

# BOROUGH OF BARROW-IN-FURNESS

## AUDIT COMMITTEE

Meeting, Thursday, 15th September, 2016  
at 2.00 p.m. (Committee Room No. 4)

### A G E N D A

#### PART ONE

1. To note any items which the Chairman considers to be of an urgent nature.
2. To receive notice from Members who may wish to move any delegated matter non-delegated and which will be decided by a majority of Members present and voting at the meeting.

#### 3 Admission of Public and Press

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

#### 4 Declarations of Interest

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

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

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

- 5 To confirm the Minutes of the meeting held on 15th June, 2016 (copy attached) (Pages 1-9).
- 6 Apologies for Absence/Attendance of Substitute Members.

#### FOR DECISION

- (D) 7. Audit Committee Assurance (Page 10).
- (D) 8. Statement of Accounts (Pages 11-15).

- (D) 9. Assurance Statements (Pages 16-17).
- (D) 10. Annual Governance Statement (Page 18).
- (D) 11. Audit Findings Report (Page 19).
- (D) 12. Approvals and Letter of Representation (Pages 20-21).
- (D) 13. Internal Audit Finals Reports (Pages 22-23).
- (D) 14. Internal Audit Progress Report (Page 24).
- (D) 15. Risk Management (Page 25).
- (D) 16. Accountants Receivable (Page 26-28).
- (D) 17. Local Government Ombudsman Annual Letter 2016 (Page 29).

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

**Membership of Committee**

Councillors Burns (Chair)  
Harkin (Vice-Chair)  
Callister  
Gawne  
Murray  
Seward

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

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## AUDIT COMMITTEE

Meeting Wednesday 15th June, 2016  
at 2.00 p.m.

PRESENT:- Councillors Burns (Chairman), Gawne and Sweeney.

Officers Present:- Susan Roberts (Director of Resources), John Penfold (Corporate Support Manager), Kim Fisher (Procurement Officer), Brooke Parsons (Corporate Support Assistant) and Sharron Rushton (Democratic Services Officer).

Also present were Neil Krajewski from Grant Thornton and Keith Jackson from Internal Audit.

### **1 – Minutes**

The Minutes of the meeting held on 3rd March, 2016 were taken as read and confirmed, subject to the following:-

It be noted that the External Audit Plan was ongoing and not completed as referred to in Minute No. 41.

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

Apologies for absence had been received from Councillors Murray and Seward and Jackie Bellard from Grant Thornton.

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

### **3 – Audit Committee Terms of Reference**

The Director of Resources reported that the Audit Committee Terms of Reference were set out in the Council's Constitution and had been reported to this Committee to provide Members with the framework of the Committee's business and responsibilities. She advised that there were no changes from 2015-2016.

RESOLVED:- To note the Audit Committee Terms of Reference as set out in the Council's Constitution.

### **4 – Internal Audit Final Reports**

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

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

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

1. Risk Management – Substantial Assurance;
2. Accounts Receivable – Substantial Assurance;
3. Gas Safety – Unqualified Assurance; and
4. Backup, Recovery and Disaster Recovery Planning – Substantial Assurance.

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

RESOLVED:- To note the Internal Audit Final Reports.

#### **4 – Internal Audit Annual Report**

The Council's Internal Audit Manager attended the meeting and presented the Internal Audit Annual Report for 2015-2016 to the Committee. He explained that the purpose of the Annual Report was to meet the Head of Internal Audit's Annual Reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS). The Head of Internal Audit's formal annual report presented an opinion on the overall adequacy and effectiveness of the internal control environment, and

- a) Included an opinion on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control;
- b) Disclosed any qualifications to that opinion, together with the reasons for the qualification, including impairment or restriction in scope;
- c) Presented a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
- d) Drew attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- e) Compared the work actually undertaken with the work that was planned; and
- f) Commented on compliance with these standards and the Internal Audit quality assurance programme.

The 2015/16 year opinion was that the Annual Report provided reasonable assurance that the organisation's framework of governance, risk management and control predominantly operated satisfactorily during 2015/16. The detailed opinion was that, for the systems reviewed, the Council had basically sound systems of control in place, although there were weaknesses which put some of the system objectives at risk, these mainly related to areas of contract management and control. The profile of assurance was in Internal Audit's



experience comparable to other local authorities, with the majority of Council systems receiving Substantial Assurance.

There were however, two areas where only Restricted Assurance could be provided, which related to:

- Procurement (incl. Ordering); and
- West Shore Coastal Defence Contract.

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

### Progress Against 2015/16 Annual Plan

A detailed analysis of the current situation regarding the 2015/16 Plan had been appended to the Internal Audit Annual Report.

The assessment of auditable areas had identified 79 systems, which covered the Council's operations. The audit coverage achieved in the period, compared to the audit plan, is set out in the table below. The difference in planned coverage compared to actual mainly related to changes made to the audit plan to accommodate requests for an increased number of contract audit reviews. In addition, significant Housing Benefit Grant Certification testing had been completed which was not reflected in these figures, all of which had been included within regular progress reports issued to this Committee.

	Percentage of systems covered		Percentage of risk covered	
	2015/16	2014/15	2015/16	2014/15
<b>Planned</b>	33%	38%	61%	77%
<b>Achieved</b>	33%	39%	61%	80%

The following table summarised the assurance levels records in final reports relating to the years 2015/16 and 2014/15. The majority of Council systems had achieved the level of Substantial Assurance:-

Final Reports	Total	Unqualified Assurance		Substantial Assurance		Restricted Assurance		No Assurance	
		No.	%	No.	%	No.	%	No.	%
<b>2015/16</b>	30	3	10	25	83	2	7	0	0
<b>2014/15</b>	24	1	4	21	88	2	8	0	0

A summary of the number of audit recommendations made in the Internal Audit Final Reports issued during 2015/16 along with the Management responses were as follows:-

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made 2015/16	92	7	55	30
Fully Accepted	88	7	52	29
Partly Accepted	4	0	3	1
Not Accepted	0	0	0	0

During the year Internal Audit had reported on the implementation of 95 agreed audit recommendations made in previous reports. The results were as follows:-

	Fully Implemented	Not Implemented	Overtaken By Events	TOTAL
2015/16	42	46	7	95
2014/15	37	36	14	87

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 2016/17.

RESOLVED:- To note the Internal Audit Annual Report for 2015/16.

## 5 – External Audit Progress and Update Report

Neil Krajewski attended the meeting to present the report to Members. The report provided the Committee with details on current issues and developments that had been produced by External Auditors.

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

### Progress as at June 2016

- **Fee Letter** – Members had been requested to note that the External Audit Fee Letter was included as an Agenda Item for this meeting (Minute No. 6);
- **Accounts Audit Plan** – This had been presented to the Audit Committee in March 2016;
- **Interim Accounts Audit** – The understanding of the Council's control environment and financial systems had been documented. The External

Auditors had completed walkthroughs of the key financial systems and had undertaken early substantive testing covering the following areas:

- Employee remuneration (payroll);
  - Operating expenses (payables)
- **Certification Audit** – Officers submitted the unaudited claim to the Department of Work and Pensions in advance of the published deadline of 30<sup>th</sup> April, 2016. Internal Audit had commenced their detailed testing of cases selected in accordance with the agreed methodology.

RESOLVED:- To receive and note the External Audit Progress and Update report for June 2016.

## 6 – External Audit Fee Letter

A copy of the External Audit Fee letter for 2016/17 had been appended to the report for information. Neil Krajewski of Grant Thornton attended the meeting to explain that the Main Audit fee was £51,119 for 2016/17. This was the same as the previous year.

Together with the Grant Certification fee of £13,733 the total External Audit fee was £64,852 for 2016-2017.

The billing schedule was as follows:-

<b>Main Audit Fee</b>	<b>£</b>
September 2016	12,779.75
December 2016	12,779.75
March 2017	12,779.75
June 2017	12,779.75
<b>Total</b>	<b>51,119</b>
<b>Grant Certification</b>	
March 2017	13,733

RESOLVED:- To note the External Audit Fee for 2016/17.

## 7 – Audit Committee Update

The Director of Resources submitted a report providing an update on the 2015/16 Accounts together with an update on current issues and developments.

## Statement of Accounts 2015/16

The Director of Resources reported that the ledgers had been closed for 2015/16 and the Finance Department were finalising the Statement of Accounts and supporting documentation. The unaudited Statement of Accounts and Annual Governance Statement would be published by 30th June, 2016 deadline.

## **Actions from 2014-2015**

The actions from 2014-2015 were appended to the report. The timing of some actions had been revised:

- Disaster Recovery - from March/April 2016 to July/Autumn 2016
  - Testing of disaster recovery arrangements; and
  - Business Continuity rollout.
- Procurement - from April/May 2016 to Autumn 2016
  - Review purchasing procedure and provide training; and
  - Ensure compliance with purchasing and contracting.
- Budget Strategy - from July 2016 to September 2016.

RESOLVED:- To note the information.

## **8 – Annual Review of Internal Audit**

The Director of Resources reported that Regulation 6 of the Accounts and Audit Regulations 2015 required relevant authorities to conduct a review of the effectiveness of its system of internal control at least once a year. Regulation 6 also required the findings of the review of the system of internal control to be considered by this Committee.

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

For the year 2015/16 a review of the effectiveness of Internal Audit had been undertaken and the Director of Resources was satisfied that the Internal Audit service was effective.

RESOLVED:- To endorse the review.

## **9 – Annual Review of Audit Committee Effectiveness**

The Director of Resources reported that the Chartered Institute of Public Finance and Accountancy (CIPFA) had recommended that an assessment be undertaken by the Audit Committee to ensure that its effectiveness was regularly reviewed.

The annual review of Audit Committee effectiveness has been undertaken by the Chairman with the Director of Resources. CIPFA had recommended that this could be achieved by using an evaluation checklist such as CIPFA's Toolkit for Local Authority Audit Committees. A copy of which had been appended to the report and had been reviewed by the Director of Resources and there had been no issues to address.

RESOLVED:- To endorse the review.

## **10 – Annual Governance Statement**

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

The Annual Governance Statement was presented in draft form and some areas would be populated prior to the Final version being presented in September.

The following members of staff were involved in preparing the Annual Governance Statement for 2015/16:

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

The Annual Governance Statement had been attached as an appendix to the Corporate Support Manager's report.

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

## **11 – Risk Management Report**

The Corporate Support Manager reported that Management Board reviewed and identified key corporate and operational risks for the Council at their meeting on 21st April, 2016. The updated risk registers, reflected the Management Board's assessment of significant risks to the Council.

The Corporate Risk Management Register had been reviewed and the following changes had been made:

- Corporate Risk 2 - 2016/1 (Future finance stability and sustainability of the Council). The mitigating actions had been re-written to reflect changes to the MTFP. This may require further changes once a Budget Strategy was agreed. The mitigated risk score had been increased from 16 to 20.
- Corporate Risk 4 – 2016/1 (Level of sickness worsens). Minor changes had been made to the impact to include additional costs if the Council had to employ temporary staff. Mitigating actions had been updated to reflect changes to the Absence Management Policy.

- Corporate Risk 5 – 2016/1 (Impact of welfare changes). Responsibility for this risk had been moved from Assistant Director - Housing to Management Board because this impacted on the whole Council.
- Corporate Risk 6 - 2016/7 (Delivery of the water front regeneration programme). The potential impact had been updated to reflect current opportunities.
- Corporate Risk 10 – 2016/1 (Effective workforce planning). This was a new risk which recognised the need to recruit and develop staff to meet the future needs of the Council.

The Corporate Risk Register for 2016/17 was appended to the Corporate Support Manager's report.

Members requested further information and clarity regarding Corporate Risk 1 2016/1 Legislative changes will impact on the Housing Revenue Account Income.

The Operational Risk Register had been reviewed, 1 risk (Inadequate cash flow for operational purposes) had been removed because it was no longer considered a significant risk.

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

(ii) To request the Assistant Director – Housing arrange a presentation on how legislative changes would impact on the Housing Revenue Account Income when further information and clarity became available.

## **12 – Monitoring Priority 1 Recommendations**

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

To ensure all agreed Internal Audit Priority 1 recommendations were implemented in a timely manner they were now tracked by Management.

There was one Priority 1 recommendation from the West Shore Coastal Defence audit report (CR96) and progress against this was detailed in the appendix attached to the Corporate Support Manager's report.

There was an outstanding Priority 1 recommendation from 2012/13 relating to the Council's Business Continuity arrangements and progress against this was detailed in the appendix attached to the Corporate Support Manager's report.

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

(ii) To remove West Shore Coastal Defence CR96 from the Priority 1 recommendations.

The meeting closed at 3.00 p.m.

<b>AUDIT COMMITTEE</b>		<b>Part One (D) Agenda Item 7</b>
<b>Date of Meeting: 15th September, 2016</b>		
<b>Reporting Officer: Director of Resources</b>		
<p><b>Title: Audit Committee Assurance</b></p> <p><b>Summary and Conclusions:</b></p> <p>The External Auditor has requested the Chairman of the Audit Committee to explain how the Audit Committee gains assurance from management. This report provides the response for Members to endorse.</p> <p><b>Recommendations:</b></p> <p>To receive and endorse the Chairman's response, and raise any questions.</p>		

**Report**

The External Auditor has requested that the Chairman of the Audit Committee explain how assurance from management is obtained, this request is attached as **Appendix 1**.

The Chairman's response is attached as **Appendix 2** and Members are recommended to receive and endorse the Chairman's response, and raise any questions.

**Background Papers**

Nil.





Councillor Anne Burns  
Chair of Audit Committee  
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17 June 2016

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Dear Councillor Burns,

## Barrow Borough Council: Financial Statements for the Year End 31 March 2016 - Understanding how the Audit Committee gains assurance from management

To comply with International Auditing Standards, we need to establish an understanding of how the Audit Committee gains assurance over management processes and arrangements.

I would be grateful, therefore, if you could write to me in your role as Chair of the Audit Committee with your responses to the following questions.

- 1 How does the Audit Committee oversee management's processes in relation to:
  - carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error
  - identifying and responding to the risk of breaches in internal control
  - identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)
  - communicating to employees its views on appropriate business practice and ethical behavior (for example by updating, communicating and monitoring against the relevant codes of conduct)?
- 2 How will the Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?
- 3 Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.
- 4 Are you aware of any aspects of the Council's system of internal control where you believe that appropriate internal controls are not in place or have not been operating effectively?
- 5 How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with?
- 6 Are you aware of any actual or potential litigation or claims that would affect the financial statements?
- 7 Have you received or are you aware of any complaints received from whistleblowers?

- 8 Are you aware of any related party transactions that could give rise to the risk of fraud?
- 9 Have there been any reports from other regulatory bodies, such as HMRC, which indicate non-compliance?

I have arranged with the Director of Resources that your response can be included on the agenda for the meeting of the Audit Committee to be held on 15 September 2016. This will provide an opportunity for the members of the Committee to consider the Committee's response.

Yours sincerely



Neil Krajewski

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**Barrow Borough Council**

**Resources Directorate**

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Our Ref: SMR/AB

Contact Name: Susan Roberts

Date: 19/07/2016

Your Ref: -

Dear Neil

**Barrow Borough Council Financial Statements for the Year End 31 March 2016**  
**Understanding how the Audit Committee gains assurance from management**

Thank you for your letter of the 17th June, 2016. My responses to your questions are set out below.

The Audit Committee relies on the Section 151 Officer to ensure that the financial statements are prepared in accordance with the required regulations and standards. The Section 151 Officer, through the Financial Regulations, controls the financial transactions of the Council and the financial systems and processes are subject to audit scrutiny. The financial statements go through a process of checking before they are published and the committee has the opportunity to examine the Statement of Accounts prior to its approval. In addition to reviewing the financial systems and processes, Internal Audit performs financial periodic checks throughout the year.

The Audit Committee relies on the Section 151 Officer, through the Internal Audit function, to report any breaches of internal control and any fraud cases. The Audit Committee also consider and approve the annual Internal Audit Plan to ensure appropriate coverage is allocated to significant risk areas. Members of staff are encouraged to use the Fraud Hotline to report suspected cases of fraud or breaches of internal control. The Audit Committee monitors the Council's Anti-Fraud Policies and as with all such policies, senior officers promote these to staff and publish them on the Council's website or intranet as applicable. The Contract Standing Orders require contractors to comply with the Bribery Act 2010 and to make use of the Council's Whistle Blowing Policy. The use of the Fraud Hotline is reported quarterly to the Audit Committee. The Codes of Conduct for Officers and for Members are set out in the Constitution which is reviewed annually. The Audit Committee Work Plan is based on the committee terms of reference and ensures the core functions are covered; these include risk, fraud and internal control.

The Audit Committee relies on the Management Board to conduct a review of the going concern basis each year, in preparation for the Statement of Accounts. This review is then subject to Audit Committee endorsement.

I have no knowledge of any actual, suspected or alleged frauds.

The Audit Committee takes assurance from the Head of Internal Audit in relation to the Council's system of internal control and the Annual Report provided that assurance for 2015-2016. There are no aspects where I believe that appropriate internal controls are not in place or have not been operating effectively.

The Audit Committee relies on the Monitoring Officer to report any cases of non-compliance with relevant laws and regulations. During 2015-2016 there were no reported cases of non-compliance. I am not aware of any actual or potential litigation or claims that would affect the financial statements.

As previously stated, the Fraud Hotline is managed by Internal Audit and the usage is reported to the Audit Committee. I am aware that there was 1 whistleblowing complaint for the year as this was reported by the Head of Internal Audit in the quarterly progress report.

I am not aware of any related party transaction that could give rise to the risk of fraud.

There have been no reports from other regulatory bodies which indicate non-compliance.

I understand that this letter will be included on the agenda for the meeting of the Audit Committee to be held on the 15<sup>th</sup> September, 2016.

Yours sincerely

**Councillor Mrs A Burns**  
**Chairman of the Audit Committee**

		<b>Part One</b>
<b>AUDIT COMMITTEE</b>		<b>(D)</b>
<b>Date of Meeting: 15th September, 2016</b>		<b>Agenda</b>
<b>Reporting Officer: Director of Resources</b>		<b>Item</b>
		<b>8</b>
<p><b>Title: Statement of Accounts</b></p> <p><b>Summary and Conclusions:</b></p> <p>This report contains the Statement of Accounts for 2015-2016.</p> <p><b>Recommendations:</b></p> <p>To receive the Statement of Accounts for 2015-2016 and raise any questions.</p>		

### **Report**

The Statement of Accounts summarises the transactions for 2015-2016 and the Council's financial position at 31st March, 2016. The Statement of Accounts is intended to provide readers with clear information about the Council's finances and use of resources over the year.

The audited Statement of Accounts is attached at **Appendix 3**. Later on today's agenda Members will be asked to approve the audited Statement of Accounts. This report is an executive summary of the Narrative Report, which is itself a summary of the Statement of Accounts.

In accordance with the Accounts and Audit Regulations, the draft Statement of Accounts was made available to our external auditors, Grant Thornton, by 30th June, 2016, and was published on the Council's website.

The audited Statement of Accounts incorporates revisions from the audit and must be approved by this Committee by 30th September, 2016, and be published alongside the Annual Governance Statement.

### **Narrative Report**

2015-2016 introduced the Narrative Report (pages 1 to 12 of **Appendix 3**) and removed the finance focussed Explanatory Foreword from the Statement of Accounts. The Narrative Report requirements have been reflected in the content and structure for 2015-2016 and this will continue to develop as best practice emerges.

The Narrative Report contains information about the Council itself in terms of location, environment, population and economy. The corporate achievements for 2015-2016 are included and are shown below:

<b>Housing: choice and quality</b>	<b>Regeneration &amp; Public Realm: enhancement</b>
<ul style="list-style-type: none"> <li>• 95 private sector properties were refurbished with Cluster of Empty Homes funding.</li> <li>• The authority improved the residential frontage through the Rawlinson Street group repair scheme.</li> <li>• The authority published its Local Plan Preferred Options draft.</li> <li>• The authority agreed the release of land in its ownership for housing development.</li> <li>• The authority secured £48k New Lives grant to fund supported housing for female victims of domestic abuse with the Women's Community Matters.</li> </ul>	<ul style="list-style-type: none"> <li>• The authority refurbished Thorncliffe crematorium and chapel.</li> <li>• The authority agreed to be the Local Trusted Organisation for the £650k Cavendish Park Pavilion and Community Room project with the Barrow Island Community Sports Trust.</li> <li>• The authority secured £10k to support Art Gene in forming a Coastal Community Team.</li> <li>• The authority committed £20k funding towards a town centre traffic management study.</li> <li>• Site access for Marina Village was approved through the Local Enterprise Partnership.</li> </ul>
<b>Local Economy: long term security</b>	<b>Service Delivery: value for money</b>
<ul style="list-style-type: none"> <li>• The authority secured £865k of Coastal Communities Fund for the supply chain project.</li> <li>• The authority awarded 6 shop front grants.</li> <li>• A Business Improvement District was agreed by the town centre retail and business community.</li> <li>• The Waterfront remediation work was granted planning permission.</li> <li>• The authority delivered support for low income families through council tax support (4,089 households), discretionary housing payments (188 recipients) and disabled facilities grants (67 grants).</li> <li>• The authority agreed support for Universal Credit with the DWP and the Citizens Advice Bureau.</li> <li>• The authority provided welfare advice and assistance to its tenants.</li> <li>• The authority secured £483k from Public Health England with The Well Community Interest Company (CIC).</li> </ul>	<ul style="list-style-type: none"> <li>• The authority achieved and sustained the 2012-2016 Budget Strategy reductions of £5m.</li> <li>• Park Leisure Centre online bookings were introduced.</li> <li>• The Customer Services Strategy was approved.</li> <li>• Performance appraisals were completed for all staff.</li> <li>• The absence management policy was approved.</li> <li>• The second annual staff survey was completed.</li> <li>• The authority's IT network infrastructure and data lines were upgraded.</li> <li>• The replacement Housing Management System project was initiated.</li> <li>• The integrated HR and Payroll System project was initiated.</li> </ul>

Corporate aims and achievements are monitored by the Executive Committee which also monitors service performance indicators. The primary indicators are shown below, with the previous year included for comparison.

2014/15	Description	2015/16
17.9 days	Average time to process:	16.2 days
17.7 days	• new housing benefit claims	16.2 days
5.2 days	• new council tax support claims	4.9 days
5.3 days	• changes in circumstances for housing benefit claims	5.3 days
	• changes in circumstances for council tax support claims	
33.6%	Average household recycling	31.5%
60%	Major planning applications processed within 13 weeks	61.5%
94%	Land charge searches completed within 5 working days	95.2%
96.76%	Council tax collected	96.85%
98.69%	Business rates collected	98.73%
3.6%	Housing stock current tenant rent arrears	3.3%
78.4%	Housing stock responsive fabric repairs completed on time	86.6%
12.32 days	Sickness averaged per employee	9.76 days

The Narrative Report contains the following financial headlines for 2015-2016:

- The £5m reduction in the General Fund revenue costs, achieved through the delivery of the 2012-2016 Budget Strategy was sustained in 2015-2016.
- The General Fund revenue account was balanced with a contribution to earmarked reserves of £508k:
  - £217k of reserves was used as planned and in accordance with matters reported to the Executive Committee for 2015-2016.
  - An unplanned £725k was added to reserves at year-end from:
    - Housing benefit subsidy subject to audit £241k; and
    - Service cost savings, reductions and additional income £484k:
      - it was necessary to place £173k of this into the business rate income volatility reserve to fund known liabilities; and
      - the £311k balance was added to the budget contingency reserve.
  - The service cost savings, reductions and additional income were all reviewed and determined to be a mixture of items already brought into the 2016-2017 budget setting process or were one-off items that will not recur.
  - Detailed analyses of the service area variances and the use of reserves were presented to the Executive Committee on 27th July, 2016.
- The Housing Revenue Account used some of its accumulated fund balance to pay for the housing maintenance commitment which was reported to the Executive Committee on 2nd December, 2015, and also reduced the voluntary provision to repay debt for 2015-2016.
- The Council's share of the Collection Fund for the year was a surplus of £108k for council tax and a deficit of £935k for business rates; these are distributed in later years.

- The accumulated surplus for council tax at 31st March, 2016, was £198k and the accumulated deficit for business rates £1.301m; the business rate income volatility reserve stands at £1.301m at 31st March, 2016.
- The Balance Sheet presents the Council's net worth and this has decreased by £4.6m, largely attributable to the decrease in the pension liability of £3.9m.
- Usable reserves have decreased by a net £1.3m:
  - £0.5m increase in General Fund reserves
  - £0.2m reduction in Housing Revenue Account reserves
  - £1.6m reduction in capital reserves
- The Capital Programme of £3.2m was financed without any new borrowing.
- For the Treasury Portfolio:
  - Debt remained at £39.5m; £13.4m General Fund and £26.1m Housing Revenue Account.
  - Temporary investments generated £140k for 2015-2016 and at 31st March, 2016, £11m was invested, short term, with financial institutions.
- Provisions were all reviewed at the year end and after the required adjustments, were judged to be sufficient; bad debt provisions and the business rate appeals provision.

The Narrative Report includes a note on the financial resilience of the Council and the steps taken to ensure it will be financially resilient. The primary actions are to agree a 2016-2020 Budget Strategy that eliminates the £2.37m deficit projected in the Medium Term Financial Plan, to refresh the Council Plan and Objectives that flow from the Council Priorities, and to refresh the Workforce Development Strategy incorporating the new Human Resources software which will provide workforce and resource planning information to managers.

The Council's workforce consists of 250 posts, 197 in the General Fund and 53 in the Housing Revenue Account. The posts are worked by 203.16 full time equivalents, 154.81 in the General Fund and 48.35 in the Housing Revenue Account. The Workforce Development Strategy presents the Council's plans and ambitions for its staff.

### **Sections within the Statement of Accounts**

The other sections within the Statement of Accounts are the same as previous years and contain further information on the financial performance for 2015-2016:

- Statement of Responsibilities – for the Council and for the Director of Resources.
- Movement in Reserves Statement – summary of the movement during the year for usable and unusable reserves and the statutory adjustments required arriving at the council tax requirement (dwelling rent setting for the Housing Revenue Account).

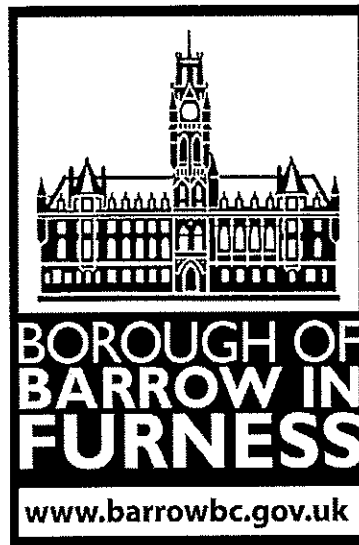


- Comprehensive Income and Expenditure Statement – summary of all services' accounting costs for the year.
- Balance Sheet – the value of the Council's assets and liabilities at the year end, the net assets are matched by the reserves held at the year end.
- Cash Flow Statement – the changes in the Council's cash and cash equivalents for the year, these are split between operating, investing and financing activities.
- Notes to support the main accounting statements.
- The Housing Revenue Account and supporting notes.
- The Collection Fund and supporting notes (council tax and business rates).

Members are recommended to receive the Statement of Accounts for 2015-2016 and raise any questions.

#### Background Papers

Nil



## Statement of Accounts 2015/16

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### 1. Introduction

The Statement of Accounts summarises the authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. 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 Narrative Report aims to provide a concise and understandable guide for readers of the accounts of the most significant aspects of the authority's financial performance, year-end position and economy, efficiency and effectiveness in its use of resources over the year.

The authority uses rounding to the nearest thousand pounds in the financial statements: some notes and narrative are presented in millions of pounds as an aid to readability.

### 2. About the Authority

Barrow Borough Council is a North West non-metropolitan local government district situated in south Cumbria at the tip of the Furness peninsula, close to the Lake District; it is bordered by Morecambe Bay, the Duddon Estuary and the Irish Sea. It is the smallest geographic district in the County at just under 78 km<sup>2</sup> but is the most densely populated with 886 people per km<sup>2</sup> at the 2011 Census.

Walney Island lies to the West of Barrow, and is separated from Barrow by the narrow Jubilee Bridge. Walney Island has two nature reserves, the 130 hectare South Walney Nature Reserve and 650 hectare North Walney Nature Reserve. Both nature reserves have national designations, as do the Duddon Estuary and Sandscale Haws to the north of the Borough. The Borough also includes 270 listed buildings, including 8 Grade I buildings of exceptional interest, including the medieval Furness Abbey and Piel Castle.

Barrow is the most deprived district in the County and the 29<sup>th</sup> most deprived local authority district in England; this is based on income, employment, health, education, housing, crime and living environment. The dwellings in the Borough are primarily in council tax band A at 59%, with 30% in bands B and C, and 11% in bands D to F.

Urban regeneration has been a major project in Barrow since the 1980s with developments on various former industrial sites in the centre of Barrow, including the dry dock, the Barrow Jute Works and Barrow Steel Works. Barrow's most popular free-entry tourist attraction is the Dock Museum, built upon and around an old graving dock. Manufacturing is the largest employment sector, with BAE Systems being the single largest employer.

The Borough and surrounding Furness area is on the verge of a sustained period of economic growth from BAE System's submarine programme, GlaxoSmithKline's biopharmaceutical plant, DONG Energy offshore wind farm, Sellafield and other investments.

### 3. Corporate Aims and Achievements

The authority delivers services to people who live in, work in and visit the Borough. The Authority has an overarching Council Plan which sets the focus for the priorities and direction for the use of the available resources.

The authority's vision is to enhance the economic and social future of the Borough to meet the needs and aspirations of the community.

The corporate priorities that will deliver tangible long term benefits to the community are focussed on the following themes, shown together with the achievements for 2015/16:

<p><b>Housing: choice and quality</b></p>	<p><b>Regeneration &amp; Public Realm: enhancement</b></p>
<ul style="list-style-type: none"> <li>• 95 private sector properties were refurbished with Cluster of Empty Homes funding.</li> <li>• The authority improved the residential frontage through the Rawlinson Street group repair scheme.</li> <li>• The authority published its Local Plan Preferred Options draft.</li> <li>• The authority agreed the release of land in its ownership for housing development.</li> <li>• The authority secured £48k New Lives grant to fund supported housing for female victims of domestic abuse with the Women's Community Matters.</li> </ul>	<ul style="list-style-type: none"> <li>• The authority refurbished Thorncliffe crematorium and chapel.</li> <li>• The authority agreed to be the Local Trusted Organisation for the £650k Cavendish Park Pavilion and Community Rooms project with the Barrow Island Community Sports Trust.</li> <li>• The authority secured £10k to support Art Gene in forming a Coastal Community Team.</li> <li>• The authority committed £20k funding towards a town centre traffic management study.</li> <li>• Site access for Marina Village was approved through the Local Enterprise Partnership.</li> </ul>
<p><b>Local Economy: long term security</b></p>	<p><b>Service Delivery: value for money</b></p>
<ul style="list-style-type: none"> <li>• The authority secured £865k of Coastal Communities Fund for the supply chain project.</li> <li>• The authority awarded 6 shop front grants.</li> <li>• A Business Improvement District was agreed by the town centre retail and business community.</li> <li>• The Waterfront remediation work was granted planning permission.</li> <li>• The authority delivered support for low income families through council tax support (4,089 households), discretionary housing payments (188 recipients) and disabled facilities grants (67 grants).</li> <li>• The authority agreed support for Universal Credit with the DWP and the Citizens Advice Bureau.</li> <li>• The authority provided welfare advice and assistance to its tenants.</li> <li>• The authority secured £483k from Public Health England with The Well Community Interest Company (CIC).</li> </ul>	<ul style="list-style-type: none"> <li>• The authority achieved and sustained the 2012-2016 Budget Strategy reductions of £5m.</li> <li>• Park Leisure Centre online bookings were introduced.</li> <li>• The Customer Services Strategy was approved.</li> <li>• Performance appraisals were completed for all staff.</li> <li>• The absence management policy was approved.</li> <li>• The second annual staff survey was completed.</li> <li>• The authority's IT network infrastructure and data lines were upgraded.</li> <li>• The replacement Housing Management System project was initiated.</li> <li>• The integrated HR and Payroll System project was initiated.</li> </ul>

#### 4. Service Performance

The authority uses service performance indicators to provide an overview of operations, these are reported quarterly to the Executive Committee.

The performance indicators are monitored against the performance in the previous financial year with the target of maintaining or improving upon that performance.

The primary performance indicators are shown below, with the previous year for comparison:

2014/15	Description	2015/16
17.9 days	Average time to process:	16.2 days
17.7 days	• new housing benefit claims	16.2 days
5.2 days	• new council tax support claims	4.9 days
5.3 days	• changes in circumstances for housing benefit claims	5.3 days
	• changes in circumstances for council tax support claims	
33.6%	Average household recycling	31.5%
60%	Major planning applications processed within 13 weeks	61.5%
94%	Land charge searches completed within 5 working days	95.2%
96.76%	Council tax collected	96.85%
98.69%	Business rates collected	98.73%
3.6%	Housing stock current tenant rent arrears	3.3%
78.4%	Housing stock responsive fabric repairs completed on time	86.6%
12.32 days	Sickness averaged per employee	9.76 days

#### 5. The Financial Headlines

The headlines of this year's accounts are set out below and detailed in the following paragraphs:

- The £5m reduction in General Fund revenue costs, achieved through the delivery of the Budget Strategy set out in 2012, was sustained into 2015/16. The General Fund is balanced with a contribution to reserves from non-recurring underspends of £484k, £173k of which is set aside to meet the business rate retention scheme deficit held at the 31 March 2016 of £1.301m. Further details are set out in paragraph 7.
- The Housing Revenue Account used some of the accumulated balance to fund housing maintenance commitments and reduced the voluntary provision to repay debt for 2015/16; see paragraph 8.
- The authority's share of the Collection Fund for 2015/16 is a surplus of £108k for council tax and a deficit of £935k for business rates; these are distributed in 2016/17 and 2017/18 along with the preceptors proportions; see paragraph 12.
- The authority's net worth has increased from £92.8m to £97.4m which is largely attributable to the decrease in the pension liability from £30.5m to £26.6m; see paragraph 6.
- Usable reserves have reduced by £1.3m; see paragraphs 9 and 10 and Movement in Reserves Statement page 14.
- Capital investment of £3.2m was delivered through the capital programme for 2015/16; see paragraph 10.

**6. Net Assets of the Authority**

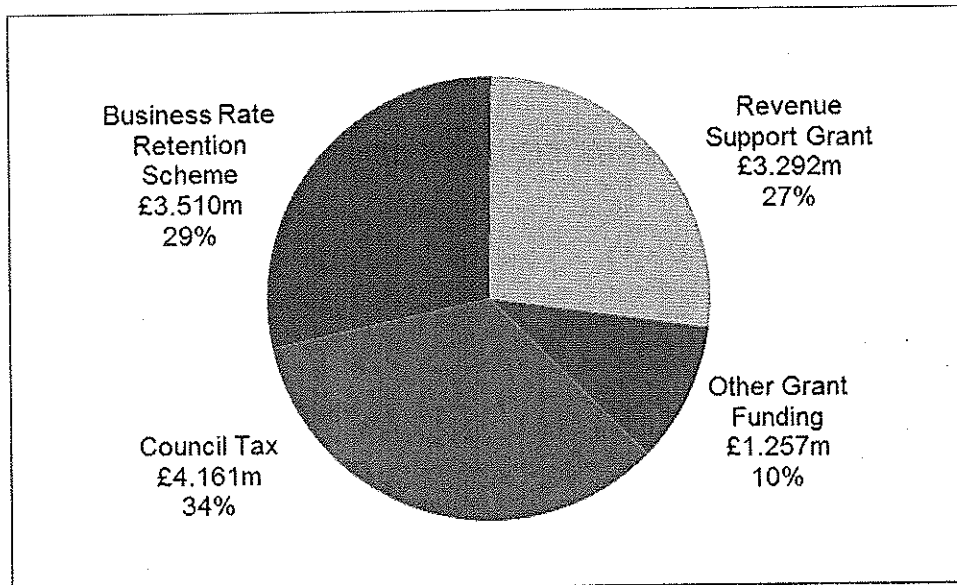
The authority has net assets of £97.4m; this is the difference between its assets and liabilities. This shows the cash balance that would have been left if the Council was to have realised its assets (selling its land and buildings and other assets) and settled its liabilities (paid its creditors and repaid its borrowing). This increase in the net assets of the authority from £92.8m to £97.4m is largely attributable to the decrease in the pension liability from £30.5m to £26.6m; the decrease in short term investments and deposited cash at the Balance Sheet date, from £16.5m to £14.4m; the Cluster of Empty Homes new loan principal of £1.4m at the Balance Sheet date; and the increase in the debtors held for Business Rate Retention Scheme preceptors of £1.5m.

**7. General Fund Outturn**

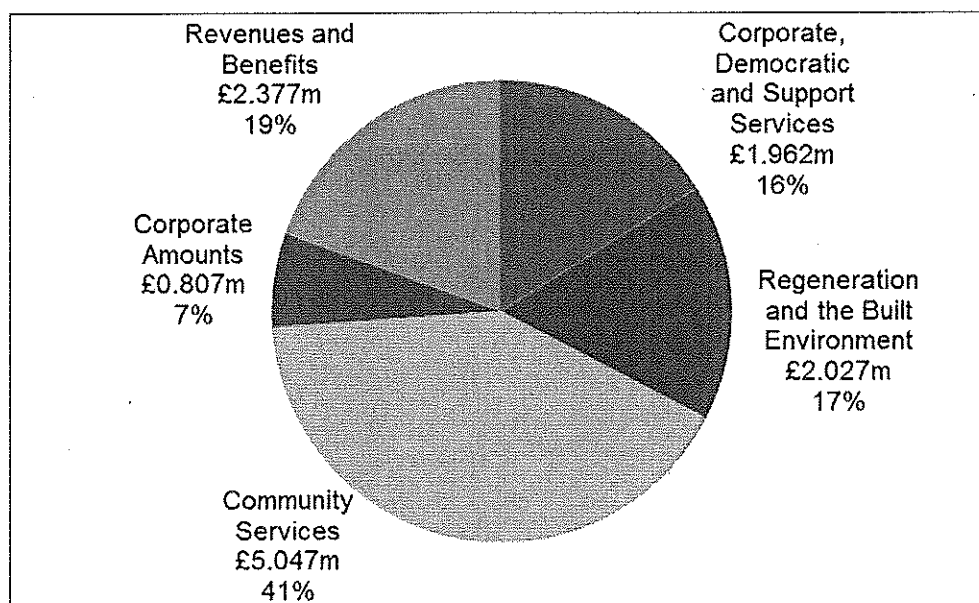
The General Fund budget for 2015/16 was originally approved by Full Council on the 3 March 2015 and was last formally revised on the 9 March 2016 as:

<b>2015/16 General Fund revenue budget</b>	<b>£000</b>
Approved budget – March 2015	11,471
Coastal Communities supply chain grant	432
Efficiency Support Grant	141
Other Government grants	176
<b>Revised approved budget – March 2016</b>	<b>12,220</b>

The total financing came from:



The net expenditure was split between:



Corporate amounts include treasury, pension funding, technical accounting and reserves.

The actual outturn for 2015/16 had no impact on the General Fund balance. The outturn before movements in earmarked reserves was £0.508m, with a net £0.508m being added to reserves for the year.

A net £0.217m of reserves were used as planned and in accordance with matters reported to the Executive Committee for 2015/16. An unplanned £0.725m was added to reserves at year-end from:

- Service cost savings, reductions and additional income £0.484m; and
- Housing benefit subsidy subject to audit £0.241m.

Details of the movements in earmarked reserves will be presented to the authority's Executive Committee on the 27 July 2016. The earmarked reserves are explained in Note 7.

All recurring savings and reductions were taken into account when setting the 2016/17 budget. The contribution to the contingency earmarked reserve includes £484k of non-recurring savings and reductions, of which £173k was added to cover the business rate retentions scheme deficit at 31 March 2016.



<b>Service Area</b>	<b>Additional Income</b>	<b>Reduced Expenditure</b>	<b>Total</b>
Corporate, Democratic and Support Services	-	31	31
Regeneration and the Built Environment	25	113	138
Community Services	59	67	126
Revenues and Benefits	9	19	28
Corporate Amounts	(13)	24	11
<b>Cross-Service Items</b>			
Support Service recharges	99	-	99
IT network refresh and data lines review	-	25	25
Staff training and conferences	-	26	26
	<b>179</b>	<b>305</b>	<b>484</b>

A detailed analysis of the variances within these headings will be presented to the authority's Executive Committee on the 27 July 2016.

### **8. Housing Revenue Account Outturn**

The original Housing Revenue Account budget was approved by full Council on the 3 March 2015 as a balanced budget; the income matching the expenditure forecast. The revised budget was approved by full Council on the 22 March 2016 with an estimated contribution from the fund balance of £103k plus the settlement of the previous housing maintenance contract. The actual outturn for the Housing Revenue Account was a deficit charged to the fund balance of £868k, which is the settlement amount of the previous housing maintenance contract; this settlement relates to the agreed annual contract uplift, additional works and inflation thereon which was outstanding for the period 2011 to 2015.

Within the account, repairs and maintenance expenditure was £745k above the budget provision and this has been funded by a £520k reduction in the voluntary revenue provision and underspends in other areas.

### **9. Revenue Reserves and Balances**

The authority held the following General Fund financial reserves during 2015/16:

<b>1 April 2015 £000</b>		<b>31 March 2016 £000</b>
2,300	General Fund balance	2,300
2,870	Restructuring: Medium Term Financial Plan support	2,870
778	Restructuring: service transformation	681
1,990	Renewals reserve	1,228
100	Insurance reserve	100
631	Losses reserve	593
1,371	Budget contingency reserve	2,783
205	Apprentices reserve	160
188	Welfare support reserve	119
91	CCTV reserve	-
606	Ring-fenced properties	652
691	Earmarked revenue grants	843
<b>11,821</b>		<b>12,329</b>

Details of the movements within these headings will be presented to the authority's Executive Committee on the 27 July 2016. The earmarked reserves are explained in Note 7.

The authority held the following Housing Revenue Account reserve and balance during 2015/16:

<b>1 April 2015 £000</b>		<b>31 March 2016 £000</b>
2,413	Housing Revenue Account balance	1,545
761	Major repairs reserve	1,416
<b>3,174</b>		<b>2,961</b>

## 10. Capital Expenditure and Financing

During 2015/16 the authority's capital expenditure was £3.2m:

<b>Investment</b>	<b>Expenditure</b>	<b>Source</b>	<b>Financing</b>
Public buildings	£0.6m	Major repairs reserve	£1.5m
Private sector housing	£0.7m	Reserves	£1.1m
Public sector housing	£1.5m	Capital grants	£0.5m
Industrial/commercial properties	£0.2m	Capital receipts	£0.1m
Other public assets	£0.2m		
<b>Programme</b>	<b>£3.2m</b>	<b>Total</b>	<b>£3.2m</b>

The capital receipts and grants received in the year and unapplied at the 31 March 2016 are:

- Capital receipts
  - At 1 April 2015 £0.7m
  - Plus usable receipts of £0.4m from:
    - Land at James Freel Close
    - Repaid Cluster of Empty Homes loans
    - 11 dwellings under the Right to Buy
  - Less receipts used in financing in 2015/16 £0.1m
  - At 31 March 2016 £1m
  
- Capital grants
  - At 1 April 2015 £3.5m
  - Plus grants of £0.1m from:
    - Disabled Facilities Grant
    - Furness Maritime Trust
  - Less grants repaid in 2015/16 £0.1m
  - Less grants used for Cluster of Empty Homes loan £1.9m
  - At 31 March 2016 £1.6m
    - £1m of this balance relates to Clusters of Empty Homes

The remaining Barrow Island Clusters of Empty Homes grant will be defrayed in 2016/17; the landscaping scheme is expected to commence on-site during September 2016. Completion of the Clusters of Empty Homes project will bring a significant number of empty properties back into use.

## **11. Treasury Management**

The authority managed its cash and investments in-house during 2015/16. As at 31 March 2016, £11m of investments and cash of £3.4m were managed in-house. The authority has 24 loans outstanding at 31 March 2016; 19 of these, £17.1m, relate to the Housing Revenue Account self-financing settlement. The balance outstanding is £39.5m; in total, £26.1m belonging to the Housing Revenue Account and £13.4m to the General Fund. No loans are repayable in 2016/17. The authorised limit for borrowing in 2015/16 was £55m. These items complied with the authority's Treasury Management Strategy for 2015/16, which was approved by full Council on 3 March 2015.

## **12. Collection Fund**

The Collection Fund balance was a net deficit of £1.5m at 31 March 2016, made up of a surplus on council tax of £0.8m and a deficit on NNDR of £2.3m. The council tax surplus is payable across 2016/17 and 2017/18 to Cumbria County Council, the Police and Crime Commissioner for Cumbria and the General Fund £108k; split against their 2016/17 precepts. The NNDR deficit will be recovered from central government, Cumbria County Council and the General Fund £935k in 2016/17 and 2017/18. This is dealt with by precepting arrangements.

The accumulated amounts held at the 31 March 2016 for the authority are:

- £198k surplus for council tax.
- £1.301m deficit for the business rate retention scheme.

## **13. Business Rates Retention Scheme**

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

## **14. Local Council Tax Reduction Scheme**

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

## **15. Material Assets and Liabilities**

During 2015/16 the authority has not acquired any material assets or incurred any material liabilities.

## **16. Pensions Reserve**

International Accounting Standard (IAS) 19 requires the authority to account for its liability under the pension (defined benefits) scheme as it arises. The authority is a member of the Cumbria Local Government Pension Scheme Fund. At 31 March 2016, the actuarial valuation showed a net liability

of £26.6m (2014/15 £30.5m). This is explained in detail in Note 35 to the accounting statements (page 68). Part of the authority's employer contributions to the Fund is to recover this deficit. The deficit on the pension scheme has varied substantially in recent years and reflects the volatile nature of financial markets. The deficit at 31 March 2016 was £26.6m, an in year decrease of £3.9m.

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

#### **17. Material and Unusual Charges and Credits**

The authority established a provision in 2012/13 for the Municipal Mutual Insurance Scheme of Arrangement and this was increased by £187k in 2015/16 to fund a second levy, the total levy is now 25%; this appears on the face of the Comprehensive Income and Expenditure Account.

#### **18. Accounting Policies**

The authority's accounting policies are explained fully in the first note to the main accounting statements (pages 20 to 32).

#### **19. Provisions and Contingencies**

The provision established in 2012/13 for the Municipal Mutual Scheme of Arrangement reflects the 25% levy due by the authority for the estimated outstanding claims.

The authority established a provision for business rate appeals in 2013/14 with the introduction of the Business Rate Retention Scheme. The provision reflects the authority's share of the estimated settlement of appeals lodged at the 31 March 2016.

#### **20. Material Events After the Accounting Date**

The Statement of Accounts was originally authorised for issue by the Director of Resources on the 30 June 2016 and is now authorised for issue on the 15 September 2016, after incorporating revisions from the audit. Events taking place after this date are not reflected in the accounting statements or notes. No events have been identified.

#### **21. Financial Resilience**

The authority has been subject to significant reductions in its financial settlement from the Government since 2011/12. As the formula reductions resulted in a percentage drop greater than the cap set by the Government for the years 2011/12 to 2015/16, the authority was awarded Transition Grant for 2011/12 and 2012/13, and Efficiency Support Grant for 2013/14, 2014/15 and 2015/16. The Transition Grant was to be used to reduce the authority's net revenue expenditure to the level of future Government financial settlement projections in that Spending Review period. Efficiency Support Grant was ring-fenced to four key themes and within those, expenditure was incurred where a reduction in cost or increase in income could be achieved.

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

- The authority achieved the aim of the Budget Strategy 2011/12 to 2015/16, reducing the General Fund revenue budget by over £5m.
- The authority experienced reductions in funding beyond the Budget Strategy forecasts and during 2016/17, the Administration is committed to:

- Establishing a new Budget Strategy with the aim of producing a balanced and sustainable budget by 2019/20.
- Delivering a four year Medium Term Financial Plan providing a resilient base for long term financial planning.
- Refreshing the Council Plan and Council Objectives that flow from the Council Priorities.
- Refreshing the Workforce Development Strategy to include the new integrated Human Resources and Payroll system which will provide workforce and resource planning information to managers.
- The authority is part of the Cumbria Local Enterprise Partnership and is linked with projects included in the Strategic Economic Plan which, sets out how Local Growth Funding will be spent to boost the local economy in the County. The economic impacts of the Strategic Economic Plan are beneficial to the longer term finances of the authority.
- The authority has chosen to react positively to the financial challenges by taking the opportunity to do things differently. The broad strategy is to concentrate on three issues; generating income, transforming services to make them more efficient and cost effective, and supporting economic growth and development. The authority has established a Business Improvement Team to continue the Budget Strategy policy themes.
- The authority has secured £0.865m for the delivery of the Coastal Communities Fund Supply Chain Strengthening Project; receivable across 2015/16 and 2016/17. The authority is acting as the accountable body and the Furness Economic Development Forum will oversee project delivery. The project outputs of jobs secured and support to local businesses will be beneficial to the Borough and the authority in the medium and long term.

At the end of 2015/16 the authority held the minimum General Fund balance of £2.3m and reserve of £0.6m for losses; these core reserves are important in the financial resilience of the authority and required to address any unexpected spending pressures and to cushion any cash flow impacts. The authority's ability to replenish its reserves is very limited, with any service surpluses in the revenue account being carried to meet known liabilities such as the business rate retention scheme deficit, the local plan process and the cremator rebuild.

The authority has continued to deliver a capital programme, funded from grants and asset sale receipts as well as the use of reserves. The programme is much reduced from previous years and is financed to limit the on-going costs of borrowing on the General Fund revenue account. During 2016/17 the authority will consider the current and future capital projects it wishes to deliver and the resources available to achieve its agreed priorities.

**22. Workforce**

The authority's establishment consists of 250 posts; 197 in the General Fund and 53 in the Housing Revenue Account. The posts are worked by 203.16 full time equivalent (FTE) staff; 154.81 FTE in the General Fund and 48.35 FTE in the Housing Revenue Account:

	FTE.
Corporate, Democratic and Support Services	48.70
Regeneration and the Built Environment	42.49
Community Services	61.53
Revenues and Benefits	2.09
Public Housing (Housing Revenue Account)	48.35

The authority recognises the value and importance of the workforce and through the Workforce Development Strategy has committed to leadership development, enabling transformation and change, succession planning, effective two-way engagement and enhancing the health and wellbeing of staff. The authority is committed to growing its own professional and technical officers and offering opportunities through training and development.

### 23. Key Sections in the Statement of Accounts

The 2015/16 accounting statements have been prepared in compliance with the CIPFA Code of Practice on Local Authority Accounts in the United Kingdom which is based on International Financial Reporting Standards (the Code) and consist of:

- **Statement of Responsibilities** (page 13) this precedes the accounting statements and sets out the responsibilities of the authority and of the Director of Resources in respect of the Statement of Accounts. The purpose of the Statement of Responsibilities is to confirm that the Statement of Accounts has been prepared in accordance with proper practices.
- **Movement in Reserves Statement** (pages 14 and 15) – this shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting and the Housing Revenue Account for dwelling rent setting purposes. The Net (Increase)/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the authority.
- **Comprehensive Income and Expenditure Statement** (page 16) – this shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation. Authorities raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The local taxation position is shown in the Movement in Reserves Statement
- **Balance Sheet** (page 17) - this shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and the reserves that hold the timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **Cash Flow Statement** (page 18) – this shows the changes in the authority's cash and cash equivalents during the year. This Statement shows how the authority generates and uses cash and cash equivalents by classifying the cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the authority are funded by way of local taxation and grant

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

- **Notes to the Main Accounting Statements** (pages 20 to 73) – these include a summary of the significant accounting policies and other explanatory information.
- **Housing Revenue Account and Notes** (pages 74 to 79) – this reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989. It essentially contains income from house rents and expenditure related to managing and maintaining council dwellings. The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.
- **Collection Fund and Notes** (pages 80 to 83) – this is an agent's statement that reflects the statutory obligation for the authority, as a billing authority, to maintain a separate Collection Fund. The Statement shows the transactions for council tax and non-domestic rates and the way these have been distributed; the council tax preceptors being Cumbria County Council, the Police and Crime Commissioner for Cumbria and the General Fund; the non-domestic rates being shared proportionately between central government (50% share), Cumbria County Council (10%) and the General Fund (40%).

### 24. Level of Reserves and Balances

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

### 25. Acknowledgement

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

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

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

### The Director of Resources' Responsibilities

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

In preparing this Statement of Accounts, the Director of Resources has:

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

The Director of Resources has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the authority for 2015/16 and of its expenditure and income for the year ended 31 March 2016.

**S M Roberts CPFA, ACMA**  
**Director of Resources**  
**Section 151 Officer**  
**30 June 2016**  
**Revised 15 September 2016**

**Councillor Mrs A Burns**  
**Audit Committee Chairman**  
**15 September 2016**



**Movement in Reserves Statement 2015/16**

2015/16	Reserves held for revenue purposes			Reserves held for capital purposes			Total Usable Reserves	Unusable Reserves	Total Council Reserves
	General Fund	Earmarked GF Reserves	Housing Revenue Account	Major Repairs Reserves	Capital Receipts Reserve	Capital Grants Unapplied			
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2015 brought forward</b>	(2,300)	(9,521)	(2,413)	(761)	(754)	(3,506)	(19,255)	(73,516)	(92,771)
<b>Movement in Reserves during 2015/16</b>									
(Surplus) or deficit on the provision of services	1,402	-	275	-	-	-	1,677	-	1,677
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	0	(6,334)	(6,334)
<b>Total Comprehensive Income and Expenditure</b>	<b>1,402</b>	<b>-</b>	<b>275</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,677</b>	<b>(6,334)</b>	<b>(4,657)</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	(1,910)	-	593	(655)	(295)	1,881	(386)	386	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(508)</b>	<b>0</b>	<b>868</b>	<b>(655)</b>	<b>(295)</b>	<b>1,881</b>	<b>1,291</b>	<b>(5,948)</b>	<b>(4,657)</b>
Transfers to/(from) Earmarked Reserves (Note 7)	508	(508)	-	-	-	-	0	-	0
<b>(Increase)/Decrease in 2015/16</b>	<b>0</b>	<b>(508)</b>	<b>868</b>	<b>(655)</b>	<b>(295)</b>	<b>1,881</b>	<b>1,291</b>	<b>(5,948)</b>	<b>(4,657)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>(2,300)</b>	<b>(10,029)</b>	<b>(1,545)</b>	<b>(1,416)</b>	<b>(1,049)</b>	<b>(1,625)</b>	<b>(17,964)</b>	<b>(79,464)</b>	<b>(97,428)</b>

**Movement in Reserves Statement 2014/15**

2014/15	Reserves held for revenue purposes			Reserves held for capital purposes			Total Usable Reserves	Unusable Reserves	Total Council Reserves
	General Fund Balance	Farmarked GF Reserves	Housing Revenue Account	Major Repairs Reserves	Capital Receipts Reserve	Capital Grants Unapplied			
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2014 brought forward	(2,000)	(10,197)	(2,377)	(598)	(214)	(4,132)	(19,518)	(74,514)	(94,032)
Movement in Reserves during 2014/15									
(Surplus) or deficit on the provision of services	971	-	(2,620)	-	-	-	(1,649)	-	(1,649)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	0	2,910	2,910
<b>Total Comprehensive Income and Expenditure</b>	<b>971</b>	<b>0</b>	<b>(2,620)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,649)</b>	<b>2,910</b>	<b>1,261</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	(595)	-	2,584	(163)	(540)	626	1,912	(1,912)	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>376</b>	<b>0</b>	<b>(36)</b>	<b>(163)</b>	<b>(540)</b>	<b>626</b>	<b>263</b>	<b>998</b>	<b>1,261</b>
Transfers to/(from) Earmarked Reserves (Note 7)	(676)	676	-	-	-	-	0	-	0
<b>(Increase)/Decrease in 2014/15</b>	<b>(300)</b>	<b>676</b>	<b>(36)</b>	<b>(163)</b>	<b>(540)</b>	<b>626</b>	<b>263</b>	<b>998</b>	<b>1,261</b>
Balance at 31 March 2015 carried forward	(2,300)	(9,521)	(2,413)	(761)	(754)	(3,506)	(19,255)	(73,516)	(92,771)

**Comprehensive Income and Expenditure Statement**

2014/15			2015/16			
Gross Expenditure	Gross Income	Net Expenditure	Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
3,091	(640)	2,451		2,745	(630)	2,115
4,703	(1,343)	3,360		4,715	(1,570)	3,145
4,865	(2,068)	2,797		4,758	(1,869)	2,889
3,259	(2,448)	811		3,353	(2,749)	604
687	(996)	(309)		531	(767)	(236)
7,670	(11,561)	(3,891)		11,073	(12,101)	(1,028)
22,711	(21,691)	1,020		22,732	(21,204)	1,528
1,570	(23)	1,547		1,515	-	1,515
89	-	89		274	-	274
(10)	-	(10)	20	187	-	187
<b>48,635</b>	<b>(40,770)</b>	<b>7,865</b>		<b>51,883</b>	<b>(40,890)</b>	<b>10,993</b>
1,766	(819)	947	8	899	(600)	299
5,402	(3,028)	2,374	9	4,782	(2,569)	2,213
6,513	(19,348)	(12,835)	10	6,325	(18,153)	(11,828)
<b>62,316</b>	<b>(63,965)</b>	<b>(1,649)</b>		<b>63,889</b>	<b>(62,212)</b>	<b>1,677</b>
(2,919)	-	(2,919)		(2,259)	-	(2,259)
5,829	-	5,829		(4,075)	-	(4,075)
<b>2,910</b>	<b>0</b>	<b>2,910</b>		<b>(6,334)</b>	<b>0</b>	<b>(6,334)</b>
<b>65,226</b>	<b>(63,965)</b>	<b>1,261</b>		<b>57,555</b>	<b>(62,212)</b>	<b>(4,657)</b>

## Balance Sheet

31 March 2015		Notes	31 March 2016
£000			£000
147,861	Property, Plant & Equipment	12	148,001
699	Heritage Assets	13	695
291	Long Term Debtors	25	1,634
<b>148,851</b>	<b>Long Term Assets</b>		<b>150,330</b>
14,023	Short Term Investments	16	11,029
27	Inventories		24
3,046	Short Term Debtors	17	3,294
3,062	Cash and Cash Equivalents	18	3,982
<b>20,158</b>	<b>Current Assets</b>		<b>18,329</b>
(494)	Short Term Borrowing	16	(494)
(5,211)	Short Term Creditors	19	(3,911)
<b>(5,705)</b>	<b>Current Liabilities</b>		<b>(4,405)</b>
(445)	Provisions	20	(626)
(39,479)	Long Term Borrowing	16	(39,479)
(30,609)	Other Long Term Liabilities	22	(26,721)
<b>(70,533)</b>	<b>Long Term Liabilities</b>		<b>(66,826)</b>
<b>92,771</b>	<b>Net Assets</b>		<b>97,428</b>
(19,255)	Usable Reserves	Page 14	(17,964)
(73,516)	Unusable Reserves	21	(79,464)
<b>(92,771)</b>	<b>Total Reserves</b>		<b>(97,428)</b>

The unaudited accounts were issued on 30 June 2016, and the audited accounts were authorised for issue on the 15 September 2016.

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

## Cash Flow Statement

2014/15		Notes	2015/16
£000			£000
<b>(1,649)</b>	<b>Net (surplus) or deficit on the provision of services</b>		<b>1,677</b>
(3,993)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	26	(5,481)
1,038	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	27	637
<b>(4,604)</b>	<b>Net cash flows from Operating Activities</b>		<b>(3,167)</b>
5,857	Investing Activities	29	624
(876)	Financing Activities	30	1,623
<b>377</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(920)</b>
3,439	Cash and cash equivalents at the beginning of the reporting period	18	3,062
3,062	Cash and cash equivalents at the end of the reporting period	18	3,982
<b>377</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(920)</b>

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### Note 1. ACCOUNTING POLICIES

#### a. General Principles

The Statement of Accounts summarises the authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. 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 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards and Financial Reporting Standards.

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

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

#### b. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- Revenue from leasehold properties is recognised on an averaged basis where leases contain rent free periods and the first year requires an adjustment of over £10k.
- Revenue from non-exchange transactions is recognised when it is probable that the benefit will flow and the amount can be measured reliably, further details are included in accounting policy d. Council Tax and Business Rate Transactions.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. For housing benefit overpayments a full provision is made for the possible non-collection of this debt. However, it is the authority's policy to pursue all debtors where possible, however as the amounts and timing of recovery are not certain, they are not recognised in the Comprehensive Income and Expenditure Statement.

#### c. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months

or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**d. Council Tax and Business Rate Transactions**

As the billing authority, Barrow Borough Council accounts for its own share of the council tax and business rates transactions in the Balance Sheet and its share of the collection fund balance is held in the Collection Fund Adjustment Account. The precepting authorities' share of the council tax or business rate transactions as well as their share of the collection fund balance is accounted for as a debtor or creditor with those bodies. The County Council and Government share of the business rate transactions as well as their share of the council tax is accounted for as a debtor or creditor with those bodies. The Police & Crime Commissioner for Cumbria share of the council tax is also accounted for as a debtor or creditor.

**e. Exceptional Items**

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

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

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

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

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

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

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

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

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



## **h. Employee Benefits**

### Benefits Payable During Employment

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

### Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account balance to be charged with the amount payable by the authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The authority's redundancy policy was amended by Council on the 16 March 2011 to introduce an enhanced redundancy payment, this ended on 30 June 2015.

### Post-Employment Benefits

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

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

### The Local Government Pension Scheme

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

- The liabilities of the Cumbria pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and other factors, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using the applicable discount rate based on the indicative rate of return on AA rated corporate bonds.

- The assets of the Cumbria pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unutilised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - net interest on the net defined benefit liability (asset), that is, net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
  - Re-measurements comprising:
    - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - contributions paid to the Cumbria pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### Discretionary Benefits

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

### i. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and, those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

### j. Financial Instruments

#### Financial Liabilities

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

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

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

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

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

#### Financial Assets - Loans and Receivables

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market. These are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are

subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

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

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

### **k. Foreign Currency Translation**

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

### **l. Government Grants and Contributions**

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

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

Amounts recognised as due to the authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential

embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

### **m. Efficiency Support Grant**

Efficiency Support Grant is a revenue grant paid by Central Government between 2013/14 and 2015/16. It was paid to authorities who would otherwise see a reduction in 'Revenue Spending Power' of more than 8.8% in 2013/14 and 6.9% in 2014/15 and 6.4% in 2015/16. The grant is the amount needed to ensure that no authority experiences a Revenue Spending Power reduction of more than the cap. The definition of 'Revenue Spending Power' used to calculate eligibility for the grant is the aggregate of Council Tax, Formula Grant and other Specific Grants. The grant is non-ring fenced and is credited to the Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

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

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

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

### **o. Leases**

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

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

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

#### The Authority as Lessee

##### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or

equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a rent-free period at the commencement of the lease).

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

### The Authority as Lessor

#### Operating Leases

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

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

#### **p. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

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

The Council holds a number of assets acquired to enhance the built environment, support the local economy and provide the type of property needed for business development in the Borough. Collectively, these are regeneration assets and they continue to be held by the authority for the same purpose as at acquisition. Regeneration assets are recognised as Other Land and Buildings within the Balance Sheet. The rental stream from these assets is credited to the Comprehensive Income and Expenditure Statement. Disposal proceeds from appropriate regeneration assets are subject to Government funding claw back consideration.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (repairs and maintenance) is charged as an expense when it is incurred. Acquisitions under £10,000 are deminimus and are not considered to create an asset.

### Measurement

Assets are initially measured at cost, comprising:

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

The authority does not capitalise borrowing costs.

The cost of assets acquired other than by purchase is deemed to be its current 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, community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use
- all other assets – current value – market value in existing use (MV-EUV) or where the asset is of a specialist nature and has no active market, depreciated replacement cost (DRC) is used as an estimate of fair value

Where non-property assets that have short useful lives or low value (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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.

### Fair value measurement

The authority measures some of its non-financial assets, such as surplus assets and some of its financial instruments, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or, in the absence of the principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability; assuming those market participants were acting in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses appropriate valuation techniques for each circumstance, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. This takes into account the three levels of categories for inputs to valuations for fair value assets at:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 - unobservable inputs for the asset or liability

### Impairment

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

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

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

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



### Depreciation

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

Depreciation is calculated on the following bases:

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### Disposals and Non-current Assets Held for Sale

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

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

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

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

When an asset is disposed of, decommissioned or derecognised, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal). Any revaluation

gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

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

#### Provisions

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

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

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

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

#### Contingent Liabilities

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

#### Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

**s. Reserves**

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

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

**t. Revenue Expenditure Funded from Capital under Statute**

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

**u. VAT**

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

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

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

IAS 1 Presentation of Financial Statements - This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) – This takes effect from 1 April 2016. The Infrastructure Code confirms that the changes arising do not require retrospective adjustment to the accounts. Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land. The disclosure will require the transfer of assets between infrastructure and the new highways network asset categories. As a Borough Council, this is not expected to have a material impact on the accounts.

Other minor changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Statement of Accounts.

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

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The authority has considered the classification of its leases, both as lessor and lessee, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements.
- The authority is deemed to control assets that fall within contractual and other arrangements which involve the provision of a service using specific underlying assets and which therefore are considered to contain a lease. The accounting treatment for leases has been applied to these arrangements to determine whether the lease contained within them is a finance lease or an operating lease.
- The authority has considered whether any property should be classed as an investment property or property, plant and equipment.
- The authority has considered which of its assets should be classified as heritage assets.
- The authority holds a number of assets acquired to enhance the built environment, support the local economy and provide the type of property needed for business development in the

Borough. Collectively, these are regeneration assets and are accounted for as Property, Plant and Equipment.

- Fair value estimations: When the fair values of financial assets and liabilities (Surplus Assets or Assets Held for Sale) cannot be measured based on quoted prices (unadjusted) in active markets (where transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis i.e. Level 1 inputs) their fair value is measured using the following valuation techniques:
  - Level 2 inputs, quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
  - Level 3 inputs, that are based on unobservable data; or observable market valuation data adjusted as necessary for the specific asset or liability.

If possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgment is required in establishing fair values. Changes in assumptions used, consequently, could affect the fair value of the authority's assets and liabilities i.e. resulting in a significantly lower or higher fair value measurement.

Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Information about the valuation techniques and inputs used in determining the fair value of these assets is set out in Note 12.

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

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

The items in the authority's Balance Sheet at the 31 March 2016 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 the property, plant and equipment will be over or understated. This would be adjusted when the assets were next revalued. For instance if council dwellings were not impaired in 2015/16, 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 £6.175m and the depreciation charged to the HRA for 2015/16 would be overstated by £206k.

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

Assets are depreciated based on useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to maintain the expenditure on repairs and maintenance resulting in uncertainty in the useful lives assigned to assets by the valuers. If the useful

life of assets is reduced depreciation increases and the carrying amount of assets falls. Some of the authority's assets are carried at an impaired value (revaluation loss), awaiting an improvement in their market; these are council dwellings and some properties rented out on a commercial basis. The impaired values then have useful lives applied to calculate the depreciation charge. If the impairment increased or if there was a reversal of the previous loss, the value of the asset and the related depreciation would be over or under stated. For instance if the useful life of the council dwellings was determined to be 25 years, rather than the current 30 years, the depreciation charge to the HRA for 2015/16 would be £2.02m rather than £1.68m.

### 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 2016 figures are:

- +0.1% per annum increase in the discount rate assumption would result in a decrease in the net pensions liability of £1.588m; or,
- +0.1% per annum increase in the inflation assumption would result in an increase in the net pensions liability of £1.614m; or,
- +0.1% per annum increase in the pay growth assumption would result in an increase in the net pensions liability of £0.274m; or,
- 1 year increase in the member's life expectancy assumption would result in an increase in the net pensions liability of £1.974m.

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

### Financial instruments

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

If interest rates had been 1% higher with all other variables held constant, the financial effect would be to decrease the fair value of fixed rate borrowing liabilities by £5.76m. 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.

### Note 5. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was originally authorised for issue by the Director of Resources on the 30 June 2016, and is now authorised for issue on the 15 September 2016, after incorporating revisions from the audit. Events taking place after this date are not reflected in the accounting statements or notes. Where any other events taking place before this date provided information about conditions existing at the 31 March 2016, the figures in the accounting statements and notes have been adjusted in all material respects to reflect the impact of this information. No events have been identified.

### Note 6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

#### General Fund Balance

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

#### Housing Revenue Account Balance

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

#### Major Repairs Reserve

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

#### Capital Receipts Reserve

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

#### Capital Grants Unapplied

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

Notes to the Main Accounting Statements

Adjustments between accounting basis and funding basis under regulations

2015/16

	Usable Reserves						Movements in Usable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movements in Usable Reserves £000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
Reversal of items debited or credited to the CIES:	(1,606)	(1,684)	-	-	-	(3,290)	3,290
Charges for depreciation and impairment of non-current assets	2	(626)	-	-	-	(624)	624
Revaluation losses on Property, Plant and Equipment	433	-	-	-	-	433	(433)
Capital grants and contributions applied	(752)	-	-	-	-	(752)	752
Revenue expenditure funded from capital under statute	(135)	(338)	-	-	-	(473)	473
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES							
Insertion of items not debited or credited to the CIES							
Statutory provision for the financing of capital investment	897	-	-	-	-	897	(897)
Voluntary provision for the financing of capital investment	-	702	-	-	-	702	(702)
Capital expenditure charged against the General Fund and HRA balances	985	104	-	-	-	1,089	(1,089)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the CIES	37	-	-	-	(37)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	1,918	1,918	(1,918)
<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	102	498	-	(600)	-	0	0
Cluster of Empty Homes loan repayment	-	-	-	(103)	-	(103)	103
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	100	-	100	(100)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(308)	-	-	308	-	0	0
<b>Adjustment primarily involving the Major Repairs Reserve:</b>							
Reversal of Major Repairs Reserve credited to the HRA		2,031	(2,031)	-	-	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	1,514	-	-	1,514	(1,514)
Increase in the Major Repairs Reserve for depreciation of non-dwelling assets	-	-	(138)	-	-	(138)	138
<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	(395)	(2)	-	-	-	(397)	397
<b>Adjustments primarily involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,843)	(544)	-	-	-	(2,387)	2,387
Employer's pension contributions and direct payments to pensioners payable in the year	1,752	448	-	-	-	2,200	(2,200)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax & NNDR income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(1,078)	-	-	-	-	(1,078)	1,078
<b>Adjustments primarily involving the Accumulated Absences Account:</b>							
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	(1)	4	-	-	-	3	(3)
<b>Total Adjustments</b>	<b>(1,910)</b>	<b>593</b>	<b>(655)</b>	<b>(295)</b>	<b>1,881</b>	<b>(386)</b>	<b>386</b>



Notes to the Main Accounting Statements

Adjustments between accounting basis and funding basis under regulations

2014/15

	Usable Reserves						Movement in Usable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
Reversal of items debited or credited to the CIES:	(1,455)	(1,650)	-	-	-	(3,105)	3,105
Charges for depreciation and impairment of non-current assets	(637)	605	-	-	-	68	(68)
Revaluation losses on Property, Plant and Equipment	628	-	-	-	-	628	(628)
Capital grants and contributions applied	(1,094)	-	-	-	-	(1,094)	1,094
Revenue expenditure funded from capital under statute	(941)	(398)	-	-	-	(1,339)	1,339
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES							
Insertion of items not debited or credited to the CIES	927	-	-	-	-	927	(927)
Statutory provision for the financing of capital investment	-	1,566	-	-	-	1,566	(1,566)
Voluntary provision for the financing of capital investment	1,631	-	-	-	-	1,631	(1,631)
Capital expenditure charged against the General Fund and HRA balances							
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the CIES	207	-	-	-	(207)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	833	833	(833)
<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	216	603	-	(819)	-	0	0
Cluster of Empty Homes loan repayment	-	-	-	(31)	-	(31)	31
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	-	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(310)	-	-	310	-	0	0
<b>Adjustment primarily involving the Major Repairs Reserve:</b>							
Reversal of Major Repairs Reserve credited to the HRA	-	1,922	(1,922)	-	-	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	1,888	-	-	1,888	(1,888)
Increase in the Major Repairs Reserve for depreciation of non-dwelling assets	-	-	(129)	-	-	(129)	129
<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	12	(1)	-	-	-	11	(11)
<b>Adjustments primarily involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,661)	(448)	-	-	-	(2,110)	2,110
Employer's pension contributions and direct payments to pensioners payable in the year	1,683	390	-	-	-	2,073	(2,073)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax & NNDR income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	115	-	-	-	-	115	(115)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>							
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	(16)	(4)	-	-	-	(20)	20
<b>Total Adjustments</b>	<b>(595)</b>	<b>2,584</b>	<b>(163)</b>	<b>(540)</b>	<b>626</b>	<b>1,912</b>	<b>(1,912)</b>

**Note 7. TRANSFERS (TO)/FROM EARMARKED RESERVES**

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16. Grants and contributions for revenue purposes are recognised as income immediately and carried forward as earmarked grants (reserves) where they are unspent at the year-end date.

	Balance at 31 March 2014	Reclassification	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31 March 2016
	£000	£000	£000	£000	£000	£000	£000	£000
General reserve	(1,548)	1,548	-	-	0	-	-	0
Grants to external bodies	(58)	14	44	-	0	-	-	0
Restructuring reserve	(3,719)	2,812	1,389	(482)	0	-	-	0
Budget setting support	(1,200)	1,200	-	-	0	-	-	0
VAT reserve	(250)	250	-	-	0	-	-	0
Uninsured loss reserve	(500)	500	-	-	0	-	-	0
Public buildings reserve	(466)	350	116	-	0	-	-	0
Cremator reline reserve	(80)	107	-	(27)	0	-	-	0
Park Vale reserve	(56)	-	56	-	0	-	-	0
Restructure - MTFP	0	(2,870)	-	-	(2,870)	-	-	(2,870)
Restructure – transformation	0	(778)	-	-	(778)	141	(44)	(681)
Renewals reserve	0	(1,990)	-	-	(1,990)	1,017	(255)	(1,228)
Insurance reserve	(286)	178	8	-	(100)	33	(33)	(100)
Losses reserve	0	(631)	-	-	(631)	187	(149)	(593)
Budget contingency reserve	0	(690)	-	(681)	(1,371)	684	(2,096)	(2,783)
Apprentices reserve	(250)	-	45	-	(205)	65	(20)	(160)
Welfare support reserve	(245)	-	57	-	(188)	69	-	(119)
CCTV reserve	(107)	-	16	-	(91)	91	-	0
Ring-fenced properties	(646)	-	221	(181)	(606)	91	(137)	(652)
Earmarked revenue grants	(786)	-	223	(128)	(691)	192	(344)	(843)
<b>Total earmarked reserves</b>	<b>(10,197)</b>	<b>0</b>	<b>2,175</b>	<b>(1,499)</b>	<b>(9,521)</b>	<b>2,570</b>	<b>(3,078)</b>	<b>(10,029)</b>

The Council has the following earmarked reserves:

**Restructuring reserve** – these reserves hold the budget support identified in the Medium Term Financial Plan and the funds set aside for service transformation.

**Renewals reserve** - this reserve holds the revenue funds set aside for capital projects and cyclical renewal of major items.

**Insurance reserve** - this reserve holds the funds set aside for excesses payable over the medium term.

**Losses reserve** - this reserve holds the funds set aside for the partial exemption VAT threshold, the MMI scheme of arrangement and any uninsured losses.

**Budget contingency reserve** – this reserve holds the funds set aside to cover one-off items that are not set in the revenue budget, including business rate volatility.

## Notes to the Main Accounting Statements

**Apprenticeships reserve** – this reserve holds the funds set aside for the five apprentice positions created in 2014/15.

**Welfare support reserve** – this reserve holds the funds set aside to support discretionary housing payments and transitional assistance for supported welfare organisations.

**CCTV reserve** – this reserve has been amalgamated into the budget contingency reserve during 2015/16.

**Ring-fenced properties** – this reserve holds the excess income from operating industrial units funded by the North West Development Agency (now Homes and Communities Agency); the reserve is ring-fenced for expenditure or investment in these industrial units.

**Earmarked revenue grants** – this reserve holds the revenue grants income which have no claw-back conditions attached and are yet to be applied to matching expenditure.

### Note 8. OTHER OPERATING EXPENDITURE

The authority's other operating expenditure consists of:

2014/15		2015/16
£000		£000
93	Parish council precepts	94
311	Payments to the Government Housing Capital Receipts Pool	308
24	Pension administration expenses	24
682	Derecognised non-current assets	35
656	Carrying value of disposed non-current assets	438
(819)	Sale proceeds from the disposal of non-current assets	(600)
<b>947</b>	<b>Total</b>	<b>299</b>

The gain on the disposal of non-current assets for 2015/16 is £162k; for 2014/15 this was £163k.

### Note 9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2014/15		2015/16
£000		£000
1,450	Interest payable and similar charges	1,450
3,952	Interest on pension liabilities	3,332
(2,912)	Interest on plan assets	(2,390)
(116)	Interest receivable and similar income	(179)
<b>2,374</b>	<b>Total</b>	<b>2,213</b>

### Note 10. TAXATION AND NON SPECIFIC GRANT INCOMES

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

2014/15		2015/16
£000		£000
(4,062)	Council tax income	(4,121)
(9,260)	Business rate retention	(8,806)
6,163	Business rate tariff	6,280
350	Business rate levy	45
(203)	Business rate pool	(57)
(5,570)	Non-ring fenced government grants	(5,132)
(253)	Capital grants and contributions	(37)
<b>(12,835)</b>	<b>Total</b>	<b>(11,828)</b>

## Notes to the Main Accounting Statements

### Note 11. GRANT INCOME

The authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16:

2014/15		2015/16
£000		£000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
(3,115)	Revenue Support Grant	(3,292)
(382)	New Homes Bonus Grant	(476)
(108)	New Burdens Grants	(101)
(1,175)	Efficiency Support Grant	(141)
(250)	Weekly Collection Support Grant	-
(172)	DCLG Grants	(325)
(446)	DCLG Business Rates	(491)
-	DCLG Coastal Communities Fund Grant	(432)
(127)	Environment Agency – (repayment of grant 2015/16)	108
(48)	Other contributions	(19)
<b>(5,823)</b>	<b>Total</b>	<b>(5,169)</b>
	<b>Credited to Services</b>	
(20,429)	Housing benefits subsidy	(20,092)
(486)	Benefits administration	(446)
(389)	Disabled Facilities Grant	(433)
(109)	Cabinet Office	(14)
(16)	Cumbria County Council	(107)
(3)	Other local authorities	(28)
(326)	Other grants	(120)
<b>(21,758)</b>	<b>Total</b>	<b>(21,240)</b>

## Note 12. PROPERTY, PLANT &amp; EQUIPMENT

Movement on Balances	Council Dwellings £000	Other Land and Buildings £000	HRA Other Land and Buildings £000	Plant, Furniture and Equipment £000	HRA Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Movements in 2015/16</b>										
<b>Cost or Valuation</b>										
At 1 April 2015	62,693	55,639	2,700	2,222	0	4,934	10,212	1,982	10,967	151,349
additions and enhancements	1,514	645	-	102	104	-	12	-	25	2,402
Reclassification start of year	-	72	-	-	-	-	13	(85)	-	0
reclassification in year	-	-	-	-	-	217	-	-	(217)	0
revaluation increases/(decreases) recognised in the Revaluation Reserve	198	205	197	-	-	-	-	1,659	-	2,259
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(626)	143	-	-	-	-	-	(141)	-	(624)
eliminate depreciation on revaluation	(1,684)	(235)	(86)	-	-	-	-	-	-	(2,005)
de-recognitions	-	(43)	-	-	-	-	-	-	-	(43)
disposals	(338)	-	-	-	-	-	-	(100)	-	(438)
<b>At 31 March 2016</b>	<b>61,757</b>	<b>56,426</b>	<b>2,811</b>	<b>2,324</b>	<b>104</b>	<b>5,151</b>	<b>10,237</b>	<b>3,315</b>	<b>10,775</b>	<b>152,900</b>
<b>Accumulated Depreciation and Revaluation</b>										
At 1 April 2015 reclassified	0	(1,650)	(117)	(1,016)	0	(471)	(234)	0	0	(3,488)
depreciation charge	(1,684)	(1,169)	(138)	(230)	-	(156)	(47)	-	-	(3,424)
eliminate depreciation on revaluation	1,684	235	86	-	-	-	-	-	-	2,005
derecognition / scrapped disposals	-	8	-	-	-	-	-	-	-	8
<b>At 31 March 2016</b>	<b>0</b>	<b>(2,576)</b>	<b>(169)</b>	<b>(1,246)</b>	<b>0</b>	<b>(627)</b>	<b>(281)</b>	<b>-</b>	<b>-</b>	<b>(4,899)</b>
<b>Net Book Value at 31 March 2016</b>	<b>61,757</b>	<b>53,850</b>	<b>2,642</b>	<b>1,078</b>	<b>104</b>	<b>4,524</b>	<b>9,956</b>	<b>3,315</b>	<b>10,775</b>	<b>148,001</b>

Notes to the Main Accounting Statements

Movement on Balances	Council Dwellings £000	Other Land and Buildings £000	HRA Other Land and Buildings £000	Plant, Furniture and Equipment £000	HRA Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation</b>										
At 1 April 2014	61,397	54,622	2,420	3,311	26	5,430	10,068	2,212	10,053	149,539
additions and enhancements	1,886	626	2	269	-	45	144	-	914	3,886
reclassification in year	-	(100)	-	-	-	-	-	(35)	-	(135)
revaluation increases/(decreases) recognised in the Revaluation Reserve	853	1,678	353	-	-	-	-	35	-	2,919
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	605	(537)	57	-	-	-	-	-	-	125
eliminate depreciation on revaluation	(1,650)	(602)	(132)	-	(26)	(541)	-	(107)	-	(2,384)
de-recognitions	-	(48)	-	(1,358)	-	-	-	(123)	-	(2,080)
disposals	(398)	-	-	-	-	-	-	-	-	(521)
At 31 March 2015	62,693	55,639	2,700	2,222	0	4,934	10,212	1,982	10,967	151,349
<b>Accumulated Depreciation and Revaluation</b>										
At 1 April 2014 reclassified	0	(1,078)	(120)	(2,209)	(26)	(419)	(187)	0	0	(4,039)
depreciation charge	(1,650)	(1,187)	(129)	(165)	-	(52)	(47)	-	-	(3,230)
eliminate depreciation on revaluation	1,650	602	132	-	-	-	-	-	-	2,384
derecognition / scrapped	-	13	-	1,358	26	-	-	-	-	1,397
disposals	-	-	-	-	-	-	-	-	-	0
At 31 March 2015	0	(1,650)	(117)	(1,016)	0	(471)	(234)	0	0	(3,488)
<b>Net Book Value at 31 March 2015</b>	<b>62,693</b>	<b>53,989</b>	<b>2,583</b>	<b>1,206</b>	<b>0</b>	<b>4,463</b>	<b>9,978</b>	<b>1,982</b>	<b>10,967</b>	<b>147,861</b>

## Notes to the Main Accounting Statements

### Depreciation

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

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

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

### Capital Commitments

At the 31 March 2016, the authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £240k. Similar commitments at the 31 March 2015 were £218k. The major commitments are:

31 March 2015		31 March 2016
£000		£000
63	Building refurbishment	51
74	Retentions	-
81	Housing market renewal	53
-	IT Equipment & Development	136
<b>218</b>	<b>Total</b>	<b>240</b>

### Revaluations

The authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Valuations were carried out externally by the authority's valuer NPS NW Ltd (formerly termed Norfolk Property Services) Mr M Messenger MRICS (RICS Registered Valuer). Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in professional standards of the Royal Institution of Chartered Surveyors (RICS). Assumptions and methods are specifically considered for each individual asset valuation: with general agreed assumptions and bases of valuation being adopted overall. 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. The effective date of the Authority's asset revaluations is 1 April unless a specific circumstance, such as a Code of Practice requirement or an economic or environmental reason is deemed evident.

Not all assets were revalued in 2015/16. Each year the Authority's initial asset valuation list is reviewed. At this stage assets not due to be revalued are added where there is evidence of a recent material change. A subsequent review of valuation changes is also undertaken: this includes those changes arising from environmental, impairment or asset related expenditure factors. This review concluded that the current value of assets are not materially different from the carrying value at the balance sheet date.

The authority's HRA dwellings and garages are valued on an annual basis and are carried at current value. The valuation for 2015/16 was performed by NPS NW Ltd and produced a net book value at 31 March 2016 of £63.013m

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

## Notes to the Main Accounting Statements

Financial year	Valuer	Total £000
<b>Assets carried at fair value:</b>		
2011/12	NPS North West Ltd	5,183
2012/13	NPS North West Ltd	21,096
2013/14	NPS North West Ltd	7,932
2014/15	NPS North West Ltd	16,160
2015/16	NPS North West Ltd	8,179
<b>Total for assets carried at current value (MV-EUV and FV)</b>		<b>58,550</b>
<b>Assets carried at historical cost:</b>		<b>26,438</b>
<b>Net Book Value at 31 March 2016</b>		<b>84,988</b>

### Surplus Assets

#### Valuation techniques

The fair value for the authorities' surplus assets are determined using the most appropriate technique for the asset. These include the market approach; using current market conditions, recent sales prices and other relevant information for similar assets in the local authority area; the gross development appraisal method which includes both market (sales) and cost based approaches for a proposed development scheme i.e. construction costs, rates, professional fees, finance costs, developer profit, statutory cost and development periods for similar properties in the same local area. Properties with significant observable inputs are deemed to be Level 2 but others, where the comparable information requires the authority to factor in assumptions and professional adjustments, are classified as Level 3.

#### Transfers between Levels of the Fair Value Hierarchy

The adoption of IFRS 13 fair value measurement is prospective; therefore there is no comparable data. As such there were no transfers between Level 1 & Level 2 or Level 2 & 3 within the period. Where an event or change in circumstance are significant in relation to the specific asset, resulting in a change in level, the date of any such transfer will be deemed to be at the end of the reporting period.

The following table shows the fair value measurements of surplus assets

Asset type	Valuation techniques used to measure fair value	Level 2 – significant other observable inputs	Level 3 – significant unobservable inputs	Total
		£000	£000	£000
Land	Market comparison	355	150	505
Land	Market comparison / Gross Development Appraisal i.e. market comparison of GDV (Gross Development Value) & site transactions with viability assessment leading to residual value / Professional judgement	1,175	1,595	2,770
Land	Professional judgement	-	40	40
Fair value as at 31 March 2016		<b>1,530</b>	<b>1,785</b>	<b>3,315</b>

#### Highest & best use of surplus assets

These surplus assets are made up of several (18) areas of land which are presently in the process of being reviewed or being developed for their highest and best use. Some sites are held because of the lack of being able to accommodate the land at its highest and best use i.e. due to the present national economy, public sector funding reductions or local environment and market conditions; others because of pending decisions or resources.



## Notes to the Main Accounting Statements

The valuer's role in this process is to undertake the valuations by assessing all major inputs to the valuation process. The authority's valuation expert works closely with finance and estate officers, reporting on a regular basis regarding all valuation matters.

The following table shows quantitative information about the fair value measurement of surplus assets using significant unobservable inputs (Level 3):

Property type	Surplus assets – land
As at 31 March 2016	£1,785k
Valuation technique used to measure fair value	Market comparison / gross development appraisal i.e. market comparison to GDV (gross development value) and site transactions with viability assessment leading to residual value / professional judgement
Unobservable inputs	Adjustment for size and/or type of specific land area; professional judgement
Range of unobservable inputs	£1.11 to £157.89 per square metre
Sensitivity	Significant changes to adjustments made to comparable evidence or professional judgement will result in a significantly lower or higher fair value. This will be variable by site according to circumstances i.e. residential/brownfield/amenity site location and condition.

The effect of the fair value measurements using significant unobservable inputs on the surplus or deficit on the provision of services or other comprehensive income and expenditure for 2015/16 is as follows:

£71k of revaluation loss, where there was no existing revaluation reserve. The surplus or deficit are directly affected by the assumptions used in the unobservable inputs and therefore influenced by any variations to the assumptions.

### Note 13. HERITAGE ASSETS

The authority's Dock Museum, Town Hall and Town area have a variety of collections that relate to the natural man-made history of Barrow-in-Furness, the surrounding district and beyond. There are several categories of assets within these collections; including furniture, silverware, civic regalia, arts and sculpture, social and industrial history, and more specific assets relating to Barrow's history, such as several ship models, boats and historic statues. In addition, during 2012/13 the authority was fortunate, through funding donations, to be able to add a major Viking Hoard of coins and silver pieces to its collections; this is now on exhibition at the Dock Museum. Further information detailing the authority's heritage assets can be found on the Council's website.

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

With the adoption of FRS30 into the Code for 2011/12, the authority obtained Heritage Asset valuations in order to bring these items on to the Balance Sheet. The valuations were undertaken in March 2012 by the external valuer, Bonhams International Auctioneers and Valuers, the measurement basis being market value. Further additions, during preceding years, of the Viking Hoard and Bronze Age gold ring fragment were valued by the Treasure Valuation Committee, with further immaterial items being valued by the authority's Museum Curator, who also reports, no items held, as at 31 March 2016, need to be impaired and no disposals have been made within the periods. The authority's accounting policy on depreciation, where the asset is deemed as being of finite life, is applied; such assets within 2015/16 have been depreciated on a straight line basis over 25 years.

## Notes to the Main Accounting Statements

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

Notes to the Main Accounting Statements

Movement on Balances	HISTORIC COLLECTION													Total			
	Social History	Ship Models	Boats	Industrial History	Art & Sculpture	Ceramics & Glass	Furniture	Silverware	Regalia	Historic (Old) Statues	Viking Hoard, Ring & Numismatics	Total Historic Collection	New Statues		Herbert Leigh - Boat	War Memorials	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>																	
Heritage Asset – Cost at 1 April 2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14	14
Heritage Asset – Valuation at 1 April 2015	31	259	16	16	60	10	72	22	34	30	52	602	79	20	-	-	701
<b>At 1 April 2015</b>	<b>31</b>	<b>259</b>	<b>16</b>	<b>16</b>	<b>60</b>	<b>10</b>	<b>72</b>	<b>22</b>	<b>34</b>	<b>30</b>	<b>52</b>	<b>602</b>	<b>79</b>	<b>20</b>	<b>14</b>	<b>14</b>	<b>715</b>
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-	1	1	-	-	-	-	1
De-recognition of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>At 31 March 2016</b>	<b>31</b>	<b>259</b>	<b>16</b>	<b>16</b>	<b>60</b>	<b>10</b>	<b>72</b>	<b>22</b>	<b>34</b>	<b>30</b>	<b>53</b>	<b>603</b>	<b>79</b>	<b>20</b>	<b>14</b>	<b>14</b>	<b>716</b>
Accumulated Depreciation and Revaluation																	
Heritage Asset – Cost at 1 April 2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage Asset – Valuation at 1 April 2015	-	-	-	-	-	-	-	-	-	-	-	-	-	(9)	(2)	(5)	(16)
<b>At 1 April 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3)</b>	<b>(1)</b>	<b>(1)</b>	<b>(5)</b>
depreciation charge	-	-	-	-	-	-	-	-	-	-	-	-	-	(12)	(3)	(6)	(21)
<b>At 31 March 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Book Value at 31 March 2016 – Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8
Net Book Value at 31 March 2016 - Valuation	31	259	16	16	60	10	72	22	34	30	53	603	67	17	-	-	687
<b>Total Net Book Value at 31 March 2016</b>	<b>31</b>	<b>259</b>	<b>16</b>	<b>16</b>	<b>60</b>	<b>10</b>	<b>72</b>	<b>22</b>	<b>34</b>	<b>30</b>	<b>53</b>	<b>603</b>	<b>67</b>	<b>17</b>	<b>8</b>	<b>8</b>	<b>695</b>

Notes to the Main Accounting Statements

Movement on Balances	Social History	Ship Models	Boats	Industrial History	Art & Sculpture	Ceramics & Glass	Furniture	Silverware	Regalia	Historic (Old) Statues	Viking Hoard, Ring & Numismatics	Total Historic Collection	New Statues	Herbert Leigh – Boat	War Memorials	Total	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Comparative movements in 2014/15																	
Cost or Valuation																	
Heritage Asset – Cost at 1 April 2014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14	14
Heritage Asset – Valuation at 1 April 2014	31	259	16	16	60	10	72	22	34	30	52	602	79	20	-	-	701
At 1 April 2014	31	259	16	16	60	10	72	22	34	30	52	602	79	20	14	-	715
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Service	-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	-	0
De-recognition of assets	-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	-	0
At 31 March 2015	31	259	16	16	60	10	72	22	34	30	52	602	79	20	14	-	715
Accumulated Depreciation and Revaluation																	
Heritage Asset – Cost at 1 April 2014	-	-	-	-	-	-	-	-	-	-	-	0	-	-	(4)	-	(4)
Heritage Asset – Valuation at 1 April 2014	-	-	-	-	-	-	-	-	-	-	-	0	(6)	(2)	-	-	(8)
At 1 April 2014	-	-	-	-	-	-	-	-	-	-	-	0	(6)	(2)	(4)	-	(12)
depreciation charge	-	-	-	-	-	-	-	-	-	-	-	0	(3)	-	(1)	-	(4)
At 31 March 2015	-	-	-	-	-	-	-	-	-	-	-	0	(9)	(2)	(5)	-	(16)
Net Book Value at 31 March 2015 – Cost	-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	-	9
Net Book Value at 31 March 2015 - Valuation	31	259	16	16	60	10	72	22	34	30	52	602	70	18	-	-	690
Total Net Book Value at 31 March 2015	31	259	16	16	60	10	72	22	34	30	52	602	70	18	9	-	699

## Notes to the Main Accounting Statements

### Depreciation

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

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

### Revaluations

All non-operational heritage asset valuations, as implemented by the 2011/12 code, have been carried out by Bonhams, International Auctioneers and Valuers. Further assets acquired have been valued by The Treasure Valuation Committee or, for non-material assets, the Authority's Museum Curator.

Financial Year	Valuer	Value £000	Total £000
<b>Carried at Valuation:</b>			
2011/12	Bonhams International Auctioneers & Valuers	628	
<b>Total value of assets valued in 2011/12</b>			<b>628</b>
2012/13	Treasure Valuation Committee	49	
	Authority's Museum Curator	2	
<b>Total value of assets valued in 2012/13</b>			<b>51</b>
2013/14	Authority's Museum Curator	7	
<b>Total value of assets valued in 2013/14</b>			<b>7</b>
<b>Total value of assets valued in 2014/15</b>			<b>0</b>
2015-16	Treasure Valuation Committee	1	<b>1</b>
<b>Total value of assets valued in 2015/16</b>			
<b>Assets carried at historical cost</b>			<b>8</b>
<b>Net Book Value at 31 March 2016</b>			<b>695</b>

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

### Heritage Assets – Summary of transactions

	2014/15	2015/16
	£000	£000
Opening GBV at 1 <sup>st</sup> April	715	715
<b>Value of Heritage Assets Acquired/Donation/Valuation</b>		
Historic Collection	-	1
<b>Total at 31 March</b>	<b>715</b>	<b>716</b>
<b>Accumulated Depreciation and Revaluation</b>		
Opening balance at 1 April	(12)	(16)
New Statues and Herbert Leigh	(3)	(4)
War Memorials (Cost)	(1)	(1)
<b>Total Accumulated Depreciation &amp; Revaluation 31 March</b>	<b>(16)</b>	<b>(21)</b>
Net Book Value at 31 March – Valuation	690	687
Net Book Value at 31 March - Cost	9	8
<b>Total Net Book Value 31 March</b>	<b>699</b>	<b>695</b>

## Notes to the Main Accounting Statements

### Note 14. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2014/15		2015/16
£000		£000
46,777	<b>Opening Capital Financing Requirement</b>	44,372
57	Impairment charge for non-dwelling Housing Revenue Account assets	-
	<b>Capital investment</b>	
3,886	Property, Plant and Equipment	2,402
1,094	Revenue Expenditure Funded from Capital under Statute	752
	<b>Sources of finance</b>	
-	Capital receipts reserve	(100)
(1,462)	Government grants and other contributions	(451)
(1,888)	Use of Major Repairs Reserve	(1,514)
(1,442)	Contributions from earmarked reserves	(985)
(188)	Revenue contribution to capital outlay	(104)
(927)	Minimum Revenue Provision from General Fund	(897)
(1,566)	Voluntary Revenue Provision from the Housing Revenue Account	(702)
	<b>Cluster of Empty Homes</b>	
-	Cluster of Empty Homes loan advance	(1,900)
31	Cluster of Empty Homes loan repayment	103
44,372	<b>Closing Capital Financing Requirement</b>	40,976
	<b>Explanation of movements in year</b>	
(927)	Decrease in underlying General Fund need to borrow	(897)
(1,566)	Decrease in underlying Housing Revenue Account need to borrow	(702)
57	Impairment charge for non-dwelling Housing Revenue Account assets	-
31	Cluster of Empty Homes loan	(1,797)
(2,405)	<b>Increase/(decrease) in Capital Financing Requirement</b>	(3,396)

### Note 15. 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 allotments and other land and buildings.

The authority has 6 non-specialist vehicles and 21 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:

## Notes to the Main Accounting Statements

As at 31 March 2015		As at 31 March 2016
£000		£000
493	Not more than one year	545
497	Later than one year and not later than five years	182
-	Later than five years	-
<b>990</b>		<b>727</b>

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

As at 31 March 2015		As at 31 March 2016
£000		£000
10	Minimum lease payments	9
(23)	Sublease receipts	(22)
<b>(13)</b>		<b>(13)</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 2015		31 March 2016
£000		£000
(1,120)	Not more than one year	(987)
(2,500)	Later than one year and not later than five years	(2,024)
(1,298)	Later than five years	(998)
<b>(4,918)</b>		<b>(4,009)</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 2015/16 £75k of contingent rents were receivable by the authority (£76k in 2014/15).

## Note 16. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

Long Term 31 March 2015 £000	Short Term 31 March 2015 £000		Long Term 31 March 2016 £000	Short Term 31 March 2016 £000
		<b>Investments</b>		
-	17,083	Cash, cash equivalents and investments	-	15,009
		<b>Debtors</b>		
189	1,039	Loans and receivables	1,480	1,046
		<b>Borrowings</b>		
(39,479)	(494)	Financial liabilities at amortised cost	(39,479)	(494)
		<b>Creditors</b>		
-	(1,763)	Financial liabilities carried at contract amount	-	(1,722)

## Notes to the Main Accounting Statements

The long term debtor relates to two interest free loans advanced from the Cluster of Empty Homes funding for the purpose of bringing empty homes back into use. A loan of £312k was advanced in 2013/14 and £1.9m in 2015/16 and both are repayable over 10 years; these are represented on the Balance Sheet at the 31 March 2016 as:

31 March 2015	Cluster of Empty Homes loan	31 March 2016
£000		£000
189	Long term debtor for principal due beyond the next 12 months	1,480
28	Short term debtor for repayments due in the next 12 months	140
56	Financial Instrument Adjustment Account for the interest on remaining repayments	451
39	Usable Capital Receipts	141
<b>312</b>	<b>Total advance</b>	<b>2,212</b>

### Income, Expense, Gains and Losses

2014/15				2015/16		
Financial liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Total		Financial liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Total
£000	£000	£000		£000	£000	£000
1,450	-	1,450	Total expense in (Surplus) or Deficit on the Provision of Services: interest expense	1,450	-	1,450
-	(116)	(116)	Total income in (Surplus) or Deficit on the Provision of Services: interest income	-	(179)	(179)
<b>1,450</b>	<b>(116)</b>	<b>1,334</b>	<b>Net (gain)/loss for the year</b>	<b>1,450</b>	<b>(179)</b>	<b>1,271</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:

- The fair value of Public Works Loan Board (PWLB) loans of £46.486m is based on new borrowing rates from the PWLB as the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets.

A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare with the premature redemption borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £39.479m would be valued at £53.151m. If the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £6.513m.

- the fair value of trade and other receivables is taken to be the invoiced or billed amount.



## Notes to the Main Accounting Statements

The fair value of the PWLB loan is determined using level 2 inputs – i.e inputs other than quoted prices that are observable for the financial asset/liability. The fair values calculated are as follows:

31 March 2015			31 March 2016	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
15,064	15,064	Loans and receivables short-term	12,075	12,075
187	187	Loans and receivables long-term	1,480	1,480
17,083	17,083		15,009	15,009
(39,479)	(52,808)	Borrowings long-term	(39,479)	(46,486)
(494)	(494)	Borrowings short-term	(494)	(494)
(1,763)	(1,763)	Creditors	(1,722)	(1,722)
<b>(9,402)</b>	<b>(22,731)</b>	<b>Total</b>	<b>(13,131)</b>	<b>(20,138)</b>

Long-term borrowings at the 31 March 2015 were measured at the PWLB premature redemption rates.

The fair value of the liabilities is higher than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders below current market rates.

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

### Nature and Extent of Risks Arising from Financial Instruments

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

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

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

#### Credit Risk

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

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

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

- Minimum credit rating of F1 short-term (Fitch or equivalent)
- UK institutions provided with support from the UK Government

## Notes to the Main Accounting Statements

- Building societies limited by value based on their asset size.

The authority's maximum exposure to credit risk in relation to its investments in building societies of £14m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the authority's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

No credit limits were exceeded during the reporting period.

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

31 March 2015		31 March 2016
£000		£000
142	Less than three months	101
36	Three to six months	38
35	Six months to one year	57
157	More than one year	90
<b>370</b>	<b>Outstanding debt</b>	<b>286</b>
216	Provision for bad and doubtful debts	231
58%	Percentage of provision	81%

### 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 2015		31 March 2016
£000		£000
3,000	Between 2 and 5 years	4,000
5,000	Between 5 and 10 years	5,000
5,000	Between 10 and 15 years	4,350
5,850	Between 15 and 20 years	11,500
8,239	Between 20 and 25 years	2,239
-	Between 25 and 30 years	-
-	Between 30 and 35 years	-
12,390	Between 35 and 40 years	12,390
<b>39,479</b>		<b>39,479</b>

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

Market Risk

*Interest Rate Risk*

The authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in borrowing at fixed interest rates would cause the fair value of the liabilities borrowings to fall.

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

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

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

If interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2015		31 March 2016
£000		£000
(7,210)	Decrease in fair value of fixed rate borrowings liability	(7,051)

There would be no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. The impact of a 1% fall would increase the fair values by the same amount.

*Price Risk*

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

*Foreign Exchange Risk*

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

**Note 17. SHORT TERM DEBTORS**

The short term debtors held by the authority consist of:

31 March 2015		31 March 2016
£000		£000
958	Central government bodies	1,400
350	Other local authorities	342
1,738	Other entities and individuals	1,552
<b>3,046</b>	<b>Total</b>	<b>3,294</b>

## Notes to the Main Accounting Statements

### Note 18. CASH AND CASH EQUIVALENTS

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

31 March 2015		31 March 2016
£000		£000
2	Cash held by the authority	2
3,059	Bank current accounts	3,979
1	Interest income bank current accounts	1
<b>3,062</b>	<b>Total Cash and Cash Equivalents</b>	<b>3,982</b>

### Note 19. SHORT TERM CREDITORS

The short term creditors held by the authority consist of:

31 March 2015		31 March 2016
£000		£000
(1,215)	Central government bodies	(517)
(1,292)	Other local authorities	(856)
(2,704)	Other entities and individuals	(2,538)
<b>(5,211)</b>	<b>Total</b>	<b>(3,911)</b>

### Note 20. PROVISIONS

The provisions held by the authority consist of:

	Business Rate Appeals Provision	MMI Provision	Early Retirement Provision	Total
	£000	£000	£000	£000
<b>Balance at 31 March 2015</b>	<b>(402)</b>	<b>(20)</b>	<b>(23)</b>	<b>(445)</b>
Amounts added in 2015/16	(231)	(187)	-	(418)
Amounts used in 2015/16	79	151	7	237
Reduction in provision in 2015/16	-	-	-	-
<b>Balance at 31 March 2016</b>	<b>(554)</b>	<b>(56)</b>	<b>(16)</b>	<b>(626)</b>

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

The Municipal Mutual Insurance (MMI) provision was established in 2012/13 when the Scheme of Arrangement was triggered. The provision holds the 25% due by the authority for the estimated outstanding claims, the levy is payable when claims are settled.

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

**Note 21. UNUSABLE RESERVES**

31 March 2015		31 March 2016
£000		£000
(29,087)	i. Revaluation Reserve	(30,693)
(75,100)	ii. Capital Adjustment Account	(77,026)
51	iii. Financial Instruments Adjustment Account	448
30,532	iv. Pensions Reserve	26,644
25	v. Collection Fund Adjustment Account	1,103
63	vi. Accumulated Absences Account	60
<b>(73,516)</b>	<b>Total Unusable Reserves</b>	<b>(79,464)</b>

**i. Revaluation Reserve**

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

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

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

2014/15		2015/16	
		£000	£000
(26,870)	Balance at 1 April		(29,087)
(3,500)	Upward revaluation of assets	(3,258)	
581	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	999	
(2,919)	(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		(2,259)
564	Difference between fair value depreciation and historical cost depreciation	621	
138	Accumulated gains on assets sold & derecognised	32	
702	Amount written off to the Capital Adjustment Account		653
<b>(29,087)</b>	<b>Balance at 31 March</b>		<b>(30,693)</b>

**ii. Capital Adjustment Account**

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

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and enhancement. The Account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the Capital Adjustment Account, apart from those involving the Revaluation Reserve.

## Notes to the Main Accounting Statements

2014/15		2015/16	
		£000	£000
(72,555)	<b>Balance at 1 April</b>		(75,100)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
3,105	▪ Charges for depreciation and impairment of non-current assets	3,290	
129	▪ Increase in Major Repairs Reserve for depreciation on non-dwelling assets	138	
(68)	▪ Revaluation losses on Property, Plant and Equipment	624	
1,094	▪ Revenue expenditure funded from capital under statute	752	
1,339	▪ 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	473	
(702)	Adjusting amounts written out of the Revaluation Reserve	(653)	
4,897	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		4,624
	Capital financing applied in the year:		
-	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(100)	
(1,888)	▪ Use of the Major Repairs Reserve to finance capital expenditure	(1,514)	
(628)	▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(433)	
(833)	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	(18)	
-	▪ Application of grants to capital financing from the Capital Grants Unapplied Account – Cluster of Empty Homes advance	(1,900)	
31	▪ Unapplied grants released to Capital Receipts Reserve	103	
(927)	▪ Statutory provision for the financing of capital investment charged against the General Fund balance	(897)	
(1,566)	▪ Voluntary provision for the financing of capital investment charged against the HRA Fund balance	(702)	
(1,431)	▪ Use of earmarked reserves to finance new capital expenditure	(985)	
(200)	▪ Capital expenditure charged against the General Fund balance	(104)	(6,550)
(75,100)	<b>Balance at 31 March</b>		(77,026)

### iii. Financial Instruments Adjustment Account

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

2014/15		2015/16	
		£000	£000
62	<b>Balance at 1 April</b>		51
(11)	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		397
51	<b>Balance at 31 March</b>		448

### iv. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

The authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set

## Notes to the Main Accounting Statements

aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits are to be paid.

2014/15		2015/16
£000		£000
24,666	Balance at 1 April	30,532
5,829	Actuarial (gains) or losses on pensions assets and liabilities	(4,075)
2,110	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	2,387
(2,073)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,200)
30,532	Balance 31 March	26,644

### v. Collection Fund Adjustment Account

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

2014/15				2015/16		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000		£000	£000	£000
(134)	274	140	Balance at 1 April	(204)	229	25
(70)	(45)	(115)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	6	1,072	1,078
(204)	229	25	Balance at 31 March	(198)	1,301	1,103

### vi. Accumulated Absences Account

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

2014/15		2015/16
£000		£000
43	Balance at 1 April	63
20	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.	(3)
63	Balance at 31 March	60

## Notes to the Main Accounting Statements

### Note 22. OTHER LONG TERM LIABILITIES

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

2014/15		2015/16
£000		£000
(30,532)	Pension scheme liabilities	(26,644)
(77)	Compulsory purchase proceeds	(77)
<b>(30,609)</b>	<b>Total</b>	<b>(26,721)</b>

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

### Note 23. CONTINGENT LIABILITIES

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The authority has identified the following contingent liabilities as at 31 March 2016:

#### MMI Scheme of Arrangement

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

#### Business Rate Appeals

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

### Note 24. CONTINGENT ASSETS

A contingent asset is an asset that may be received but only if a future event occurs that is not under the control of the authority. The authority's contingent assets represent proceeds to the authority where a dwelling sold under the tenant's Right to Buy is sold on within 5 years of the purchase from the authority. There is a statutory calculation to claw back a proportion of the discount originally awarded to the tenant that purchased the dwelling from the authority.

### Note 25. LONG TERM DEBTORS

The long term debtors held by the authority consist of:

2014/15		2015/16
£000		£000
102	Property rents	154
189	Cluster of Empty Homes loan principal	1,480
<b>291</b>	<b>Total</b>	<b>1,634</b>



## Notes to the Main Accounting Statements

### Note 26. CASH FLOW STATEMENT – ADJUSTMENTS TO THE NET (SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

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

2014/15	2014/15 Restated		2015/16
£000	£000		£000
(3,234)	(3,234)	Depreciation	(3,428)
125	125	Revaluation losses and gains on previous losses	(624)
(124)	(124)	(Increase)/decrease in provision for bad debts	(62)
(382)	(382)	(Increase)/decrease in provisions	(181)
154	154	(Increase)/decrease in creditors	398
843	843	Increase/(decrease) in debtors	(527)
-	-	Increase/(decrease) in inventories	(3)
(37)	(37)	Movement in pension liability	(187)
(1,338)	(1,338)	Carrying amount of non-current assets sold or derecognised	(473)
-	12	Clusters of Empty Homes soft loan interest	(394)
<b>(3,993)</b>	<b>(3,981)</b>		<b>(5,481)</b>

### Note 27. CASH FLOW STATEMENT – ADJUSTMENTS FOR ITEMS INCLUDED IN THE NET (SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES THAT ARE INVESTING AND FINANCING ACTIVITIES

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

2014/15	2014/15 Restated		2015/16
£000	£000	Investing	£000
819	819	Proceeds from the sale of property, plant and equipment	600
207	207	Other receipts from investing activities	37
12	-	Clusters of Empty Homes soft loan interest	-
<b>1,038</b>	<b>1,026</b>		<b>637</b>

### Note 28. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include cash paid to suppliers, cash paid to employees, cash paid for other operating expenses, cash receipts from customers and the following items:

2014/15		2015/16
£000		£000
(109)	Interest received	(135)
1,450	Interest paid	1,450

## Notes to the Main Accounting Statements

### Note 29. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The investing activities consist of:

2014/15		2015/16
£000		£000
3,922	Purchase of property, plant and equipment	2,464
49,500	Purchase of short-term investments	39,000
-	Clusters of Empty Homes loan advance	1,900
(819)	Proceeds from the sale of property, plant and equipment	(600)
(46,500)	Proceeds from short-term investments	(42,000)
(207)	Other receipts from investing activities	(37)
(39)	Cluster of Empty Homes loan repayments	(103)
<b>5,857</b>	<b>Net cash flows from investing activities</b>	<b>624</b>

### Note 30. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The financing activities consist of:

2014/15		2015/16
£000		£000
(876)	Agency transactions relating to business rates and council tax (billing authority)	1,623
<b>(876)</b>	<b>Net cash flows from financing activities</b>	<b>1,623</b>

### Note 31. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

## Notes to the Main Accounting Statements

Directorate Income and Expenditure 2015/16	Corporate, Democratic and Support Services	Regeneration and the Built Environment	Community Services	Revenues and Benefits	Public Housing	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(10)	(2,073)	(3,800)	(570)	(12,101)	(18,554)
Government grants	(111)	7	(16)	(20,518)	-	(20,638)
<b>Total Income</b>	<b>(121)</b>	<b>(2,066)</b>	<b>(3,816)</b>	<b>(21,088)</b>	<b>(12,101)</b>	<b>(39,192)</b>
Staff pay	1,553	1,299	1,429	77	1,306	5,664
Other service expenses	3,036	1,734	5,873	23,056	6,736	40,435
<b>Total Expenditure</b>	<b>4,589</b>	<b>3,033</b>	<b>7,302</b>	<b>23,133</b>	<b>8,042</b>	<b>46,099</b>
Net Expenditure	4,468	967	3,486	2,045	(4,059)	6,907

Directorate Income and Expenditure 2014/15 comparative figures	Corporate, Democratic and Support Services	Regeneration and the Built Environment	Community Services	Revenues and Benefits	Public Housing	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(39)	(2,365)	(4,267)	(716)	(11,561)	(18,948)
Government grants	(110)	7	-	(20,889)	-	(20,992)
<b>Total Income</b>	<b>(149)</b>	<b>(2,358)</b>	<b>(4,267)</b>	<b>(21,605)</b>	<b>(11,561)</b>	<b>(39,940)</b>
Staff pay	1,626	1,298	1,611	75	1,238	5,848
Other service expenses	3,595	1,149	6,195	23,680	4,652	39,271
<b>Total Expenditure</b>	<b>5,221</b>	<b>2,447</b>	<b>7,806</b>	<b>23,755</b>	<b>5,890</b>	<b>45,119</b>
Net Expenditure	5,072	89	3,539	2,150	(5,671)	5,179

### 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.

## Notes to the Main Accounting Statements

2014/15		2015/16
£000		£000
5,179	Net expenditure in the Directorate Analysis	6,907
4,029	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	5,117
(1,343)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(1,031)
<b>7,865</b>	<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>10,993</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.

2015/16	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(18,554)	-	(545)	(19,099)	-	(19,099)
Interest and investment income	-	-	-	0	(279)	(279)
Income from council tax	-	-	-	0	(4,121)	(4,121)
Government grants and contributions	(20,638)	-	-	(20,638)	(7,706)	(28,344)
<b>Total Income</b>	<b>(39,192)</b>	<b>0</b>	<b>(545)</b>	<b>(39,737)</b>	<b>(12,106)</b>	<b>(51,843)</b>
Staff pay	5,664	768	(1,156)	5,276	-	5,276
Pensions valuation adjustment	-	-	-	0	(2,390)	(2,390)
Other service expenses	40,435	-	670	41,105	19	41,124
Support Service recharges*	-	(22)	-	(22)	-	(22)
Depreciation, revaluation & impairment	-	4,371	-	4,371	-	4,371
Interest Payments	-	-	-	0	4,882	4,882
Precepts	-	-	-	0	94	94
Payments to Housing Capital Receipts Pool	-	-	-	0	307	307
(Gain) or Loss on Disposal of Non-Current Assets	-	-	-	0	(122)	(122)
<b>Total Expenditure</b>	<b>46,099</b>	<b>5,117</b>	<b>(486)</b>	<b>50,730</b>	<b>2,790</b>	<b>53,520</b>
(Surplus) or deficit on the Provision of Services	6,907	5,117	(1,031)	10,993	(9,316)	1,677

\* The gross value of support services recharged to and between front line services is £2,332k, with £22k being recharged to capital projects.

## Notes to the Main Accounting Statements

2014/15	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(18,948)	-	(208)	(19,156)	-	(19,156)
Interest and investment income	-	-	-	0	(116)	(116)
Income from council tax	-	-	-	0	(4,062)	(4,062)
Government grants and contributions	(20,992)	-	-	(20,992)	(8,768)	(29,760)
<b>Total Income</b>	<b>(39,940)</b>	<b>0</b>	<b>(208)</b>	<b>(40,148)</b>	<b>(12,946)</b>	<b>(53,094)</b>
Staff pay	5,848	428	(1,373)	4,903	-	4,903
Pensions valuation adjustment	-	-	-	0	(2,912)	(2,912)
Other service expenses	39,271	-	238	39,509	19	39,528
Support Service recharges*	-	(20)	-	(20)	-	(20)
Depreciation, revaluation & impairment	-	3,621	-	3,621	-	3,621
Interest Payments	-	-	-	0	5,402	5,402
Precepts	-	-	-	0	94	94
Payments to Housing Capital Receipts Pool	-	-	-	0	310	310
(Gain) or Loss on Disposal of Non-Current Assets	-	-	-	0	519	519
<b>Total Expenditure</b>	<b>45,119</b>	<b>4,029</b>	<b>(1,135)</b>	<b>48,013</b>	<b>3,432</b>	<b>51,445</b>
(Surplus) or deficit on the Provision of Services	5,179	4,029	(1,343)	7,865	(9,514)	(1,649)

\* The gross value of support services recharged to and between front line services is £2,876k, with £20k being recharged to capital projects.

### Note 32. RELATED PARTIES

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

#### Central Government

Central government has effective control over the general operations of the authority – it is responsible for providing the statutory framework within which the authority operates and provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (such as council tax bills and housing benefits). Grant receipts outstanding at 31 March 2016 are disclosed in Note 17 and grant income for 2015/16 is disclosed in Note 11.

#### Members

Members of the Council have direct control over the authority's financial and operating policies. During 2015/16, housing benefit to the value of £3k was paid to one member in their capacity as private landlord. One member was in receipt of direct payment in respect of invoices issued for services provided to the Council totalling less than £1k. One member is on the Trust Board of Citizens

## Notes to the Main Accounting Statements

Advice Bureau, one member is the Treasurer at Barrow & District Disability Association and one member is a trustee of Women's Community Matters. Barrow Borough Council awarded grants of £99K to Citizens Advice Bureau, £15k to Barrow & District Disability Association and £41k to Women's Community Matters. The members were not involved in the decisions that led to the grants being awarded.

The total of members' allowances paid in 2015/16 is shown in Note 33. There are no balances outstanding at the 31 March 2016. Details of the entities that members are involved with are recorded in the Register of Members Interests which can be found on the Councils website listed under each member.

### Officers

Officers of the Council have direct control over the authority's finances and operational decisions. One officer is the partner of the centre manager of Women's Community Matters who were in receipt of a grant of £41k from Barrow Borough Council. There are no balances outstanding at the 31 March 2016.

### Cumbria Housing Partnership

The authority became a full member of Cumbria Housing Partnership Limited during 2014/15; this is a procurement consortium for Cumbria's social housing providers. Through this arrangement the authority spent £2.2m on property maintenance within the Housing Revenue Account in 2015/16. The authority is one of eight equal members and does not have the potential to significantly control the company.

### Note 33. MEMBERS' ALLOWANCES

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

2014/15		2015/16
£000		£000
86	Basic allowances	84
30	Extra responsibility allowance	30
9	Expenses	9
<b>125</b>	<b>Total</b>	<b>123</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 2015/16 was £5k (£6k for 2014/15).

### Note 34. OFFICERS' REMUNERATION

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

		Salary & car allowance	Compensation for Loss of Office	Pension Contribution	Total
		£000	£000	£000	£000
Executive Director	2015/16	96	-	13	109
	2014/15	93	-	12	105
Deputy Executive Director	2015/16	-	-	-	-
	2014/15	28	66	4	98
Director of Resources	2015/16	75	-	10	85
	2014/15	74	-	10	84

The Deputy Executive Director left the authority on voluntary redundancy with effect from 31 August 2014.

**Remuneration Bands**

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

Remuneration Band	2014/15		2015/16	
	Number of Employees	Number leaving in the year	Number of Employees	Number leaving in the year
£50,000 - £54,999	-	-	1	1
£55,000 - £59,999	1	1	-	-
£60,000 - £64,999	-	-	-	-
£65,000 - £69,999	-	-	-	-
£70,000 - £75,999	-	-	-	-
£76,000 - £79,999	-	-	-	-
£80,000 - £85,999	-	-	-	-

These employees left the authority on voluntary redundancy.

Exit Packages

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

Exit package cost band	2014/15		2015/16	
	Number	Cost	Number	Cost
		£000		£000
£0 - £20,000	-	-	3	34
£20,001 - £40,000	1	40	2	56
£40,001 - £60,000	-	-	3	149
£60,001 - £80,000	1	62	0	0
£80,001 - £100,000	1	99	0	0
<b>Total</b>	<b>3</b>	<b>201</b>	<b>8</b>	<b>239</b>

Termination Benefits

The authority agreed the termination of the contract of eight employees in 2015/16, incurring liabilities of £239k (£201k in 2014/15).

**Note 35. 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.

## Notes to the Main Accounting Statements

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

### Transactions Relating to Post-Employment Benefits

The authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the authority is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2014/15 £000		2015/16	
		£000	£000
	<b>Comprehensive Income and Expenditure Statement</b>		
	<i>Cost of Services:</i>		
959	▪ current service cost	1,247	
87	▪ curtailments	172	
0	▪ past service costs	2	
	<i>Financing and Investment Income and Expenditure</i>		
3,952	▪ interest on pension liabilities	3,332	
(2,912)	▪ interest on plan assets	(2,390)	
	<i>Other operating expenses</i>		
24	▪ administration expenses	24	
<b>2,110</b>	<b>Total Post-Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services</b>		<b>2,387</b>
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
5,829	▪ re-measurements (liabilities and assets)		(4,075)
<b>7,939</b>	<b>Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Account</b>		<b>(1,688)</b>

<i>Movement in Reserves Statement:</i>		
(2,110)	▪ reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,387)
	<i>Actual amounts charged against the General Fund balance for pensions in the year</i>	
2,073	▪ Employers' contributions payable to the scheme	(2,200)



## Notes to the Main Accounting Statements

### Pensions Assets and Liabilities Recognised in the Balance Sheet

2014/15		2015/16
£000		£000
(105,963)	Present value of the defined benefit obligation	(101,959)
75,431	Fair value of plan assets	75,315
<b>(30,532)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(26,644)</b>

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

2014/15		2015/16
£000		£000
66,979	Opening fair value of scheme assets	75,431
2,912	Interest on plan assets	2,390
7,136	Re-measurements (assets)	(1,000)
(24)	Administration expenses	(24)
2,073	Employer contributions	2,200
304	Member contributions	309
(3,949)	Benefits/transfers paid	(3,991)
<b>75,431</b>	<b>Closing fair value of scheme assets</b>	<b>75,315</b>

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

2014/15		2015/16
£000		£000
(91,645)	Benefit obligation at the beginning of the period	(105,963)
(959)	Current service cost	(1,247)
(3,952)	Interest on pension liabilities	(3,332)
(304)	Member contributions	(309)
(12,965)	Re-measurements (liabilities): <ul style="list-style-type: none"> <li>▪ Experience gain/(loss)</li> <li>▪ Gain/(loss) on financial assumptions</li> <li>▪ Gain/(loss) on demographic assumptions</li> </ul>	5,075
(87)	Curtailments	(172)
-	Past service costs	(2)
3,949	Benefits/transfers paid	3,991
<b>(105,963)</b>	<b>Benefit obligation at the end of the period</b>	<b>(101,959)</b>

## Notes to the Main Accounting Statements

Pension scheme assets comprised:

Period Ended 31 March 2015				Period Ended 31 March 2016				
Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total assets	Asset category	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total assets
£000	£000	£000			£000	£000	£000	
				<b>Equities</b>				
10,333	-	10,333	13.7%	UK quoted	9,943	-	9,943	13.2%
-	-	-	0.0%	UK unquoted	-	-	0	0.0%
13,728	-	13,728	18.2%	Global quoted	14,159	-	14,159	18.8%
-	3,771	3,771	5.0%	UK equity pooled	-	2,636	2,636	3.5%
-	11,993	11,993	15.9%	Overseas equity pooled	-	12,427	12,427	16.5%
				<b>Bonds</b>				
5,280	-	5,280	7.0%	UK corporate bonds	5,197	-	5,197	6.9%
302	-	302	0.4%	Overseas corporate bonds	301	-	301	0.4%
-	-	-	0.0%	UK corporate bonds pooled	-	-	0	0.0%
-	13,878	13,878	18.4%	UK Government indexed pooled	0	13,481	13,481	17.9%
				<b>Property</b>				
5,431	-	5,431	7.2%	UK	5,799	-	5,799	7.7%
-	2,564	2,564	3.4%	Property funds	-	2,711	2,711	3.6%
				<b>Alternatives</b>				
-	75	75	0.1%	Hedge funds	-	-	0	0.0%
-	1,282	1,282	1.7%	Private equity funds	-	1,582	1,582	2.1%
-	3,847	3,847	5.1%	Infrastructure funds	-	4,142	4,142	5.5%
-	302	302	0.4%	Real Estate debt funds	-	527	527	0.7%
				<b>Cash</b>				
-	-	-	0.0%	Cash instruments	-	-	0	0.0%
2,489	-	2,489	3.3%	Cash accounts	2,335	-	2,335	3.1%
-	151	151	0.2%	Net current assets	-	75	75	0.1%
<b>37,563</b>	<b>37,863</b>	<b>75,426</b>	<b>100.0%</b>	<b>Total</b>	<b>37,734</b>	<b>37,581</b>	<b>75,315</b>	<b>100%</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary rates and other factors.

The Local Government Pension Scheme has been assessed by Mercer Limited an independent firm of actuaries, estimates for the County Council Fund being based on the latest actuarial valuation of the scheme as at 31 March 2013.

## Notes to the Main Accounting Statements

The significant assumptions used by the actuary have been:

2014/15		2015/16
	<b>Mortality assumptions:</b>	
	Longevity at 65 for future pensioners:	
25.8	▪ Men	25.9
28.8	▪ Women	28.9
	Longevity at 65 for current pensioners:	
23.0	▪ Men	23.1
25.6	▪ Women	25.7

2014/15		2015/16
	<b>Financial assumptions:</b>	
2.0%	Rate of CPI inflation	2.0%
3.5%	Rate of increase in salaries	3.5%
2.0%	Rate of increase in pensions	2.0%
3.2%	Rate for discounting scheme liabilities	3.5%

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

### Impact on the Defined Benefit Obligations in the Scheme

	Increase in Assumption	Decrease in Assumption
	£000	£000
Rate for discounting scheme liabilities (increase by 0.1%)	-	1,640
Rate of inflation (increase by 0.1%)	1,637	-
Rate of increase in salaries (increase by 0.1%)	283	-
Longevity (increase by 1 year)	2,038	-

### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2016.

The authority is expected to pay £2.098m in contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 16 years, 2015/16 (16 years 2014/15).

## Notes to the Main Accounting Statements

### Note 36. 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.

2014/15		2015/16
£000		£000
68	Fees payable to external audit with regard to external audit services carried out by the appointed auditor for the year	51
18	Fees payable to external audit for the certification of grant claims and returns for the year	13
<b>86</b>	<b>Total</b>	<b>64</b>

### Note 37. TRUST FUNDS

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

2014/15		2015/16
£000		£000
63	Assets	60
(14)	Gross Income	(8)
17	Gross Expenditure	11
<b>3</b>	<b>Net (surplus) or deficit for the year</b>	<b>3</b>

## Housing Revenue Account Income and Expenditure Statement

2014/15 £000		Note	2015/16 £000
	<b>Expenditure</b>		
3,359	Repairs and maintenance		5,193
3,143	Supervision and management		3,355
13	Rents, rates, taxes and other charges		5
1,045	Depreciation, impairment and revaluation of dwellings	5	2,310
72	Depreciation and revaluation of other HRA property	6	138
12	Debt management costs		11
26	Movement in the allowance for bad debts		61
<b>7,670</b>	<b>Total Expenditure</b>		<b>11,073</b>
	<b>Income</b>		
(10,267)	Dwelling rents		(10,474)
(351)	Non-dwelling rents		(360)
(943)	Charges for services and facilities		(1,267)
<b>(11,561)</b>	<b>Total Income</b>		<b>(12,101)</b>
<b>(3,891)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(1,028)</b>
286	HRA services' share of Corporate and Democratic Core		234
11	HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services		54
<b>(3,594)</b>	<b>Net (Income)/Expenditure for HRA Services</b>		<b>(740)</b>
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(205)	Gain or (loss) on sale of HRA non-current assets		(161)
5	Pension administration expenses	11	5
947	Interest payable and similar charges		966
227	Pensions interest cost and expected return on pension assets	11	205
<b>(2,620)</b>	<b>(Surplus) or deficit for the year on HRA services</b>		<b>275</b>

### Movement on the HRA Statement

2014/15 £000		2015/16 £000
(2,377)	Balance on the HRA at the end of the previous year	(2,413)
(2,620)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	275
2,584	Adjustments between accounting basis and funding basis under statute	593
<b>(36)</b>	<b>(Increase) or decrease in the year on the HRA</b>	<b>868</b>
(2,413)	Balance on the HRA at the end of the current year	(1,545)

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

## **Notes to the Housing Revenue Account**

### **1. HRA Self-Financing**

HRA self-financing came into effect from 1 April 2012. The objectives of self-financing are to give local authorities the power to make the best use of their housing stock, in a way which best meets the needs of individual households in their local area and to enable tenants and local taxpayers to hold their landlord to account for the cost and quality of their housing. Self-financing will provide additional resources from the retention of all Council dwelling rental income and through greater control locally, will enable longer term planning to improve the management and maintenance of housing stock.

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

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

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

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

- Use a notional MRA figure as a measure of the assessment for depreciation, which is equal to the assumption about the need to spend on major repairs used in the self-financing valuation for 2012/13 and each of the next four years;
- Utilise a credit transfer for any excess of housing stock (Council dwellings) depreciation above an amount equal to the notional MRA;
- Reverse revaluation and impairment losses on housing stock (Council dwellings) out of the HRA where the HRA revaluation reserve cannot meet the loss.

The authority has opted to use these transitional approaches to accounting for 2015/16.

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

## Notes to the Housing Revenue Account

### 2. Dwelling Stock

The dwelling stock held by the authority consists of:

	31 March 2015	Movements	31 March 2016
1 bed house	143	(1)	142
2 bed house	379	(1)	378
3+ bed house	897	(9)	888
<b>Total houses</b>	<b>1,419</b>	<b>(11)</b>	<b>1,408</b>
1 bed flat	938	2	940
2 bed flat	308	(2)	306
3+ bed flat	6	-	6
<b>Total flats</b>	<b>1,252</b>	<b>0</b>	<b>1,252</b>
<b>Dwelling stock</b>	<b>2,671</b>	<b>(11)</b>	<b>2,660</b>

### 3. HRA Non-Current Assets

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

31 March 2015		31 March 2016
£000		£000
62,693	Council dwellings	61,757
2,583	Land and buildings	2,642
-	Equipment	104
<b>65,276</b>	<b>HRA assets</b>	<b>64,503</b>

### 4. Vacant Possession of Dwellings

In accordance with Government guidance, the valuation of Council dwellings has been reduced by a regional adjustment factor in recognition of their status as social housing. The regional adjustment factor for the North West is 35%. As a consequence the Council recognises dwellings at a value of £61.757m on the Balance Sheet. At vacant possession the same dwellings would have a value of £176.448m with the difference of £114.691m being the cost of providing Council housing at less than open market rents. The reduced Balance Sheet value for Council dwellings also reflects the secure tenancy rights which differ from other tenancies, including the Right to Buy and the right to assign the property or apply for a transfer.

31 March 2015		31 March 2016
£000		£000
62,693	Balance Sheet value EUV-SH	61,757
116,427	Difference of EUV-SH and EUV-VP	114,691
<b>179,120</b>	<b>Value of dwelling stock at EUV-VP</b>	<b>176,448</b>

### 5. Depreciation and Revaluation of Dwellings

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

2014/15		2015/16	
£000		£000	£000
555	Revaluation loss	1,432	
(1,160)	Reversal of previous revaluation loss	(806)	626
1,650	Depreciation for current year		1,684
<b>1,045</b>			<b>2,310</b>

**6. Depreciation and Revaluation of Other HRA Property**

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

2014/15		2015/16	
£000		£000	£000
1	Revaluation loss	1	
(58)	Reversal of previous revaluation loss	(1)	0
129	Depreciation for current year		138
<b>72</b>			<b>138</b>

**7. HRA Capital Financing Requirement**

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

2014/15		2015/16
£000		£000
<b>23,285</b>	<b>Opening Capital Financing Requirement</b>	<b>21,776</b>
57	Impairment charge for non-dwelling Housing Revenue Account assets	-
	<b>Capital investment:</b>	
1,888	Council dwellings	1,514
	<b>Source of finance:</b>	
(1,888)	Major Repairs Reserve	(1,514)
(1,566)	Voluntary Revenue Provision – towards the repayment of HRA Debt	(702)
<b>21,776</b>	<b>Closing Capital Financing Requirement</b>	<b>21,074</b>
	<b>Explanation of movements in year</b>	
(1,566)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	(702)
57	Impairment charge for non-dwelling Housing Revenue Account assets	-
<b>(1,509)</b>	<b>Increase(decrease) in Capital Financing Requirement</b>	<b>(702)</b>

**8. Item 8 Credit and Item 8 Debit (General) Determination**

The actual charges for capital in the HRA are known respectively as the "Item 8 Debit" (of part II) and the "Item 8 Credit" (of part I of schedule 4 of the Local Government and Housing Act 1989). A general determination of the Item 8 credit and Item 8 debit was issued for 2012/13 onwards. A prospective change in the general determination has already been established for April 2017 onwards; the end of self-financing transitional arrangements concerning the major repairs allowance.

Although the calculation was originally performed to arrive at the subsidy charges for capital, the determination remains in force and the calculation for 2015/16 is set out below:



## Notes to the Housing Revenue Account

2014/15 £000		2015/16	
		£000	£000
	<b>Item 8 Credit</b>		
(10)	Discounts for early repayment of debt	(8)	
(1,160)	Reversal of previous year revaluation loss - dwellings	(806)	
(58)	Reversal of previous year revaluation loss – non dwellings	(1)	(815)
	<b>Item 8 Debit</b>		
866	Interest payable on external loans	866	
1,650	Depreciation of dwellings	1,684	
129	Depreciation of non-dwellings	138	
81	Interest payable on notional cash balances	99	
12	Debt management expenses	11	
9	Premium charges for early repayment of debt	6	
272	Transfers to the Major Repairs Reserve	347	
555	Revaluation loss - dwellings	1,432	
1	Revaluation loss – non dwellings	1	4,584
<b>2,347</b>	<b>Item 8 Credit and Item 8 Debit</b>		<b>3,769</b>

### 9. HRA Non-Current Asset Disposals

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

2014/15 £000		2015/16	
		£000	£000
398	Carrying value of dwellings sold		338
(598)	Sale proceeds from dwellings		(498)
<b>(200)</b>	<b>Net gain on disposals</b>		<b>(160)</b>

### 10. Major Repairs Reserve

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

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

2014/15 £000		2015/16	
		£000	£000
	MRR transfers in the year:		
(1,650)	From HRA for dwellings depreciation		(1,684)
(272)	Difference between MRA and dwellings depreciation		(347)
<b>(1,922)</b>	<b>MRA for the year</b>		<b>(2,031)</b>
(129)	Increase for depreciation of non-dwelling assets		(138)
1,888	Capital expenditure financed by MRR		1,514
<b>(598)</b>	<b>Balance brought forward</b>		<b>(761)</b>
(761)	Balance carried forward		(1,416)

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

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

The following transactions have been made in the HRA Income and Expenditure Statement and the Movement on the HRA Statement during the year:

2014/15		2015/16	
£000		£000	£000
	<b>HRA</b>		
	<i>Cost of Services:</i>		
206	▪ current service cost	279	
12	▪ curtailment costs	55	334
	<i>Financing and Investment Income and Expenditure</i>		
861	▪ interest cost	726	
(634)	▪ expected return on scheme assets	(521)	205
	<i>Other operating expenditure</i>		
5	▪ pension administration expenses		5
<b>450</b>	<b>Total Post Employment Benefit Charged to the HRA Income and Expenditure Account</b>		<b>544</b>

		<i>Movement in Reserves Statement</i>	
(450)	• reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code		(544)
	<i>Actual amounts charged against the HRA balance for pensions in the year</i>		
390	• employers' contributions payable to scheme		448

### 12. Rent Arrears

At 31 March 2016 the HRA rent arrears and the provision in respect of uncollectable debts was:

2014/15		2015/16	
£000		£000	
639	Arrears at year end	636	
465	Provision for bad and doubtful debts	483	
<b>73%</b>	<b>Percentage of provision</b>	<b>76%</b>	

### 13. HRA Balance

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

31 March 2015		31 March 2016	
£000		£000	
(2,413)	Total HRA balance carried forward	(1,545)	
(291)	<i>Of which: committed to on-going housing maintenance</i>	0	

## Collection Fund Income and Expenditure Statement

2014/15				2015/16		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000		£000	£000	£000
			<b>Income</b>			
(29,321)	-	(29,321)	Income from Council Tax	(30,449)	-	(30,449)
-	(23,105)	(23,105)	Income collectable from business ratepayers	-	(22,506)	(22,506)
-	27	27	Transitional Protection Payment	-	29	29
<b>(29,321)</b>	<b>(23,078)</b>	<b>(52,399)</b>	<b>Total Income</b>	<b>(30,449)</b>	<b>(22,477)</b>	<b>(52,926)</b>
			<b>Expenditure</b>			
			<i>Precepts demand &amp; shares:</i>			
-	11,731	11,731	- Central Government	-	12,122	12,122
20,763	2,345	23,108	- Cumbria County Council	21,396	2,425	23,821
3,971	9,385	13,356	- Barrow Borough Council	4,012	9,741	13,753
3,729	-	3,729	- Cumbria Police & Crime Commissioner	3,840	-	3,840
			<i>Charged to the Collection Fund</i>			
(190)	(141)	(331)	- Write off of uncollectable amounts	(199)	(65)	(264)
389	(12)	377	- Increase/(decrease) in bad debt provision	587	114	701
-	(16)	(16)	- Increase/(decrease) in provision for appeals	-	380	380
-	98	98	- Costs of collection	-	97	97
<b>28,662</b>	<b>23,390</b>	<b>52,052</b>	<b>Total Expenditure</b>	<b>29,636</b>	<b>24,814</b>	<b>54,450</b>
<b>(659)</b>	<b>312</b>	<b>(347)</b>	<b>(Surplus)/Deficit for the year</b>	<b>(813)</b>	<b>2,337</b>	<b>1,524</b>

			<i>Collection Fund balances</i>			
(963)	684	(279)	Balance brought forward at 1 April	(1,479)	573	(906)
143	(423)	(280)	Distribution of previous years surplus/deficit	819	343	1,162
<b>(659)</b>	<b>312</b>	<b>(347)</b>	<b>(Surplus)/Deficit for the year (as above)</b>	<b>(813)</b>	<b>2,337</b>	<b>1,524</b>
(1,479)	573	(906)	Balance carried forward at 31 March	(1,473)	3,253	1,780
			<i>Allocated to</i>			
(204)	229	25	- Barrow Borough Council	(198)	1,301	1,103
(1,081)	57	(1,024)	- Cumbria County Council	(1,083)	325	(758)
-	287	287	- Central Government	-	1,627	1,627
(194)	-	(194)	- Cumbria Police & Crime Commissioner	(192)	-	(192)
<b>(1,479)</b>	<b>573</b>	<b>(906)</b>	<b>Balance carried forward at 31 March</b>	<b>(1,473)</b>	<b>3,253</b>	<b>1,780</b>

### Notes to the Collection Fund

#### 1. Collection Fund General Note

The Collection Fund is an agent statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The Statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local government bodies and the Government of council tax and non-domestic rates.

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

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the authority's accounts. The Collection Fund balance sheet meanwhile is incorporated into the authority's Balance Sheet.

#### 2. Income from Business Ratepayers

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

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

The business rates payable for 2015/16 were estimated before the start of the financial year as £12.122m to Central Government, £2.424m to Cumbria County Council and £9.698m to this authority. These sums have been paid in 2015/16 and charged to the collection fund in year. Barrow Borough Council also received £43k renewable energy scheme retained by the billing authority.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2016. As such authorities are required to make a provision for these amounts. Appeals are charged and provided for in the proportion of the precepting shares. The total net increase of the provision charged to the collection fund for 2015/16 has been calculated at £380k.

The total non-domestic rateable value at the 31 March 2016 was £56,679k (£56,914k at the 31 March 2015).

The national non-domestic rate multiplier for 2015/16 was 49.3 pence in the pound (48.2 pence in the pound for 2014/15).

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 48.0 pence in the pound (47.1 pence in the pound for 2014/15) and can also qualify for rate relief.

#### 3. Bad and Doubtful Debts

Provision has been made for the potential bad and doubtful debts of the Collection Fund. The arrears at the year-end together with the aggregate Balance Sheet provision and overall percentage provisions are:

## Notes to the Collection Fund

31 March 2015		31 March 2016
£000	Council Tax	£000
3,750	Arrears	3,696
1,926	Provision for bad and doubtful debts	2,116
51%	Percentage of provision	57%
	<b>Business ratepayers</b>	
1,220	Arrears	1,185
1,037	Provision for bad and doubtful debts	1,020
85%	Percentage of provision	86%

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

The Council's share of the balances are:

31 March 2015		31 March 2016
£000	Council Tax	£000
514	Arrears	491
264	Provision for bad and doubtful debts	281
51%	Percentage of provision	57%
	<b>Business ratepayers</b>	
488	Arrears	474
415	Provision for bad and doubtful debts	407
85%	Percentage of provision	86%

#### 4. Cumbria Business Rates Pool

From 1 April 2014, the authority participated in the Cumbria Business Rates Pool. The pool consists of Barrow Borough Council, Cumbria County Council, Carlisle City Council, Allerdale Borough Council, Eden District Council and South Lakeland District Council. The levy for 2015/16 is paid into the Cumbria Business Rates Pool and together the members share the levy and it is redistributed. Without the Pool the levy would be paid to DCLG and not retained in the area.

The total amount of retained growth kept by the Pool in 2015/16 is £2.336m. The retained levy for the authority paid into the pool was £45k and the distribution of the retained levy to the authority was £46k, these are shown within the Comprehensive Income and Expenditure Statement. The authority's share of the pool volatility reserve, £51k, is held in the Balance Sheet as an earmarked reserve.

#### 5. Council Tax Base

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

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

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

## Notes to the Collection Fund

The Council Tax base for 2015/16 was 18,061 (17,876 for 2014/15). The tax base for 2015/16 was approved by Council on 3 March 2015. The collection rate was assumed to be 97% for 2015/16 (97% in 2014/15).

The Council Tax base for the year was set as:

2014/15 Band D equivalent number of chargeable dwellings	Band	Standard factor	2015/16 Band D equivalent number of chargeable dwellings
27	Disabled reductions		14
7,818	A	6/9	7,956
3,452	B	7/9	3,470
3,571	C	8/9	3,601
2,052	D	9/9	2,051
1,087	E	11/9	1,100
314	F	13/9	315
106	G	15/9	111
2	H	18/9	2
18,429	Equivalent chargeable dwellings		18,620
17,876	97% of which gives the Council Tax base		18,061

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.

2014/15 Council Tax £	Band	Property value	2015/16 Council Tax £
1,058.04	A	Up to £39,999	1,076.09
1,234.38	B	£40,000 to £51,999	1,255.43
1,410.72	C	£52,000 to £67,999	1,434.79
<b>1,587.06</b>	<b>D</b>	<b>£68,000 to £87,999</b>	<b>1,614.13</b>
1,939.74	E	£88,000 to £119,999	1,972.83
2,292.42	F	£120,000 to £159,999	2,331.52
2,645.10	G	£160,000 to £319,999	2,690.22
3,174.12	H	£320,000 and over	3,228.26

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

We have audited the financial statements of Barrow Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Director of Resources and auditor**

As explained more fully in the Statement of the Director of Resources Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

### **Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

### **Matters on which we are required to report by exception**

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

### **Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

#### **Respective responsibilities of the Authority and auditor**

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### **Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.



**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

**Certificate**

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

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

4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

September 2016

### **Accounting Policies**

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

### **Accruals Basis**

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

### **Actuarial Gains and Losses (Pensions)**

Actuarial gains and losses are changes in the present value of defined benefit obligations resulting from:

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

### **Amortisation**

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

### **Asset**

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

### **Asset register**

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

### **Audit of Financial Statements**

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

### **Balance Sheet**

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

### **Budget**

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

### **Capital Adjustment Account**

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

### **Capital contributions**

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

### **Capital expenditure**

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

### **Capital Financing Requirement**

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

### **Capital programme**

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

### **Capital receipt**

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

### **Capital Receipts Reserve**

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

### **Capital resources**

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

### **Cash Flow Statement**

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

### **Collection Fund**

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

### **Collection Fund Adjustment Account**

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

### **Community Asset**

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

### **Comprehensive Income and Expenditure Account**

The Comprehensive Income and Expenditure Account shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

### **Contingent Asset**

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

### **Contingent Liability**

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

### **Corporate and Democratic Core**

The corporate and democratic core comprises costs relating to member representation and associated governance activities together with the costs of corporate management that provide the infrastructure that allows services to be provided. The costs of these activities are thus over and above those which would be incurred by a service of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

### **Creditors**

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

### **Current Asset**

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

### **Debtors**

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

### **Deferred Liability**

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

### **Department for Communities and Local Government (DCLG)**

A Department of Central Government with an overriding responsibility for determining the allocation of general resources to Local Authorities.

### **Depreciated Replacement Cost (DRC)**

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

### **Depreciation**

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

### **Donated Asset**

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

### **Earmarked Reserves**

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

### **Employee Benefits**

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

### **Events after the Reporting Period**

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

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

### **Exceptional Items**

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

### **Fair Value**

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

### **Finance Lease**

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

### **Financial Instruments Adjustment Account**

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

### **Financial Regulations**

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

### **General Fund**

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

### **Government Grants**

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

### **Grants and Contributions**

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

### **Heritage Asset**

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

### **Housing Benefits**

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

### **Housing Revenue Account (HRA)**

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

### **Impairment Loss**

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

### **Intangible Asset**

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

### **International Accounting Standards (IAS)**

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

### **International Financial Reporting Standards (IFRS)**

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

### **Investing Activities**

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

### **Inventory**

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

### **Investment Strategy**

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

### **Item 8 Credit and Debit (General) Determination**

This refers to the actual charges for capital in the HRA. A general determination of the Item 8 debit and credit is issued for 2012/13 onwards. It is based on notional debt and interest calculated in accordance with the requirement of the determination.

### **Lease**

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

### **Liability**

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

### **Major Repairs Reserve**

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

### **Material**

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

### **Members' Allowances**

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

### **Minimum Revenue Provision (MRP)**

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

### **Movement in Reserves Statement**

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

### **Non Current Asset**

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

### **Non Domestic Rates (NDR)**

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

### **Operating Activities**

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

### **Pension Reserve**

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

### **Precept**

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

### **Provision**

A provision is a liability of uncertain timing or amount.

### **Prudential Indicators**

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

### **Related Party**

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

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

### **Reporting Period**

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

### **Reserves**

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

### **Revaluation Reserve**

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

### **Revenue Expenditure**

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

### **Revenue Expenditure Funded from Capital under Statute (REFFCUS)**

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

### **Risk**

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

### **Risk management**

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

### **Statement of Accounts**

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

### **Treasury Management**

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

### **Trust Funds**

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

### **Usable Reserves**

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

### **Unsupported (Prudential) Borrowing**

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

### **Write off**

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



<b>AUDIT COMMITTEE</b>		<b>Part One</b>
<b>Date of Meeting: 15th September, 2016</b>		<b>(D)</b>
<b>Reporting Officer: Director of Resources</b>		<b>Agenda Item 9</b>
<p><b>Title: Assurance Statements</b></p> <p><b>Summary and Conclusions:</b></p> <p>Provide Members with the output from the analysis of the departmental assurance statements from 2015/16.</p> <p><b>Recommendations:</b></p> <p>To consider the report.</p>		

### Report

The Council is required to publish an Annual Governance Statement (AGS) on the effectiveness of its internal control framework.

To support the AGS service managers were requested to complete an assurance questionnaire which demonstrates that they are aware of assurance controls that need to be in place. The questionnaires also provided an overview of whether staff are aware of and know how to access a range of key Council policies.

This year the questions were revised to provide a more complete picture of assurance and identify areas for improvement. All 16 service areas returned completed questionnaires which provided a good overview of the current level of assurance.

The outputs from the questionnaire were analysed by the Corporate Support Department and the information indicated that there were not any significant assurance issues.

It was clear that all managers and staff have a good understanding of the budget strategy and financial management, dealing with complaints and identifying skill requirements within their team. There was scope for some improvement particularly around performance monitoring, staff meetings and contracts.

### Assurance gathering questionnaires

<b>Question</b>	<b>Output</b>
Are you and your staff aware of the Budget Strategy?	75% of managers and staff are aware of the Budget Strategy.
Do you monitor your service budget on a regular basis (at least quarterly)?	75% of managers monitor their budgets on a quarterly basis the remainder typically on a six monthly basis.
Are you aware of the Council's performance indicators?	63% of managers and staff are aware of the Council's performance indicators.
Do you monitor the performance of your service against these indicators where applicable?	63% of managers monitor their service against the Council's performance indicators but the indicators do not relate to all services.
Do your staff attend team meetings on a regular basis (at least monthly)?	All departments have meetings in some form but the format and frequency vary.
Do you have a mechanism in place to record and respond to service complaints?	Most departments rely on the corporate complaints process although some departments also have their own systems for monitoring and addressing service failure.
Do you have a register of relevant contracts for service delivery and support services?	All departments have a system of recording contracts but the level of monitoring is variable.
Do you monitor the skill requirements for your service and offer training to address skill gaps?	The skill requirements are monitored regularly and skill gaps are addressed through the appraisal process.
Are your staff aware of the general content of the following corporate policies that are relevant to them and are able to access them? <u>Council Plan</u> <u>Contract / tendering procedures</u> <u>Contract Standing Orders (Part 4)</u> <u>Employee code of conduct</u> <u>Data Protection Policy</u> <u>Financial Regulations (Part 4)</u> <u>Health and Safety policy</u> <u>Email and internet acceptable use policy</u> <u>Medium Term Financial Strategy</u> <u>Risk Management Policy</u> <u>Anti-fraud and corruption policy</u> <u>Social media policy</u> <u>Workforce Strategy</u>	75% of staff are aware of these corporate policies and know where to find them.

### Background Papers

Nil

<b>AUDIT COMMITTEE</b>	<b>Part One</b> <b>(D)</b> <b>Agenda</b> <b>Item</b> <b>10</b>
<b>Date of Meeting: 15th September, 2016</b>	
<b>Reporting Officer: Director of Resources</b>	
<p><b>Title: Annual Governance Statement</b></p> <p><b>Summary and Conclusions:</b></p> <p>Provide Members with updated Annual Governance Statement for 2015/16.</p> <p><b>Recommendations:</b></p> <p>To receive the Annual Governance Statement and raise any questions.</p>	

### Report

The Council has responsibility for ensuring that Council business is conducted within the law and proper standards, and that public money is safeguarded and properly accounted for. Part of this governance process is the preparation and publication of an Annual Governance Statement which is a self-assessment of how effective we consider our governance arrangements to be.

The following members of staff were involved in preparing the Annual Governance Statement for 2015/16

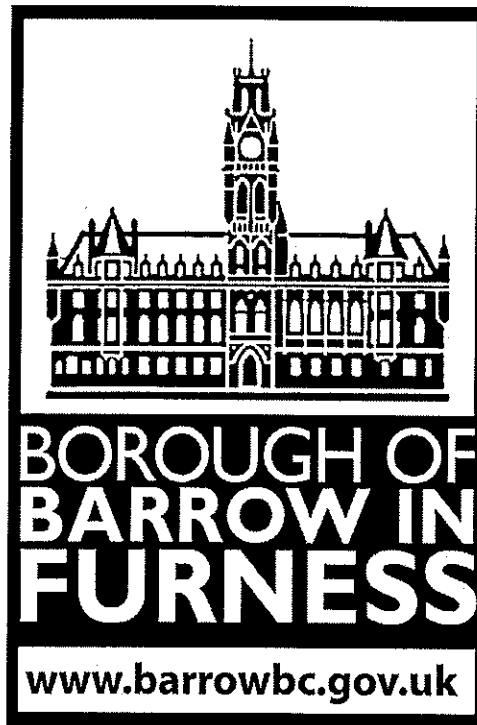
- Executive Director
- Director of Resources: S151 Officer
- Assistant Director of Community Services
- Assistant Direct of Regeneration and the Built Environment
- Assistant Director of Housing
- Members of the Governance Group
- Internal Audit, Manager
- Democratic Services Manager: Monitoring Officer
- Corporate Support Manager

The Annual Governance Statement was presented to this committee in June and following discussions with the auditor from Grant Thornton, the Internal Audit Manager and the Assurance Group only minor amendments have been made.

The Annual Governance Statement for 2015/16 and links to the evidence supporting the statement are attached as **Appendix 4** and **Appendix 5**.

### Background Papers

Nil



<b>Version Control: Version 2</b>	
<b>Document Name:</b>	Annual Governance Statement
<b>Version:</b>	Version 2
<b>Author:</b>	Corporate Support Manager
<b>Approved by:</b>	Audit Committee and Executive Director
<b>Date Approved:</b>	15 <sup>th</sup> September 2016
<b>Review Date:</b>	March 2017



## **Annual Governance Statement – 2015-2016**

### **Scope and Responsibility**

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

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

### **Governance**

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

### **The Council's Governance Framework**

Effective governance in the public sector encourages improved decision making and efficient use of resources. Effective governance is characterised by robust scrutiny, which provides important pressures for improving public sector performance and tackling corruption. Effective governance can improve management leading to better service delivery, and, ultimately, better outcomes.

The Council's governance framework comprises the systems and processes, and the culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

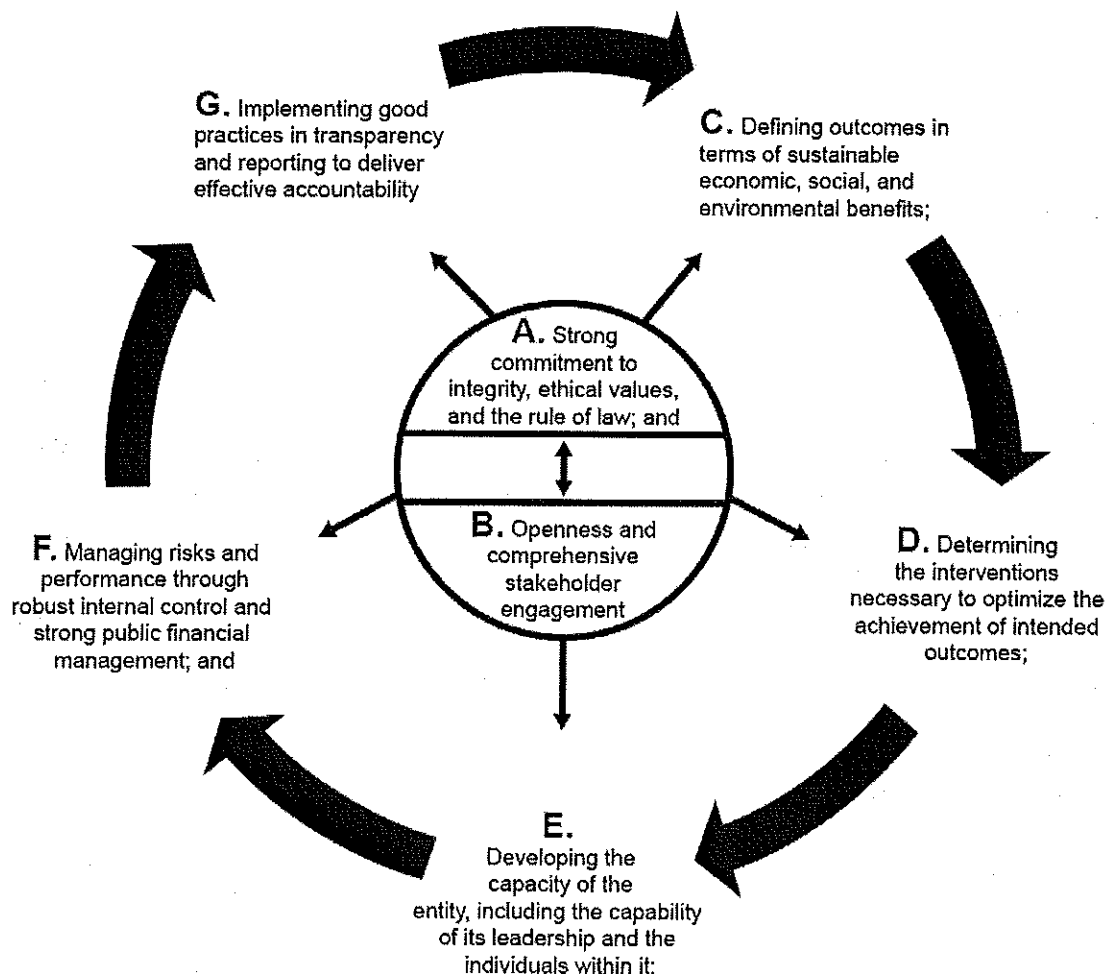
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and proportionate level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.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

CIPFA has developed a framework for good governance in the public sector, based on the 2014 *Good Governance Standard for Public Services*, produced in the UK by the Independent Commission on Good Governance in Public Services. The framework comprises of seven principles of good governance.

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

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

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



## **Review of Effectiveness**

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

A management group consisting of the following Officers were involved in reviewing this draft Annual Governance Statement

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

## **Self-Assessment**

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

In order to demonstrate that the existing arrangements are fit for purpose and are complied with when carrying out the responsibilities and functions of the Council, a self assessment process has been undertaken and this is supported by an assurance statement completed by the members of the Management Group.

In addition the Council has established a governance group who annually collect assurance information using questionnaires which were completed by departmental managers.

Analysis of this information indicated that there were not any significant assurance issues but that there was scope for some improvement and an action plan will be developed to address this.

Based on the self assessment the Council considers its governance arrangements to be improving and of a higher standard than previous years.

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



The Council's governance arrangements are aligned to the seven principles defined in the CIPFA framework for good governance in the public sector, based on the 2014 *Good Governance Standard for Public Services*. We produce an annual Local Code of Corporate Governance which defines what we do to deliver effective governance arrangements.

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

The Council is responsible for using national resources collected through local and national taxation to provide services for our citizens. We are accountable not only for how much we spend but also for the way we use the resources with which we have been entrusted. In addition, we have an overarching mission to serve the public interest, in adhering to the requirements of legislation and government policies.

Ethical values and standards are defined in the Council's Constitution and should form the basis for all our policies, procedures and actions as well as the behaviour of our Members and officers.

Council officers may be involved with interpreting laws; such activities demand a high standard of conduct that prevents these roles being brought into disrepute. We should demonstrate a strong commitment to the rule of law as well as compliance with all relevant laws.

This makes it essential that we can demonstrate the integrity of all our actions and that we have mechanisms in place that encourage and enforce a strong commitment to ethical values and legal compliance at all levels.

1. The Council maintains shared values including leadership values (openness, support and respect) both for the Council and its officers. These are defined in the constitution and reflect public expectations about the conduct and behaviour of individuals.
2. We use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the Council. We demonstrate this by adherence to the constitution.
3. We annually adopt formal codes of conduct defining standards of personal behaviour for Members and officers.
4. We maintain the Audit Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the Council's culture. Their remit includes the functions formally undertaken by the Standards Committee.
5. We have put in place arrangements to ensure that Members and staff of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests and anti-corruption policies.
6. We ensure that systems and processes for financial administration and control, protection of the Council's resources and assets, comply with

ethical standards; and are subject to monitoring of their effectiveness.

7. We ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making if appropriate. We have appointed an acting Principal Legal Officer to provide support in accessing professional advice.
8. The Council has appointed statutory officers:
  - The Executive Director is the Proper Officer.
  - The Director of Resources is the S151 Officer.
  - The Democratic Services Manager is the Monitoring Officer.
9. Officers will actively recognise the limits of lawful activity placed on them but also strive to utilise their powers to the full benefit of their communities.
10. Officers will observe all specific legislative requirements placed upon the Council as well as the requirements of general law, and in particular integrate the key principles of administrative law – rationality, legality and natural justice into the procedures and decision making.
11. We have put in place effective systems to protect the rights of staff. That policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place. The whistle-blowing service is administered independently by the Internal Audit manager.
12. We have established a governance group with the remit of collecting assurance information across all departments.
13. We publish an Annual Governance Statement, signed by the Executive Director and the Chair of the Audit Committee to confirm that we are satisfied that we have effective governance arrangements in place.

## **B: Openness and comprehensive stakeholder engagement**

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

1. We ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.
2. We have developed and will maintain culture of accountability so that Members and Officers understand to whom they are accountable and for what.
3. We strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public.
4. In 2016/17 we will put in place arrangements to enable the Council to

engage effectively with the wider community. These arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands. The Council is improving its website to provide more opportunities for engagement.

5. We publish an annual report giving information on the Council's vision, strategy, plans and financial statements as well as information about outcomes, achievements.
6. We deliver effective scrutiny of the Council's business as appropriate and produce an annual report on the activities of scrutiny function.
7. We ensure that the Council as a whole is open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings. We will attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.

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

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

1. We have made a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.
2. We publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance.
3. We ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.
4. We have identified and monitor service performance indicators which demonstrate how the quality of service for users is to be measured. This will include a phased introduction of an effective data collection system for all priority services.
5. We maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved.
6. We ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management.

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

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

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

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

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

1. Through the constitution we have set out a clear statement of the respective roles and responsibilities of the Council's Executive Committee and the Members individually.
2. We have set out a clear statement of the respective roles and responsibilities of the Council's other committees and senior officers.

3. We have developed protocols to ensure effective communication between Council Members and officers in their respective roles.
4. We have developed protocols to ensure that the Leader and Executive Director negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained.
5. We have set out the terms and conditions for remuneration of Members and officers and publish an Annual Pay policy statement in accordance with the requirements of the Localism Act 2011.
6. We have determined a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required.
7. We ensure that effective management arrangements are in place throughout the organisation.
8. The Head of Paid Services is the Executive Director who is responsible and accountable to the Council for all aspects of operational management.
9. The Chief Financial Officer is a member of the Council's Senior Management Board, with access to the Executive Director and other members of the leadership team.
10. The Section 151 Officer responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
11. We have appointed a professionally qualified and experienced Chief Financial Officer, who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds; together with professional accountability for finance staff throughout the Council
12. The Monitoring Officer responsible to the Council for ensuring that the constitution is adhered to in terms of lawfulness and legality.
13. We assess the skills required by Members including understanding of financial systems. We will agree a personal development plan to develop skills and address any training gaps, to enable roles to be carried out effectively.
14. We assess the skills required by officers through the appraisal process and address any training gaps, to enable roles to be carried out effectively.
15. We develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.
16. We ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.
17. We review the scope of the Chief Financial Officer's non-financial areas of responsibility to ensure financial matters are not compromised.
18. We provide the Chief Financial Officer with the resources, expertise and

systems necessary to perform the role effectively within the Council.

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

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

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

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

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

1. We comply with the local government transparency code and publish all required and other frequently requested information in a timely manner.
2. We have established a medium term business and financial planning process in order to deliver - a financial strategy ensuring sustainable finances, a robust annual budget process ensuring financial balance and an adequate monitoring process; all of which are subject to regular review.
3. We have put in place effective transparent and accessible arrangements for dealing with complaints.
4. We maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall;

5. We maintain an effective Audit Committee which is independent of the Executive and Scrutiny committees.
6. We ensure an effective internal audit function is resourced and maintained.
7. We maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.
8. We attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.
9. We put in place arrangements for whistle-blowing to which staff and all those contracting with the Council have access.
10. We produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council.
11. We maintain effective arrangements for determining the remuneration of senior staff and publish an Annual Pay Policy statement in accordance with the requirements of the Localism Act 2011.

### **Internal Audit opinion**

An important part of the governance arrangements is the maintenance of an Internal Audit function, which operates in accordance with Public Sector Internal Audit Standards. The effectiveness of the Internal Audit function is 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.

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

The Internal Audit Annual Report stated that Internal Audit had obtained reasonable assurance that the organisation's framework of governance, risk management and control predominantly operated satisfactorily during 2015/16. The report stated that:

*"My detailed opinion is that, for the systems reviewed, the Council has basically sound systems of control in place, although there are weaknesses which put some of the system objectives at risk, these mainly relate to areas of contract management and control. The profile of assurance is in our experience comparable to other local authorities, with the majority of Council systems receiving Substantial Assurance.*

*There are however, two areas where only Restricted Assurance can be provided, which relate to:*

- *Procurement (including ordering); and*
- *West Shore Coastal Defence Contract.*

*Weaknesses found as a result of our work, together with our recommendations for improvement, have been included in our reports to senior management and Members. Additional weaknesses identified through the Annual Governance Statement process are recorded separately and reflect the assurance provided from all sources both internal and external”.*

The process for implementing recommendations raised from Internal Audit reviews is consistently applied and there is always a post-implementation review to ensure appropriate action has been taken. The recommendations relate both to individual service areas and also to the Council corporately. Matters raised with individual service areas are implemented by the service managers and matters raised corporately are implemented by senior managers or by Management Board. All high priority recommendations are reported to and considered by Management Board and the Corporate Support Manager monitors the implementation of these; reporting to the Audit Committee.

### **Financial management**

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

Director of Resources:

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

The current Medium Term Financial Plan is based on the Council’s 2016-2020 Budget Strategy which was agreed at the Full Council meeting on the 6th September, 2016. The Medium Term Financial Plan is based on the delivery of the strategy proposals and contains the assumptions and estimates used to



arrive at both the £2.37m deficit challenge in 2019-2020 and the balanced position after implementing the proposals.

### Significant governance issues

There were no recommendations relating to the Annual Governance Statement in the 2014/15 Annual Audit Letter. There is one on-going action from the previous year regarding the outstanding Business Continuity Plan.

The Council has identified two significant governance issues that require action in 2016, in respect of disaster recovery and agreeing the 2016-2020 Budget Strategy.

The Council has identified arrangement for ICT disaster recovery and these were implemented. This will facilitate the Council's business continuity arrangements and the Business Continuity Plan has been prepared. Disaster recovery arrangements are in place to allow priority services to operate if the Town Hall cannot be used. Replicate data is collected in real time and stored off-site. Partial testing of this system has been completed to provide confidence that these arrangements are effective. Comprehensive testing has been delayed because of the refurbishment at the crematorium which hosts the microwave repeater. Following the completion of the refurbishment the repeater was found to be irreparably damaged and we are awaiting a replacement.

The Council's Budget Strategy was agreed at the Full Council meeting on the 6th September, 2016, and will now be implemented. Delivering the savings required in the Budget Strategy will be challenging and it is dependent on delivering significant savings in the Revenues & Benefits and the Waste & Cleansing contracts and from restructuring our cultural services arrangements. There is a high level of uncertainty as to whether the estimated savings can be made so this is a significant risk to the Council.

The actions to address these issues have been set and are shown in the following table.

Action	Responsible officer	Due date
Comprehensive testing of disaster recovery arrangements. This has been delayed because of the refurbishment at the Crematorium and the damage to the repeater which occurred during the refurbishment. There have been further issues with the repeater but these have now been resolved and the testing plan has been developed.	Corporate Support Manager	October 2016
Agreement and publication of the 2016-2020 Budget Strategy and Medium Term Financial Plan.	Executive Director & Director of Resources	September 2016

We propose to take these steps to address the issues identified to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness. We will monitor their implementation and report in our next annual review.

Aside from these specific issues, we believe that the existing arrangements are fit for purpose and are adequate to meet the Council's corporate aims.

**Councillor Mrs A Burns  
Chairman of the Audit Committee  
15th September 2016**

**P Huck  
Executive Director  
15th September 2016**

**Signed on behalf of the Council**



Evidence to support compliance with the seven principles:

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

Demonstrating integrity	We have adopted formal codes of conduct defining standards of personal behaviour for Members and officers.	The Council's <u>Constitution</u> part 5 contains codes of conduct for Members and officers.
	We maintain the Audit Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the Council's culture.	The Council's <u>Constitution</u> part 3 defines the terms of reference of the Audit Committee
	We have put in place arrangements to ensure that Members and staff of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests and anti-corruption policies.	The Council's <u>Constitution</u> part 4 sets out the Council's rules of procedure.  The Council's <u>local code of governance</u> defines how we manage this.  The Council publishes an <u>anti-corruption policy</u> on its website
	We have established a governance group with the remit of collecting assurance information across all departments.	The Council's assurance group meets routinely to review governance arrangements (assurance group minutes)
We publish an Annual Governance Statement, signed by the Executive Director and the Chair of the Audit Committee to confirm that we are satisfied that we have effective governance arrangements in place.		The Council's <u>Annual Governance Statement</u> is published on its website.

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

**B: Openness and comprehensive stakeholder engagement.**

<p>Openness</p>	<p>We maintain a culture of accountability so that Members and Officers understand to whom they are accountable and for what.</p>	<p>The roles and responsibilities of Members and Officers are clearly defined in articles 2 &amp; 3 of the Council's <u>Constitution</u></p>
	<p>We deliver effective scrutiny of the Council's business as appropriate and produce an annual report on the activities of scrutiny function.</p>	<p>The Council operates an effective scrutiny function which submits an <u>annual scrutiny report</u> (item 7) of activities to Full Council.</p>
	<p>We ensure that the Council as a whole is open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings. We will attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.</p>	<p>The Council strive to publish all committee report under part one on the agenda. There may be exemptions under schedule 12 of the Local Government Act 1972.</p>
<p>Engaging individual citizens and service users effectively</p>	<p>In 2016/17 we will put in place arrangements to enable the Council to engage effectively with the wider community. These arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands.</p>	
	<p>We publish an annual report giving information on the Council's vision, strategy, plans and financial statements as well as information about outcomes, achievements.</p>	<p>The Council publishes an <u>Annual Report</u>.</p>
	<p>We will strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public.</p>	

Engaging comprehensively with institutional stakeholders	We will ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.	The <u>Council's Plan</u> is developed by senior managers who have a good knowledge of the priorities of other stakeholders and is agreed by the Executive Committee item 11.
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**C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.**

Defining outcomes	We will make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.	The purpose of the Council is clearly defined in the <u>Constitution</u>  The <u>Council's Plan</u> is developed by senior managers and identifies the Council's service priorities.
	We publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance.	The Council publishes an <u>Annual Report</u> that communicates the Council's activities, achievements and financial position
	We ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.	Assessments of financial and non-financial information for all decisions are presented to the Executive as part the executive reporting template. <u>Example Executive Report</u> (item 8).

<p>Sustainable economic, social and environmental benefits</p>	<p>We identify and monitor service performance indicators which demonstrate how the quality of service for users is to be measured. This will include a phased introduction of an effective data collection system for all priority services.</p>	<p>The Council has a limited number of performance indicators which are currently reported to the <u>Overview and Scrutiny committee</u> (item 9). We are developing a suite of meaningful indicators to reflect its priorities.</p>
	<p>We maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved.</p>	<p>The Council's prudential framework is defined in the Budget Strategy. Budgetary control is strictly observed and monitoring reports are presented to Management Board and the Executive Committee on a quarterly basis.</p> <p><u>Corporate Financial Monitoring</u> (item 8).</p>
	<p>We ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management.</p>	<p>Prudential indicators agreed with Members prior to each financial year and monitored as part of the Council's quarterly <u>Corporate Financial Monitoring</u> process</p>



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

Robust decision making mechanism	We will make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.	The purpose of the Council is clearly defined in the <u>Constitution</u>  The <u>Council's Plan</u> is developed by senior managers and identifies the Council's service priorities.
Planning interventions	We have risk management arrangements in place including mitigating actions to support the achievement of the Council's intended outcomes.	The Council has prepared a <u>risk management policy</u> and a <u>risk register</u> which is updated by Management Board and presented to Audit Committee on a quarterly basis
	We ensure that there are effective arrangements in place to monitor service delivery.	The Council monitors service delivery through its CRM system and point of use monitoring.
	We have put in place effective arrangements to deal with a failure in service delivery and explore options for improving service delivery and outcomes for our residents.	The Council has effective arrangements for monitoring service failure through its <u>CRM system</u> and <u>complaints procedure</u> .

<p>Optimising achievement of intended outcomes</p>	<p>We ensure that budget calculations are robust and reserves are adequate.</p>	<p>The Chief Finance Officer ensures that the budget estimates are robust and based on reasonable assumptions.</p> <p>The reserves and balances are reviewed at budget time and when closing the accounts. The CFO issues an assurance at these times in line with CIPFA recommended practice.</p> <p>All financial systems function in a controlled environment and are subject to regular Internal Audit review.</p>
	<p>We align financial and performance data to provide an overall understanding of performance.</p>	<p>The <u>Council's Plan</u> aligns financial and performance information</p>
	<p>We have prepared contingency arrangements and are currently developing disaster recovery, business continuity plan and arrangements for delivering services during adverse weather conditions.</p>	
	<p>We provide senior managers and Members with timely financial and performance information.</p>	<p>The Executive Committee and Management board are presented with financial information as part of the Council's quarterly <u>Corporate Financial Monitoring</u> process. Performance information is present to Scrutiny Committee and Management Board on a quarterly basis.</p>

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

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

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

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

	<p>We have set out the terms and conditions for remuneration of Members and officers and publish an Annual Pay policy statement in accordance with the requirements of the Localism Act 2011.</p>	<p>Officers pay and conditions are set out in line with the NJC green book.</p> <p>Chief Officers pay and conditions are set out in line with the NJC purple book.</p> <p>The members allowance scheme is defined in part 6 of the <u>constitution</u>.</p> <p>The Council has appropriate pay and conditions policies in place.</p>
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**F: Managing risks and performance through robust internal control and strong public financial management.**

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

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

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

<p>Implementing good practices in transparency</p>	<p>We have established a medium term business and financial planning process in order to deliver - a financial strategy ensuring sustainable finances, a robust annual budget process ensuring financial balance and an adequate monitoring process; all of which are subject to regular review.</p> <p>We have put in place effective transparent and accessible arrangements for dealing with complaints.</p> <p>We maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall;</p> <p>We maintain an effective Audit Committee which is independent of the Executive and Scrutiny committees.</p> <p>We have an effective internal audit function is resourced and maintained.</p> <p>We maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.</p> <p>We have put in place arrangements for whistle-blowing to which staff and all those contracting with the Council have access.</p>	<p>The <u>medium Term Financial Plan</u> is a financial representation of the Council's vision and supports its' Council's Priorities.</p> <p>The Council has effective arrangements for dealing with complaints through its <u>complaints procedure</u>.</p> <p>The Council has an effective <u>Overview and Scrutiny committee</u></p> <p>The Council has an effective <u>Audit Committee</u></p>
		<p>The Council has effective Internal Audit arrangements</p> <p>The Council has effective decision making arrangements through the <u>Executive Committee</u></p>
		<p>The Council has effective whistle blowing arrangements through the <u>fraud hotline</u></p>



<p>Implementing good practices in transparency reporting</p>	<p>We comply with the local government transparency code and publish all required information in a timely manner.</p>	<p>This Council complies with the Local Government Transparency code and publishes <u>Transparency Data</u>.</p>
<p>We attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.</p>	<p>The Council strive to publish all committee report under part one on the agenda. There may be exemptions under schedule 12 of the Local Government Act 1972.</p>	<p>The Council strive to publish all committee report under part one on the agenda. There may be exemptions under schedule 12 of the Local Government Act 1972.</p>
<p>We produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council.</p>	<p>Budget holders have access to a member of the accounts department and financial information is available on-line</p>	<p>Budget holders have access to a member of the accounts department and financial information is available on-line</p>
<p>We maintain effective arrangements for determining the remuneration of senior staff and publish an Annual Pay Policy statement in accordance with the requirements of the Localism Act 2011.</p>	<p>Officers pay and conditions are set out in line with the NJC green book.  Chief Officers pay and conditions are set out in line with the NJC purple book.</p>	<p>Officers pay and conditions are set out in line with the NJC green book.  Chief Officers pay and conditions are set out in line with the NJC purple book.  <u>Pay Policy</u></p>

		<u>Part One</u>
<b>AUDIT COMMITTEE</b>		<b>(D)</b>
<b>Date of Meeting: 15th September, 2016</b>		<b>Agenda</b>
<b>Reporting Officer: Director of Resources</b>		<b>Item</b>
		<b>11</b>
<p><b>Title: Audit Findings Report</b></p> <p><b>Summary and Conclusions:</b></p> <p>This report contains the Audit Findings Report which is intended to highlight any significant items arising from the audit process for the benefit of the Audit Committee.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to receive the Audit Findings Report and raise any questions.</p>		

### Report

The Audit Findings Report is attached at **Appendix 6** and is intended to highlight any significant items arising from the audit for the benefit of the Audit Committee.

The External Auditor is required to issue the report at the conclusion of the audit, noting any adjustments made to the draft accounts as published.

Subject to Members agreeing the Letter of Representation, the External Auditor will give an unqualified audit opinion.

The External Auditor will present the Audit Findings Report.

### Background Papers

Nil



# The Audit Findings for Barrow Borough Council

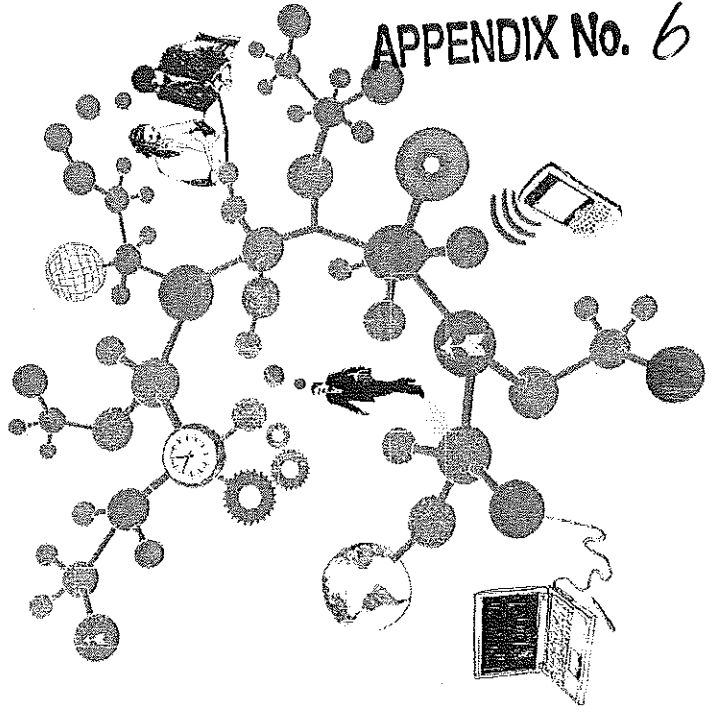
Year ended 31 March 2016

September 2016

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APPENDIX No. 6

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15 September 2016

Dear Members of the Audit Committee,

**Audit Findings for Barrow Borough Council for the year ended 31 March 2016**

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of Barrow Borough Council, the Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Jackie Bellard

Chartered Accountants

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# Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

## Purpose of this report

This report highlights the key issues affecting the results of Barrow Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);

- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

## Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan and presented to the Audit Committee on 3 March 2016.

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

- obtaining assurance over the receipt of amounts held in the Balance Sheet at 31 March 2016 in respect of Council Tax, Business Rates and Housing Rent debtors
- obtaining and reviewing the management letter of representation;
- review of the final version of the Annual Governance Statement;
- updating our post balance sheet events review, including consideration of significant business rate appeals settled after the year-end to the date of signing the opinion; and
- providing our assurance statement in respect of the Whole of Government Accounts return.

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

With effect from the 2017/18 financial year, a change in the regulations governing the audit timetable comes into effect. Authorities will be required to publish their unaudited accounts by 31 May and the audit will need to be concluded by 31 July. We are currently discussing with management whether there is scope to undertake a 'dry run' next year in advance of the implementation of the new timetable.



## **Key audit and financial reporting issues**

### **Financial statements opinion**

We did not identify any adjustments affecting the Council's reported financial position. The draft and audited financial statements for the year ended 31 March 2016 recorded a deficit on the provision of services of £1.677M. We did, however, agree a material change to Other Comprehensive Income as a debit to Other Comprehensive Income of £4.075M had been mistakenly posted as a credit. This adjustment does not impact on the reported financial performance for the year. Additionally, we agreed one classification change and four amendments to disclosures with management to improve presentation and ensure full compliance with the CIPFA Code of Practice on Local Authority Accounting. Details of the agreed changes are set out on pages 19-20 of this report.

The key message arising from our audit of the Council's financial statements is:

- the finance team continue to produce good quality draft accounts which are supported by comprehensive working papers.

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

We anticipate providing an unqualified audit opinion in respect of the financial statements (see Appendix B).

### **Other financial statement responsibilities**

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes:

- if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

## **Controls**

### **Roles and responsibilities**

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

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

### **Findings**

Our work has identified control weaknesses concerning the Council's information systems which we wish to highlight for your attention. These matters were also reported in the previous year's audit findings report and we have considered the progress made since we undertook our previous audit. Details are set out on page 18.

### **Value for Money**

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further details of our work on Value for Money are set out in section three of this report.

### **Other statutory powers and duties**

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

### **Grant certification**

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and will be completed in line with the national deadline of 30 November 2016. We will report the outcome of this certification work through a separate report to the Audit Committee after the work has been completed.

### **The way forward**

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

We have made six recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Director of Resources and the finance team.

### **Acknowledgement**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
September 2016

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## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

## Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £973,000 (being 2% of gross revenue expenditure in the previous year's audited accounts). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality level.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have determined that misstatements below £48,650 are clearly trivial in the context of our audit. This remains the same as reported in our audit plan.

As we reported in our audit plan, we have identified the following items where we have applied a lower level materiality level.

Balance/transaction/disclosure	Explanation
Cash and cash equivalents	Although the balance of cash and cash equivalents is immaterial, all transactions made by the Council affect the balance and it is therefore considered to be material by nature.
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.
Related Party Transaction Disclosures	The Council conducts its business using public funds. The Related Party disclosures ensure that the Council discloses in full any transactions that have occurred with related parties. This ensures that the Council is open about who it does business with and counters any allegations or suspicion of nepotism on the part of management or those charged with governance.

## Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>1.</p> <p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at Barrow Borough Council, we determined at the planning stage of our audit that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Barrow Borough Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Our testing has not identified any issues which indicated that the risk of fraudulent revenue recognition could not be rebutted.</p> <p>We have no issues to report in relation to the testing undertaken on material revenue transactions and balances recognised in the financial statements.</p>	
<p>2.</p> <p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> <li>• Review and walkthrough of the controls implemented by management in relation to the posting of journal entries;</li> <li>• Review of accounting estimates, judgments and decisions made by management;</li> <li>• Testing of journal entries; and</li> <li>• Review of unusual significant transactions.</li> </ul>	<p>Our audit work has not identified any evidence of management over-ride of controls.</p> <p>In particular, the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>	

## Audit findings against significant risks (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p><b>Valuation of property, plant and equipment (PPE)</b> The Council revalues its assets on a rolling basis over a five-year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.</p>	<ul style="list-style-type: none"> <li>Review of management's processes and assumptions for the calculation of the estimate.</li> <li>Review of the competence, expertise and objectivity of any management experts used.</li> <li>Review of the instructions issued to valuation experts and the scope of their work.</li> <li>Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register.</li> <li>Correspondence with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions.</li> <li>Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that the carrying value of these assets is not materially different to current value.</li> </ul>	<p>Completing our audit procedures provided sufficient assurance to address the risk identified.</p> <p>No changes to the financial statements were required in light of these procedures.</p>
4.	<p><b>Valuation of Local Government Pension Fund Liability</b> The Council's pension fund liability represents a significant estimate in the financial statements.</p>	<ul style="list-style-type: none"> <li>Review of management processes to ensure the data supplied to the Cumbria Pension Fund is accurate and complete.</li> <li>Liaison with the auditor of the Cumbria Pension Fund to understand the controls in place to ensure the data supplied to the actuary is accurate and complete.</li> <li>Comparison of estimates used by the actuary to produce the valuation with actuals available to the Council and the Pension fund after the year-end.</li> <li>Procedures to understand and assess the assumptions and techniques used by the actuary to estimate the value of the pension fund liability.</li> <li>Confirmed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the report the Council received from its actuary.</li> </ul>	<p>Completing our audit procedures provided sufficient assurance to address the risk identified.</p> <p>No changes to the financial statements were required in light of these procedures.</p>

## Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<ul style="list-style-type: none"> <li>Reviewed the systems and controls that the Council has in place to ensure that its employees are paid the correct amount based on hours worked and their contractual entitlement, including arrangements to accrue for amounts outstanding but not yet paid at the year-end. This has included consideration of the Council's contract with Selima, its outsourced payroll provider.</li> <li>Walked-through the controls the Authority has in place in relation to this risk.</li> <li>Sample testing of payroll transactions</li> <li>Analytical procedures to identify any discrepancies in monthly payrolls and consideration as to whether payroll expenditure is in line with our expectations based on supporting evidence.</li> <li>Testing of the reconciliation between the payroll system and the amounts recorded in the financial statements.</li> </ul>	<p>Completing our audit procedures provided sufficient assurance to address the risk identified.</p> <p>We have not identified any required amendments to the financial statements.</p>
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<ul style="list-style-type: none"> <li>Reviewed the systems and controls that the Council have in place to pay and record expenditure incurred.</li> <li>Walked-through controls relevant to the risk identified.</li> <li>Substantive testing of a sample of expenditure transactions</li> <li>Reviewed management's processes to raise accruals and ensure accruals recognised are materially complete.</li> <li>Substantive testing of a sample of creditor balances and accruals recognised in the year-end balance sheet.</li> <li>Testing of a sample of payments made in April and May 2016 to confirm that expenditure has been accounted for in the correct financial year.</li> </ul>	<p>Completing our audit procedures provided sufficient assurance to address the risk identified.</p> <p>We have not identified any required amendments to the financial statements.</p>

## Audit findings against other risks (continued)


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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare Benefits Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> <li>• Detailed housing benefits testing in accordance with Public Sector Audit Appointment's Certification Instruction, BEN01.</li> <li>• Walked-through a transaction to update our understanding of the benefits system and ensured there are appropriate controls in place that are designed effectively.</li> <li>• Testing of the reconciliation between the benefits system and the amounts recorded in the financial statements.</li> </ul>	<p>Completing our audit procedures provided sufficient assurance to address the risk identified.</p> <p>We have not identified any required amendments to the financial statements.</p>






# Accounting policies

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

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<p>The Council's income recognition policy reflects that activity is accounted for in the year it takes place, not simply when cash payments are made. In respect of revenue, the Council's accounting policies state that:</p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>As the billing authority, Barrow Borough Council accounts for its own share of the council tax and business rates transactions in the Balance Sheet (and the Comprehensive Income and Expenditure Account) and its share of the collection fund balance is held in the Collection Fund Adjustment Account. The precepting authorities' share of the council tax for business rate transactions as well as their share of the collection fund balance is accounted for as a debtor or creditor with those bodies.</li> </ul>	<p>The Council's accounting policy is in line with the requirements of CIPFA code and is adequately disclosed in the accounts.</p>	 <p>GREEN</p>

## Assessment

-  [GREEN] Accounting policy appropriate and disclosures sufficient
-  [AMBER] Accounting policy appropriate but scope for improved disclosure
-  [RED] Marginal accounting policy which could potentially attract attention from regulators

## Accounting estimates and judgements

In this section we report on our consideration of key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p><b>Judgements and estimates</b></p>	<ul style="list-style-type: none"> <li>• Key estimates and judgements include:                             <ul style="list-style-type: none"> <li>– Useful life of PPE</li> <li>– Revaluations of PPE</li> <li>– Impairments of PPE</li> <li>– Valuation of pension fund net liability</li> <li>– Provision for NNDR appeals</li> </ul> </li> </ul>	<p>We have considered the Council's arrangements in each of these areas. We were satisfied the judgements made by management were appropriately supported and where estimates had been used a robust process had been adopted to arrive at the estimate. Our detailed work on the estimates for the pension liability and the valuation of PPE are set out on page 11.</p> <p>In accordance with relevant accounting standards, the Council includes in its balance sheet a provision reflecting its assessment of its exposure to business rate appeals. This is based on appeals submitted to the Valuation Office Agency at 31 March 2016 by businesses within the Borough. The Council undertakes a regular detailed review to determine the amount which should be held in a provision in respect of appeals submitted where a decision had not been taken by the Valuation Office Agency at the year-end. We reviewed the Council's calculations in detail and examined documentation showing appeals settled after the year-end. We were satisfied the value of the provision as at 31 March 2016 was appropriately supported.</p>	<p>● GREEN</p>
<p><b>Going concern</b></p>	<p>The Director of Resources, in her role as the Section 151 officer, has completed an assessment which asserts that she has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed the Council's assessment. We are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.</p>	<p>● GREEN</p>

### Assessment

- [GREEN] Accounting policy appropriate and discloses sufficient
- [AMBER] Accounting policy appropriate but scope for improved disclosure
- [RED] Marginal accounting policy which could potentially attract attention from regulators

## Other Matters

In this section we report other matters which have come to our attention when considering the Council's financial statements

Element of Accounts	Comments
<p><b>Narrative Report</b></p>	<p>The Accounts and Audit Regulations 2015 introduced a requirement for Authorities to produce a narrative report to complement the financial statements. The narrative report replaces the explanatory foreword. This is the first year the Council has been required to produce this report. CIPFA published an update to the 2015-16 Code of Accounting Practice earlier this year which included suggested content for the narrative report.</p> <p>We have reviewed the Council's narrative report. We agreed some changes with the Director of Resources so that appropriations to and from earmarked reserves were disclosed more concisely to help users of the statements interpret the information provided. We confirm that, in the majority of areas, the content recommended by CIPFA has been incorporated.</p> <p>Looking forward to next year, Management have agreed to consider including:</p> <ul style="list-style-type: none"> <li>• details of forward plans, particularly with regard to the capital programme and the sources of funding available to support that programme; and</li> <li>• details of the interest payable for the year and consideration of the position presented in the Council's cash flow statement.</li> </ul>

## Other communication requirements


We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
<p>1. Matters in relation to fraud</p>	<ul style="list-style-type: none"> <li>• We have previously considered and discussed the risk of fraud with the Audit Committee and we have received a written response to our enquiries from the Chair of the Audit Committee.</li> <li>• We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
<p>2. Matters in relation to related parties</p>	<ul style="list-style-type: none"> <li>• From the work we carried out, we have not identified any related party transactions which have not been disclosed.</li> </ul>
<p>3. Matters in relation to laws and regulations</p>	<ul style="list-style-type: none"> <li>• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations.</li> <li>• We have not identified any incidences from our audit work.</li> </ul>
<p>4. Written representations</p>	<ul style="list-style-type: none"> <li>• A letter of representation has been requested from the Council.</li> </ul>
<p>5. Confirmation requests from third parties</p>	<ul style="list-style-type: none"> <li>• We requested from management permission to send confirmation requests to the Council's bankers and the institutions with which the Council had investments at the year-end. This permission was granted and the requests were sent.</li> <li>• The necessary confirmations have been received.</li> </ul>
<p>6. Disclosures</p>	<ul style="list-style-type: none"> <li>• We have agreed a small number of changes to disclosures in the accounts. These are set out on page 20.</li> </ul>
<p>7. Matters on which we report by exception</p>	<ul style="list-style-type: none"> <li>• We are required to report on a number of matters by exception in a number of areas:</li> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; and/or</li> <li>• The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or otherwise misleading.</li> <li>• There are no matters to report.</li> </ul>
<p>8. Specified procedures for Whole of Government Accounts</p>	<ul style="list-style-type: none"> <li>• We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</li> <li>• However, the Council is below the thresholds set by the NAO so we are not required to undertake any detailed audit procedures on the 2015/16 consolidation pack.</li> </ul>



# Internal controls

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

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for each of the audit risks set out on pages 10-13. We have one matter to bring to your attention.

Assessment	Issue and risk	Recommendation
<p> AMBER</p>	<p>Our IT audit team undertook a programme of work to review the configuration of the Council's main accounting system and the controls established within that system to prevent and/or detect access. This work followed-up a similar review last year which we reported in the previous year's Audit Findings Report. Whilst some key recommendations made last year have been actioned, management still need to take action to ensure the system is properly configured to prevent unauthorised access. We have undertaken testing of manual controls to obtain sufficient assurance that the deficiencies in the IT control environment could not have resulted in a material misstatement. This testing provided the necessary assurance.</p>	<p>(i) Remove access to the 'process tab' functionality within the main accounting system - this functionality could allow users to access aspects of the system which are not commensurate with their role in the finance team.</p> <p>(ii) Ensure recommended actions in respect of the password policy for the main accounting system are implemented by the Council and/or its service provider.</p> <p>(iii) Ensure the audit logs produced from the main accounting system are subject to regular review and undertake an assessment to determine whether audit logging should be introduced in other areas.</p>

## Assessment

-  [RED] Significant deficiency – risk of significant misstatement
-  [AMBER] Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

## Adjusted misstatements

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

### Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year. We confirm that there are no unadjusted misstatements.

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Movement in Reserves Statement
1 The Council's Pension Fund Liability increased by £4.075M as a result of a re-measurement of the liability by the actuary. This was mistakenly reported as a credit to Other Comprehensive Income instead of a debit. The other primary statements are unaffected as the correct accounting entries were posted to the Council's ledger as part of the accounts closedown process.	Other Comprehensive Income overstated by £8.15M	N/A	N/A
2 Six grants received by the Council had been accounted for as a credit to Gross Expenditure, thus reducing total expenditure reported in the Comprehensive Income and Expenditure account. The correct accounting treatment was to post a credit to Gross Income. Management have restated Other Housing Services total income and expenditure to correct this error.	Other Housing Services Gross Expenditure overstated by £0.363M and Other Housing Services Gross Income understated by £0.363M	N/A	N/A

## Changes to Disclosures

The table below provides details of non-trivial disclosure changes identified during the audit which have been made in the final set of financial statements.

	Value £'000	Account balance	Summary of agreed changes
1	394	Note 27 – Cash Flow Statement Adjustments for Items Included in Net Deficit that are financing and investing activities	We agreed with management that an adjusting item relating to the recognition of soft loans in the Comprehensive Income and Expenditure account was a non-cash item and should therefore be included in Note 26 rather than Note 27.
2	3980 (2015/16) 3060 (2014/15)	Note 16 – Assets meeting the definition of a financial instrument	We agreed with management that the Council's Cash and Cash Equivalent balances held with the Council's bankers meet the definition of a financial instrument in accordance with relevant accounting standards. Management agreed to update the financial instrument disclosure for the current year and the prior year so that cash and cash equivalent balances were included as part of the disclosures.
3	various	Note 16 – Financial Instruments – Fair Value of Public Works Loans Bord (PWLB) loans	CIPFA has published guidance on how to determine the fair value of PWLB loans following the implementation of IFRS 13. Under the new guidance, the fair value of PWLB loans can no longer be determined by referring to the payment which the Council would need to make if it were to redeem the outstanding loans on the balance sheet date, i.e. 31 March 2016. Instead, we agreed fair value should be determined by identifying the cost of a taking out a new loan of the same value and duration on the balance sheet date. The Council has updated its disclosure so that the fair value reported is determined on an appropriate basis. The revised valuation of the loan is £6.668M lower than that used in the draft accounts. This reflects the fact that interest rates on new PWLB loans are at their lowest level for several years.
4	1,400	Note 31 – Amounts Reported for Resource Allocation Decisions	Management have agreed to correct an error in the note which had resulted in a misclassification of expenditure incurred by the Corporate, Democratic and Support Services segment. Within the disclosure Staff Pay costs were overstated by £1.4M and there was a corresponding understatement of the same amount for Other Services Expenses.
5	N/A	Note 32 – Related Parties	Management have agreed to expand the existing note so that it discloses that both an elected member and officer of the Council have an interest in Women's Community Matters, a voluntary organisation which received a grant from the Council during the 2015-16 financial year.





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## Section 3: Value for Money

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money**
- 04. Other statutory powers and duties
- 05. Fees, non-audit services and independence
- 06. Communication of audit matters

## Background

We are required by section 21 of the Local Audit and Accountability Act 2014 (‘the Act’) and the NAO Code of Audit Practice (‘the Code’) to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO’s Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

## Risk assessment

We carried out an initial risk assessment in February 2016 and identified two significant risks, which we communicated to you in our Audit Plan which we presented to the Audit Committee on 3 March 2016.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

### **Significant qualitative aspects**

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. Our main findings were:

- Management have taken steps to capitalise on some of the emerging opportunities for the Borough as a result of significant inward investment. However, officers are yet to develop a mechanism for reporting on how planned engagement links in with the Council Plan and the progress against key milestones.
- Management and members have worked closely together to develop a budget strategy to deliver the reductions in net expenditure identified as being necessary in the medium-term financial strategy. We understand that a public consultation on the proposed strategy has recently been concluded. If some of the larger, more ambitious savings schemes set out in the plan are to deliver the cost reductions forecast important strategic decisions on key aspects of these schemes will need to be taken quickly.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work later in this section.

### **Overall conclusion**

The Council continues to face a challenging outlook. In accordance with the AGN03 we have focussed our review on the Council's arrangements in respect of those areas identified as presenting a significant risk. We were satisfied in both instances that the arrangements were in place to deliver economy, efficiency and effectiveness and the text of our report, which is included in Appendix B, confirms our overall conclusion. However, we wish to emphasize that any further delays in taking forward the implementation of the budget strategy could have a significant impact on the Council's financial position. This is because the funding and operating conditions for local government are still subject to considerable uncertainty going forward.

### **Recommendations for improvement**

We discussed findings arising from our work with management and have agreed recommendations for improvement as follows.

- develop a performance management framework for the Council's economic development activities to articulate the links between the partnerships and projects in which the Council is engaged and the Council's overall strategic plan
- agree a forward plan for each major saving scheme in the new budget strategy so that management and members understand the timetable for taking the key decisions which will determine how savings are to be realised.

Management's response to these can be found in the Action Plan at Appendix A.

**Key findings**

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p><b>Economic regeneration</b></p> <p>The Council's strategic priorities include a commitment to secure a long-term economic recovery for the community. The Council recognise that partnership working is crucial to driving economic growth in the Borough. The Council has already made some significant investments to regenerate the Borough, in particular the Marina Project. We need to understand how the Council is working with partners in the private and public sector in pursuit of its regeneration objectives and how members and officers assess the Council's progress against those objectives.</p>	<p>We will review how the Council is working with partners to revitalise the local economy and assess whether the Council has the right measures in place to assess the progress made.</p>	<p>The Council is able to demonstrate continuing engagement with the private and public sector as part of its commitment to support the regeneration of the local economy. This engagement has secured some benefits such as the leasing of under-utilised space at the Dock Museum to BAE and the decision to establish a Business Improvement District. Looking ahead, the scale of the forecast inward investment vastly exceeds that seen in recent decades and this investment has the potential to bring benefits to communities across the Borough.</p> <p>Responsibility for economic development resides with the Executive Director and the Assistant Director (Regeneration and Built Environment). Members and management should assess whether the Council and its stakeholders need more detailed information about how the Council is seeking to realise the benefits brought about by regeneration. Providing such information would enable decisions to be taken on how to prioritise available resources and targets to be agreed so that the effectiveness of the resource in achieving the stated goals can be measured.</p>
<p><b>Future Budget Strategy</b></p> <p>In our 2014-15 Audit Findings Report we noted that the Council was developing a budget strategy following the local elections held in May 2015. The local government finance settlement for 2016-17 and the provisional allocations for the following three financial years has recently been published. The Council needs to ensure that its budget strategy incorporates realistic assumptions about how the Council can balance its budget by reducing expenditure and/or generating additional income.</p>	<p>We will review the progress made by officers and members to develop the Budget Strategy and assess the robustness of the assumptions underpinning the strategy</p>	<p>Management and members have developed a budget strategy and a public consultation on the strategy has recently been concluded. The Council needs to deliver £2.4M of savings by 2020 and the proposed strategy forecasts that £1M of the savings required can be realised through contract renewals with a further £0.47M to be achieved through a proposed outsourcing of the leisure services.</p> <p>We examined the detail supporting the savings linked to contract renewals and the outsourcing of leisure services. Whilst the evidence supplied indicated that the cost reductions forecast were not unrealistic and had already been achieved in other local authorities, key strategic decisions need to be taken about how the services under review will be delivered going forward. In the case of leisure services, these include decisions about the extent of any revenue-sharing, the length of the contract and the links with existing Council contracts for leisure services. The decisions still to be taken with regard to the revenues and benefits service are even more significant. Members need to determine whether the service will be delivered in-house, in partnership with another body or by a third party service organisation. Whilst decisions of this importance cannot be rushed, any delays in taking forward these savings schemes might impact on whether the savings forecast can be achieved over the life of the budget strategy.</p>

**Significant difficulties in undertaking our work**

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

**Significant matters discussed with management**

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

**Any other matters**

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.



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## Section 4: Other statutory powers and duties

01. Executive summary

02. Audit findings

03. Value for Money

**04. Other statutory powers and duties**

05. Fees, non audit services and independence

06. Communication of audit matters

## Other statutory powers and duties

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

Issue		Commentary
1.	Public interest report	<ul style="list-style-type: none"> <li>We have not identified any matters that would require a public interest report to be issued</li> </ul>
2.	Written recommendations	<ul style="list-style-type: none"> <li>We have not made any written recommendations that the Council is required to respond to publicly</li> </ul>
3.	Application to the court for a declaration that an item of account is contrary to law	<ul style="list-style-type: none"> <li>We have not used this duty.</li> </ul>
4.	Issue of an advisory notice	<ul style="list-style-type: none"> <li>We have not used this duty.</li> </ul>
5.	Application for judicial review	<ul style="list-style-type: none"> <li>We have not used this duty.</li> </ul>



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## Section 5: Fees, non-audit services and independence

01. Executive summary
02. Audit findings
03. Value for Money
04. Other statutory powers and duties
<b>05. Fees, non audit services and independence</b>
06. Communication of audit matters

## Fees, non audit services and independence

We confirm below our final fees charged for the audit. We can also confirm that there were no fees for the provision of non audit services aside from the certification of grants in accordance with the fees set by Public Sector Audit Appointments Ltd.

### Fees

	Proposed fee £	Final fee £
Council audit	51,119	51,119
Grant certification	13,360	13,360
<b>Total audit fees (excluding VAT)</b>	<b>64,479</b>	<b>64,479</b>

### Independence and ethics

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

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

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

### Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

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## Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

**06. Communication of audit matters**

# Communication to those charged with governance

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

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

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.a.co.uk/appointing-auditors/terms-of-appointment/>)

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

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

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

# Appendices

## Appendix A: Action plan

### Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1a	Remove access to the 'process tab' functionality within the main accounting system.	Medium	Access to this tab has been removed.	July 2016, Financial Services Manager
1b	Ensure the revised password policy for the main accounting system is implemented by the Council and/or its service provider.	Low	Details have been provided to the Council's service provider and are awaiting implementation by a DBA.	September 2016, Financial Services Manager
1c	Ensure the audit logs produced from the main accounting system are subject to regular review and undertake an assessment to determine whether audit logging should be introduced in other areas.	Low	The logs will be reviewed on a regular basis. Additional logs will be introduced assuming no adverse effects on system performance in the test environment.	October 2016, Financial Services Manager
2	Expand the narrative report so that it includes: an explanation of the interest paid by the Council during the year; information concerning the position presented in the Council's cash flow statement; and details of the agreed capital programme for the next financial year.	Low	The Narrative Report will be expanded to include the additional information for the 2016-2017 Statement of Accounts.	June 2017, Director of Resources

## Appendix A: Action plan (continued)

**Priority**

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
3	Develop a performance management framework for the Council's economic development activities to articulate the links between the partnerships and projects in which the Council is engaged and the Council's overall strategic plan.	Low	The Council Plan and associated strategic documents are currently under review. The Council intends to produce a four-year strategic plan to compliment the 2016-2020 Budget Strategy. The Local Government Association has been retained to facilitate corporate planning sessions for Members. The Borough ambitions for economic development are set out in the Furness Economic Development Plan which links projects through to the Local Enterprise Partnership. The opportunities to benefit from the inward investment anticipated in the coming years will be reflected in the Council Plan.	January 2017, Executive Director
4	Agree a forward plan for each major saving scheme in the new budget strategy so that management and members understand the timetable for taking the key decisions which will determine how savings are to be realised.	Medium	The Budget Strategy is presented for approval by Full Council on the 6th September, 2016. For the major savings on contracts and leisure services, delivery plans will be established in order that the timing involved and the required decision process is apparent to Officers, Members and any others affected; this excludes the street cleansing saving which is part of the overall waste and street cleansing contract which is currently out to tender, with an award to be made in the Autumn.	November 2016, Executive Director and Director of Resources

## Appendix B: Audit opinion

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

### **(DRAFT) INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARROW BOROUGH COUNCIL**

We have audited the financial statements of Barrow Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Director of Resources and auditor**

As explained more fully in the Statement of the Director of Resources Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from

material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information

in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

#### **Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

#### **Matters on which we are required to report by exception**

We are required to report to you if:

in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

we issue a report in the public interest under section 24 of the Act; or we make a written recommendation to the Authority under section 24 of the Act; or we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.



## Appendix B: Audit opinion (continued)

### **Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

#### **Respective responsibilities of the Authority and auditor**

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### **Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

#### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

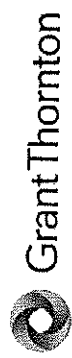
#### **Certificate**

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

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

4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

September 2016



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<b>AUDIT COMMITTEE</b>		<b>Part One (D) Agenda Item 12</b>
<b>Date of Meeting: 15th September, 2016</b>		
<b>Reporting Officer: Director of Resources</b>		
<p><b>Title: Approvals and Letter of Representation</b></p> <p><b>Summary and Conclusions:</b></p> <p>This report contains the Council's Letter of Representation and requests the approval to also sign the Statement of Accounts 2015-2016 and Annual Governance Statement 2015-2016.</p> <p><b>Recommendations:</b></p> <ol style="list-style-type: none"> <li>1. To approve the audited accounts and authorise the Chairman of this Committee to sign the Statement of Accounts for 2015-2016 on behalf of the Council;</li> <li>2. To approve the Annual Governance Statement for 2015-2016 and authorise the Chairman of this committee to sign on behalf of the Council; and</li> <li>3. To approve the Letter of Representation and authorise the Director of Resources and the Chairman of this committee to sign on behalf of the Council.</li> </ol>		

## Report

### **Statement of Accounts**

After considering the Audit Findings Report for 2015-2016, Members are recommended to approve the audited Statement of Accounts for 2015-2016 and to authorise the Chairman of this committee to sign on behalf of the Council.

### **Annual Governance Statement**

The same consideration applies to the Annual Governance Statement for 2015-2016 and Members are asked to authorise the Chairman of this committee to sign on behalf of the Council.

Both of these documents will be published on the Council's website, once the audit certificate is provided.

## **Letter of Representation**

The purpose of this letter is to provide assurance to the External Auditors on relevant and significant matters relating to the financial year. The Letter of Representation is issued to disclose the material facts affecting the 2015-2016 transactions of the Council; the letter is at **Appendix 7**. There are no significant issues to highlight.

Members are asked to consider and approve the Letter of Representation and authorise the Director of Resources and the Chairman of this committee to sign on behalf of the Council.

## **Acknowledgement**

I would like to thank all of the officers involved in both the finance and governance work carried during 2015-2016 and the audit process.

I would also like to thank the Grant Thornton team for carrying out the audit in a professional and constructive manner. The structure of the audit process fits well with our resources and I am grateful that we are able to agree that process at the outset.

## Background Papers

Nil

Grant Thornton UK LLP  
4 Hardman Square  
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M3 3EB

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

Our Ref: SMR/LoR

Contact Name: Susan Roberts

Date: 15/09/2016

Your Ref: -

Dear Sirs

## Barrow in Furness Borough Council

### Financial Statements for the year ended 31<sup>st</sup> March 2016

This representation letter is provided in connection with the audit of the financial statements of Barrow Borough Council for the year-ended 31<sup>st</sup> March 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

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

#### Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ("the Code"); which give a true and fair view in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x. All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii. We have considered the adjusted misstatements, and misclassification and disclosure changes schedule which is included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

## **Information Provided**

- xv. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## **Annual Governance Statement**

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

## **Narrative Report**

xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

## **Approval**

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on the 15th September 2016.

Yours faithfully

**S M Roberts CPFA, ACMA  
Director of Resources  
15<sup>th</sup> September 2016**

**Councillor Mrs A Burns  
Audit Committee Chairman  
15<sup>th</sup> September 2016**

**Signed on behalf of the Council**



<b>AUDIT COMMITTEE</b>	<b>Part One (D) Agenda Item 13</b>
<b>Date of Meeting: 15th September, 2016</b>	
<b>Reporting Officer: Director of Resources</b>	
<p><b>Title: Internal Audit Final Reports</b></p> <p><b>Summary and Conclusions:</b></p> <p>Internal Audit performs audits in accordance with the approved Annual Plan. Final reports are presented to Members by the Head of Internal Audit.</p> <p><b>Recommendations:</b></p> <p>To receive the Internal Audit Final reports and raise any questions.</p>	

### Report

There are four final reports for consideration by Members:

- CR 86 Barrow Town Hall Roof & Stonework Repairs - **Appendix 8**
- CR 90 Re-Roofing Units 9 & 10 James Freel Close - **Appendix 9**
- CR 100 Housing Maintenance – Responsive Repairs - **Appendix 10**
- CR 112 Housing Maintenance – Gas Servicing - **Appendix 11**

These reports will be presented by the Head of Internal Audit.

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

The assurance levels are:

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

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

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

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

The recommendation levels assigned to issues identified are:

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

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

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

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

Background Papers

Nil

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT CR 86**  
**BARROW TOWN HALL ROOF & STONEMWORK REPAIRS**

## Executive Summary

### Introduction

This contract relates to phased repairs to the roof and stonework at Barrow Town Hall. Tenders were invited from four contractors, although only two responded. The contract was awarded to K L Venning Slaters Limited; following a number of adjustments to align the scope of the proposed work with the available budget, the contract was signed in the sum of £674,237.00. Chris Bugler Architects Limited were appointed as lead consultant, with Stuart Brahney Associates as quantity surveyor.

The contractor has submitted a final account totalling £753,086.89 an increase of over 11%. Internal Audit have reviewed the documentation and concluded that this amount may be understated by a very minor sum.

### Audit Objectives

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

The audit objectives were to perform an examination of the interim and final account and associated documentation.

### Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that a number of weaknesses have been identified in the system of control, which may put some of the system objectives at risk.

We have made eight Priority 2 recommendations, which relate to the Assistant Director (Regeneration & Built Environment):

- ensuring that the contract management checklist is completed fully and submitted promptly for review at each stage of a project's progress;
- ensuring that contractors invited to tender for Council projects are subject to a formal financial and technical evaluation;
- considering methods to maximise the number of tender returns for major projects, in order to demonstrate that the Council is obtaining value for money from the process;

Key Points
<b>Substantial Assurance</b>
<b>Eight important issues</b>
<b>One minor issue</b>

- ensuring that the appointment of consultants is clearly stated in a letter of engagement and covered by an official purchase order;
- ensuring that tenders which do not comply with stated return conditions are rejected and returned to the tenderer;
- considering producing a Project Review Report for this contract;
- ensuring that all contract variations and supporting documents are authorised appropriately;
- and
  - a) requesting the Architect to issue a final certificate for the scheme, incorporating any necessary changes made as a result of this audit report; and
  - b) considering releasing the retention amount to the contractor, based on the final certificate.

In addition, we have made one Priority 3 recommendation, which concerns:

- the Assistant Director (Regeneration and Built Environment) considering whether the final account should be increased by £221.80 to adjust for the apparent over-deduction arising from Architect's Instruction 15.

### **Management Response**

We have received a constructive management response from the Assistant Director (Regeneration & Built Environment), accepting, or partially accepting, all the recommendations.

### **Acknowledgement**

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

**CONTRACT PARTICULARS**

Contract Title:	Re-roofing of Barrow Town Hall, associated leadwork, re-decoration and stonework repairs
Form of Contract:	JCT Intermediate Building Contract 2011
Contractor:	K L Venning Slaters Limited
Consultants:	
CDM Co-ordinator	Baker Mallett Limited
Architect	Chris Bugler Limited
Quantity Surveyor	Stuart Brahney Associates Limited
Other Consultants	n/a
Tender Sum:	£979,380.00
Contract Sum:	£674,237.00
Date for Possession:	22 July 2013
Date for Completion:	28 February 2014
Date of Practical Completion:	4 June 2014
Extension of Time Granted:	96 days
Delay in Completion:	96 days
Liquidated and Ascertained Damages provision/required:	£1,000 per week or part week
Minimum Insurance Cover and Actual Insurance Cover Confirmed	£10m Employer's Liability £5m Public Liability
Minimum Bond Required and Obtained	£70,000
Retention Amount	2.5% from final cost of works
Latest Contract Valuation:	£753,086.00
Anticipated Final Account Sum:	Provisionally £753,086.89; possible addition of £221.80
Percentage increase/decrease: Latest Valuation against Contract Sum Anticipated Outturn against Contract Sum	11.7% 11.7%



**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT CR 90**  
**RE-ROOFING UNITS 9 & 10 JAMES FREEL CLOSE**

## Executive Summary

### Introduction

This contract relates to the re-roofing of Units 9 and 10, James Free Close. The units were acquired by Barrow Borough Council under the terms of the North West Development Agency Land Reclamation Programme in 2002.

Tenders were invited from seven contractors and following evaluation the contract was awarded to Leaffield Projects Ltd in the sum of £222,676.

Capita Symonds were employed to provide specialist coastal engineering services and project manage the work.

Total payments made to the contractor were £218,334. Since the total value of the work exceeded £100,000 the project was reviewed against the Council's Contract Standing Orders.

### Audit Objectives

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

The audit objectives were to perform an examination of the procurement method, selection of suppliers and provision of goods and services.

Key Points
Restricted Assurance
One major issue
Six important issues

### Audit Conclusion – *Restricted Assurance*

As a result of the audit we have concluded that there are a number of weaknesses which place the system objectives at risk.

We have made one Priority 1 recommendation which concerns the Commercial Estates Manager ensuring the Contract Management Checklist is fully completed for each stage of a project's progress and submitted with all associated documentation to Internal Audit; and that the final account is not paid before Internal Audit's final stage review as required by Contract Standing Orders.

We have also made six Priority 2 recommendations, which relate to the Commercial Estates Manager

- explaining why he didn't comply with the requirement in Contract Standing Orders for the financial and technical ability of all contractors invited to tender to be assessed before invitations are issued;
- producing copies of the signed Form of Tender received from the three unsuccessful tenderers for this project;
- ensuring that both successful and unsuccessful tenderers are formally notified of the results of any tender exercise;
- for all future contracts, formally notify all consultants to confirm their appointment and the scope of services;
- considering the requirement within Contract Standing Orders for a project review report to be completed when a contract reaches practical completion;
- ensuring that he personally completes and signs the contract management checklist for capital schemes for which he is responsible; and

### **Management Response**

We have received a constructive management response from the Commercial Estates Manager accepting each of our recommendations.

### **Acknowledgement**

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



**CONTRACT PARTICULARS**

Contract Title:	Re-roofing Units 9 & 10 James Freel Close, Barrow
Contract Form:	JCT Standard Form of Building Contract 1998
Contractor:	Leafield Projects Ltd
Engineer:	M & P Gadsen
Quantity Surveyor:	n/a
Other Consultants	Baker Mallett – CDM Co-ordinator
Tender Sum:	£222,676.00
Contract Sum:	£222,676.00
Date for Possession:	14 <sup>th</sup> April 2014
Date for Completion:	1 <sup>st</sup> August 2014
Date of Practical Completion:	19 <sup>th</sup> August 2014
Extension of Time Granted:	Yes
Delay in Completion:	n/a
Liquidated and Ascertained Damages provision/paid/received:	Not required
Minimum Insurance Cover Required & Cover Confirmed	£55m Employers Liability £5m Public Liability
Minimum Bond Required	Not required
Retention Amount	5%
Final Contract Valuation:	£218,334
Anticipated Final Account Sum:	£222,676
Percentage increase/decrease: Final Valuation against Contract Sum	-1.9%

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT CR 110**  
**HOUSING MAINTENANCE – RESPONSIVE REPAIRS**

## Executive Summary

### Introduction

The Council operates a repairs and maintenance service to its tenants and leaseholders. The existing contract to provide the service ended on 4<sup>th</sup> November 2015 and, rather than extend the contract for a further two years, a new procurement exercise was carried out.

The tender process was undertaken in conjunction with Procure Plus to ensure compliance with OJEU requirements and identify the preferred provider.

Tenders were submitted by eight contractors and following evaluation the contract was awarded to Hughes Brothers (Building & Joinery) Ltd for four years with potentially an extension for a further six years.

### Audit Objectives

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

The audit objectives were to perform an examination of the procurement method, selection of suppliers and provision of goods and services.

Key Points
Substantial Assurance
Two important issues
One minor issue

### Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that there are a number of weaknesses which place the system objectives at risk.

We have made two Priority 2 recommendations, which relate to the Asset & Maintenance Manager:

- providing detailed scoring records for each of the tender submissions, in order to substantiate the selection of the contractor for this contract; and
- ensuring the contractor maintains the required insurance cover throughout the lifetime of the contract.

We have also made one Priority 3 recommendation which concerns the Asset & Maintenance Manager ensuring that the Contract Management Checklist is fully completed for each stage of a project's progress and submitted with all associated documentation to Internal Audit, as required by Contract Standing Orders.

### **Management Response**

We have received a response from the Asset & Maintenance Manager, accepting one recommendation and partially accepting two recommendations.

### **Acknowledgement**

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

**CONTRACT PARTICULARS**

Contract Title:	Housing Responsive Repairs
Contract Form:	Bespoke (drawn up by Gateley Solicitors)
Contractor:	Hughes Brothers (Joinery & Building) Ltd
Architect:	n/a
Quantity Surveyor:	n/a
Other Consultants	Procure Plus Holdings
Target Sum:	£1,200,000 pa
Commencement Date:	5 November 2015
Completion Date:	4 November 2019
Date of Practical Completion:	n/a
Delay in Completion:	n/a
Extension of Time Granted:	n/a
Liquidated and Ascertained Damages provision/paid/received:	n/a
Minimum Insurance Cover Required	£10m
Minimum Insurance Cover Confirmed	£10m
Minimum Bond Required	n/a
Retention Amount	n/a
Submitted Final Account Sum:	n/a
Audited Final Account Sum:	n/a
Percentage increase/decrease: Submitted Final Account against Contract Sum.	n/a

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT CR 112**  
**HOUSING MAINTENANCE – GAS SERVICING**

## Executive Summary

### Introduction

The Council operates a repairs and maintenance service to its tenants and leaseholders. The existing contract to provide the gas service ended on 4<sup>th</sup> November 2015 and, rather than extend the contract for a further two years, a new procurement exercise was carried out.

The tender process was undertaken in conjunction with Procure Plus to ensure compliance with OJEU requirements and identify the preferred provider.

Tenders were submitted by nine contractors and following evaluation the contract was awarded to Sure Maintenance Limited for an initial period of four years; with potentially an extension for a further six years.

### Audit Objectives

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

The audit objectives were to perform an examination of the procurement method, selection of suppliers and provision of goods and services.

Key Points
Substantial Assurance
Two important issues
One minor issue

### Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that there are a number of weaknesses which place the system objectives at risk.

We have made two Priority 2 recommendations, which relate to the Asset & Maintenance Manager:

- providing detailed scoring records for each of the tender submissions, in order to substantiate the selection of the contractor for this contract; and
- ensuring the contractor holds the required insurance cover and maintains this cover throughout the lifetime of the contract.

We have also made one Priority 3 recommendation which concerns the Asset & Maintenance Manager ensuring that the Contract Management Checklist is fully

completed for each stage of a project's progress and submitted with all associated documentation to Internal Audit, as required by Contract Standing Orders.

### **Management Response**

We have received a response from the Asset & Maintenance Manager, accepting one recommendation and partially accepting two recommendations.

### **Acknowledgement**

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

**CONTRACT PARTICULARS**

Contract Title:	Housing – Gas Servicing
Contract Form:	Bespoke (drawn up by Gateley Solicitors)
Contractor:	Sure Maintenance Limited
Architect:	n/a
Quantity Surveyor:	n/a
Other Consultants	Procure Plus Holdings
Target Sum:	£1,200,000 pa
Commencement Date:	5 November 2015
Completion Date:	4 November 2019
Date of Practical Completion:	n/a
Delay in Completion:	n/a
Extension of Time Granted:	n/a
Liquidated and Ascertained Damages provision/paid/received:	n/a
Minimum Insurance Cover Required	£10m
Minimum Insurance Cover Confirmed	£5m
Minimum Bond Required	n/a
Retention Amount	n/a
Submitted Final Account Sum:	n/a
Audited Final Account Sum:	n/a
Percentage increase/decrease: Submitted Final Account against Contract Sum.	n/a

<b>AUDIT COMMITTEE</b>	<b>Part One (D) Agenda Item 14</b>
<b>Date of Meeting: 15th September, 2016</b>	
<b>Reporting Officer: Director of Resources</b>	
<p><b>Title: Internal Audit Progress Report</b></p> <p><b>Summary and Conclusions:</b></p> <p>The Internal Audit Progress Report has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.</p> <p><b>Recommendations:</b></p> <p>To receive the Internal Audit Progress report and raise any questions.</p>	

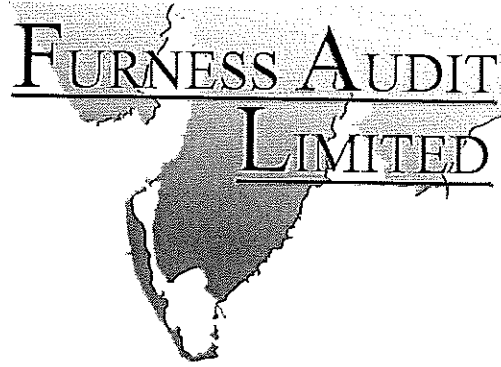
**Report**

The Internal Audit Progress Report for the period 1st April, 2016 to 2nd September, 2016 is attached at **Appendix 12** and will be presented to Members by the Head of Internal Audit

**Background Papers**

Nil





*BARROW BOROUGH COUNCIL*

**INTERNAL AUDIT PROGRESS REPORT**

**April to September 2016**

**2016/17**

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# EXECUTIVE SUMMARY

## Purpose

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

- Internal Audit work performed up to 2<sup>nd</sup> September 2016, including final reports issued relating to a previous reporting period; and
- Significant issues that have arisen during this period as a result of our work.

## Content

The information is presented in the following schedules:

1. *A Statistical Summary of Recommendations*

This schedule includes all audit recommendations to which Council management have responded between 1<sup>st</sup> April and 2<sup>nd</sup> September 2016. The figures are analysed according to the 'priority' of the recommendations, and the extent to which each has been accepted by management for action.

2. *Accepted Priority 1 Recommendations*

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

3. *Rejected Recommendations*

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

4. *Audit Coverage*

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

5. *Classifications of Assurance and Recommendations*

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

## 1. STATISTICAL SUMMARY OF RECOMMENDATIONS

The following table summarises the number of audit recommendations we have made in our final reports issued up to 2<sup>nd</sup> September 2016; analysed by their priority, including whether accepted by management.

<b>Recommendations</b>	<b>Total</b>	<b>Priority 1</b>	<b>Priority 2</b>	<b>Priority 3</b>
Made	<b>22</b>	1	18	3
Fully Accepted	<b>17</b>	1	14	2
Partly Accepted	<b>5</b>	-	4	1
Not Accepted	<b>0</b>	-	-	-

## 2. ACCEPTED PRIORITY 1 RECOMMENDATIONS

There has been one Priority One recommendation since the previous Audit Committee, which relates to the following.

<b>Audit Report</b>	<b>CR 90 – Re-Roofing James Freel Close</b>
<b>Recommendation</b>	The Commercial Estates Manager should ensure the Contract Management Checklist is fully completed for each stage of a project's progress and submitted with all associated documentation to Internal Audit; and that the final account is not paid prior to Internal Audit's final stage review, as required by Contract Standing Orders.
<b>Rationale</b>	<p>This contract was completed on 19 August 2014; with the final account being received on 13 May 2015. Contract Standing Orders require the Contract Management Checklist to be completed up to Section E for this stage of completion; with the final account only being paid following Internal Audit's final stage review.</p> <p>However, checklists for sections C, D and E (Stages 3, 4 and 5) were not submitted to Internal Audit. In addition, the final account was authorised for payment by the Commercial Estates Manager in July 2015; before the audit review was complete.</p> <p>Significantly, the review was completed without the assistance of the Commercial Estates Manager.</p>

### **3. REJECTED RECOMMENDATIONS**

#### **3.1 PRIORITY ONE RECOMMENDATIONS**

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

#### **3.2 PRIORITY TWO RECOMMENDATIONS**

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

#### 4. INTERNAL AUDIT COVERAGE:

##### APRIL – SEPTEMBER 2016

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	<b>ANNUAL AUDITS</b>			
16-01	Income Collection	1		
16-02	Housing Benefits	1		
16-03	Council Tax & Council Tax Support	1	Phase 1 Memo issued	
16-04	Business Rates (NNDR)	1	Phase 1 Memo issued	
16-05	Risk Management	1		
16-06	Cash Floats/Receipting Controls	-		
16-08	Fraud and Corruption Survey	-		
16-09	Performance Management	2		
16-10	Budgetary Control	2		
16-11	Treasury Management	2		
16-12	Car Park Meter Income	2		
16-13	Payroll (incl Expenses)	2		
16-14	Accounts Receivable	2		
16-15	Corporate Control/Governance	2		
16-16	Main Accounting System and Periodic Controls	2	Q1 In Progress	
16-17	Procurement (inc. Ordering)	2		
16-18	Accounts Payable	2		
16-19	Housing Rents	2		
16-20	Standing Orders/Financial Regs/Council Plans & Policies	2		
16-21	Housing Maintenance (Day to day repairs)	2		
16-22	NFI	-	Ongoing	
16-24	Benefit Certification	-	Ongoing	

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	<b>COMMUNITY ORGANISATIONS AND MAYOR'S ACCOUNT</b>			
-	Hawcoat	-	Complete	N/a
-	Abbotsvale	-	Complete	N/a
-	Dalton Community Association	-		
-	Barrow Playing Fields Users Association 2013-14	-	Outstanding Issues	
16-23	Mayor's Account	-	Complete	N/a
	<b>IT ENVIRONMENT AUDITS</b>			
IT61	Service Desk	-	Draft	Substantial
IT62	Payment Card Security	-		
IT63	Implementation Review	-		
<b>16-07</b>	<b>IMPLEMENTATION REVIEW</b>			

### Fraud Hotline Calls

	Revenues/ Benefit related	Staff Related	Other	Total
2016/17 (April – August)	25	0	3	28
2015/16 (Full year)	52	0	5	57



## 5. CONTRACT AUDIT

Report Number	Audit Assignment	Status	Assurance/ Comment
CR80	Roa Island Jetty	Stage 3 completed 17 <sup>th</sup> Sept 15	Awaiting response to findings
CR84	Barrow Cemetery NW Extension	Stage 4 completed 17 <sup>th</sup> Sept 15	Awaiting response to findings
CR86	Town Hall Roof	Final	Substantial
CR90	Re-Roofing Units 9 & 10 James Freel Close	Final	Restricted
CR91	Rawlinson Street Corridor	Stage 1 completed 9 <sup>th</sup> Oct 15	Stages 2-4 underway
CR94	2014 CHP Devonshire Road Improvements	Stage 1 Memo 4 <sup>th</sup> May 2016	
CR95	Town Hall Ground Floor Improvements	Stage 3 completed 21 <sup>st</sup> Sept 15	Awaiting response to findings
CR97	Maritime Streets Landscaping Design	Stage 3 completed 17 <sup>th</sup> Sept 15	Awaiting response to findings
CR98	Maritime Streets Landscaping Works		Awaiting further information
CR99	Housing stock condition survey	Stage 2 completed 6 <sup>th</sup> Nov 15	Stages 3 & 4 review in progress
CR100	Crematorium/Cemetery Office		Awaiting further information
CR107	High level electrical repairs & festive lighting	Stage 1 completed 9 <sup>th</sup> Oct 15	Awaiting Stage 2 checklist
CR108	Electrical reactive repairs & maintenance	Stage 1 completed 6 <sup>th</sup> Nov 15	Awaiting Stage 2 checklist
CR110	Housing Maintenance Responsive Repairs	Final	Substantial
CR111	Housing Management System	Stage 1 completed 27 <sup>th</sup> Jan 16	Awaiting Stage 2 checklist
CR112	Housing Maintenance Gas Service Contract	Final	Substantial
CR113	Roosegate Re-roofing Phase 2		
CR114	CHP Housing Maintenance - Void Repairs 2015/19	Stage 2 Completed 19 <sup>th</sup> Aug 16	

## 6. CLASSIFICATIONS

### 6.1 Classification of Assurance Levels

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

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

### 6.2 Priority of Recommendations

Our audit recommendations are categorised by three priority levels: -

- Priority 1* Major issues that we consider need to be brought to the attention of senior management.
- Priority 2* Important issues which should be addressed by management in their area of responsibility.
- Priority 3* Detailed issues of a relatively minor nature.

## 7. PERFORMANCE

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

Indicator		2016/17
1	Percentage of Draft reports issued within 10 working days of completion of audit fieldwork.	100%
2	Percentage of Management Responses received within 20 working days of issue of the Draft report.	75%
3	Percentage of Final reports issued within 10 working days of receipt of management response.	100%
4	Percentage of Priority 1 and Priority 2 Recommendations acceptable to the audit client.	100%

### Draft Reports issued

Ref	Audit	Date issued
15-28	Leisure Centre	10 <sup>th</sup> May 2016
IT61	Service Desk	12 <sup>th</sup> Aug 2016

## APPENDIX 1 – RESTRICTED ASSURANCE AUDITS

Ref	Audit	Recommendations			Previous Recommendations			Total	Date Issued
		P1	P2	P3	P1	P2	P3		
CR90	Re-Roofing James Freel Close	1	6	0	n/a			7	17 <sup>th</sup> June 2016

<b>AUDIT COMMITTEE</b>		<b>Part One (D) Agenda Item 15</b>
<b>Date of Meeting:</b>	<b>15th September, 2016</b>	
<b>Reporting Officer:</b>	<b>Corporate Support Manager</b>	
<p><b>Title: Risk Management</b></p> <p><b>Summary and Conclusions:</b></p> <p>Provide Members with the Council's Risk Registers for 2016/17.</p> <p><b>Recommendations:</b></p> <p>To note the Risk Registers for 2016/17.</p>		

### **Report**

The latest Corporate Risk Register and the Operational Risk Register were last reviewed by Management Board at their meeting on 24th August, 2016. No material changes were made, some text was updated (job titles and risk references).

The latest Corporate Risk Register for 2016/17 is attached as **Appendix 13**.

The latest Operational Risk Register for 2016/17 is attached as **Appendix 14**.

### **Background Papers**

Nil.

Threat description and reference	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
<p><b>Corporate 1 2016/1</b> Legislative changes will impact on the Housing Revenue Account Income.</p>	5	5	25	<p>Imposed 1% rent reduction year on year for 4 years (estimated total loss in budget of c10% over the 4 years).</p> <p>Welfare reform changes, in particular the continued impact of the bedroom tax, and the implementation of universal credit (70% of tenants are dependant on welfare benefits, and for example, we estimate c£116k of rent arrears are attributable to bedroom tax. Although the numbers on universal credit remain low experience is showing it is proving difficult to collect rent from such recipients).</p>	<p>The Housing Service is drafting its next Business Plan which will agree the Service will deal with The threats to income over the next four years in particular.</p> <p>The Housing Service has and is implementing a range of initiatives within its operational arrangements to deal with welfare reform. This ranges from the change in focus of Housing officers and up-skilling to engagement with potential residents with emphasis on ensuring they have budget plans in place from the start of their new tenancy. Equal priority is also afforded to existing tenants to ensure they have the necessary budget plans and arrangements in place to meet their Housing costs. New technology solutions are also being progressed to improve the management of tenancies.</p>	Assistant Director - Housing	5	4	20

Threat description and reference	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
<b>Corporate 2 2016/1</b> Future financial stability and sustainability of the Council.	5	5	25	<p>Without sufficient funding plans discretionary services may be at risk of reduction or closure.</p> <p>Statutory services may be delivered with reduced service levels.</p> <p>Staff redundancies may not be avoidable.</p> <p>Funding to external bodies may be reduced.</p> <p>The Council's capital programme and treasury management strategy must be affordable and reduced revenue resources may impact on the Council's plans.</p> <p>The overall capacity of the Council to deliver services may need to be scaled down and may fall below users expectations.</p> <p>The 2019-2020 projected £2.37m deficit to be reduced through the next Budget Strategy.</p>	<p>The Council's Medium Term Financial Plan has been projected out to 2019-2020 and was presented to the Executive Committee on the 9<sup>th</sup> March, 2016. All of the assumptions are clearly shown and will continue to be reviewed during the life of the next Budget Strategy. The Budget Strategy development process is underway. Through the Budget Strategy, the Medium Term Financial Strategy aim of eliminating the deficit in the core budget will be delivered. This will require the use of the reserves set aside for support and pacing the changes, to achieve longer term financial resilience. The impacts of the Budget Strategy will be closely monitored by Management Board, including the impacts on the workforce. The Council has a Workforce Strategy which provides a clear commitment to employees. Along with the Budget Strategy, the Council will review and publish its Plan, Priorities and Objectives for the coterminous period. The Council is somewhat limited in the additional external funding it can access, but wherever possible bids are submitted where grants are available; this is for projects and not for sustainable services. In order to maximise the grant funding brought into the Borough, the Council increasingly works with other organisations to draw funding in; in most cases taking on the role of accountable body.</p>	Executive Director and Director of Resources	5	4	20
<b>Corporate 3 2016/1</b> Failure of external partner, service providers or contractors.	3	5	15	<p>This is likely to result in the suspension of some service while alternative service providers are identified.</p> <p>A significant increase may impact on the Council's capacity to deliver services. An increase in sickness absence may result in the need for temporary staff thereby increasing costs.</p>	<p>The Council monitors the position of service providers through regular client meetings and will undertake company checks on our contractors. The Council retains the intellectual property and assets that will support continuity of services.</p> <p>The Council has put a number of measures in place to reduce the current levels of sickness. Details of sickness management are reported to Management Board on a quarterly basis.</p>	Management Board	3	4	12
<b>Corporate 4 2016/1</b> Level of sickness worsens.	4	4	16			Director of Resources	3	3	9

Threat description and reference	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
Corporate 5 2016/1 Impact of Welfare Reform changes.	4	4	16	Increasing numbers of residents experience low incomes and risk homelessness.	<p>Continue to support and work with advice agencies throughout the Borough to assist residents to receive appropriate advice.</p> <p>Maximise the Discretionary Housing Payments fund and assist residents in the most challenging financial circumstances to look for longer-term solutions to their problems.</p> <p>The Council has developed a Homeless Strategy based on our approach of preventative work to assist residents under threat of losing their homes and assist those who are homeless, to resolve their issues.</p> <p>Reduced grants for Local Government Council Tax Reduction Scheme are not passed on as reduction in entitlement.</p> <p>Continue to invest in group repair schemes to enhance the properties and environment.</p> <p>Continue to offer disabled facilities grants and disabled adaptations.</p>	Management Board	4	3	12
					<p>The Council is committed to complete the site assembly.</p> <p>The project can progress in phases subject to the availability of funding. The Council has received market research from Gerald Eve and Bruce Owen. The first access into the site has obtained planning permission and construction will commence in Q3.</p>	Executive Director	3	3	9
Corporate 6 2016/1 Delivery of the water front regeneration programme.	4	4	16	Failure to deliver the programme will damage the profile of Barrow as a place to live and work. There is currently an active market in private sector residential development which would make the Marina Village of interest to private sector developers.					



Threat description and reference	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
Corporate 7 2016/1 Maintain H&S arrangements and target services for improvement.	2	5	10	Members of the public and Council employees could be put at risk by Council operations.	<p>The establishment of the Technical Services Team and the Health &amp; Safety Management Group has strengthened the Council's H&amp;S arrangements.</p> <p>Health &amp; Safety systems will be kept under review.</p> <p>All staff have received electronic H&amp;S training.</p> <p>Agreed H&amp;S improvement plan in the process of implementation. High risk services will be targeted for improvement.</p>	Executive Director	2	3	6
Corporate 8 2016/1 Capacity to undertake statutory inspections, investigations and enforcement action.	5	5	25	Compliance with statutory targets may be compromised. Response time for investigations and enforcement action may be compromised.	<p>Consultancy services are brought in as required for specific issues or to backfill where Council officers deal with complex cases.</p> <p>The administrative process leading to enforcement action will be referred to the Business Improvement Team in 2016; it is hoped that a common approach prior to action, will streamline the Council's regulatory enforcement work.</p>	Assistant Director - Regeneration and Built Environment	4	4	16

Threat description and reference	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
<b>Corporate 9 2016/1</b> Information Technology security breach.	3	5	15	Corrupt systems and loss of data. Withdrawal of Public Sector Network access. System downtime impacting on service delivery.	Up-to-date Information Security Policy. Staff using email and internet sign up to the Policy. Management overview of email and internet usage. Individual virtual servers for discrete business areas. Business continuity plan. Symantec has been set up on all windows machines to provide a level of protection against virus', spyware and other threats. E-training for email and internet vigilance has been delivered to all staff. Virtual desktops provide more controlled environment which further limits the possibility of breaches.	Director of Resources	1	3	3
<b>Corporate 10 2016/1</b> Effective workforce planning.	4	4	16	Without effective workforce planning, service delivery and service quality are placed at risk. If adequately qualified and experienced officers are not in place, the risk of service failure and customer dissatisfaction increase and the risk of regulatory failure may need to be addressed. Without a transparent commitment from Management and the Administration, the workforce may be less inclined to remain with the Council for the longer term and seek out a career elsewhere.	The Council has a Workforce Strategy which will be reviewed and updated with the Council Plan and associated documents. Management and the Administration are aware that the Council's workforce is the most valuable resource in achieving service delivery and customer satisfaction. Development, training and succession planning are keys to the retention of the workforce and in recruiting new employees. Where there are skills gaps, the Council will look to fill that gap with training and in the short term look to consultants or other skilled professionals to ensure service continuity. The Council will only look to retain consultants on a short term basis, as and when required, to allow time for the required skills and knowledge to be acquired by the workforce.	Director of Resources	4	3	12
<b>Corporate 11 2016/1</b> Incidents of fraud, bribery or corruption.	2	2	4	It would indicate a failure of the Council's systems. Loss of money. Loss of reputation and confidence.	Fraud and corruption policy in place for staff and Members. Effective whistle blowing policy in place. Monitoring of standards and checks by Internal Audit.	Director of Resources	1	2	2

Threat description and reference	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
Corporate 12 2016/1 Major incident affecting service delivery.	1	5	5	Widespread damage due to fire, flooding or severe weather.	Business continuity plan. Contingency plans. Remote access to Council systems.	Executive Director	1	4	4
Corporate 13 2016/1 Major incident affecting ICT systems.	1	4	4	Damage to Council's ICT infrastructure due to fire or flooding. Failure of ICT systems may adversely affect service delivery.	Disaster recovery plan Business continuity plan. Contingency plans. access to Council systems; offsite replicate server has been established.	Director of Resources	1	3	3

Threat description and reference	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
<p><b>Operational 1 2016/1</b> Not having adequate staffing to deliver key services.</p>	4	5	20	Key services, including statutory services and demand led services cannot be delivered or delivered at an acceptably low level.	<p>The many customer facing services have been contracted out and therefore staffing lies with the contractor. Housing and leisure are still in house and we will manage staffing levels</p> <p>Management Board co-ordinate leave to ensure that senior management is available.</p> <p>Staff holiday planning is undertaken by the managers within departments.</p> <p>Consultancy services are used where unplanned absences will result in statutory services being adversely affected. The Council has also agreed mutual aid arrangements for professional support with other local authorities.</p>	Management Board	3	4	12
<p><b>Operational 2 2016/1</b> Access to operational buildings.</p>	2	5	10	Key services, including statutory services and demand led services cannot be delivered.	<p>The Council has a Business Continuity Plan.</p> <p>Services that are contracted out do not depend on the Council's premises being accessible.</p> <p>The leisure services are not statutory - no access would be inconvenient and prevent users from enjoying the facilities.</p> <p>Key back office functions performed in the Town Hall can be carried out from other operational buildings.</p> <p>There are several key holders for each operational building.</p>	Executive Director	1	3	3

Threat description and reference	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
<b>Operational 3 2016/1</b> Unable to collect household waste.	3	5	15	Households would potentially have side waste if the refuse container filled up due to delays in collections. There are health and safety issues with holding waste and particularly side waste for householders.	The waste collection service is contracted out. There is a waste management snow plan. There is capacity within the week to put on additional collections to catch up from any delays.	Assistant Director - Community Services	2	3	6
<b>Operational 4 2016/1</b> Unable to pay housing benefits to claimants.	3	5	15	Housing benefit recipients would be unable to pay their rent and this may jeopardise their tenancies.	The BACS file is produced by the Council's contractor a day ahead of time. The Council has support for BACS from its supplier and from its bank. Payments can be made by alternative methods in exceptional circumstances.	Director of Resources	2	2	4
<b>Operational 5 2016/1</b> Reduced income may challenge the Council's ability to focus on any more than the decent homes standard and delay investment in the wider environment or the upkeep of communal areas on estates.	3	5	15	The Housing Service seeks to ensure the majority of its investment is delivered through a procurement club which adds value, capacity and ensure value for money.	Regular stock surveys are completed and communication with tenants ensures available resources are focused appropriately.	Assistant Director - Housing	2	3	6

Threat description and reference	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
<b>Operational 6 2016/1</b> Welfare reform changes will impact on the cost of the Council providing temporary accommodation and the up-turn in the local economy is impacting on the availability of the private sector accommodation such as Bed and Breakfast.	4	4	16	The Council will find it increasing difficult to provide suitable temporary accommodation.	The Council will carryout a review of the options of providing temporary accommodation and seek a model that ensures suitable accommodation is provided and full cost recovery from recipients.	Assistant Director - Housing	4	3	12
<b>Operational 7 2016/1</b> Unplanned outage of the cremator.	2	5	10	Services are pre-booked and there would be disruption to users in rescheduling or transferring the services. There would be a loss of income.	The cremator is regularly checked by crematorium staff and by the contracted maintenance provider. Arrangements exist with a neighbouring crematorium for the planned outage that occurs when the Council's cremator is re-lined.	Assistant Director - Community Services	2	3	6
<b>Operational 8 2016/1</b> Failure of swimming pool filters or other equipment and downtime for major maintenance work.	2	4	8	The swimming pool would be unavailable to users until fixed. If the outage ran over weeks, the gym & swim members may request a partial refund. There would be a loss of income.	The daily checks carried out on the swimming pool and associated plant would identify potential areas of concern and the appropriate contractor would be brought in to address the issues raised.	Assistant Director - Community Services	2	3	6

Threat description and reference	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
<b>Operational 9 2016/1</b> Significant breach of the Council IT network.	5	5	25	<p>Unauthorised access to sensitive financial information which may result in loss of monies. Unauthorised access to personal data which may leave Council vulnerable to litigation. Infection of the Council's network by malicious viruses which may prevent the Council carrying its normal duties.</p> <p>The Council loses access to the Public Sector Network which increases operating costs and impact on us delivering Council services effectively.</p>	<p>The Council has implemented the controls required to comply with the Public Sector Network requirements including robust penetration testing to identify and address weaknesses. Installation of Semantec mail filtering, Bloxx web filtering, robust firewalls, antivirus software.</p> <p>Third party support which includes installing up to date versions and patches to reduce the risk of unauthorised access or infections.</p> <p>E-learning programme on IT security for all staff.</p>	IT Manager	1	5	5
<b>Operational 10 2016/1</b> Significant system failure.	2	3	6	<p>Unable to effectively conduct normal business activities.</p> <p>Loss of historical work and data.</p> <p>Failure to meet deadlines.</p>	<p>On-going monitoring of system performance.</p> <p>Disaster recovery arrangements in place with off-site real time replication of data.</p> <p>External support and maintenance contracts in place with appropriate Service Level Agreements.</p>	IT Manager	1	3	3
<b>Operational 11 2016/1</b> Unmanaged access to Council network.	3	2	6	<p>Uncontrolled interventions which may inadvertently impact on the Council's network leading to system downtime.</p>	<p>Change control procedure in place. External access by third parties is risk assessed.</p>	IT Manager	1	2	2

<b>AUDIT COMMITTEE</b>		<b>Part One (D) Agenda Item 16</b>
<b>Date of Meeting: 15th September, 2016</b>		
<b>Reporting Officer: Director of Resources</b>		
<p><b>Title: Accounts Receivable</b></p> <p><b>Summary and Conclusions:</b></p> <p>At the Audit Committee meeting of 15th June, 2016, Members requested an update on the recommendations set out in the Internal Audit final report for Accounts Receivable. The Financial Services Manager has prepared this update for Members.</p> <p><b>Recommendations:</b></p> <p>To receive the report.</p>		

### Report

The Financial Services Manager was asked to provide an update for the recommendations contained in the Internal Audit final report for Accounts Receivable, presented at the Audit Committee meeting of 15th June, 2016. The recommendations and updates are set out in the following table.

<b>Recommendation</b>	<b>Update</b>
The Council should ensure that reports of outstanding invoices are produced each month for distribution to the relevant cost centre managers for review and follow-up	Java issues had prevented the use of updated Discoverer software used to produce the reports. This has now been resolved. Reports have been produced each month from October 2015 onwards.
The Council should ensure that unrecovered debts are referred to DWF on a timely basis	Referrals are now being made on a regular basis, with the most recent in July 2016.



Recommendation	Update
<p>The Council should ensure that regular updates are obtained from DWF which are routinely documented.</p>	<p>DWF have been asked to provide regular updates. A "Debt Recovery" mailbox folder has been created, which can be accessed by all Finance staff. DWF e-mails are saved in here.</p>
<p>The Council should ensure for each "invoice batch run" the debtor database and print batch totals are reconciled and evidenced by a signature (relates to single invoices raised for The Mall).</p>	<p>Implemented. Documents are now being signed.</p>
<p>The Council should ensure that credit/cancellation of invoices are only performed when requested by an authorised officer (one re-bill request was sent directly from a third party organisation, one request was made by a member of staff not on the authorised signatory list).</p>	<p>The request from the third party organisation should have been referred to the officer who raised the debt originally (the replacement invoice was paid in October 2015). The request from an unauthorised member of staff was an oversight which has been pointed out to the individual and the department concerned. Staff have been reminded to refer to the authorised signatory list when processing transaction requests.</p>
<p>The Council should regularly monitor arrangements to pay invoices by instalments to ensure they are being consistently maintained (an arrangement was made in December '15 but no payment received in December or January and no reminder was issued. Instalment reviews have not always been formally noted).</p>	<p>A reminder should have been issued in January. Instalments have subsequently been paid and a revised plan made. The monitoring of instalments is now formally noted.</p>
<p>The Council should ensure that up to date documented procedures are produced and reviewed regularly (some procedures are dated as far back as 2010 and there was no evidence that the procedures had been reviewed for some time).</p>	<p>The Recovery Officer has been asked to review all procedures and to note the date of review or amendment as a footer to each document.</p>

Recommendation	Update
<p>The Council should ensure recovery action is performed in accordance with the Recovery Process (from a sample of 10 invoices, all had received reminders but one had not been referred for further action).</p>	<p>Non-referral was an oversight. The debt was subsequently referred and paid in full.</p>
<p>Outstanding items identified in the Sundry Billing &amp; Recovery Review undertaken by Internal Audit in August 2014.</p> <ul style="list-style-type: none"> <li>i. 6 issues relating to Oracle functionality (Lockbox, small balances on Dunning Letters, manual identification of referrals, manual checking of authorisation limits, statements, manual invoice creation)</li> <li>ii. E-invoicing</li> <li>iii. Lack of additional customer information from Touchtone payments</li> <li>iv. Write-offs only performed once each year</li> <li>v. Recovery Officer's knowledge not shared with other staff</li> <li>vi. Use of template spreadsheet for debt referrals</li> <li>vii. No central record of referred debts</li> </ul>	<ul style="list-style-type: none"> <li>i. These issues will be considered as part of the planned Oracle upgrade with proposed implementation in the first half of 2017-18.</li> <li>ii. If this is not addressed as part of (i.) IT will be asked to consider use of Transform to achieve this.</li> <li>iii. This functionality does not exist within the current system.</li> <li>iv. Write-offs will be performed more regularly.</li> <li>v. Use of shared mailbox and network area means that Receivables information is widely accessible.</li> <li>vi. This has been implemented.</li> <li>vii. These details are now stored in a shared network area.</li> </ul>

Background Papers

Nil

		<u>Part One</u>
<b>AUDIT COMMITTEE</b>		<b>(D)</b>
<b>Date of Meeting: 15th September, 2016</b>		<b>Agenda</b>
<b>Reporting Officer: Executive Director</b>		<b>Item</b>
		<b>17</b>
<p><b>Title: Local Government Ombudsman Annual Letter 2016</b></p> <p><b>Summary and Conclusions:</b></p> <p>To consider the Ombudsman's Annual Review Letter for 2016.</p> <p><b>Recommendations:</b></p> <p>To note the report.</p>		

### Report

The Ombudsman issues an annual review letter to Council's reviewing complaints against the Authority. A copy of the letter and the annual statistics are attached at **Appendix 15**.

During 2015/16, a total of nine complaints/enquiries were received as shown in the review letter. The Ombudsman has not provided the detailed breakdown of complaints/enquiries.

### Background Papers

Nil.

21 July 2016

*By email*

Phil Huck  
Executive Director  
Barrow-in-Furness Borough Council

Dear Phil Huck,

### **Annual Review Letter 2016**

I write to you with our annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO) about your authority for the year ended 31 March 2016.

The enclosed tables present the number of complaints and enquiries received and the decisions we made about your authority during the period. I hope that this information will prove helpful in assessing your authority's performance in handling complaints.

Last year we provided information on the number of complaints upheld and not upheld for the first time. In response to council feedback, this year we are providing additional information to focus the statistics more on the outcome from complaints rather than just the amounts received.

We provide a breakdown of the upheld investigations to show how they were remedied. This includes the number of cases where our recommendations remedied the fault and the number of cases where we decided your authority had offered a satisfactory remedy during the local complaints process. In these latter cases we provide reassurance that your authority had satisfactorily attempted to resolve the complaint before the person came to us. In addition, we provide a compliance rate for implementing our recommendations to remedy a fault.

I want to emphasise that these statistics comprise the data we hold, and may not necessarily align with the data your authority holds. For example, our numbers include enquiries from people we signpost back to the authority, but who may never contact you.

In line with usual practice, we are publishing our annual data for all authorities on our website, alongside an annual review of local government complaints. The aim of this is to be transparent and provide information that aids the scrutiny of local services.

### **Effective accountability for devolved authorities**

Local government is going through perhaps some of the biggest changes since the LGO was set up more than 40 years ago. The creation of combined authorities and an increase in the number of elected mayors will hugely affect the way local services are held to account. We have already started working with the early combined authorities to help develop principles for effective and accessible complaints systems.

We have also reviewed how we structure our casework teams to provide insight across the emerging combined authority structures. Responding to council feedback, this included reconfirming the Assistant Ombudsman responsible for relationship management with each authority, which we recently communicated to Link Officers through distribution of our manual for working with the LGO.

## **Supporting local scrutiny**

Our corporate strategy is based upon the twin pillars of remedying injustice and improving local public services. The numbers in our annual report demonstrate that we continue to improve the quality of our service in achieving swift redress.

To measure our progress against the objective to improve local services, in March we issued a survey to all councils. I was encouraged to find that 98% of respondents believed that our investigations have had an impact on improving local public services. I am confident that the continued publication of our decisions (alongside an improved facility to browse for them on our website), focus reports on key themes and the data in these annual review letters is helping the sector to learn from its mistakes and support better services for citizens.

The survey also demonstrated a significant proportion of councils are sharing the information we provide with elected members and scrutiny committees. I welcome this approach, and want to take this opportunity to encourage others to do so.

## **Complaint handling training**

We recently refreshed our Effective Complaint Handling courses for local authorities and introduced a new course for independent care providers. We trained over 700 people last year and feedback shows a 96% increase in the number of participants who felt confident in dealing with complaints following the course. To find out more, visit [www.lgo.org.uk/training](http://www.lgo.org.uk/training).


## **Ombudsman reform**

You will no doubt be aware that the government has announced the intention to produce draft legislation for the creation of a single ombudsman for public services in England. This is something we support, as it will provide the public with a clearer route to redress in an increasingly complex environment of public service delivery.

We will continue to support government in the realisation of the public service ombudsman, and are advising on the importance of maintaining our 40 years plus experience of working with local government and our understanding its unique accountability structures.

This will also be the last time I write with your annual review. My seven-year term of office as Local Government Ombudsman comes to an end in January 2017. The LGO has gone through extensive change since I took up post in 2010, becoming a much leaner and more focused organisation, and I am confident that it is well prepared for the challenges ahead.

Yours sincerely



Dr Jane Martin  
Local Government Ombudsman  
Chair, Commission for Local Administration in England

**Local Authority Report:** Barrow Borough Council  
**For the Period Ending:** 31/03/2016

For further information on how to interpret our statistics, please visit our website:  
<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

### Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
0	5	0	0	1	0	0	3	0	9

### Decisions made

Detailed Investigations					Total
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld Rate
0	0	5	0	4	20%

### Notes

Our uphold rate is calculated in relation to the total number of detailed investigations. The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied. The compliance rate is the proportion of remedied complaints where our recommendations are believed to have been implemented.

### Complaints Remedied

by LGO	Satisfactorily by Authority before LGO Involvement	Compliance Rate
1	0	100%

Reference	Authority	Category	Received
1	15000502 Barrow BC	Planning & Development	10/04/15
2	15001746 Barrow BC	Benefits & Tax	12/06/15
3	14020910 Barrow BC	Environmental Services & Public Protection & Regulation	01/07/15
4	15005280 Barrow BC	Planning & Development	01/07/15
5	15008683 Barrow BC	Benefits & Tax	24/08/15
6	15009200 Barrow BC	Benefits & Tax	03/09/15
7	15009727 Barrow BC	Benefits & Tax	14/09/15
8	15016647 Barrow BC	Benefits & Tax	21/01/16
9	15017955 Barrow BC	Planning & Development	11/02/16

Reference	Authority	Category	Decision Date	Decision	Remedy
1	Barrow BC	Benefits & Tax	30/06/15	Referred back for local resolution	NULL
2	Barrow BC	Benefits & Tax	14/09/15	Referred back for local resolution	NULL
3	Barrow BC	Benefits & Tax	22/09/15	Referred back for local resolution	NULL
4	Barrow BC	Planning & Development	30/09/15	Not Upheld	NULL
5	Barrow BC	Planning & Development	26/10/15	Not Upheld	NULL
6	Barrow BC	Environmental Services & Public Protection & Regulation	16/11/15	Not Upheld	NULL
7	Barrow BC	Education & Childrens Services	18/01/16	Upheld	Apology, Financial Redress, Procedure Change, Training
8	Barrow BC	Benefits & Tax	22/01/16	Not Upheld	NULL
9	Barrow BC	Planning & Development	11/02/16	Referred back for local resolution	NULL
10	Barrow BC	Benefits & Tax	16/02/16	Referred back for local resolution	NULL