BOROUGH OF BARROW IN FURNESS

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Statement of Accounts 2015/16

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Contents:

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^2 but is the most densely populated with 886 people per km^2 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 29th 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:

Housing: choice and quality	Regeneration & Public Realm: enhancement
• 95 private sector properties were refurbished with Cluster of Empty Homes funding. • The authority improved the residential frontage through the Rawlinson Street group repair scheme. • The authority published its Local Plan Preferred Options draft. • The authority agreed the release of land in its ownership for housing development. • The authority secured £48k New Lives grant to fund supported housing for female victims of domestic abuse with the Women's Community Matters.	• The authority refurbished Thorncliffe crematorium and chapel. • 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. • The authority secured £10k to support Art Gene in forming a Coastal Community Team. • The authority committed £20k funding towards a town centre traffic management study. • Site access for Marina Village was approved through the Local Enterprise Partnership.
Local Economy: long term security	**Service Delivery: value for money**
• The authority secured £865k of Coastal Communities Fund for the supply chain project. • The authority awarded 6 shop front grants. • A Business Improvement District was agreed by the town centre retail and business community. • The Waterfront remediation work was granted planning permission. • 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). • The authority agreed support for Universal Credit with the DWP and the Citizens Advice Bureau. • The authority provided welfare advice and assistance to its tenants. • The authority secured £483k from Public Health England with The Well Community Interest Company (CIC).	• The authority achieved and sustained the 2012-2016 Budget Strategy reductions of £5m. • Park Leisure Centre online bookings were introduced. • The Customer Services Strategy was approved. • Performance appraisals were completed for all staff. • The absence management policy was approved. • The second annual staff survey was completed. • The authority's IT network infrastructure and data lines were upgraded. • The replacement Housing Management System project was initiated. • The integrated HR and Payroll System project was initiated.

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
	Average time to process:	
17.9 days	• new housing benefit claims	16.2 days
17.7 days	• new council tax support claims	16.2 days
5.2 days	• changes in circumstances for housing benefit claims	4.9 days
5.3 days	• changes in circumstances for council tax support claims	5.3 days
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

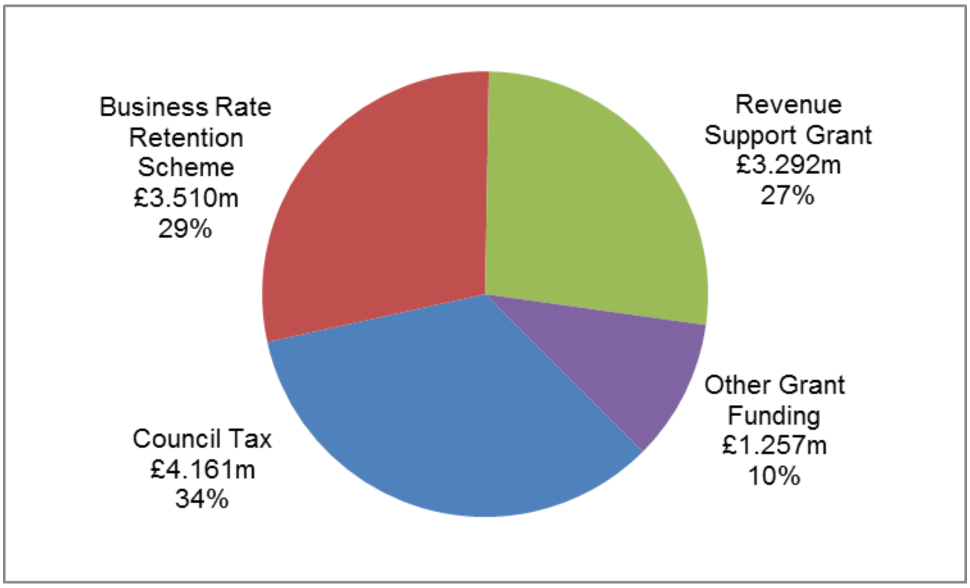
The authority has net assets of £97.4m; this is the difference between its assets and liabilities. This shows the cash balance that would have been left if the Council was to have realised its assets (selling its land and buildings and other assets) and settled its liabilities (paid its creditors and 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

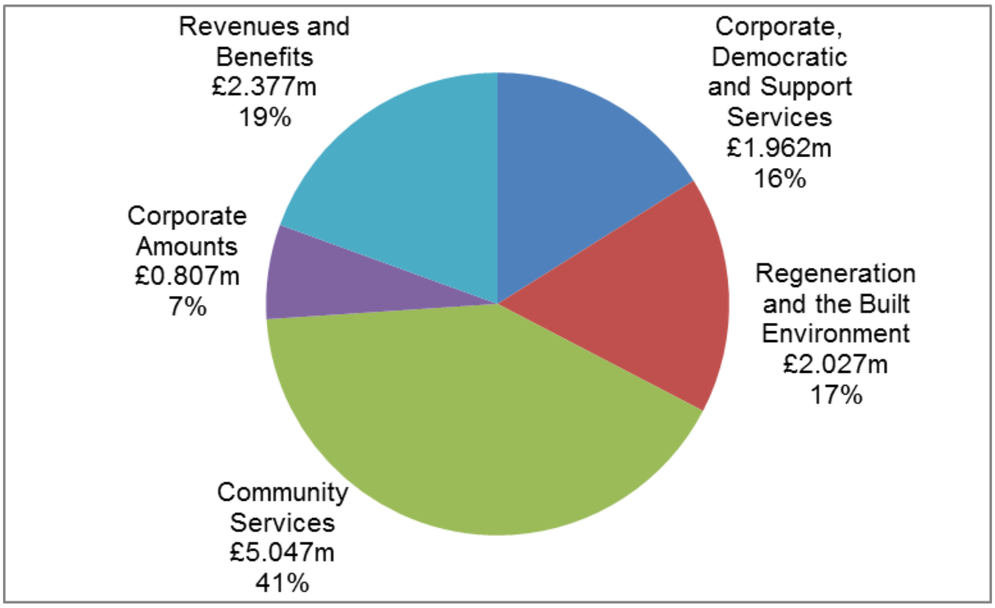
The General Fund budget for 2015/16 was originally approved by Full Council on the 3 March 2015 and was last formally revised on the 9 March 2016 as:

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

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.

Service Area	Additional Income	Reduced Expenditure	Total
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
Cross-Service Items			
Support Service recharges	99	-	99
IT network refresh and data lines review	-	25	25
Staff training and conferences	-	26	26
	179	**305**	**484**

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:

1 April 2015 £000		31 March 2016 £000
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
11,821		**12,329**

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:

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

10. Capital Expenditure and Financing

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

Investment	**Expenditure**	**Source**	**Financing**
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		
Programme	**£3.2m**	**Total**	**£3.2m**

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:

- o Establishing a new Budget Strategy with the aim of producing a balanced and sustainable budget by 2019/20.
- o Delivering a four year Medium Term Financial Plan providing a resilient base for long term financial planning.
- o Refreshing the Council Plan and Council Objectives that flow from the Council Priorities.
- o 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

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

2015/16	Reserves held for revenue purposes			Reserves held for capital purposes			Total Usable Reserves	Unusable Reserves	Total Council Reserves
	General Fund Balance	Earmarked 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 2015 brought forward	**(2,300)**	**(9,521)**	**(2,413)**	**(761)**	**(754)**	**(3,506)**	**(19,255)**	**(73,516)**	**(92,771)**
Movement in Reserves during 2015/16									
(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)
Total Comprehensive Income and Expenditure	**1,402**	**-**	**275**	**-**	**-**	**-**	**1,677**	**(6,334)**	**(4,657)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	(1,910)	-	593	(655)	(295)	1,881	(386)	386	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(508)**	**0**	**868**	**(655)**	**(295)**	**1,881**	**1,291**	**(5,948)**	**(4,657)**
Transfers to/(from) Earmarked Reserves (Note 7)	508	(508)	-	-	-	-	0	-	0
(Increase)/Decrease in 2015/16	**0**	**(508)**	**868**	**(655)**	**(295)**	**1,881**	**1,291**	**(5,948)**	**(4,657)**
Balance at 31 March 2016 carried forward	**(2,300)**	**(10,029)**	**(1,545)**	**(1,416)**	**(1,049)**	**(1,625)**	**(17,964)**	**(79,464)**	**(97,428)**

2014/15	Reserves held for revenue purposes			Reserves held for capital purposes			Total Usable Reserves	Unusable Reserves	Total Council Reserves
	General Fund Balance	Earmarked 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
Total Comprehensive Income and Expenditure	**971**	**0**	**(2,620)**	**0**	**0**	**0**	**(1,649)**	**2,910**	**1,261**
Adjustments between accounting basis & funding basis under regulations (Note 6)	(595)	-	2,584	(163)	(540)	626	1,912	(1,912)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**376**	**0**	**(36)**	**(163)**	**(540)**	**626**	**263**	**998**	**1,261**
Transfers to/(from) Earmarked Reserves (Note 7)	(676)	676	-	-	-	-	0	-	0
(Increase)/Decrease in 2014/15	**(300)**	**676**	**(36)**	**(163)**	**(540)**	**626**	**263**	**998**	**1,261**
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	Central services to the public		2,745	(630)	2,115
4,703	(1,343)	3,360	Cultural and related services		4,715	(1,570)	3,145
4,865	(2,068)	2,797	Environmental and regulatory services		4,758	(1,869)	2,889
3,259	(2,448)	811	Planning services		3,353	(2,749)	604
687	(996)	(309)	Highways and transport services		531	(767)	(236)
7,670	(11,561)	(3,891)	Local authority housing (HRA)		11,073	(12,101)	(1,028)
22,711	(21,691)	1,020	Other housing services		22,732	(21,204)	1,528
1,570	(23)	1,547	Corporate and democratic core		1,515	-	1,515
89	-	89	Non distributed costs		274	-	274
(10)	-	(10)	Exceptional item – MMI provision	20	187	-	187
48,635	**(40,770)**	**7,865**	**Cost of Services**		**51,883**	**(40,890)**	**10,993**
1,766	(819)	947	Other operating expenditure	8	899	(600)	299
5,402	(3,028)	2,374	Financing and investment income and expenditure	9	4,782	(2,569)	2,213
6,513	(19,348)	(12,835)	Taxation and non-specific grant income	10	6,325	(18,153)	(11,828)
62,316	**(63,965)**	**(1,649)**	**(Surplus) or Deficit on Provision of Services**		**63,889**	**(62,212)**	**1,677**
(2,919)	-	(2,919)	(Surplus) or deficit on revaluation of non-current assets		(2,259)	-	(2,259)
5,829	-	5,829	Re-measurements of the net defined benefit liability		(4,075)	-	(4,075)
2,910	**0**	**2,910**	**Other Comprehensive Income and Expenditure**		**(6,334)**	**0**	**(6,334)**
65,226	**(63,965)**	**1,261**	**Total Comprehensive Income and Expenditure**		**57,555**	**(62,212)**	**(4,657)**

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
148,851	**Long Term Assets**		**150,330**
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
20,158	**Current Assets**		**18,329**
(494)	Short Term Borrowing	16	(494)
(5,211)	Short Term Creditors	19	(3,911)
(5,705)	**Current Liabilities**		**(4,405)**
(445)	Provisions	20	(626)
(39,479)	Long Term Borrowing	16	(39,479)
(30,609)	Other Long Term Liabilities	22	(26,721)
(70,533)	**Long Term Liabilities**		**(66,826)**
92,771	**Net Assets**		**97,428**
(19,255)	Usable Reserves	Page 14	(17,964)
(73,516)	Unusable Reserves	21	(79,464)
(92,771)	**Total Reserves**		**(97,428)**

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

2014/15		Notes	2015/16
£000			**£000**
(1,649)	**Net (surplus) or deficit on the provision of services**		**1,677**
(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
(4,604)	**Net cash flows from Operating Activities**		**(3,167)**
5,857	Investing Activities	29	624
(876)	Financing Activities	30	1,623
377	**Net (increase) or decrease in cash and cash equivalents**		**(920)**
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
377	**Net (increase) or decrease in cash and cash equivalents**		**(920)**

Index of Notes to the Main Accounting Statements

Note 1. ACCOUNTING POLICIES

a. General Principles

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

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

Discretionary Benefits

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

i. Events after the Balance Sheet Date

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

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

j. Financial Instruments

Financial Liabilities

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

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

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

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

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

Financial Assets - Loans and Receivables

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

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

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

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

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

k. Foreign Currency Translation

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

l. Government Grants and Contributions

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

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

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

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

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

m. Efficiency Support Grant

Efficiency Support Grant is a revenue grant paid by Central Government 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.

<u>The Authority as Lessee</u>

<u>Operating Leases</u>

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.

<u>The Authority as Lessor</u>

<u>Operating Leases</u>

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 indictors of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset. Advice has been provided by the authority’s external valuers. If the actual results differ from the assumptions the value of the property, plant and equipment will be over or understated. This would be adjusted when the assets were next revalued. For instance if council dwellings were not impaired in 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.

Adjustments between accounting basis and funding basis under regulations 2015/16	Usable Reserves General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the CIES:							
Charges for depreciation and impairment of non-current assets	(1,606)	(1,684)	-	-	-	(3,290)	3,290
Revaluation losses on Property, Plant and Equipment	2	(626)	-	-	-	(624)	624
Capital grants and contributions applied	433	-	-	-	-	433	(433)
Revenue expenditure funded from capital under statute	(752)	-	-	-	-	(752)	752
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(135)	(338)	-	-	-	(473)	473
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)
Adjustments primarily involving the Capital Grants Unapplied Account:							
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)
Adjustments primarily involving the Capital Receipts Reserve:							
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
Adjustment primarily involving the Major Repairs Reserve:							
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
Adjustments primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(395)	(2)	-	-	-	(397)	397
Adjustments primarily involving the Pensions Reserve:							
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)
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax & NNDR income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(1,078)	-	-	-	-	(1,078)	1,078
Adjustments primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)	4	-	-	-	3	(3)
Total Adjustments	**(1,910)**	**593**	**(655)**	**(295)**	**1,881**	**(386)**	**386**

Adjustments between accounting basis and funding basis under regulations 2014/15	Usable Reserves General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the CIES:							
Charges for depreciation and impairment of non-current assets	(1,455)	(1,650)	-	-	-	(3,105)	3,105
Revaluation losses on Property, Plant and Equipment	(537)	605	-	-	-	68	(68)
Capital grants and contributions applied	628	-	-	-	-	628	(628)
Revenue expenditure funded from capital under statute	(1,094)	-	-	-	-	(1,094)	1,094
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(941)	(398)	-	-	-	(1,339)	1,339
Insertion of items not debited or credited to the CIES							
Statutory provision for the financing of capital investment	927	-	-	-	-	927	(927)
Voluntary provision for the financing of capital investment	-	1,566	-	-	-	1,566	(1,566)
Capital expenditure charged against the General Fund and HRA balances	1,631	-	-	-		1,631	(1,631)
Adjustments primarily involving the Capital Grants Unapplied Account:							
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)
Adjustments primarily involving the Capital Receipts Reserve:							
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
Adjustment primarily involving the Major Repairs Reserve:							
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
Adjustments primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	12	(1)	-	-	-	11	(11)
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,661)	(449)	-	-	-	(2,110)	2,110
Employer's pension contributions and direct payments to pensioners payable in the year	1,683	390	-	-	-	2,073	(2,073)
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax & NNDR income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	115	-	-	-	-	115	(115)
Adjustments primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(16)	(4)	-	-	-	(20)	20
Total Adjustments	**(595)**	**2,584**	**(163)**	**(540)**	**626**	**1,912**	**(1,912)**

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)
Total earmarked reserves	**(10,197)**	**0**	**2,175**	**(1,499)**	**(9,521)**	**2,570**	**(3,078)**	**(10,029)**

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.

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)
947	**Total**	**299**

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)
2,374	**Total**	**2,213**

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)
(12,835)	**Total**	**(11,828)**

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**
	Credited to Taxation and Non Specific Grant Income	
(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)
(5,823)	**Total**	**(5,169)**
	Credited to Services	
(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)
(21,758)	**Total**	**(21,240)**

Note 12. PROPERTY, PLANT & EQUIPMENT

Movement on Balances Movements in 2015/16	Council Dwellings £000	Other Land and Buildings £000	HRA Other Land and Buildings £000	Plant, Furniture and Equipment £000	HRA Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation										
At 1 April 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)
At 31 March 2016	**61,757**	**56,426**	**2,811**	**2,324**	**104**	**5,151**	**10,237**	**3,315**	**10,775**	**152,900**
Accumulated Depreciation and Revaluation										
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	-	8	-	-	-	-	-	-	-	8
disposals	-	-	-	-	-	-	-	-	-	0
At 31 March 2016	**0**	**(2,576)**	**(169)**	**(1,246)**	**0**	**(627)**	**(281)**	**-**	**-**	**(4,899)**
Net Book Value at 31 March 2016	**61,757**	**53,850**	**2,642**	**1,078**	**104**	**4,524**	**9,956**	**3,315**	**10,775**	**148,001**

Movement on Balances Movements in 2014/15	Council Dwellings £000	Other Land and Buildings £000	HRA Other Land and Buildings £000	Plant, Furniture and Equipment £000	HRA Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation										
At 1 April 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)	-	-	-	-	-	-	(2,384)
de-recognitions	-	(48)	-	(1,358)	(26)	(541)	-	(107)	-	(2,080)
disposals	(398)	-	-	-	-	-	-	(123)	-	(521)
At 31 March 2015	**62,693**	**55,639**	**2,700**	**2,222**	**0**	**4,934**	**10,212**	**1,982**	**10,967**	**151,349**
Accumulated Depreciation and Revaluation										
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)**
Net Book Value at 31 March 2015	**62,693**	**53,989**	**2,583**	**1,206**	**0**	**4,463**	**9,978**	**1,982**	**10,967**	**147,861**

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
218	**Total**	**240**

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.

Financial year	Valuer	Total £000
Assets carried at fair value:		
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
Total for assets carried at current value (MV-EUV and FV)		**58,550**
Assets carried at historical cost:		**26,438**
Net Book Value at 31 March 2016		**84,988**

<u>Surplus Assets</u>

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	**1,530**	**1,785**	**3,315**

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.

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.

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.

Movement on Balances Movements in 2015/16	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
	HISTORIC COLLECTION															
Cost or Valuation																
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
At 1 April 2015	**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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-	1	1	-	-	-	1
De-recognition of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
At 31 March 2016	**31**	**259**	**16**	**16**	**60**	**10**	**72**	**22**	**34**	**30**	**53**	**603**	**79**	**20**	**14**	**716**
Accumulated Depreciation and Revaluation																
Heritage Asset – Cost at 1 April 2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage Asset – Valuation at 1 April 2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 1 April 2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9)**	**(2)**	**(5)**	**(16)**
depreciation charge	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(1)	(1)	(5)
At 31 March 2016	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12)**	**(3)**	**(6)**	**(21)**
Net Book Value at 31 March 2016 – Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8	8
Net Book Value at 31 March 2016 - Valuation	31	259	16	16	60	10	72	22	34	30	53	603	67	17	-	687
Total Net Book Value at 31 March 2016	**31**	**259**	**16**	**16**	**60**	**10**	**72**	**22**	**34**	**30**	**53**	**603**	**67**	**17**	**8**	**695**

Movement on Balances **Comparative movements in 2014/15**	**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**
	HISTORIC COLLECTION															
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	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**

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

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 1st April	715	715
Value of Heritage Assets Acquired/Donation/Valuation		
Historic Collection	-	1
Total at 31 March	**715**	**716**
Accumulated Depreciation and Revaluation		
Opening balance at 1 April	(12)	(16)
New Statues and Herbert Leigh	(3)	(4)
War Memorials (Cost)	(1)	(1)
Total Accumulated Depreciation & Revaluation 31 March	**(16)**	**(21)**
Net Book Value at 31 March – Valuation	690	687
Net Book Value at 31 March - Cost	9	8
Total Net Book Value 31 March	**699**	**695**

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	***Opening Capital Financing Requirement***	**44,372**
57	Impairment charge for non-dwelling Housing Revenue Account assets	-
	Capital investment	
3,886	Property, Plant and Equipment	2,402
1,094	Revenue Expenditure Funded from Capital under Statute	752
	Sources of finance	
-	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)
	Cluster of Empty Homes	
-	Cluster of Empty Homes loan advance	(1,900)
31	Cluster of Empty Homes loan repayment	103
44,372	***Closing Capital Financing Requirement***	**40,976**
	Explanation of movements in year	
(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)	***Increase/(decrease) in Capital Financing Requirement***	**(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.

<u>Authority as Lessee - Operating Leases</u>

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:

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	-
990		**727**

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)
(13)		**(13)**

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)
(4,918)		**(4,009)**

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

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
312	**Total advance**	**2,212**

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)
1,450	**(116)**	**1,334**	**Net (gain)/loss for the year**	**1,450**	**(179)**	**1,271**

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.

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)
(9,402)	**(22,731)**	**Total**	**(13,131)**	**(20,138)**

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

- 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
370	**Outstanding debt**	**286**
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
39,479		**39,479**

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

Market Risk

Interest Rate Risk

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

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

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

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

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

31 March 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
3,046	**Total**	**3,294**

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
3,062	**Total Cash and Cash Equivalents**	**3,982**

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)
(5,211)	**Total**	**(3,911)**

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**
Balance at 31 March 2015	**(402)**	**(20)**	**(23)**	**(445)**
Amounts added in 2015/16	(231)	(187)	-	(418)
Amounts used in 2015/16	79	151	7	237
Reduction in provision in 2015/16	-	-	-	-
Balance at 31 March 2016	**(554)**	**(56)**	**(16)**	**(626)**

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
(73,516)	**Total Unusable Reserves**	**(79,464)**

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**	**£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**
(29,087)	**Balance at 31 March**		**(30,693)**

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.

2014/15		2015/16	
£000		£000	£000
(72,555)	**Balance at 1 April**		**(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	**Net written out amount of the cost of non-current assets consumed in the year**		**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)	**Balance at 31 March**		**(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	**Balance at 1 April**	**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	**Balance at 31 March**	**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 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**

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)
(30,609)	**Total**	**(26,721)**

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
291	**Total**	**1,634**

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)
(3,993)	**(3,981)**		**(5,481)**

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	-
1,038	**1,026**		**637**

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

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)
5,857	**Net cash flows from investing activities**	**624**

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
(876)	**Net cash flows from financing activities**	**1,623**

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:

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)
Total Income	**(121)**	**(2,066)**	**(3,816)**	**(21,088)**	**(12,101)**	**(39,192)**
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
Total Expenditure	**4,589**	**3,033**	**7,302**	**23,133**	**8,042**	**46,099**
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)
Total Income	**(149)**	**(2,358)**	**(4,267)**	**(21,605)**	**(11,561)**	**(39,940)**
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
Total Expenditure	**5,221**	**2,447**	**7,806**	**23,755**	**5,890**	**45,119**
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.

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)
7,865	**Cost of Services in Comprehensive Income and Expenditure Statement**	**10,993**

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)
Total Income	**(39,192)**	**0**	**(545)**	**(39,737)**	**(12,106)**	**(51,843)**
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)
Total Expenditure	**46,099**	**5,117**	**(486)**	**50,730**	**2,790**	**53,520**
(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.*

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)
Total Income	**(39,940)**	**0**	**(208)**	**(40,148)**	**(12,946)**	**(53,094)**
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
Total Expenditure	**45,119**	**4,029**	**(1,135)**	**48,013**	**3,432**	**51,445**
(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.

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

<u>Members</u>
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

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
125	**Total**	**123**

The Mayor of the Borough also receives an honorarium for their year of office to cover mayoral duties and civic receptions. The honorarium for 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
Total	**3**	**201**	**8**	**239**

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.

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

	Movement in Reserves Statement:	
(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)
	Actual amounts charged against the General Fund balance for pensions in the year	
2,073	▪ Employers' contributions payable to the scheme	(2,200)

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
(30,532)	**Net liability arising from defined benefit obligation**	**(26,644)**

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)
75,431	**Closing fair value of scheme assets**	**75,315**

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): ▪ Experience gain/(loss) ▪ Gain/(loss) on financial assumptions ▪ Gain/(loss) on demographic assumptions	5,075
(87)	Curtailments	(172)
-	Past service costs	(2)
3,949	Benefits/transfers paid	3,991
(105,963)	**Benefit obligation at the end of the period**	**(101,959)**

Pension scheme assets comprised:

Period Ended 31 March 2015					Period Ended 31 March 2016			
Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Percentage of total assets	Asset category	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Percentage of total assets
				Equities				
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%
				Bonds				
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%
				Property				
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%
				Alternatives				
-	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%
				Cash				
-	-	-	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%
37,563	**37,863**	**75,426**	**100.0%**	**Total**	**37,734**	**37,581**	**75,315**	**100%**

Basis for Estimating Assets and Liabilities

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

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

The significant assumptions used by the actuary have been:

2014/15		2015/16
	Mortality assumptions:	
	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
	Financial assumptions:	
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).

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
86	**Total**	**64**

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
3	**Net (surplus) or deficit for the year**	**3**

Housing Revenue Account Income and Expenditure Statement

2014/15			2015/16	
£000		**Note**	**£000**	
	Expenditure			
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	
7,670	**Total Expenditure**			**11,073**
	Income			
(10,267)	Dwelling rents		(10,474)	
(351)	Non-dwelling rents		(360)	
(943)	Charges for services and facilities		(1,267)	
(11,561)	**Total Income**			**(12,101)**
(3,891)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**			**(1,028)**
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
(3,594)	**Net (Income)/Expenditure for HRA Services**			**(740)**
	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
(2,620)	**(Surplus) or deficit for the year on HRA services**			**275**

Movement on the HRA Statement

2014/15		2015/16	
£000		**£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	
(36)	**(Increase) or decrease in the year on the HRA**		**868**
(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.

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
Total houses	**1,419**	**(11)**	**1,408**
1 bed flat	938	2	940
2 bed flat	308	(2)	306
3+ bed flat	6	-	6
Total flats	**1,252**	**0**	**1,252**
Dwelling stock	**2,671**	**(11)**	**2,660**

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
65,276	**HRA assets**	**64,503**

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
179,120	**Value of dwelling stock at EUV-VP**	**176,448**

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
1,045			**2,310**

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
72			**138**

7. HRA Capital Financing Requirement

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

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

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:

2014/15		2015/16	
£000		**£000**	**£000**
	Item 8 Credit		
(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)
	Item 8 Debit		
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
2,347	**Item 8 Credit and Item 8 Debit**		**3,769**

9. HRA Non-Current Asset Disposals

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

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

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		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)
(1,922)	**MRA for the year**	**(2,031)**
(129)	Increase for depreciation of non-dwelling assets	(138)
1,888	Capital expenditure financed by MRR	1,514
(598)	**Balance brought forward**	**(761)**
(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**
	HRA		
	Cost of Services:		
206	▪ current service cost	279	
12	▪ curtailment costs	55	334
	Financing and Investment Income and Expenditure		
861	▪ interest cost	726	
(634)	▪ expected return on scheme assets	(521)	205
	Other operating expenditure		
5	▪ pension administration expenses		5
450	***Total Post Employment Benefit Charged to the HRA Income and Expenditure Account***		**544**

	Movement in Reserves Statement	
(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)
	Actual amounts charged against the HRA balance for pensions in the year	
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
73%	**Percentage of provision**	**76%**

13. HRA Balance

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

31 March 2015		31 March 2016
£000		**£000**
(2,413)	Total HRA balance carried forward	(1,545)
(291)	*Of which: committed to on-going housing maintenance*	*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**
			Income			
(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
(29,321)	**(23,078)**	**(52,399)**	**Total Income**	**(30,449)**	**(22,477)**	**(52,926)**
			Expenditure			
			Precepts demand & shares:			
-	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
			Charged to the Collection Fund			
(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
28,662	**23,390**	**52,052**	**Total Expenditure**	**29,636**	**24,814**	**54,450**
(659)	**312**	**(347)**	**(Surplus)/Deficit for the year**	**(813)**	**2,337**	**1,524**

			Collection Fund balances			
(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
(659)	**312**	**(347)**	**(Surplus)/Deficit for the year (as above)**	**(813)**	**2,337**	**1,524**
(1,479)	573	(906)	Balance carried forward at 31 March	(1,473)	3,253	1,780
			Allocated to			
(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)
(1,479)	**573**	**(906)**	**Balance carried forward at 31 March**	**(1,473)**	**3,253**	**1,780**

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:

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%
	Business ratepayers	
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%
	Business ratepayers	
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.

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
1,587.06	**D**	**£68,000 to £87,999**	**1,614.13**
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

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

4 Hardman Square
Spinningfields
Manchester
M3 3EB

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