the CIPFA guidance scheduled and identified additional evidence to demonstrate compliance with the supporting principals of good governance. This additional evidence included committee reports and minutes from management and partnership meetings.

### **Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;**

- The Council supports the Sustainable Community Strategy for Barrow and Furness which was informed by local consultation.
- The Council has a strategic vision and has identified six key priorities.
- The Council uses its corporate business plan and annual action plan to define how the vision will be delivered.



- The Medium Term Financial Plan underpins corporate aims and priorities
- The Council's budget shows financial plans at a detailed level for the financial year
- Effective Budget Monitoring takes place regularly
- The Council has developed measures including progress against key priority actions and performance indicators and reports these to senior managers and the Audit Committee on a quarterly basis
- An Annual Report articulates the Council's activities and achievements.

Self-assessment score 7/10

**Members and officers working together to achieve a common purpose with clearly defined functions and roles;**

- Senior elected Members and managers work together to deliver the Council's vision.
- The roles of elected Members and officers are defined in the Council's Constitution.
- Official Member spokespersons have been identified for strategic objectives
- Terms of reference for Committees and the Council are clearly defined within the Constitution
- Clear delegations and accountabilities are laid down in the Constitution
- Executive Committee pre-agenda meetings with Members and Management Team ensure informed decision making
- Achieving compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by the Council
- Financial administration procedures are produced and issued by the Borough Treasurer

Self-assessment score 7/10

**Promoting Council values and demonstrating the values of good governance through upholding high standards of conduct and behaviour;**

- The Council promotes its culture and value through the codes of conduct which are an integral part of the Council's Constitution. This includes anti-fraud and whistle blowing arrangements.
- The expected behaviour of Members and officers is clearly defined in the constitution.
- Contract Standing Orders and Financial Regulations have been established and embedded within the organisation
- There is an established and effective Standards Committee
- Member and officer registers of declared interests together with a hospitality and gift register

Self-assessment score 7/10

### **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;**

- The Council has effective and transparent decision making processes, agendas and minutes are available to the public.
- The Council has effective scrutiny and audit committees with formal Terms of Reference.
- Members are provided with information and data to allow them to make informed decisions.
- An effective system of internal control is in place and is designed to manage risk to a reasonable level rather than to eliminate all risk.
- The Council's risk register is monitored on a quarterly basis by senior officers and Members.
- Active health and safety arrangements, including a robust policy and an official Member spokesperson.
- Devolved financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures. Elements include:-
  - financial awareness training and working closely with service accountants in all aspects of financial management and administration
  - monthly review by officers and the appropriate service manager of budgetary control information, comparing expected and actual performance
  - formal quarterly budget monitoring reports to the Executive Committee
- Active performance management arrangements
- A robust complaints / compliments procedure is in place and is widely publicised
- Freedom of Information requests are dealt with in accordance with established protocols

Self-assessment score 7/10

### **Developing the capacity and capability of Members and officers to be effective;**

- An induction programme is in place for Officers and Members
- All elected Members have personal development plans to improve their knowledge and skills.
- A Member training and development programme is in operation
- The Council has a corporate training plan for staff development
- The Council has appointed a number of learning representatives to support staff development.
- Deputy section 151 and Monitoring Officers are in place.

Self-assessment score 7/10

## **Engaging with local people and other stakeholders to ensure robust public accountability.**

- The Council employs a community engagement officer to enable effective engagement with the public.
- The Council's approach to communication is defined in the consultation strategy.
- The Council publishes an annual report to inform residents of the Council's financial and service delivery performance.
- "talking Point" is Barrow Borough Council's new online service to help the people of Barrow Borough contact us about local issues
- Committee and Council meetings are open to the public, with papers available on the internet
- The Council Tax leaflet, issued annually, provides further information on the Council priorities and principal outcomes on delivering strategic objectives; these are sent to people's homes with the Council Tax bills
- The Council engages by various means with hard to reach groups, such as the Citizens Advice Bureau, Furness Multicultural Forum, the Disability Association, Age Concern and the Blind Society

Self-assessment score 7/10

### **Internal Audit opinion**

An important part of the governance arrangements is the maintenance of an Internal Audit function, which operates in accordance with Code of Practice for Internal Audit in Local Government. The effectiveness of the Internal Audit function is examined 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.

In 2010/11 the overall opinion provided reasonable assurance that the integrity of key controls were operating satisfactorily. The internal audit report is in appendix 3.

### **Financial management**

The Council's Chief Financial Officer, 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.

The Borough Treasurer ensures that budget calculations are robust and reserves and balances are adequate in accordance with CIPFA guidance and best practice.

The Borough Treasurer ensures that the appropriate financial information systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls apply

consistently to all activities including partnership arrangements, outsourcing or where the authority is acting in an enabling role.

## **Significant governance and internal control issues**

The review of the governance arrangements has not identified any significant weaknesses. We believe that the existing governance arrangements are fit for purpose and are adequate to discharge the Council's legal responsibilities and to meet the Council's corporate aims. In future a proper test of this view will be provided by how effectively the Council deals with the deficit projections of the Medium Term Financial Plan. This is referred to further in this report.

A number of issues were identified in the 2010 Annual Governance Report from the Audit Commission and an action plan agreed; those actions are now complete. A particular issue raised was concerned with the Council's arrangements for contracting and procurement. The action taken by the Council was to undertake a significant review of the Contract Standing Orders and introduce a formal Purchasing Guide; the Financial Regulations were amended to include the procurement policy. To introduce the revised Contract Standing Orders to officers and to allow them to become embedded in the Council's governance framework, a contract checklist was introduced and is the control to document the contracting process and is a guide for the responsible officer. The contract checklists are reviewed by Internal Audit throughout the tendering and contracting process to give management assurance that the Contract Standing Orders are being adhered to.

The Council has reviewed the Internal Audit report into ICT controls and is currently undertaking the key recommendations.

## **Good Governance Standard review**

A number of recommendations were made following the good governance standard review and the Council has made some progress in implementing these.

We have strengthened our risk management arrangements service managers are more involved in updating the risk register through quarterly reviews at Management Board meetings. Members of the audit committee have received risk awareness training and are actively involved in monitoring the risk register.

Members of the scrutiny committee have developed and prioritised a four year scrutiny programme.

In the immediate future the most significant and pressing issue facing the Council is the need to develop an effective strategy to eradicate the budget deficit generated by loss of grant following the governments Comprehensive Spending Review.

This year the Council implemented changes to its election cycle and for the first time ever local residents have elected the whole council with a 4 year term of office. The Council correctly took the view that the difficult decisions required to bring the Council's General fund expenditure into balance should be taken by the newly elected Council.

The 2011 election has produced a strong majority Council for the first time for many years and it is essential that the new administration and new Members come to terms with the task quickly in order to be able to implement a viable Medium Term Financial Plan (MTFP)

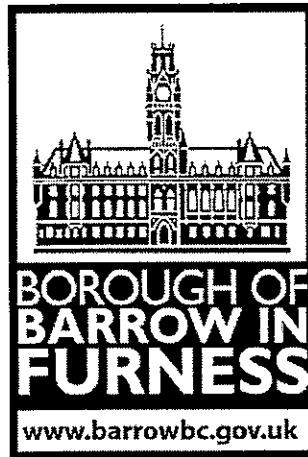
Agreeing and implementing the details of the MTFP will require the Executive Committee, Management Team and Audit Committee to work constructively and effectively together and will be a significant test of our governance arrangements.

#### **Certification Statement**

The review of the governance arrangements for the financial year 2010-11 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 A Burns  
Chairman of the Audit Committee

T O Campbell  
Chief Executive



## STATEMENT OF ACCOUNTS 2010/11

### Contents List

	Page(s)
Explanatory Foreword to the Accounts	1 to 14
Statement of Responsibilities	15
Main Accounting Statements	
▪ Movement in Reserves Statement	16 to 17
▪ Comprehensive Income and Expenditure Statement	18
▪ Balance Sheet	19
▪ Cash Flow Statement	20
Notes to the Main Accounting Statements	21 to 72
Supplementary Statements	
○ Housing Revenue Account	73 to 77
○ Collection Fund	78 to 81

## **EXPLANATORY FOREWORD**

### **Introduction from the Borough Treasurer**

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

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

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

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

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

### **a. Accounting Statements**

The Statement of Accounts comprises:

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

### **b. Statement of Responsibilities**

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

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

### **c. Movement in Reserves Statement**

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

### **d. Comprehensive Income and Expenditure Statement**

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

### **e. Balance Sheet**

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

### **f. Cash Flow Statement**

The Cash Flow Statement (page 20) shows the changes in cash and cash equivalents of the authority during the year. This Statement shows how the authority generates and uses cash and cash equivalents by classifying the cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the authority are funded by way of local taxation and grant income or from the recipients



of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (borrowing) to the authority.

### g. Notes

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

### h. Housing Revenue Account

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

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

### i. Collection Fund

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

### j. Comparison to revenue budget

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

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

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

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

The contribution to earmarked reserves includes:

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

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

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

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

#### k. Reserves and balances

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

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

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2010/11

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

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

### **I. Material assets and liabilities**

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

### **m. Retirement benefits**

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

### **n. Material and unusual charges and credits**

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

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

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

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

#### **o. Significant change in accounting policies**

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

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

- Grants and contributions for capital purposes are recognised as income immediately rather than being deferred to revenue to match the depreciation of an asset.
- Grants and contributions for revenue purposes are recognised as income immediately and carried forward as earmarked grants (reserves) where they are unspent.
- The main financial statements have changed and there are additional requirements for segmental reporting.

- There is a greater emphasis on component accounting and on derecognising parts of an asset that are replaced.
- Property leases are classified and accounted for as separate leases of land and buildings. Arrangements that may contain the substance of a lease must be assessed.
- Impairment losses are taken to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset.
- IFRS accounting introduced a new classification of non-current assets held for sale. There are specific criteria that apply to this classification.
- All employee benefits are accounted for as they are earned by the employee. This required accruals for items such as holiday pay.
- The definition of associates is based on the ability to control rather than actual control, the authority's group boundaries have been re-assessed.

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

#### Movement in Reserves Statement

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

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

The adjusted items are:

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

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2010/11

<b>Surplus or (deficit) on the provision of services IFRS per 2009/10 restated</b>		<b>(2,143)</b>
--	--	----------------

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

<b>Transfers to/(from) Earmarked Reserves</b>	<b>1,876</b>	<b>1,960</b>
---	--------------	--------------

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

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

The adjusted items are:

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

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

<b>Transfers to/(from) Earmarked Reserves</b>		<b>38</b>
---	--	-----------

### Comprehensive Income and Expenditure Statement

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

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

The IFRS adjustments are:

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

### Balance Sheet

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

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

The IFRS adjustments are:

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

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

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

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

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

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

### Cash Flow Statement

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



## p. Financial planning

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

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

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

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

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

## q. Future changes

### Local Government Resource Review

The Government has initiated a Local Government Resource Review which will deliver proposals by July 2011. The Review will consider the way in which local authorities are funded, with a view to giving local authorities greater financial autonomy and strengthening the incentives to support growth in the private sector and regeneration of local economies. It will look at ways to reduce the reliance of

local government on central government funding, increase local accountability and ensure that the benefits of economic growth are reflected in the resources authorities have.

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

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

### Universal Credit

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

### Housing Revenue Account Self-Financing

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

## r. Capital and borrowing

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

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

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2010/11

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

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

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

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

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

### s. Provisions and contingencies

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

No new provisions have been created.

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

**t. Material events after the reporting date**

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

**u. Current economic climate**

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

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

**M Saleh CPFA, BA, M.Litt**  
**Borough Treasurer**

## STATEMENT OF RESPONSIBILITIES

### The Authority's Responsibilities

The authority is required to:

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

### The Borough Treasurer's Responsibilities

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

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

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

The Borough Treasurer has also:

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

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



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

Councillor Mrs A Burns  
Audit Committee Chairman  
29 September 2011

## ACCOUNTING STATEMENTS

### Movement in Reserves Statement

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

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2010/11

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

**Comprehensive Income and Expenditure Statement**

2009/10 Restated		2010/11			
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	£000	£000	£000
8,843	(7,098)	1,745	8,912	(7,929)	983
18,970	(6,788)	12,182	15,750	(5,970)	9,780
2,366	(1,524)	842	2,045	(1,263)	782
7,588	(9,037)	(1,449)	8,103	(9,066)	(963)
21,762	(20,991)	771	23,225	(22,611)	614
(1,258)	-	(1,258)	19,025	-	19,025
-	-	-	(4,827)	-	(4,827)
1,627	(86)	1,541	1,579	(85)	1,494
315	-	315	57	-	57
<b>60,213</b>	<b>(45,524)</b>	<b>14,689</b>	<b>73,869</b>	<b>(46,924)</b>	<b>26,945</b>
		399			358
		2,947			2,463
		(22,039)			(18,431)
		(4,004)			11,335
		(1,670)			1,304
		9,216			(6,364)
		7,546			(5,060)
		<b>3,542</b>			<b>6,275</b>



**Balance Sheet**

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

**Cash Flow Statement**

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

## Notes to the Accounts

### 1. ACCOUNTING POLICIES

#### a. General Principles

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

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

#### b. Accruals of Income and Expenditure

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

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

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

### **c. Cash and Cash Equivalents**

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

### **d. Council tax and business rate transactions**

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

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

### **e. Exceptional Items**

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

### **f. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, that is, in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **g. Charges to Revenue for Non-Current Assets**

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

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

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

## **h. Employee Benefits**

### **Benefits Payable During Employment**

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

### **Termination Benefits**

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

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

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

### **Post Employment Benefits**

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

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

### **The Local Government Pension Scheme**

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

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

Income and Expenditure line in the Comprehensive Income and Expenditure Statement

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

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

#### **Discretionary Benefits**

The authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### **i. Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **j. Financial Instruments**

### **Financial Liabilities**

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

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

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

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

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



## Financial Assets

### Loans and Receivables

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

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

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

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

### k. Foreign Currency Translation

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

### l. Government Grants and Contributions

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

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

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

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

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

#### **Area Based Grant**

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

### **m. Inventories and Long Term Contracts**

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

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

### **n. Leases**

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

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

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

### **The Authority as Lessee**

#### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a rent-free period at the commencement of the lease).

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

### **The Authority as Lessor**

#### **Operating Leases**

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

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

## **o. Overheads and Support Services**

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

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

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

#### **p. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

##### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (repairs and maintenance) is charged as an expense when it is incurred. Acquisitions under £10,000 are de minimus 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 or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

## **q. Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will

now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

## **r. Reserves**

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

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

## **s. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been



charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

#### **t. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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

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

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

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

### **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

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

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

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

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

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

##### **Revaluation of Property, Plant and Equipment**

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

##### **Depreciation of Property, Plant and Equipment**

Assets are depreciated based on useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to maintain the expenditure on repairs and maintenance resulting in uncertainty in the useful lives assigned to assets by the valuers. If the useful life of assets is reduced depreciation increases and the carrying amount of assets falls. Some of the authority's assets are carried at an impaired value (revaluation loss), awaiting an improvement in their market; these are council dwellings and some properties rented out on a commercial basis. The impaired values then have useful lives applied to calculate the depreciation charge. If the impairment increased or if

there was a reversal of the previous loss, the value of the asset and the related depreciation would be over or under stated. For instance if the useful life of the council dwellings was determined to be 25 years, rather than the current 30 years, the depreciation charge to the HRA for 2011/12 would be £2,526k rather than £2,105k.

#### Arrears

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

#### Pensions liability

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

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

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

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

#### Financial instruments

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

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

## **5. MATERIAL ITEMS OF EXPENSE AND INCOME**

The Comprehensive Income and Expenditure Statement includes the following items:

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

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

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

## **6. EVENTS AFTER THE BALANCE SHEET DATE**

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

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

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

## **7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

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

The authority holds the following usable reserves:

- **General Fund Balance**

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

- **Housing Revenue Balance**

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

- **Major Repairs Reserve**

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

- **Capital Receipts Reserve**

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

▪ Capital Grants Unapplied

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

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

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2010/11

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

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2010/11

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

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



BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2010/11

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

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2010/11

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

### 8. TRANSFERS TO/FROM EARMARKED RESERVES

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

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

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2010/11

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

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

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

## 9. OTHER OPERATING EXPENDITURE

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

## 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

**11. TAXATION AND NON SPECIFIC GRANT INCOMES**

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

## 12. PROPERTY, PLANT AND EQUIPMENT

### Movements on Balances

#### Movements in 2010/11

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

Comparative Movements in 2009/10

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

## Depreciation

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

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

## Capital Commitments

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

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

## Effects of Changes in Estimates

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

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

Revaluations

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

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

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

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

13. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

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



**BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2010/11**

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

**Income, Expense, Gains and Losses**

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

**Fair Values of Assets and Liabilities**

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

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

The fair values calculated are as follows:

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

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

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

#### 14. INVENTORIES

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

#### 15. DEBTORS

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

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

#### 16. CASH AND CASH EQUIVALENTS

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

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

## 17. CREDITORS

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

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

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

## 18. PROVISIONS

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

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

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

## 19. USABLE RESERVES

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

**20. UNUSABLE RESERVES**

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

**Revaluation Reserve**

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

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

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

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

### Capital Adjustment Account

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

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

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

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

### Financial Instruments Adjustment Account

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

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

### Pensions Reserve

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

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

### Deferred Capital Receipts Reserve

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

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

### Collection Fund Adjustment Account

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

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

### Accumulated Absences Account

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

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

**21. OTHER LONG TERM LIABILITIES**

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

**22. LONG TERM DEBTORS**

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

**23. CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

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

**24. CASH FLOW STATEMENT – INVESTING ACTIVITIES**

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

**25. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

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



## 26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

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

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

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

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

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

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

**Reconciliation to Subjective Analysis**

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

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

**BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2010/11**

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

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

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

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

## **27. MEMBERS' ALLOWANCES**

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

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

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

## 28. OFFICERS' REMUNERATION

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

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

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

## 29. EXTERNAL AUDIT COSTS

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

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

### 30. GRANT INCOME

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

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

### 31. RELATED PARTIES

The authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the authority or to be controlled or influenced by the authority. Disclosure of these transactions allows readers to assess the extent to which the authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority.

#### Government bodies

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

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

**Members**

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

**Officers**

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

**32. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

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

### 33. LEASES

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

#### Authority as Lessee

##### Operating Leases

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

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

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

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

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

31 March 2010		31 March 2011
£000		£000
155	Minimum lease payments	157
(34)	Sublease receipts	(35)
<b>121</b>		<b>122</b>

#### Authority as Lessor

##### Operating Leases

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

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

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

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

### **34. REVALUATION LOSSES**

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

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

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

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

### **35. TERMINATION BENEFITS**

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

### **36. DEFINED BENEFIT PENSION SCHEMES**

#### **Participation in Pension Schemes**

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

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

#### **Transactions Relating to Post-employment Benefits**

The authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are



eventually paid as pensions. However, the charge the authority is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

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

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

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

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

### Assets and Liabilities in Relation to Post-employment Benefits

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

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

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

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

The assets at the 31 March 2011 consist of:

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

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

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

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

### Scheme History

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

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

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

### Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

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

### History of Experience Gains and Losses

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

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

### **37. CONTINGENT LIABILITIES**

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

### **38. CONTINGENT ASSETS**

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

### **39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The authority's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates.

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

#### **Credit Risk**

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

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum

credit criteria, as laid down by Fitch and Moody's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

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

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

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

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

No credit limits were exceeded during the reporting period.

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

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

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

### Liquidity Risk

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

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

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

### Market Risk

#### Interest Rate Risk

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

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

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

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

- The Treasury Management Strategy sets an indicator to provide the maximum limits for fixed and variable interest rate exposure.
- The Borough Treasurer monitors market and forecast interest rate and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

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

#### Price Risk

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

#### Foreign Exchange Risk

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

## HRA INCOME AND EXPENDITURE STATEMENT

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

### Movement on the HRA Statement

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

### Notes to the HRA

#### 1. Dwelling stock

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

#### 2. HRA non-current assets

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

#### 3. Vacant possession of dwellings

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



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

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

#### 4. Major Repairs Reserve

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

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

#### 5. HRA Capital Financing Requirement

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

**6. HRA non-current asset disposals**

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

**7. Depreciation and revaluation loss on dwellings**

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

**8. HRA subsidy**

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

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

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

**9. Rent arrears and provision**

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

### 10. Transactions Relating to Post-employment Benefits

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

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

**COLLECTION FUND**

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

## Notes to the Collection Fund

### 1. Income from business ratepayers

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

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

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

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

### 2. Bad and doubtful debts

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

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

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

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

### 3. Collection Fund balance

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

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

### 4. Council Tax base

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

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

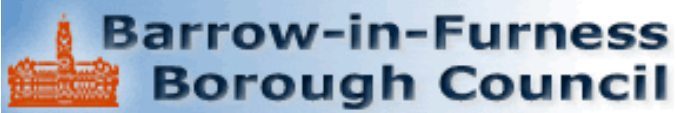
The Council Tax base for the year was set as:

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

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2010/11

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

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



## Barrow Borough Council Summary of Accounts 2010-2011



### Details of the Council's Spending During 2010-2011



## ***Treasurer's Statement***

The Council's Statement of Accounts has been prepared in accordance with the Accounting Code for Local Authorities. The figures in this summary were originally compiled having regard to proper accounting practice. For the purposes of this statement some modifications were made to provide more meaningful information by removing some of the more complicated technical accounting requirements which do not impact on the true cost of providing the services.

The Audit Commission is expected to issue an unqualified opinion on the Council's full accounts for 2010-2011.

A full copy of the Council's 2010-2011 audited accounts is available for examination on request. The accounts are also available on the Council's web site at [www.barrowbc.gov.uk](http://www.barrowbc.gov.uk).

## ***Financial Review for the Year***

The following statement by the Borough Treasurer describes some of the key points on the Council's stewardship of public funds.

### **Financial performance**

The Council budgeted net expenditure for 2010-2011 was £16,593,218. The year end position left a surplus of £26,317 after keeping £1,852,881 in reserves.

### **Council Housing**

The Council owns 2,711 houses, rented out to tenants. The income generated from rental income was £9,066,324 and after making all the payments for the management and maintenance of the houses, the year end position was a surplus of £214,827.

### **Capital Expenditure**

This type of expenditure represents money spent by the Council for the purpose of purchasing, upgrading or improving assets such as buildings. The distinction from revenue expenditure is that the Council receives the benefits from capital expenditure over a longer period of time. The capital expenditure for the year was £8,984,272.

The following pages contain the three main accounts that the Council must legally hold separately:

- General Revenue Account
- Housing Revenue Account
- Council Tax Account

Revenue expenditure represents money spent by the Council on the day to day running costs of providing services to the public. The benefit received from this type of expenditure is consumed within the financial year ended 31<sup>st</sup> March 2011.

M Saleh  
Borough Treasurer

## *The cost of Council services General Revenue Account for the year ended 31 March 2011*

The account below shows the cost of providing Council services to the public between April 2010 and March 2011.

	%	£	Per head of Population £.p
<b>Money in hand at start (1)</b>		<b>2,263,306</b>	<b>31.52</b>
<b>Money received from:</b>			
Government grant	<i>33.0</i>	6,070,590	84.55
Business rates	<i>43.0</i>	7,932,324	110.48
Council Tax	<i>24.0</i>	4,427,853	61.67
<b>Total money received (2)</b>	<b>100.0</b>	<b>18,430,767</b>	<b>256.70</b>
<b>Money spent on services:</b>			
Leisure and recreation	<i>10.4</i>	1,717,178	23.92
Museum & Arts	<i>6.9</i>	1,149,436	16.01
Economy and planning	<i>11.8</i>	1,948,314	27.14
Refuse and street cleaning	<i>9.8</i>	1,628,674	22.68
Environmental health	<i>5.6</i>	922,228	12.84
Concessionary Travel	<i>5.8</i>	965,356	13.45
Corporate governance	<i>8.5</i>	1,408,565	19.62
Other services to the public	<i>14.8</i>	2,448,135	34.10
Private sector housing	<i>1.6</i>	268,030	3.73
Benefits and benefit administration	<i>4.8</i>	794,664	11.07
<b>Net cost of providing services</b>	<b>80.0</b>	<b>13,250,580</b>	<b>184.56</b>
Interest on borrowing, debt repayment and other items	<i>19.4</i>	3,198,090	44.54
Parish councils' budgets	<i>0.6</i>	102,900	1.43
<b>Total money spent (3)</b>	<b>100.0</b>	<b>16,551,570</b>	<b>230.53</b>
<b>Spare funds not used (4) [2 minus 3]</b>		<b>1,879,197</b>	<b>26.17</b>
<b>Money put aside for future use (5)</b>		<b>1,852,881</b>	<b>25.81</b>
<b>Money in hand at end (6) [1 plus 4 minus 5]</b>		<b>2,289,622</b>	<b>31.89</b>

*The cost of providing Council Housing revenue account for the year ended 31 March 2011*

The Council owns 2,711 homes. It is a legal requirement that all expenditure is met by rent income from tenants.

<b>Money in hand at start (1)</b>	<b>823,061</b>	<b>Per House £.p</b>
<i>Money received from:</i>		
Council house rents	8,423,679	3,107.22
Other income	642,645	237.05
<b>Total money received (2)</b>	<b>9,066,324</b>	<b>3,344.27</b>
<i>Money spent on:</i>		
Repairing and improving houses	2,904,238	1,071.28
Management	1,918,612	707.71
Cost of owning houses	1,696,134	625.65
Other costs	2,332,513	860.39
<b>Total money spent (3)</b>	<b>8,851,497</b>	<b>3,265.03</b>
<b>Income exceeding expenditure (4) [2 minus 3]</b>	<b>(214,827)</b>	
<b>Money in hand at end (5) [1 plus 4]</b>	<b>1,037,888</b>	

The type of homes owned by the Council:      1,450 houses  
    1,261 flats

The number of homes was reduced by 6 during the year as they were sold to tenants.

There were 32 unlet houses at 31/3/2011.

Unpaid rents at 31/3/2011 were £292,490 of which £117,142 relates to former tenants.

***The Council Tax for the year ended 31 March 2011***

The key data for 2010-2011:

Council Tax collected in the year	£27,263,775
Paid to Cumbria County Council	£25,025,638
Paid to Cumbria Police	£4,177,550
Paid to Barrow Borough Council	£4,452,307
Deficit for the year to be shared amongst the three authorities in 2012-2013	£184,860

The council tax is collected on properties in the borough based on 8 valuation bands. For the year 2010-2011 the council tax was:

	Band A	Band D
The County share	774.33	1,161.50
The Police share	129.26	193.89
The Borough share	134.58	201.87
 Total paid by taxpayer	 1,038.17	 1,557.26
 Dalton taxpayers pay	 1,059.26	 1,588.90
Askam taxpayers pay	1,051.22	1,576.84
Lindal taxpayers pay	1,043.16	1,564.74

**Balance Sheet - what the Council owns and is owed**

	<u>31 March 2011</u>
Buildings and land owned	157,730,818
Cash in bank	3,849,097
Money owed to the Council	5,321,746
Money owed by the Council	(6,292,691)
Money borrowed	(22,389,734)
Provisions and grants	(22,069,098)
	<b><u>116,150,138</u></b>
Finance by:	
Non-distributable reserves (*)	102,700,323
Distributable reserves (**)	13,449,815
	<b><u>116,150,138</u></b>

(\*) Non-distributable reserves are balances not available for spending.

(\*\*) Distributable reserves comprise the following balances:

General revenue account balance	2,289,622
Housing revenue account balance	1,037,888
Useable capital receipts	1,678,180
Other reserves	8,444,125

The Council has a duty under legislation to maintain a prudent level of balances. The Borough Treasurer has determined that a minimum £2,000,000 balance is required for the general revenue account and £650,000 for the housing revenue account.

**Cash Flow**

	Cash in hand at 31-3-2010	1,125,842
	Cash in	169,753,079
	Cash out	167,029,824
	Cash in hand at 31-3-2011	3,849,097

## ***Capital Expenditure***

Capital Expenditure generally represents money spent by the Council on purchasing, upgrading and improving assets such as buildings and land. The Council receives the benefit from this type of expenditure over a long period of time. Capital investment made during the year 2010-2011 was:

Public housing	£1,846,420
Private housing grants and renewal	£3,300,859
Public buildings	£573,091
Other assets	£3,263,902
Total	£8,984,272



# Annual governance report

Barrow Borough Council

Audit 2010/11



# Contents

- Key messages.....3**
  - Audit opinion and financial statements.....3
  - Value for money .....3
- Before I complete my audit.....4**
- Financial statements .....5**
- Value for money.....16**
- Appendix 1 – Draft audit report.....19**
  - Opinion on the Authority accounting statements.....19
  - Conclusion on Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources.....20
- Appendix 2 – Amendments to the draft financial statements .....22**
- Appendix 3 – Unadjusted misstatement to the financial statements .....25**
- Appendix 4 – Action Plan .....26**
- Appendix 5 – Glossary.....29**

**Traffic light explanation**

Red  Amber  Green 



# Key messages

**This report summarises the findings from the 2010/11 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.**

	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

## **Audit opinion and financial statements**

My draft unqualified audit report covering the opinion and value for money conclusion is at Appendix 1. The financial statements were prepared and submitted for audit on time.

I acknowledge that the Council has had to deal with a large volume of changes to ensure compliance with the International Financial Reporting Standards (IFRS) code. I am able to report there are no material errors found within the primary statements with the exception of errors on the Cashflow Statement. A significant number of non

material amendments have been made to other disclosures to ensure the Council's Statements of Account give a true and fair view and to comply with first year adoption of IFRS.

## **Value for money**

I found that the Council's arrangements for managing its resources are adequate. I acknowledge improvements have been made to both the tendering and contracting arrangements since January 2011, although further improvements can still be made.

In the context of the comprehensive spending review it is vital that reserve levels are closely monitored to ensure that usable general reserve balances reflect the level of financial risks the Council face.

# Before I complete my audit

---

## I confirm to you

My report includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

### Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) – Integrity, Objectivity and Independence. I can also confirm there were no relationships resulting in a threat to independence, objectivity and integrity.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2010/11.

---

## I ask you to confirm to me

### I ask the Audit Committee to:

- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
  - approve the letter of representation, provided alongside this report, on behalf of the Council before I issue my opinion and conclusion;
  - agree to adjust the error in the financial statements I have identified that management has declined to amend, as shown on Appendix 3. Or set out the reasons for not amending this error. If you decide not to amend, please tell me why in the representation letter. If you believe the effect of the uncorrected error, individually and collectively, is immaterial, please reflect this in the representation letter;
  - agree your response to the proposed action plan (Appendix 4); and
  - agree the additional audit fee of £4,000 to cover the additional work arising from the large number of changes required to ensure the accounts give a true and fair view in compliance with IFRS Code.
-

# Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Table 1: Key audit risk and our findings

Key audit risk	Findings
<p><b>1. First time adoption of IFRS</b></p> <p>Risk of error arising from the preparation of accounts under new International Financial Reporting Standards (IFRS), specifically:</p> <ul style="list-style-type: none"><li>■ The Council has outsourced a significant number of services and has service contracts in place for a wide range of services. These arrangements may contain leases or lease arrangements that should be accounted for under IFRIC4. There is a risk that the accounts will be materially misstated due to non-disclosure or incorrect accounting for lease arrangements that fall within the scope of IFRIC4;</li><li>■ The Council has influence and may have control in a number of partner organisations. Under the broader scope of IFRS the Council may need to prepare Group Accounts for one or more these arrangements. There is a risk that this requirement will not be identified resulting in material misstatement of the accounts due to the incorrect exclusion of group accounts.</li></ul>	<p>I have reviewed the re-stated 1 April 2009 position and the restated 2009/10 accounts and liaised with your officers and reported, in my Interim Report, on a number of challenging areas, such as the treatment of leases, in May 2011.</p> <p>I have reviewed the 2010/11 financial statements for compliance with the IFRS based Code and I found amendments were required as outlined elsewhere in this report.</p> <p>Following further detailed audit work, I am satisfied that the Council's approach to accounting for the main lease arrangements on its waste, recycling and street cleansing contracts complies with the Code.</p> <p>Following my audit work, amendments have been made to Note 33 and are detailed in Appendix 2.</p> <p>I accept the Council's interpretation that for 2010/11 it does not need to prepare group accounts for any of its partnership arrangements.</p>

## Key audit risk

### 2. Related party transactions

The Council has involvement with a significant number of outside bodies including partnership organisations in the Barrow area. In 2009/10 I identified that the related party disclosures in the accounts were incomplete. There is a risk that related party disclosures in the 2010/11 accounts are incomplete.

### 3. Earmarked reserves

The Accounts have not historically included disclosure of the purpose of the earmarked reserves as required by the Statement of Recommended Practice. There is a risk that the disclosures in the 2010/11 accounts do not comply with the guidance notes for the new Local Authority Accounting Code of Practice

## Findings

I reviewed the Council's arrangements for ensuring that all related party transactions are identified and included in the financial statements. The arrangements could be improved by comparing the items disclosed by Members on their annual review form with the disclosures made during Council and other meetings

I found the Council's accounts comply with the disclosure requirements of the new IFRS Code. Explanatory foreword and Note 8 on Earmarked reserves now provides a description of the purpose which Members have approved.

# Financial statements

---

**I plan to issue an unqualified audit report covering the opinion and value for money conclusion. The financial statements were prepared and submitted for audit on time.**

**A number of amendments have been made to the accounts and related disclosure notes. These changes are largely but not limited to ensuring compliance with first year adoption of International Financial Reporting Standards (IFRS).**

## **Opinion on the financial statements**

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft report.

## **Errors in the financial statements**

I am able to report there were no material errors within the primary statements apart from the Cashflow statement. Appendix 2 summarises the errors affecting the primary statements which have been amended in the revised set of accounts. I also identified a large number of errors and omissions in the explanatory foreword, accounting policies and disclosure notes. These were also amended and are summarised in the section on the Quality of your Accounts below.

## **Cash flow Statement**

I found the "Adjustments to net surplus or deficit on the provision of services for non cash movements" on the cashflow could not be reconciled to the Council's supporting working papers or to the rest of the related statement disclosures. The Council has now amended the non cash movements by £11.225m from (£8.482m) to (£19.737m) as originally it was used as the balancing figure to reconcile all the other cashflow movements.

I also note the original "Adjustments for items included in the "Net surplus or deficit on the provision of services that are investing and financing activities" was wrongly identified as (£3.266m) instead of £3.266m to give a corrected "Net cash flows from operating activities" of (£5.136m) as opposed to (£0.413m).

The 2009-10 comparators contained a number of material errors in the non cash movements as well which the Council has amended.

I also found the Council had omitted a note to the cash flow statement detailing the financing activities. The Council has amended the cash flow statement supporting Note 25 to comply with the IFRS Code.

### **Comprehensive Income and Expenditure Statement (CIES)**

The exceptional item in the CIES on "Revaluation of council dwellings" originally included the net revaluation loss movement of £884,000 as income instead of netting it off against gross expenditure. The Council has amended CIES and it now reconciles to the Housing Revenue Account disclosures on the council dwelling revaluation net position of £19.025m.

### **Omission of restated 1 April 2009 figures**

The Council's accounts submitted for audit did not include the 1 April 2009 comparative information on the relevant balance sheet disclosure notes and therefore did not comply with the first time adoption rules on IFRS 1 and LAAP Bulletin 88 'Closure of 2010/11 accounts and related matters'. IFRS1 defines the date of transition to IFRS as the start of the comparative period in the first IFRS financial statements. For Local Authorities the transition date is therefore 1 April 2009. The balance sheet disclosure notes have been amended to include the 1 April 2009 opening position.

### **Unadjusted errors**

I identified one error during the course of my audit which management has not amended as outlined in Appendix 3. Capital grants amounting to £45,000 should have been included in the balance sheet as capital receipts in advance instead of capital receipts unapplied. This has not been corrected because of the immaterial amounts involved and as it has no impact on the Net Worth of the Council.

## **Recommendation**

**R1** Ensure that appropriate technical resources are dedicated to the compilation of the cash flow statement and to check compliance with the IFRS based Code and Practitioner's Guidance.

---

# Financial statements

## Quality of your financial statements

I consider aspects of your accounting practices, accounting policies, accounting estimates and financial statements disclosures.

These are the issues I want to raise with you. I acknowledge that the Council has had to deal with a large number of changes in producing the accounts on an IFRS basis for the first time in 2010/11. A significant number of other minor amendments were required over and above those highlighted below such as cross referencing and use of brackets in the narrative to aid the reader of the accounts.

Table 2: **Accounting practices, policies, estimates and financial disclosures**

Issue	Findings and outcome
<b>1. Explanatory foreword</b> As part of the Explanatory Foreword to the accounts: <ul style="list-style-type: none"><li>■ The tables detailing the comparison to budget for General Fund and Housing Revenue Account could not be agreed to underlying evidence or for consistency with the statements;</li><li>■ The table showing the key adjusted movement in reserves figures shows a split between “Adjustments between accounting basis &amp; funding basis under regulations” and “Transfers to/from Earmarked Reserves” which is incorrect.</li></ul>	<p>The Council has updated the relevant tables to ensure the disclosure was correct and consistent with the main statements</p> <p>In the key adjusted Movement in Reserves the “Accounting basis &amp; funding basis under regulations” was amended from (£368,000) to (£2.244m) and Transfers to/from Earmarked Reserves was amended from £nil to £1.876m</p>

## 2. Accounting policies

I found that the accounting policies did not fully comply with the new or adopted accounting policies to align with the IFRS Code and the following expected disclosures within the accounting policies had been omitted or required updating:

- section h) termination benefits - the final paragraph refers to when termination involves the enhancement of pensions, however this has not been applied throughout the year as a different policy is in place at the end of the year;
- section j) financial instruments - Loans and receivables are not defined;
- Section n) - other than in the depreciation section there is no description of the Council's policy on componentisation.

The Council has updated its accounting policies to reflect all of the omissions listed and to address some other minor policies disclosures to aid clarity.

## 3. Heritage assets disclosure

The Council has not disclosed the effect following the introduction of FRS 30 Heritage assets which is effective in 2011/12.

The Council has updated Note 2 on accounting standards still to be adopted to demonstrate the likely impact of recognising heritage assets valued for insurance purposes on the balance sheet will amount to £2.4m.

The Council should identify its heritage assets as soon as possible and value them as at 31 March 2012.

## 3. Assumptions made about the future and other major sources of estimation uncertainty

The Council disclosed the assumptions made about the future and other major sources of estimation uncertainty in the notes to the accounts. However, this disclosure did not give the reader of the accounts any feel for the degree of uncertainty and the impact of any changes in assumptions.

The Council has updated Note 4 against each of the significant estimation areas to quantify the degree of uncertainty and the impact of any changes in assumptions.



Issue	Findings and outcome
<p><b>4. Balance Sheet related notes</b></p> <p>The revaluation information given in the PPE note does not reconcile to the full value of all Council assets in the accounts.</p> <p>The Council has not disclosed the debtors and creditors analysis notes in line with the IFRS code</p> <p>There are no notes supporting the long term liabilities and long term debtors shown in the balance sheet.</p>	<p>The note has been updated showing the particular dates the assets were valued at that date with the total reconciling to the asset value in the accounts.</p> <p>The debtors and creditors Notes 15 and 17 respectively have been updated.</p> <p>The Council has now added these notes showing the long term liabilities and debtors analyses.</p>
<p><b>5. Cashflow Statement related notes</b></p> <p>I also found the Council had omitted a note to the cash flow statement detailing the financing activities.</p>	<p>The Council has included an additional cash flow statement Note 25 on financing activities to comply with the IFRS Code.</p>
<p><b>6 Leases</b></p> <p>The original working papers did not fully support the Council's determination that the vehicles used in the waste, recycling and street cleansing contract constituted an operating lease.</p>	<p>The Council has revised its original working papers and has carried out additional work to demonstrate the arrangements constitute an operating lease. In doing this additional audit work I found the minimum lease payments included in the accounts presented for audit were not accurate.</p> <p>The overall effect has been to reduce the annual minimum lease payments by £323,000 from £661,000 to £338,000. Note 33 has been amended.</p>
<p><b>7. Related Parties Transactions (RPT) disclosure note</b></p> <p>The Council obtains annual disclosures from members and senior officers regarding any possible related party relationships. However, the subsequent review of these disclosures:</p> <ul style="list-style-type: none"> <li>■ is not fully documented including reasons for non inclusion as a related party</li> <li>■ is not compared to actual disclosures made by members at council meetings.</li> </ul>	<p>There are some further improvements that can be made to the arrangements for gathering supporting information for RPTs. I acknowledge retrospective checks did not identify any new RPT disclosures for 2010/11.</p>

## Issue

## Findings and outcome

### 8. Contingent liabilities

A contingent liability in respect of the scheme of arrangements with Municipal Mutual Insurance did not disclose a prudent estimate of the value of potential liability exposure

The Council has updated Note 37 to disclose the liability would be £1.369m which represents the value of claims paid since the inception of the Scheme. In addition, there are existing outstanding claims as at 31 March 2011 totalling £45,000.

### 9. Financial instruments

In Note 39 the Council has incorrectly disclosed a £6m loan due in 1/10/2035 as less than 25 years from the date of the accounts.

The loan has been reclassified into the 20-25 years banding instead of the 25-30 banding.

The benefits payable through employment of £46,000 for 2010/11 have been correctly included as a financial instrument in note 13 but the equivalent amount of £57,000 for 2009/10 has been omitted.

The Financial Instruments Note 39 has been amended to show that the creditors for 2009/10 are £4.414m rather than £4.357m to take account of the £57,000 benefits payable during employment which are deemed to be financial instruments.

### 10. Pensions disclosures

In Note 33 Defined Benefit Pension Schemes Transactions relating to Post -employment Benefits - 2009/10 comparator on actuarial gain/loss is shown as £18.837m but should be £9.216m

The Council has corrected the actuarial gain and loss figure in Note 33. The £9.216m loss had been correctly disclosed within the CIES.

## Recommendation

- R2** Ensure that adequate time is built into the accounts closedown plan to undertake a quality assurance check and to check compliance with the IFRS based Code and Practitioner's Guidance.
- R3** Ensure future related party transaction disclosures are supported by a review of members' declaration of interests at council meetings.

# Financial statements

## Weaknesses in internal control

Table 3 outlines weaknesses I identified during the course of the audit that are relevant to preparing the financial statements. I am not expressing an opinion on the overall effectiveness of internal control.

Table 3: **Internal control issues and our findings**

Description of weakness	Potential effect and Management action
On review of the waste, recycling and street cleansing contract it is apparent that there are certain clauses which were never extant for the Council.	I understand the clauses were included originally when another local authority was involved in a potential share service on the contract. It is vitally important current and new contracts are accurate to the specific requirements and position of the Council. This is important as it could open the Council up to unnecessary legal and financial risks. I acknowledge with current contracts it may be difficult to change clauses but it is important to know what possible risks there are.
I note that a significant number of Internal audit recommendations are not acted upon by the Council on a timely basis.	It is important as part of the Council's governance arrangements that all internal audit control related recommendations are implemented in a timely manner.

## Recommendation

**R4** Review all current and new contracts to ensure the wording is appropriate to the services procured by Barrow Borough Council.

**R5** Ensure all agreed Internal Audit recommendations are implemented in a timely manner.

## Annual Governance Statement (AGS)

I found the Council still does not have robust assurance gathering arrangements in place to support the AGS disclosure. I acknowledge senior management did an exercise against the six dimensions of the Good Governance Standard. Following my initial review of the AGS, management amended the AGS by:

- Only including the key Governance issues which I reported in my Annual Governance Report for 2009/10;
- Explaining the action taken on the contracts and procurement arrangements highlighting weaknesses with a focus on the improvements made during the year; and
- Incorporating any outstanding recommendations from the Good Governance Standard external review completed in December 2009 which were still relevant.

The draft AGS submitted for audit did not include a section on its financial management arrangements to comply with the Guidance notes for Practitioners. In March 2010, CIPFA published an Application Note dealing with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Application Note extended the contents of the AGS to include a specific statement on whether the Council's financial management arrangements conform to the governance requirements of the CIPFA Statement and, where they do not, to explain why and how they deliver the same impact. The Council has amended the AGS to include a statement on its financial management arrangements.

### Recommendations

- R6** Implement robust assurance gathering arrangements across all departments to support the Annual Governance Statement disclosure
  - R7** Ensure all significant weaknesses are identified in the Annual Governance Statement and include a robust action plan setting out how the weaknesses are to be addressed
-

# Financial statements

---

## Letter of representation

Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements.

# Value for money

I am required to conclude whether the Council put in place proper corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My conclusion on each of the two areas is set out below.

I intend to issue an unqualified conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

Table 4: Value for money criteria and our findings

Criterion	Findings
<p><b>1. Financial resilience</b></p> <p><b>The organisation has proper arrangements in place to secure financial resilience.</b></p> <p>Focus for 2010/11:</p> <p>The organisation 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.</p>	<p>The organisation has adequate systems and processes to manage financial risks effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p> <p>I note the new priorities will soon be reflected in the Council's updated Medium Term Financial Plan. It is important that service level plans are developed to assist robust financial management of challenging restrictive budgets and to help deliver on proposed income and charging policies. I suggest the Council also considers taking a longer term view with a financial plan and modelling which could cover up to a ten-year period.</p> <p>The Council's planned 2011/12 net expenditure is 12% lower than that planned in 2010/11 which is a bigger reduction than other district councils who are planning on average a 7.9% reduction year-on-year in revenue expenditure. £2m of the planned £3.8m reduction is because the Council will receive no area based grant (ABG) in 2011/12. It received £2m ABG in 2010/11.</p>

In the context of the comprehensive spending review it is vital that reserve levels are closely monitored to ensure that usable general reserve balances reflect the level of financial risks the Council faces. Likewise, it is important that revenue backed earmarked reserves, especially the capital reserves which have been derived from revenue resources, are required for the purposes they were originally set aside and that there are robust plans to either spend them or release them into the general fund if no longer required.

**2. Securing economy efficiency and effectiveness**  
**The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.**

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The Council is continuing to prioritise its resources within tighter overall funding. It is currently looking to reduce costs further through service reviews, a focus on back office savings, accommodation review and other shared service options.

During these reviews I encourage the Council to:

- make use of public consultation and use of appropriate information on local needs;
- challenge service delivery with robust options appraisals; and
- use comparative information to drive economy, efficiency and effectiveness.

**Tendering and contracting**

A number of significant weaknesses existed in your procurement, tendering and contracting arrangements up to December 2010. These weaknesses were indicative of poor governance arrangements for tendering and contracting, and exposed the Council to potentially significant risks. I acknowledge improvements have been made to both the tendering and contracting arrangements since January 2011.

It is clear from our additional audit work and that of Internal Audit that arrangements for tendering and contracting remained poor up to December 2010. However, the introduction of CHEST and the new contract and procurement policies and monitoring regime together with the updated financial regulations have improved the overall arrangements. I have identified further improvements areas to the Contract Standing Orders that the Council should consider such as:

- There is no reference to the UK and EU legislative requirements re contracting, in particular the requirement to comply with UK and EU legislation and the need to advertise in the Official Journal of the European Union (OJEU) where the European Threshold is exceeded.
- Guidance should be provided on the methodology to be used to identify competent contractors and the process through which they are then selected to tender.

- There is a risk that "the Chest" process is not used for future tenders as it is not explicitly specified that it is to be used.

## Recommendation

**R8** Ensure that the tendering and contracting arrangements and practices are further improved

---



# Appendix 1 – Draft audit report

---

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

### Opinion on the Authority accounting statements

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

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

### Respective responsibilities of the Borough Treasurer and auditor

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

### Scope of the audit of the financial statements

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

## **Opinion on accounting statements**

In my opinion the accounting statements:

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

## **Opinion on other matters**

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

## **Matters on which I report by exception**

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

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

### **Authority's responsibilities**

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

### **Auditor's responsibilities**

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

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

## **Basis of conclusion**

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

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

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

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

## **Conclusion**

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

## **Certificate**

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

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

September 2011

# Appendix 2 – Amendments to the draft financial statements

I identified the following misstatements to the primary statements during my audit and management have adjusted the financial statements. I bring them to your attention to aid you in fulfilling your governance responsibilities.

## Primary statements

		Comprehensive income and expenditure statement		Balance sheet	
Adjusted misstatement	Nature of adjustment	Dr £	Cr £	Dr £	Cr £
<b>Cash Flow Statement</b>					
I found the "Adjustments to net surplus or deficit on the provision of services for non cash movements" on the cashflow did not be reconciled to the Council's supporting working papers or to the rest of the related statement disclosures.	The Council has now amended the non cash movements from (£8.42m) to (£19.737m) to accurately reflect inclusion of non cash movements.	-	-	-	-

		Comprehensive income and expenditure statement		Balance sheet	
Adjusted misstatement	Nature of adjustment	Dr £	Cr £	Dr £	Cr £
I also note the original "Adjustments for items included in the "Net surplus or deficit on the provision of services that are investing and financing activities" was wrong.	Adjustments for items included in the "Net surplus or deficit on the provision of services that are investing and financing activities" was wrongly identified as (£3.266m) instead of £3.266m and the "Net cash flows from operating activities" was corrected to (£5.136m) as opposed to (£0.413m).	-	-	-	-
The 2009-10 comparators contained a number of material errors in the non cash movements analysis as well which the Council has amended.	None of these adjustments to the cash flow statement and related notes has had an effect on the CIES or Balance Sheet.				
<b>Non trivial errors</b>					
The exceptional item in the CIES on "Revaluation of council dwellings" originally included the net revaluation loss movement of £884,000 as income instead of netting it off against gross expenditure. The Council has amended CIES and it now reconciles to the Housing Revenue Account disclosures on the council dwelling revaluation net position of £19.025m.	Debit Revaluation of council dwellings gross income	884,000			
	Credit Revaluation of council dwellings gross expenditure		884,000		

		Comprehensive income and expenditure statement		Balance sheet	
Adjusted misstatement	Nature of adjustment	Dr £	Cr £	Dr £	Cr £
The Local Authority (HRA) line in the CIES had revaluation loss reversals for non-dwelling assets incorrectly included in gross income.	The Local Authority (HRA) line in the CIES Debit gross income Credit gross expenditure	71,000	71,000		
Comprehensive income and expenditure statement (CIES) items incorrectly classified as exceptional:	These items should not be disclosed as exceptional items in the CIES as they are not material in terms of the overall income and expenditure of the Council.				
<ul style="list-style-type: none"> <li>■ The Fleming Sports Coaching VAT claim of £10,000 expenditure and £51,000 income</li> <li>■ Write back of the insurance provision £626,000 income.</li> </ul>	<p>The amounts are now reported as cultural services</p> <p>Debit and credit to remove exceptional item</p> <p>Debit and credit gross expenditure and income</p> <p>The amount is now reported as Central services.</p> <p>Debit and remove exceptional item</p> <p>Credit gross income on central services</p>	10,000	10,000		
		51,000	51,000		
		626,000	626,000		
<b>Comparative information</b>					
Balance Sheet	The Council did not include 1 April 2009 comparators in its Balance Sheet disclosure notes. To comply with the IFRS Guidance to Practitioners the Council has updated the relevant balance sheet notes to include comparators for 1 April 2009.			Disclosure only	

# Appendix 3 – Unadjusted misstatement to the financial statements

I identified the following misstatement during my audit, but management has not adjusted the financial statements. I bring it to your attention to help you in fulfilling your governance responsibilities and ask you to correct this misstatement.

If you decide not to amend, please tell me why in the representation letter. If you believe the effect of this uncorrected error is immaterial, please reflect this in the representation letter.

		Comprehensive income and expenditure statement		Balance sheet	
Unadjusted misstatement	Nature of required adjustment	Dr	Cr	Dr	Cr
<b>Balance Sheet Capital Grants</b>					
I identified that a capital grant for the Commission, Architecture and Built Environment CABE - Sea Change) should have been recorded as a capital grant receipt in advance rather than a capital grant unapplied as at 31 March 2011.	Capital grants in advance	-	-		£45,000
	Capital Grants unapplied			£45,000	

# Appendix 4 – Action Plan

## Recommendations

### Recommendation 1

Ensure that appropriate technical resources are dedicated to the compilation of the cash flow statement and to check compliance with the IFRS based Code and Practitioner's Guidance.

<b>Responsibility</b>	Borough Treasurer
-----------------------	-------------------

<b>Priority</b>	High
-----------------	------

<b>Date</b>	January - June 2012
-------------	---------------------

<b>Comments</b>	The time table for the final accounts 2011-2012 will allow for quality assurance checks
-----------------	---

### Recommendation 2

Ensure that adequate time is built into the accounts closedown plan to undertake a quality assurance check and to check compliance with the IFRS based Code and Practitioner's Guidance.

<b>Responsibility</b>	Borough Treasurer
-----------------------	-------------------

<b>Priority</b>	High
-----------------	------

<b>Date</b>	January - June 2012
-------------	---------------------

<b>Comments</b>	The time table for the final accounts 2011-2012 will allow for quality assurance checks
-----------------	---



### Recommendation 3

Ensure future related party transaction disclosures are supported by a review of members' declaration of interests at council meetings.

<b>Responsibility</b>	Borough Treasurer
-----------------------	-------------------

<b>Priority</b>	Medium
-----------------	--------

<b>Date</b>	March 2012
-------------	------------

<b>Comments</b>	This will be included in next year close down programme.
-----------------	--

### Recommendation 4

Review all current and new contracts to ensure the wording is appropriate to the services procured by Barrow Borough Council

<b>Responsibility</b>	Monitoring Officer
-----------------------	--------------------

<b>Priority</b>	High
-----------------	------

<b>Date</b>	Ongoing
-------------	---------

<b>Comments</b>	The Council will monitor all new contracts and revisit old contracts to ensure it is not exposed to any unnecessary risks.
-----------------	--

### Recommendation 5

Ensure all agreed Internal Audit recommendations are implemented in a timely manner.

<b>Responsibility</b>	Audit Committee
-----------------------	-----------------

<b>Priority</b>	High
-----------------	------

<b>Date</b>	December 2011
-------------	---------------

<b>Comments</b>	Will introduce a more rigorous monitoring of implementations.
-----------------	---

### Recommendation 6

Implement robust assurance gathering arrangements across all departments to support the Annual Governance Statement disclosure

**Responsibility** Monitoring Officer

**Priority** High

**Date** March 2012

**Comments** The arrangement will be reviewed.

### Recommendation 7

Ensure all significant weaknesses are identified in the Annual Governance Statement and include a robust action plan setting out how the weaknesses are to be addressed.

**Responsibility** Monitoring Officer

**Priority** High

**Date** March 2012

**Comments** The arrangement will be reviewed.

### Recommendation 8

Ensure that the tendering and contracting arrangements and practices are further improved

**Responsibility** Technical Services Manager

**Priority** High

**Date** March 2012

**Comments** A review will be undertaken.

# Appendix 5 – Glossary

---

## Annual governance statement

A statement of internal control prepared by an audited body and published with the financial statements.

## Audit closure certificate

A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the financial statements.

## Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

## Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

## Materiality and significance

The Auditing Practices Board (APB) defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

‘Significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

## Weaknesses in internal control

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.

## Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

The Code of Audit Practice defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;
- managing risks and maintaining a sound system of internal control;
- making effective use of natural resources;
- managing assets effectively to help deliver strategic priorities and service needs; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

If you require a copy of this document in an alternative format or in a language other than English, please call:  
**0844 798 7070**

© Audit Commission 2011.

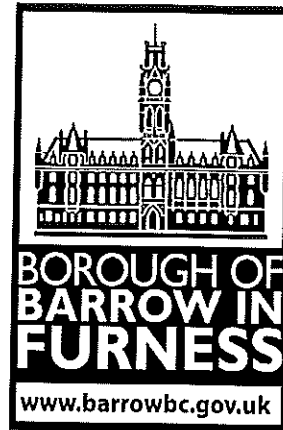
Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.





Gina Martlew  
Appointed Auditor  
Audit Commission  
Aspinall House  
Aspinall Close  
Middlebrook  
Bolton BL6 6QQ

**Borough Treasurer's Department**

TOWN HALL · DUKE STREET  
BARROW-IN-FURNESS · CUMBRIA LA14 2LD  
FAX: (01229) 876445  
DX NO: DX 63917 BARROW-IN-FURNESS  
www.barrowbc.gov.uk

Our Ref: MS/HLW  
Your Ref:

Contact Name:  
Tel No:

M Saleh  
875433

Date

29<sup>th</sup> September 2011

Dear Gina

Barrow-in-Furness Borough Council  
Audit for the year ended 31 March 2011

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other Directors and Officers of Barrow Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2011.

**Compliance with the statutory authorities**

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom, United Kingdom Generally Accepted Accounting Practice and International Financial Reporting Standards which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

**Uncorrected misstatements**

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate.

These misstatements have been discussed with those charged with governance within the Council and the reasons for not correcting these items are as follows;

- Capital grants amounting to £45,000 should have been included in the balance sheet as receipts in advance. This has not been corrected because of the immaterial amounts involved.

### **Supporting records**

All relevant information and access to persons within the Council has been made available to you for the purpose of your audit, and all the transactions undertaken by the Council have been properly reflected and recorded in the financial statements.

### **Going Concern**

I am satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements and that the financial statements include, such disclosures, if any, relating to going concern.

### **Irregularities**

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

### **Law, regulations, contractual arrangements and codes of practice**

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

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

### **Accounting estimates including fair values**

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

I confirm:

- the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the process;
- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures;
- the completeness and appropriateness under the financial reporting framework; and
- that subsequent events do not require adjustment to accounting estimates and disclosure included within the financial statements.

### **Related party transactions**

I confirm that I have disclosed the identity of the Council's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

### **Subsequent events**

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Signed on behalf of Barrow Borough Council

I confirm that the this letter has been discussed and agreed by the Audit Committee on the 29<sup>th</sup> September 2011

Signed:

Name: M Saleh

Cllr A Burns

Position: Borough Treasurer

Chairman of Audit Committee

Date: 29<sup>th</sup> September 2011

---