

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Thursday, 21st September, 2017
at 2.00 p.m. (Committee Room No. 4)

A G E N D A

PART ONE

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

3 Admission of Public and Press

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

4 Declarations of Interest

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

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

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

- 5 To confirm the Minutes of the meeting held on 27th July, 2017 (copy attached) (Pages 1-10).
- 6 Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

- (D) 7. Statement of Accounts 2016-2017 (Pages 11-18).
- (D) 8. Annual Governance Statement (Page 19).

- (D) 9. Audit Findings (Page 20).
- (D) 10. Approvals and Letter of Representation (Pages 21-22).
- (D) 11. Internal Audit Final Reports (Pages 23-24).
- (D) 12. Internal Audit Progress Report (Page 25).
- (D) 13. Monitoring Internal Audit Reports (Page 26-27).
- (D) 14. Risk Management (Page 28).
- (D) 15. External Auditor Appointment from 2018-2019 (Page 29).

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

Membership of Committee

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

For queries regarding this agenda, please contact:

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AUDIT COMMITTEE

Meeting Thursday 27th July, 2017
at 2.00 p.m.

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

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

Also present was Neil Krajewski from Grant Thornton.

1 – The Local Government Act 1972 as amended by the Local Government (Access to Information) Act 1985 and Access to Information (Variation) Order 2006

Discussion arising hereon it was

RESOLVED:- That under Section 100A(4) of the Local Government Act 1972 the public and press be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 2&3 (Minute No. 16) of Part One of Schedule 12A of the said Act.

2 – Minutes

The Minutes of the meeting held on 23rd March, 2017 were taken as read and confirmed.

3 – Apologies for Absence/Attendance of Substitute Members

Apologies for absence had been received from Councillors Callister and Seward.

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

4 – Audit Committee Terms of Reference

The Director of Resources reported that the Audit Committee Terms of Reference were set out in the Council's Constitution and had been reported to the Committee to provide Members with the framework of the Committee's business and responsibilities. She advised that there were no changes from 2016-2017.

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

5 – Audit Committee Work Plan

The Director of Resources reported that Audit Committee Work Plan was presented at the previous Audit Committee. It had been necessary to vary the timing of the items relating to the Statement of Accounts originally planned for July and these items would be presented at the September Audit Committee:

- To review and approve the Statement of Accounts
 - Director of Resources
 - Statement of Accounts
 - Letter of Representation
- To consider and approve the Annual Governance Statement
 - Corporate Support Manager
 - Final Annual Governance Statement
- To consider the External Audit Annual Governance Report
 - Appointed Auditor
 - Annual Governance Report

The Statement of Accounts was published and issued (in draft) on 2nd June, 2017, ahead of the 30th June, 2017, statutory deadline. From next year the statutory deadline was 31st May. The Director of Resources was confident that the Finance Department could achieve that deadline, given the pre-work, adjustments and achievements of this year.

RESOLVED:- To agree the variations to the Work Plan for 2017-2018.

6 – Audit Committee Assurance

The Director of Resources reported that the External Auditor had requested that the Chairman of the Audit Committee explain how assurance from management was obtained. The Chairman's response was agreed at the previous Audit Committee meeting, subject to being reconsidered by the Chairman at the beginning of April to ensure that the full financial year was reflected.

This report confirmed that the Chairman had responded to the External Auditor and that there were no changes to the response that was previously agreed.

RESOLVED:- To note that the Chairman had responded to the External Auditor.

7 –Internal Audit Final Reports

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

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

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

1. Performance Management - Restricted Assurance;
2. Procurement - Restricted Assurance
 - It was noted that Members of the Audit Committee agreed to assist in any way necessary to ensure the review of the Procurement Procedure was completed in the best way possible;
3. Kennels - Restricted Assurance
 - It was noted that the Council's Streetcare Team were responsible for the management of the Kennels and additional resources had been provided from mid-August 2017 so improvements were expected. Keith Jackson advised that the Kennels would continue to be reviewed as part of the Programme.
4. Payment Card Security (PCI-DSS) – Substantial Assurance;
5. Replacement Housing Management System - Restricted Assurance; and
6. CHP: Disabled Adaptations - Substantial Assurance.

RESOLVED:- To note the Internal Audit Final Reports.

8 – Internal Audit Annual Report

The Internal Audit Manager attended the meeting and presented the Internal Audit Annual Report for 2016/2017 to the Committee. He explained that the purpose of the Annual Report was to meet the Head of Internal Audit's annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS). The Internal Audit's formal annual report presented an opinion on the overall adequacy and effectiveness of the internal control environment, and:

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

The 2016/17 Year Opinion was that the Annual report provided reasonable assurance that the organisation's framework of governance, risk management and control predominantly operated satisfactorily during 2016/17.

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

There were however, seven areas where only Restricted assurance could be provided, which related to:-

- Re-Roofing James Freel Close;
- Housing Stock Condition Survey;
- Barrow Cemetery North West Extension;
- Performance Management;
- Procurement;
- Housing Management System;
- Car Park Meter Income; and
- Kennels.

Weaknesses found as a result of the Internal Audit's work, together with their recommendations for improvement, had been included in their reports to senior management and Members.

Additionally, any weaknesses identified through the Annual Governance Statement process were recorded separately and reflected the assurance provided from all sources both internal and external.

Progress against 2016/17 Annual Plan

A detailed analysis of the current situation regarding the 2016/17 Plan had been appended to the Internal Audit Annual Report.

The assessment of auditable areas had identified 79 systems, which covered the Council's operations. The audit coverage achieved in the period, compared to the audit plan, is set out in the table below. The difference in planned coverage compared to actual mainly related to changes made to the audit plan to accommodate requests for an increased number of contract audit reviews.

In addition, significant Housing Benefit Grant Certification testing had been completed which was not reflected in these figures, all of which had been included within regular progress reports issued to this Committee.

	Percentage of systems covered		Percentage of risk covered	
	2016/17	2015/16	2016/17	2015/16
Planned	38%	33%	66%	61%
Achieved	39%	33%	70%	61%

The following table summarised the assurance levels recorded in final reports relating to the years 2016/17 and 2015/16. The majority of Council systems had achieved the level of Substantial Assurance:-

Final Reports	Total	Unqualified Assurance		Substantial Assurance		Restricted Assurance		No Assurance	
		No.	%	No.	%	No.	%	No.	%
2016/17	28	2	7	18	64	8	29	0	0
2015/16	30	3	10	25	83	2	7	0	0

The conclusions and assurance levels specified for each audit were used to support the Council's governance review arrangements, as required by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards.

A summary of the number of audit recommendations made in the Internal Audit Final Reports issued during 2016/17, along with the management responses were as follows:-

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made 2016/17	95	7	66	22
Fully Accepted	85	7	58	20
Partly Accepted	10	0	8	2
Not Accepted	0	0	0	0

During the year Internal Audit had reported on the implementation of 92 agreed audit recommendations made in previous reports. The results were as follows:-

	Fully Implemented	Not Implemented	Overtaken By Events	TOTAL
2016/17	39	46	7	92
2015/16	42	46	7	95

For recommendations not fully implemented revised dates had been agreed with management for their implementation. Internal Audit would further review progress on their implementation during 2017/18.

RESOLVED:- (i) To note the Internal Audit Report for 2016/17; and

(ii) To agree the Director of Resources write, on behalf of the Audit Committee, to the Playing Fields Users Association requesting the detailed information Internal Audit required be provided immediately.

9 – External Audit Progress Report and Update

Neil Krajewski attended the meeting to present the report to Members.

The report provided the Committee with details of current issues and developments that had been produced by External Auditors.

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

Progress as at 17th July, 2017

- **Fee Letter** – Members had been requested to note that the External Audit fee letter was included as an agenda item for this meeting (Minute No. 10);
- **Accounts Audit Plan** – This had been presented to the Audit Committee in March 2017;
- **Interim Accounts Audit** – The understanding of the Council's control environment and financial systems had been documented. The External Auditors had completed walkthroughs of the key financial systems and had undertaken early substantive testing covering the following areas:-
 - Pay and non-pay expenditure; and
 - Capital additions.
- **Final Accounts Audit** – Fieldwork commenced on 3rd July, 2017 and was expected to be completed by the end of August 2017;
- **Value for Money (VfM) Conclusion** – External Auditors had commenced the detailed work on the risks identified and would report their findings as part of the Audit Findings Report which would be presented to the Audit Committee in September 2017.

RESOLVED:- To receive and note the External Audit Progress and Update Report for July 2017.

10 – External Audit Fee Letter

A copy of the External Audit fee letter for 2017-2018 had been appended to the report for information.

Neil Krajewski of Grant Thornton attended the meeting to explain that the Main Audit fee was £51,119 for 2017-2018. This was the same as the previous year.

The Billing schedule was as follows:-

Main Audit Fee	£
September 2017	12,779.75
December 2017	12,779.75
March 2018	12,779.75
June 2018	12,779.75
Total	51,119.00

At the request of the Department of Work and Pensions, Auditors appointed by PSAA would continue to certify Local Authority claims for Housing Benefit subsidy for 2017/18. The Council's indicative fee for this certification work had yet to be set by PSAA. The External Auditors would confirm the fee when this had been confirmed.

RESOLVED:- To note the External Audit fee for 2017/18.

11 – Annual Review of Internal Audit

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

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

For the year 2016/17 a review of the effectiveness of Internal Audit had been undertaken and the Director of Resources was satisfied that the Internal Audit Service was effective.

RESOLVED:- To endorse the review.

12 – Annual Review of Audit Committee Effectiveness

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

The Annual Review of Audit Committee Effectiveness had been undertaken by the Chairman with the Director of Resources. CIPFA had recommended that this could be achieved by using an evaluation checklist such as CIPFA's Toolkit for Local Authority Audit Committees.

A copy of which had been appended to the report and had been reviewed by the Director of Resources and there had been no issues to address.

RESOLVED:- (i) To endorse the review and

(ii) To agree that the Director of Resources explored training opportunities to ensure a relationship between the Audit Committee and the Executive Committee was maintained.

13 – Annual Governance Statement

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

The Annual Governance Statement was presented to this Committee in June and following discussions with the Auditor from Grant Thornton, the Internal Audit Manager and the Assurance Group only one minor amendment had been made.

The following members of staff were involved in preparing the Annual Governance Statement for 2016/17:-

Executive Director: Head of Paid Services
Director of Resources: S151 Officer
Assistant Director of Community Services
Assistant Director of Regeneration and the Built Environment
Assistant Director of Housing
Members of the Governance Group
Internal Audit Manager
Democratic Services Manager (Monitoring Officer)
Corporate Support Manager

The Annual Governance Statement and links to the evidence supporting the statement were attached as an appendix to the Corporate Support Manager's report.

RESOLVED:- (i) To agree that the Chair of this Committee should sign the Annual Governance Statement on behalf of the Council; and

(ii) That the Annual Governance Statement be published on the Council's website.

14 – Risk Management Report

The Corporate Support Manager reported that the Executive Committee approved the Corporate and Operational Risk Registers at its meeting on 17th May, 2017. The updated risk registers reflected Management Board's assessment of significant risks to the Council.

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

- Corporate Risk 1 – 2017/1 (Impact of legislative changes on HRA income). The Potential Impact had been updated to reflect the increased number of “right to buy” applications;
- Corporate Risk 2 – 2017/1 (Future stability and sustainability of the Council). Had been amended to reflect this increase in projected deficit due to the anticipated reduction in New Homes Bonus. The mitigating action had been revised to reflect alignment with the Council's plan;
- Corporate Risk 4 – 2017/1 (Levels of sickness worsen). There had been an addition to the mitigating actions which recognised the contribution the measures introduced in 2016/17 had made to reducing sickness levels. This would be further monitored before reviewing the risk score;
- Corporate Risk 5 – 2017/1 (Impact of welfare reform changes). The Potential Impact had been amended to reflect the increased impact on the Housing Revenue Account. The Mitigating action had been amended to recognise the on-going financial contribution to external bodies to help support residents;
- Corporate Risk 6 – 2017/1 (Delivery of the water front regeneration programme). The Mitigating Action had been updated to reflect current progress;
- Corporate Risk 7 – 2017/1 (Maintain H&S arrangements). The Mitigating Action had been updated to reflect the proposed, improved inspection regime for properties; and
- Corporate Risk 9 – 2017/1 (Information Technology security breach). The Potential impact had been amended to reflect the increased vulnerability from aggressive phishing and use of malware. The Mitigating Action had been amended to reflect actions taken by IT Services.

The Corporate Risk Register for 2017/18 was appended to the Corporate Support Manager's report.

The Operational Risk Register had been reviewed and one amendment had been made:-

- Operational Risk 1 2017/18 (Not having adequate staffing to deliver key services) had been amended to reflect agreed changes to Leisure Services.

The Operational Risk Register for 2017/18 was appended to the Corporate Support Manager's report.

RESOLVED:- To note the information.

15 – Monitoring Priority 1 Recommendations

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

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

There had been no new Priority 1 recommendations since the last meeting.

RESOLVED:- To note the information.

16 – Internal Audit Final Reports

The Internal Audit Manager reported that Internal Audit had completed a number of audits in accordance with the approved Annual Plan. This report presented two Internal Audit Final Reports on:-

- Car Park Meter Income – Restricted Assurance;
- Council Leased Vehicles – Restricted Assurance

Members considered the report and raised questions with the Internal Audit Manager.

RESOLVED:- To note the report.

The meeting closed at 3.12 p.m.

		<u>Part One</u>
AUDIT COMMITTEE		(D)
Date of Meeting: 21st September, 2017		Agenda
Reporting Officer: Director of Resources		Item
		7
<p>Title: Statement of Accounts</p> <p>Summary and Conclusions:</p> <p>This report contains the Statement of Accounts for 2016-2017.</p> <p>Recommendations:</p> <p>To receive the Statement of Accounts for 2016-2017 and raise any questions.</p>		

Report

The Statement of Accounts summarises the transactions for 2016-2017 and the Council's financial position at 31st March, 2017. The Statement of Accounts is intended to provide readers with clear information about the Council's finances and use of resources over the year.

The audited Statement of Accounts is attached at **Appendix 1**. A further report on the agenda requests Members approval of the audited Statement of Accounts.

The draft Statement of Accounts was published and made available to our external auditors, Grant Thornton, on 2nd June, 2017.

The audited Statement of Accounts incorporates revisions from the audit and must be approved by this committee by 30th September, 2017, and be published alongside the Annual Governance Statement.

This report is an executive summary of the audited Narrative Report, which is itself a summary of the Statement of Accounts.

A. Finances

The financial headlines of the 2016-2017 accounts are:

- The General Fund is balanced with a net contribution from reserves, from underspends and additional income of £518k including £300k set aside to meet the business rate retention scheme volatility and £272k for the MMI Scheme of Arrangement.

- The Housing Revenue Account used £102k of the accumulated balance to fund housing maintenance commitments and reduced the voluntary provision to repay debt for 2016-2017.
- The authority's share of the Collection Fund for 2016-2017 is a surplus of £109k for council tax and a deficit of £584k for business rates; these are distributed to the General Fund in 2017-2018 and 2018-2019 along with the preceptors' proportions.
- The authority's net worth has increased from £97.4m to £107.9m which is largely attributable to the increase in asset values, the increase in the pension liability and reductions from the increase in short term investments.
- Usable reserves have increased slightly by £0.4m:
 - Revenue reserves have reduced by £1.1m
 - Capital reserves have increased by £1.5m
- Capital investment of £3.7m was delivered through the capital programme for 2016-2017.

B. General Fund

The General Fund budget was revised through the year from £10m to £10.7m to incorporate additional revenue financing for projects from Public Health England £483k, Coastal Communities Fund £174k and other grants £52k.

The actual outturn for 2016-2017 had no impact on the General Fund balance.

- The actual outturn before transferring the agreed Medium Term Financial Plan support was a surplus of £184k.
- During 2016-2017, two reserve reallocations were agreed but at year-end the contributing reserves were not sufficient and revenue was required to top-up the reserves to the required levels:
 - £300k business rate income volatility reserve
 - £273k MMI Scheme of Arrangement levy reserve.
- This resulted in a deficit of £389k which was reduced to £55k after transferring the budgeted £334k of Medium Term Financial Plan support.
- The year-end net deficit of £55k was funded from the budget contingency reserve as a one-off item leaving a balanced General Fund.

To analyse the result against the divisional reporting lines, in-year movements with reserves have been taken into account; the comparison is made between

the £184k surplus and the £334k budgeted deficit; a positive variance of £518k.

Recurring savings and reductions are taken into account when setting the budget and budget revisions through the year. The items contained within the following table will be assessed during 2017-2018 and where appropriate budgets revised; there are items that will not recur or may not recur and those budgets are reviewed over a number of years rather than adjusted immediately (trend analysis).

Some of the items will have already been incorporated in the 2017-2018 budget setting process.

Division £000	Additional Income	Reduced Expenditure	Total
Resources	(86)	32	(54)
Community Services	84	166	250
Regeneration and Built Environment	100	77	177
Central Services	3	79	82
Corporate Amounts	(2)	7	5
<i>Cross-Service Items</i>			
Support Service recharges	58	-	58
	157	361	518

The division based presentation of financial information now appears in the Comprehensive Income and Expenditure Statement with formal Notes containing Expenditure and Funding Analysis information.

Further details of the variances within the divisional headings were presented to the Executive Committee on 26th July, 2017. The services within the divisions are set out on Page 88 of the Statement of Accounts.

C. Housing Revenue Account

The original Housing Revenue Account budget was approved by Full Council on 1st March, 2016, as a balanced budget; the income matching the expenditure forecast. The revised budget was approved by Full Council on 21st March, 2017, with an estimated contribution from the fund balance of £151k.

The actual outturn for the Housing Revenue Account was a deficit charged to the fund balance of £102k in respect of planned maintenance. The voluntary provision to repay debt was £611k lower than the budget expectation as the repairs and maintenance expenditure was higher during 2016-2017 due to catching up with works delayed from the adverse winter in 2015.

The Council held the following Housing Revenue Account reserve and balance during 2016-2017:

1 April 2016 £000		31 March 2017 £000
1,545	Housing Revenue Account balance	1,443
1,416	Major repairs reserve	1,194
2,961		2,637

D. Collection Fund

The Collection Fund balance was a net deficit of £0.6m at 31st March, 2017, made up of a surplus on council tax of £0.8m and a deficit on NNDR of £1.4m.

The council tax surplus is payable across 2017-2018 and 2018-2019 to Cumbria County Council, the Police and Crime Commissioner for Cumbria and the General Fund £109k; split against their 2017-2018 precepts.

The NNDR deficit will be recovered from central government, Cumbria County Council and the General Fund £584k in 2017-2018 and 2018-2019. This is dealt with by precepting arrangements.

The accumulated amounts held at 31st March, 2017, for the Borough Council are:

- £252k surplus for council tax
- £806k deficit for the business rate retention scheme

The Council also carries a provision for its share of lodged business rate appeals of £526k and an income volatility reserve of £1.8m; this covers the £0.8m deficit at 31st March, 2017.

E. Capital Programme

During 2016-2017 the authority's capital expenditure was £3.7m:

Investment	Expenditure	Source	Financing
Public sector housing	£2.6m	Major repairs reserve	£2.6m
Private sector housing	£0.4m	Reserves/revenue	£0.3m
Public buildings/properties	£0.2m	Capital grants	£0.6m
Other public assets	£0.5m	Capital receipts	£0.2m
Programme	£3.7m	Financing	£3.7m

The capital receipts received in the year and unapplied at 31st March, 2017, total £1.9m, the capital grants received in the year and unapplied at 31st March, 2017, total £2.5m; these are included in the future years of the capital programme.

F. General Fund Financial Reserves

The General Fund reserves reduced by £1.004m during 2016-2017:

1 April 2016 £000		31 March 2017 £000
2,300	General Fund balance	2,300
2,870	Medium Term Financial Plan support	1,535
681	Transformation reserve	733
1,228	Renewals reserve	1,832
100	Insurance reserve	91
593	Losses reserve	866
2,783	Budget contingency reserve	2,792
160	Apprentices reserve	106
119	Welfare support reserve	260
652	Ring-fenced properties	-
843	Earmarked revenue grants	810
12,329		11,325

A net £2.327m of reserves were used as planned and in accordance with matters reported to the Executive Committee for 2016-2017, £0.805m of additional one-off income was added to reserves at year-end in line with previous practice and is held against specific services, and an unplanned £0.518m was moved to reserves at year-end; the £0.518m being the variance from the General Fund outturn contained in paragraph B.

There were a number of transfers between reserves agreed during 2016-2017; £1m from the Medium Term Financial Plan support to the business rate income volatility reserve (held within the budget contingency reserve); £715k from the ring-fenced properties reserve to move the properties into the Council's control and ongoing maintenance of the properties; £198k from the housing benefit subsidy reserve (held within the budget contingency reserve) to the welfare support reserve to pay for the agreed grants to external funded bodies.

Further details of the movements in reserves were presented to the Executive Committee on 26th July, 2017.

G. Provisions

As part of the Business Rates Retention Scheme, the Council is liable for successful appeals against business rates in the proportionate share; 50% Central Government, 40% for this Council and 10% for Cumbria County Council. The Council has a provision for unsettled appeals and at the 31st March, 2017, this was £526k.

The Council also holds a provision for the 25% levy on ongoing MMI claims under the scheme of arrangement of £9k; and a provision for the costs of previous early retirements of £10k at 31st March, 2017.

These provisions and the bad debt provisions have been assessed at the 31st March, 2017 and are sufficient to cover the potential liabilities of the Council.

H. Service Performance

The service performance indicators are split between those with an indicative target and those that are reported as outputs.

2015-2016	Indicator	Target	2016-2017
16.2 days	Average time to process:	18 days	13.2 days
16.2 days	• new housing benefit claims	18 days	13.5 days
4.9 days	• new council tax support claims	7 days	4.3 days
5.3 days	• changes to housing benefit claims	6 days	4.0 days
	• changes to council tax support claims		
95.2%	Percentage of local land charges searches completed in 5 working days	95.0%	94.4%
96.85%	Percentage collected:	96.6%	96.27%
98.73%	• council tax	98.4%	98.67%
	• business rates		
61.5%	Percentage of planning applications processed:	60.0%	75.5%
60.0%	• major application in 13 weeks	65.0%	66.5%
78.0%	• minor applications in 8 weeks	80.0%	82.8%
	• other application in 8 weeks		

2015-2016	Output	2016-2017	Change
31.5%	Average household recycling	29.7%	Reduced 1.8%
11	Right to buy sales	33	Increased 22
67	Disabled facilities grants awarded	70	Increased 3
£621k	Income from pay and display ticket sales	£599k	Reduced £22k
56k	Dock Museum visitor numbers	61k	Increased 5k
279k	Park Leisure Centre activity numbers	291k	Increased 12k
58k	The Forum ticket sales	64k	Increased 6k
9.76 days	Average days of sickness per employee	9.66 days	Improved

I. Corporate Objectives

The achievements for 2016-2017 are shown against each theme in the following table:

Housing: choice and quality	Regeneration & Public Realm: enhancement
<ul style="list-style-type: none"> • Refurbishment of flats on Barrow Island continues with 155 completed so far; funded by Cluster of Empty Homes grant. • Renewal Area completion included in the Capital Programme. • Council-owned dwellings all meet decent homes standard. • Local Plan pre-submission draft completed. • Funding secured to support victims of domestic abuse. • The Well project for recovery facilities in the Borough continues to be implemented; funded by Public Health England. 	<ul style="list-style-type: none"> • Cavendish Park Pavilion and Community Room project with the Barrow Island Community Sports Trust commenced; funded by Big Lottery and WREN. • Funding secured for linking the Landscapes and Communities of Barrow project with Art Gene; Coastal Communities Fund. • Site access for Marina Village works commenced; funded by the Local Enterprise Partnership. • Barrow Island maritime streets public realm works commenced; Cluster of Empty Homes grant. • Toddler Park play area installed in Vickerstown Park with local Residents Association; funded by WREN.
Local Economy: long term security	Service Delivery: value for money
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The Narrative Report also includes a note of the actions taken by the Council to ensure future financial resilience including the implementation of the Budget Strategy, Medium Term Financial Planning, and the refreshed Council Plan with associated documents that are aligned to the core priorities and objectives.

The Council's workforce consists of 243 posts, 188 in the General Fund and 55 in the Housing Revenue Account. The posts are worked by 200.41 full time equivalents, 150.76 in the General Fund and 49.65 in the Housing Revenue Account. The Workforce Strategy presents the Council's plans and ambitions for its staff.

J. Sections within the Statement of Accounts

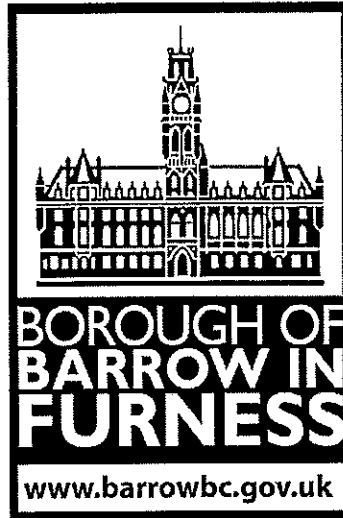
The other sections within the Statement of Accounts are the same as previous years and contain further information on the financial performance for 2016-2017:

- Statement of Responsibilities – for the Council and for the Director of Resources.
- Movement in Reserves Statement – summary of the movement during the year for usable and unusable reserves and the statutory adjustments required arriving at the council tax requirement (dwelling rent setting for the Housing Revenue Account).
- Comprehensive Income and Expenditure Statement – summary of all services' accounting costs for the year.
- Balance Sheet – the value of the Council's assets and liabilities at the year end, the net assets are matched by the reserves held at the year end.
- Cash Flow Statement – the changes in the Council's cash and cash equivalents for the year, these are split between operating, investing and financing activities.
- Notes to support the main accounting statements.
- The Housing Revenue Account and supporting notes.
- The Collection Fund and supporting notes (council tax and business rates).

Members are recommended to receive the Statement of Accounts for 2016-2017 and raise any questions.

Background Papers

Nil



Statement of Accounts 2016/2017

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1. Introduction

The Statement of Accounts summarises the authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 km² but is the most densely populated with 886 people per km² 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.

Narrative Report

The corporate priorities that will deliver tangible long term benefits to the community are focussed on the following themes, shown together with achievements for 2016/17:

Housing: choice and quality	Regeneration & Public Realm: enhancement
<ul style="list-style-type: none"> • Refurbishment of flats on Barrow Island continues with 155 completed so far; funded by Cluster of Empty Homes grant. • Renewal Area completion included in the Capital Programme. • Council-owned dwellings all meet decent homes standard. • Local Plan pre-submission draft completed. • Funding secured to support victims of domestic abuse. • The Well project for recovery facilities in the Borough continues to be implemented; funded by Public Health England. 	<ul style="list-style-type: none"> • Cavendish Park Pavilion and Community Room project with the Barrow Island Community Sports Trust commenced; funded by Big Lottery and WREN. • Funding secured for linking the Landscapes and Communities of Barrow project with Art Gene; Coastal Communities Fund. • Site access for Marina Village works commenced; funded by the Local Enterprise Partnership. • Barrow Island maritime streets public realm works commenced; Cluster of Empty Homes grant. • Toddler Park play area installed in Vickerstown Park with local Residents Association; funded by WREN.
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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.

Narrative Report

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

2015/16	Description	2016/17
16.2 days	Average time to process:	13.2 days
16.2 days	• new housing benefit claims	13.5 days
4.9 days	• new council tax support claims	4.3 days
5.3 days	• changes in circumstances for housing benefit claims	4.0 days
	• changes in circumstances for council tax support claims	
31.5%	Average household recycling	29.7%
61.5%	Major planning applications processed within 13 weeks	75.5%
95.2%	Land charge searches completed within 5 working days	94.4%
96.85%	Council tax collected	96.27%
98.73%	Business rates collected	98.67%
3.3%	Housing stock current tenant rent arrears	3.56%
86.6%	Housing stock responsive fabric repairs completed on time	85.9%
9.76 days	Sickness averaged per employee	9.66 days

5. The Financial Headlines

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

- The General Fund is balanced with a net contribution from reserves from underspends and additional income of £518k, including £300k set aside to meet the business rate retention scheme volatility and £272k for the MMI Scheme of Arrangement. Further details are set out in paragraph 7.
- The Housing Revenue Account used £102k of the accumulated balance to fund housing maintenance commitments and reduced the voluntary provision to repay debt for 2016/17; see paragraph 8.
- The authority's share of the Collection Fund for 2016/17 is a surplus of £109k for council tax and a deficit of £584k for business rates; these are distributed in 2017/18 and 2018/19 along with the preceptors proportions; see paragraph 12.
- The authority's net worth has increased from £97.4m to £107.9m which is largely attributable to the increase in asset values, the increase in the pension liability and reductions from the increase in short term investments; see paragraph 6.
- Usable reserves have increased slightly by £0.4m; see paragraphs 9 and 10 and the Movement in Reserves Statement page 15.
- Capital investment of £3.7m was delivered through the capital programme for 2016/17; see paragraph 10.

6. Net Assets of the Authority

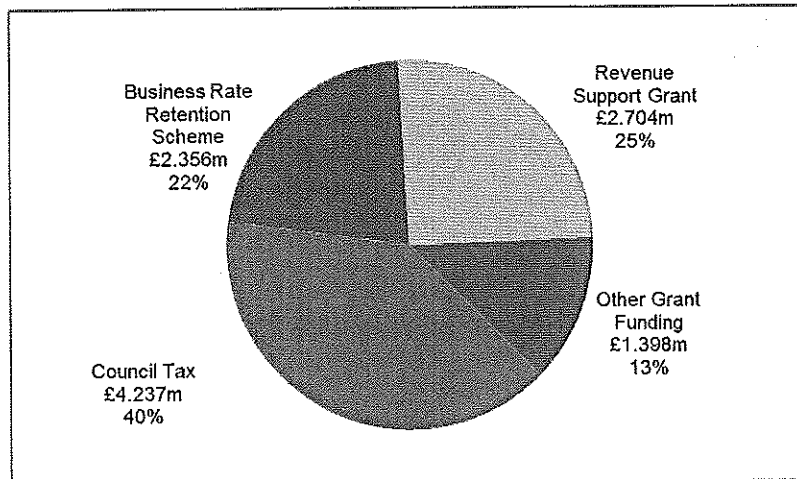
The authority has net assets of £107.9m; this is the difference between its assets and liabilities. This shows the cash balance that would have been left if the Council was to have realised its assets (selling its land and buildings and other assets) and settled its liabilities (paid its creditors and repaid its borrowing). This increase in the net assets of the authority from £97.4m to £107.9m is largely attributable to the increase in asset values of £14.5m, the increase in short term investments of £4m; net of the increase in the pension liability of £6m; and the change in debtors and creditors of £2m.

7. General Fund Outturn

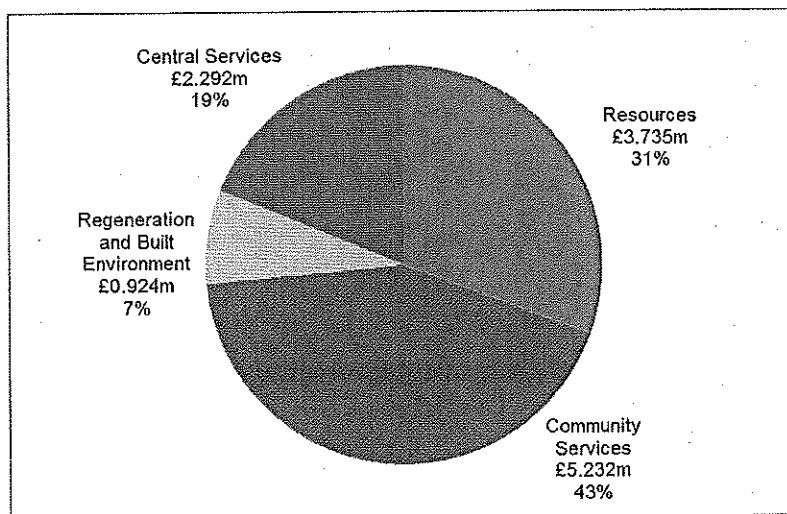
The General Fund budget for 2016/17 was originally approved by Full Council on the 1 March 2016 and was last formally revised on the 21 March 2017 as:

2016/17 General Fund revenue budget	£000
Approved budget – March 2016	9,986
Public Health England The Well grant	483
Coastal Communities supply chain grant	174
Business Rate Retained	27
Other Government grants	25
Revised approved budget – March 2017	10,695

The total financing came from:



Excluding corporate amounts not charged to services of -£1.488m, the net service expenditure was split between:



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

The actual outturn for 2016/17 had no impact on the General Fund balance. The outturn before movements in earmarked reserves was £1.004m, with a net £1.004m being drawn from reserves for the year.

A net £2.327m of reserves were used as planned and in accordance with matters reported to the Executive Committee for 2016/17. £0.805m of additional one-off income has been added to reserves in line with previous practice and is held against specific services. An unplanned £0.518m was added to reserves at year-end for:

- Business Rate Retention income volatility reserve £0.300m.
- MMI Scheme of Arrangement levy reserve £0.272m.
- Less deficit funded from the contingency reserve £0.054m.

Details of the movements in earmarked reserves will be presented to the authority's Executive Committee on the 26 July 2017. The earmarked reserves are explained in Note 8.

Recurring savings and reductions are taken into account when setting the budget, the items set out in the following table are the result of comparing the revised budget to the final outturn and will be assessed and taken into the 2017/18 budget where appropriate; some items do not recur. The £0.518m net contribution to reserves has been analysed between divisions.

Division	Additional Income	Reduced Expenditure	Total
Resources	(86)	32	(54)
Community Services	84	166	250
Regeneration and Built Environment	100	77	177
Central Services	3	79	82
Corporate Amounts	(2)	7	5
Cross-Service Items			
Support Service recharges	58	-	58
	157	361	518

A detailed analysis of the variances within these headings will be presented to the authority's Executive Committee on the 26 July 2017.

8. Housing Revenue Account Outturn

The original Housing Revenue Account budget was approved by full Council on the 1 March 2016 as a balanced budget; the income matching the expenditure forecast. The revised budget was approved by full Council on the 21 March 2017 with an estimated contribution from the fund balance of £151k. The actual outturn for the Housing Revenue Account was a deficit charged to the fund balance of £102k in respect of planned maintenance. The voluntary provision to repay debt was £611k lower than the budget expectation as the repairs and maintenance expenditure was higher during 2016/17 due to catching up with works delayed from the adverse winter in 2015.

9. Revenue Reserves and Balances

The authority held the following General Fund financial reserves during 2016/17:

1 April 2016 £000		31 March 2017 £000
2,300	General Fund balance	2,300
2,870	Medium Term Financial Plan support	1,535
681	Transformation reserve	733
1,228	Renewals reserve	1,832
100	Insurance reserve	91
593	Losses reserve	866
2,783	Budget contingency reserve	2,792
160	Apprentices reserve	106
119	Welfare support reserve	260
652	Ring-fenced properties	-
843	Earmarked revenue grants	810
12,329		11,325

Details of the movements within these headings will be presented to the authority's Executive Committee on the 26 July 2017. The earmarked reserves are explained in Note 8.

The authority held the following Housing Revenue Account reserve and balance during 2016/17:

1 April 2016 £000		31 March 2017 £000
1,545	Housing Revenue Account balance	1,443
1,416	Major repairs reserve	1,194
2,961		2,637

10. Capital Expenditure and Financing

During 2016/17 the authority's capital expenditure was £3.7m:

Investment	Expenditure	Source	Financing
Public sector housing	£2.6m	Major repairs reserve	£2.6m
Private sector housing	£0.4m	Reserves/revenue	£0.3m
Public buildings/properties	£0.2m	Capital grants	£0.6m
Other public assets	£0.5m	Capital receipts	£0.2m
Programme	£3.7m	Financing	£3.7m

The capital receipts and grants received in the year and unapplied at the 31 March 2017 are:

- Capital receipts
 - At 1 April 2016 £1.0m
 - Plus usable receipts of £1.1m from:
 - Land at Buccleuch Court
 - Repaid Cluster of Empty Homes loans
 - 33 dwellings under the Right to Buy
 - Less receipts used in financing in 2016/17 £0.2m
 - At 31 March 2017 £1.9m

- Capital grants
 - At 1 April 2016 £1.6m
 - Plus grants of £1m from:
 - Disabled Facilities Grant
 - Public Health England
 - Less grants used in financing in 2016/17 £0.1m
 - At 31 March 2017 £2.5m

11. Treasury Management

The authority managed its cash and investments in-house during 2016/17. As at 31 March 2017, £15m of investments and cash of £3.8m were managed in-house. The authority has 24 loans outstanding at 31 March 2017; 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. One loan is repayable in 2017/18; £1m. The authorised limit for borrowing in 2016/17 was £54m and this was not breached. These items complied with the authority's Treasury Management Strategy for 2016/17, which was approved by full Council on 1 March 2016.

12. Collection Fund

The Collection Fund balance was a net deficit of £0.6m at 31 March 2017, made up of a surplus on council tax of £0.8m and a deficit on NNDR of £1.4m. The council tax surplus is payable across 2017/18 and 2018/19 to Cumbria County Council, the Police and Crime Commissioner for Cumbria and the General Fund £109k; split against their 2017/18 precepts. The NNDR deficit will be recovered from central government, Cumbria County Council and the General Fund £584k in 2017/18 and 2018/19. This is dealt with by precepting arrangements.

The accumulated amounts held at the 31 March 2017 for the authority are:

- £252k surplus for council tax.
- £806k 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 2016/17 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 2017, the actuarial valuation showed a net liability of £32.6m (2015/16 £26.6m). This is explained in detail in Note 35 to the accounting statements (page 69). 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 2017 was £32.6m, an in year increase of £6m.

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

During 2016/17 the authority had no material or unusual charges and credits.

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 2017.

20. Material Events After the Accounting Date

The Statement of Accounts was originally authorised for issue by the Director of Resources on the 2 June 2017 and is now authorised for issue on the 12 September 2017, after incorporating revisions from the audit. Events taking place after this date are not reflected in the accounting statements or notes. No such 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 implemented the following actions:
 - Budget Strategy for the period 2016/17 to 2019/20 agreed with its aim being to produce a balanced and sustainable budget by 2019/20: reducing the core budget by a further £2.7m.
 - Established a four year Medium Term Financial Plan providing a resilient base for long term financial planning. The changes to the New Homes Bonus scheme have impacted on the medium term finances and this together with other variations are updated in the Medium Term Financial Plan.
 - Refreshed the Council Plan and Council Objectives that flow from the Council Priorities; this review was undertaken with support from the Local Government Association.
 - Refreshed the Workforce Strategy to include the new integrated Human Resources and Payroll system which will provide workforce and resource planning information to managers; this review was undertaken with service 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 2016/17 the authority held the minimum General Fund balance of £2.3m and reserve of £0.9m for losses; these core reserves are important in the financial resilience of the authority and

Narrative Report

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 2017/18 the authority will consider the future capital projects it wishes to deliver and the resources available to achieve its agreed priorities.

The capital programme was last approved by Full Council on the 1 March 2017. For the financial years 2017/18 to 2019/20, the programme contains:

Investment	Expenditure	Source	Financing
Public sector housing	£5.6m	Major repairs reserve	£5.6m
Private sector housing	£4.8m	Reserves/revenue	£0.3m
Public buildings/properties	£1.7m	Capital grants	£3.2m
Other public assets	£0.8m	Capital receipts	£3.8m
Programme	£12.9m	Financing	£12.9m

In terms of treasury management and cash flow, the interest payable on external borrowing in 2017/18 is £1.45m; there are small annual reductions in this amount for loans that are maturing, with 2019/20 at £1.42m. The cash flow has reduced marginally by £0.2m to £3.8m at the 31 March 2017; the cash flow is split between investing (capital and treasury), financing and operating activities on Page 18. The short term investments from temporary surplus cash have increased from the previous year and are expected to reduce as debt matures and as usable financial reserves reduce. There is no indication that in the medium term borrowing will be required.

22. Workforce

The authority's establishment consists of 243 posts; 188 in the General Fund and 55 in the Housing Revenue Account. The posts are worked by 200.41 full time equivalent (FTE) staff; 150.76 FTE in the General Fund and 49.65 FTE in the Housing Revenue Account:

	Headcount	FTE
Resources	18	16.38
Community Services	93	65.30
Regeneration and the Built Environment	50	45.08
Housing Revenue Account	55	49.65
Central Services	27	24.00

The authority recognises the value and importance of the workforce and through the Workforce 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 2016/17 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.
- **Comprehensive Income and Expenditure Statement** (page 14) – 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.
- **Movement in Reserves Statement** (pages 15 and 16) – 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.
- **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 74) – these include a summary of the significant accounting policies and other explanatory information.
- **Housing Revenue Account and Notes** (pages 75 to 80) – 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 81 to 84) – 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. Prior Period Restatement of Service Expenditure and Income

Expenditure on services and income relating to or derived from those services is defined in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its reportable segments. Those reportable segments are based on the authority's internal reporting structure; the Director and Assistant Directors that report to the Executive Director. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SERCOP).

25. Level of Reserves and Balances

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

25. Acknowledgement

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

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

Statement of Responsibilities

The Authority's Responsibilities

The authority is required to:

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

The Director of Resources' Responsibilities

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

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

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

The Director of Resources has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the authority for 2016/17 and of its expenditure and income for the year ended 31 March 2017.

**S M Roberts CPFA, ACMA
Director of Resources
Section 151 Officer
2 June 2017
Revised 12 September 2017**

**Councillor Mrs A Burns
Audit Committee Chairman
21 September 2017**

Comprehensive Income and Expenditure Statement

2015/16*		2016/17		Notes	Gross Expenditure	Gross Income	Net Expenditure
Gross Expenditure	Gross Income	Net Expenditure	Gross Income				
£000	£000	£000	£000		£000	£000	£000
25,216	(21,259)	3,957	(20,185)		23,770	(20,185)	3,585
8,775	(4,275)	4,500	(4,431)		9,238	(4,431)	4,807
4,607	(3,255)	1,352	(2,861)		3,774	(2,861)	913
11,073	(12,101)	(1,028)	(11,826)		5,677	(11,826)	(6,149)
2,212	-	2,212	(14)		2,298	(14)	2,284
51,883	(40,890)	10,993	(39,317)		44,757	(39,317)	5,440
899	(600)	299	(1,310)	9	1,726	(1,310)	416
4,782	(2,569)	2,213	(2,802)	10	4,949	(2,802)	2,147
6,325	(18,153)	(11,828)	(18,452)	11	6,388	(18,452)	(12,064)
63,889	(62,212)	1,677	(61,881)		57,820	(61,881)	(4,061)
(2,259)	-	(2,259)	-		(12,313)	-	(12,313)
(4,075)	-	(4,075)	-		5,915	-	5,915
(6,334)	0	(6,334)	0		(6,398)	0	(6,398)
57,555	(62,212)	(4,657)	(61,881)		51,422	(61,881)	(10,459)

* The 2016/17 Code of Practice requires local authorities to present the service analysis on the basis of organisational structure. This is a change from previous requirements to present the service analysis on the basis of the Service Reporting Code of Practice. As a result, the 2015/16 comparator figures have been restated in accordance with this new requirement.

Movement in Reserves Statement 2016/17

2016/17	Reserves held for revenue purposes		Reserves held for capital purposes			Total Usable Reserves	Unusable Reserves	Total Council Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserves	Capital Receipts Reserves	Capital Grants Unapplied			
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2016 brought forward	(12,329)	(1,545)	(1,416)	(1,049)	(1,625)	(17,964)	(79,464)	(97,428)
Movement in Reserves during 2016/17								
(Surplus) or deficit on the provision of services	857	(4,918)	-	-	-	(4,061)	-	(4,061)
Other Comprehensive Income and Expenditure	0	-	-	-	-	-	(6,398)	(6,398)
Total Comprehensive Income and Expenditure	857	(4,918)	0	0	0	(4,061)	(6,398)	(10,459)
Adjustments between accounting basis & funding basis under regulations (Note 7)	147	5,020	222	(892)	(878)	3,619	(3,619)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	1,004	102	222	(892)	(878)	(442)	(10,017)	(10,459)
Transfers to/(from) Earmarked Reserves (Note 8)	0	-	-	-	-	0	-	0
(Increase)/Decrease in 2016/17	1,004	102	222	(892)	(878)	(442)	(10,017)	(10,459)
Balance at 31 March 2017 carried forward	(11,325)	(1,443)	(1,194)	(1,941)	(2,503)	(18,406)	(89,481)	(107,887)

At the 31 March 2017, the General Fund Balance comprises earmarked reserves of £9.025m and a fund balance of £2.3m; at 31 March 2016 these were £10.029m and £2.3m respectively.

Movement in Reserves Statement 2016/17

2015/16	Reserves held for revenue purposes		Reserves held for capital purposes			Total Usable Reserves	Unusable Reserves	Total Council Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserves	Capital Receipts Reserve	Capital Grants Unapplied			
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2015 brought forward	(11,821)	(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 7)	(1,910)	593	(655)	(295)	1,881	(386)	386	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(508)	868	(655)	(295)	1,881	1,291	(5,948)	(4,657)
Transfers to/(from) Earmarked Reserves (Note 8)	0	-	-	-	-	0	-	0
(Increase)/Decrease in 2015/16	(508)	868	(655)	(295)	1,881	1,291	(5,948)	(4,657)
Balance at 31 March 2016 carried forward	(12,329)	(1,545)	(1,416)	(1,049)	(1,625)	(17,964)	(79,464)	(97,428)

At the 31 March 2016, the General Fund Balance comprises earmarked reserves of £10.029m and a fund balance of £2.3m; at 31 March 2015 these were £9.521m and £2.3m respectively.

Balance Sheet

31 March 2016		Notes	31 March 2017
£000			£000
148,001	Property, Plant & Equipment	13	162,463
695	Heritage Assets	14	690
1,634	Long Term Debtors	26	1,496
150,330	Long Term Assets		164,649
11,029	Short Term Investments	17	15,019
24	Inventories		32
3,294	Short Term Debtors	18	2,708
3,982	Cash and Cash Equivalents	19	3,802
18,329	Current Assets		21,561
(494)	Short Term Borrowing	17	(1,494)
(3,911)	Short Term Creditors	20	(5,173)
(4,405)	Current Liabilities		(6,667)
(626)	Provisions	21	(545)
(39,479)	Long Term Borrowing	17	(38,479)
(26,721)	Other Long Term Liabilities	23	(32,632)
(66,826)	Long Term Liabilities		(71,656)
97,428	Net Assets		107,887
(17,964)	Usable Reserves	Page 15	(18,406)
(79,464)	Unusable Reserves	22	(89,481)
(97,428)	Total Reserves		(107,887)

These accounts were originally authorised for issue on 2 June 2017 and have been subsequently re-authorised for issue on 12 September 2017

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

Cash Flow Statement

2015/16		Notes	2016/17
£000			£000
1,677	Net (surplus) or deficit on the provision of services		(4,061)
(5,481)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	27	(1,733)
637	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	28	2,331
(3,167)	Net cash flows from Operating Activities		(3,463)
624	Investing Activities	30	4,582
1,623	Financing Activities	31	(939)
(920)	Net (increase) or decrease in cash and cash equivalents		180
3,062	Cash and cash equivalents at the beginning of the reporting period	19	3,982
3,982	Cash and cash equivalents at the end of the reporting period	19	3,802
(920)	Net (increase) or decrease in cash and cash equivalents		180

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Note 1. ACCOUNTING POLICIES

a. General Principles

The Statement of Accounts summarises the authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17 and the Service Reporting Code of Practice 2016/17, 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 and 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. A subsequent variation was agreed by the Council with the 2016-2020 Budget Strategy, for the Borough Kennels and Playgrounds Team to access the enhanced scheme from the 7 September 2016 until the 30 June 2017.

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.

Notes to the Main Accounting Statements

- 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
 - unlisted 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

Notes to the Main Accounting Statements

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.

Notes to the Main Accounting Statements

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.

Notes to the Main Accounting Statements

The Authority as Lessee

Operating Leases

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

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

The Authority as Lessor

Operating Leases

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

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

p. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17. 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: these now form part of the Corporate and Democratic Services heading which remains 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

Notes to the Main Accounting Statements

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 de minimis 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.

Notes to the Main Accounting Statements

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.

Notes to the Main Accounting Statements

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.

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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

Notes to the Main Accounting Statements

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 authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The authority shall provide known or reasonably estimable information relevant to assessing the possible impact that application of the new standard will have on the authority's financial statements in the period of initial application. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question, i.e. on or before 1 January 2017 for 2017/18. For this disclosure the standards introduced by the 2017/18 Code include:

- Amendment to the reporting of pension fund scheme transaction costs; and
- Amendment to the reporting of investment concentration (interpretation and clarification).

These amendments relate to Pension Fund Statements and will have no impact on this authority's financial statements.

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.

Notes to the Main Accounting Statements

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 13.

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 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Revaluation of Property, Plant and Equipment

Property, plant and equipment (with the exception of infrastructure, community assets, assets under construction and equipment) are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset. Advice has been provided by the authority's external valuers. If the actual results differ from the assumptions the value of the property, plant and equipment will be over or understated. This would be adjusted when the assets were next revalued. For instance if council dwellings were not impaired in 2016/17, 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 £7.242m and the depreciation charged to the HRA for 2016/17 would be overstated by £241k.

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 2016/17 would be £1.99m rather than £1.66m.

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 2017 figures are:

- +0.1% per annum increase in the discount rate assumption would result in a decrease in the net pensions liability of £1.89m; or,
- +0.1% per annum increase in the inflation assumption would result in an increase in the net pensions liability of £1.92m; or,
- +0.1% per annum increase in the pay growth assumption would result in an increase in the net pensions liability of £0.308m; or,
- 1 year increase in the member's life expectancy assumption would result in an increase in the net pensions liability of £2.559m.

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

Financial instruments

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

If interest rates had been 1% higher with all other variables held constant, the financial effect would be to decrease the fair value of fixed rate borrowing liabilities by £6.17m. 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 2 June 2017, and is now authorised for issue on the 12 September 2017, 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 2017, 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. EXPENDITURE AND FUNDING ANALYSIS – adjustments between funding and accounting basis

The expenditure and funding analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) in comparison with those resources consumed and earned in accordance with generally accepted accounting practice. It also shows how this expenditure is allocated for decision making purposes between the Council's divisions. Income and expenditure accounted for under generally accepted accounting practice is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17	As reported for resource allocation	Adjustments to arrive at the net amount chargeable to the General Fund & HRA balances	Net Expenditure Chargeable to the General Fund & HRA	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Resources	3,825	(300)	3,525	60	3,585
Community Services	3,374	568	3,942	865	4,807
Regeneration and the Built Environment	9	97	106	807	913
Housing Revenue Account	(1,740)	0	(1,740)	(4,409)	(6,149)
Central Services	1,842	174	2,016	268	2,284
Net Cost of Service	7,310	539	7,849	(2,409)	5,440
Other income and expenditure	(7,208)	465	(6,743)	(2,758)	(9,501)
(Surplus) or Deficit on Provision of Services	102	1,004	1,106	(5,167)	(4,061)

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2015/16	As reported for resource allocation	Adjustments to arrive at the net amount chargeable to the General Fund & HRA balances	Net Expenditure Chargeable to the General Fund & HRA	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Resources	3,589	142	3,731	226	3,957
Community Services	4,007	49	4,056	444	4,500
Regeneration and the Built Environment	975	(240)	735	617	1,352
Housing Revenue Account	(1,173)	0	(1,173)	145	(1,028)
Central Services	1,987	42	2,029	183	2,212
Net Cost of Service	9,385	(7)	9,378	1,615	10,993
Other income and expenditure	(8,517)	(501)	(9,018)	(298)	(9,316)
(Surplus) or Deficit on Provision of Services	868	(508)	360	1,317	1,677

Notes to the Main Accounting Statements

Note 6a - Adjustments from the General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts:

2015/16		2016/17					
Adjustments for capital purposes	Net changes for the Pensions Adjustments	Other Differences	Total Adjustments between funding and Accounting Basis	Adjustments for capital purposes	Net changes for the Pensions Adjustments	Other Differences	Total Adjustments between funding and Accounting Basis
£000	£000	£000	£000	£000	£000	£000	£000
141	83	2	226	0	61	(1)	60
299	148	(3)	444	745	120	0	865
485	130	2	617	690	113	4	807
15	134	(4)	145	(4,524)	112	3	(4,409)
45	137	1	183	147	117	4	268
985	632	(2)	1,615	(2,942)	523	10	(2,409)
(931)	(445)	1,078	(298)	(1,683)	(527)	(548)	(2,758)
54	187	1,076	1,317	(4,625)	(4)	(538)	(5,167)

Notes to the Main Accounting Statements

Note 6b. Expenditure and Income Analysed by Nature

The 2016/17 Code of Practice places a new requirement on local authorities to provide a subjective analysis of expenditure and income analysed by nature, showing how the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement is comprised.

The Council's expenditure and income is analysed as follows:

Cost of service	2015/16				2016/17				Surplus or Deficit on Provision of Services
	Other Operating Expenditure (Note 9)	Financing and Investment Income and Expenditure (Note 10)	Taxation and Non Specific Grant income (Note 11)	Surplus or Deficit on Provision of Services	Cost of service	Other Operating Expenditure (Note 9)	Financing and Investment Income and Expenditure (Note 10)	Taxation and Non Specific Grant income (Note 11)	
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
				Expenditure					
6,902	-	-	6,902	Employee expenses	6,767	-	-	-	6,767
40,612	24	-	40,636	Other service expenses	38,163	29	-	-	38,192
42	-	-	42	Support service recharges	5	-	-	-	5
4,326	-	-	4,326	Depreciation, amortisation, impairment & revaluation	(178)	-	-	-	(178)
-	-	4,782	4,782	Interest payments	-	-	4,948	-	4,948
-	402	-	402	Precepts and levies	-	590	-	-	590
51,882	426	4,782	57,090	Total Expenditure	44,757	619	4,948	0	50,324
				Income					
(40,889)	-	-	(40,889)	Fees, charges and other service income	(39,317)	-	-	-	(39,317)
-	-	(2,569)	(2,569)	Interest and investment income	-	-	(2,801)	-	(2,801)
-	-	(6,659)	(6,659)	Income from council tax and NDR	-	-	-	(7,004)	(7,004)
-	-	(5,169)	(5,169)	Government grants and contributions	-	-	-	(5,060)	(5,060)
-	(127)	-	(127)	Gain on disposal of fixed assets	-	(203)	-	-	(203)
(40,889)	(127)	(2,569)	(55,413)	Total Income	(39,317)	(203)	(2,801)	(12,064)	(54,385)
10,993	299	2,213	1,677	(Surplus) / Deficit on Provision of Services	5,440	416	2,147	(12,064)	(4,061)

Note 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Notes to the Main Accounting Statements

	Usable Reserves					Reserves £000	Movement in Usable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000		
Adjustments between accounting basis and funding basis under regulations							
2016/17							
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the CIES:	(1,601)	(1,656)				(3,257)	3,257
Charges for depreciation and impairment of non-current assets	75	3,656				3,731	(3,731)
Revaluation losses on Property, Plant and Equipment	439					439	(439)
Capital grants and contributions applied	(755)					(755)	755
Revenue expenditure funded from capital under statute	(45)	(1,063)				(1,108)	1,108
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES							
Insertion of items not debited or credited to the CIES	527					527	(527)
Statutory provision for the financing of capital investment							
Voluntary provision for the financing of capital investment		555				555	(555)
Capital expenditure charged against the General Fund and HRA balances	254	63				317	(317)
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the CIES	1021				(1,021)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account					143	143	(143)
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	45	1,265			(1,310)	0	0
Cluster of Empty Homes loan repayment					(222)	(222)	222
Use of the Capital Receipts Reserve to finance new capital expenditure					146	146	(146)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(494)				494	0	0
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Reserve credited to the HRA		2,260	(2,260)			0	0
Use of the Major Repairs Reserve to finance new capital expenditure			2,649			2,649	(2,649)
Increase in the Major Repairs Reserve for depreciation of non-dwelling assets			(167)			(167)	167
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	81	(2)				79	(79)
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,657)	(458)				(2,125)	2,125
Employer's pension contributions and direct payments to pensioners payable in the year	1,726	403				2,129	(2,129)
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	548					548	(548)
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	(7)	(3)				(10)	10
Total Adjustments	147	5,020	222	(892)	(878)	3,619	(3,619)

Notes to the Main Accounting Statements

Adjustments between accounting basis and funding basis under regulations

2015/16

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

Notes to the Main Accounting Statements

Note 8. TRANSFERS (TO)/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17. 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 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31 March 2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
MTFP reserve	(2,870)	-	-	(2,870)	1,335	-	(1,535)
Transformation reserve	(778)	141	(44)	(681)	290	(342)	(733)
Renewals reserve	(1,990)	1,017	(255)	(1,228)	283	(887)	(1,832)
Insurance reserve	(100)	33	(33)	(100)	14	(5)	(91)
Losses reserve	(631)	187	(149)	(593)	-	(273)	(866)
Budget contingency reserve	(1,371)	684	(2,096)	(2,783)	2,040	(2,049)	(2,792)
Apprentices reserve	(205)	65	(20)	(160)	54	-	(106)
Welfare support reserve	(188)	69	-	(119)	57	(198)	(260)
CCTV reserve	(91)	91	-	0	-	-	0
Ring-fenced properties	(606)	91	(137)	(652)	750	(98)	0
Earmarked revenue grants	(691)	192	(344)	(843)	352	(319)	(810)
Total earmarked reserves	(9,521)	2,570	(3,078)	(10,029)	5,175	(4,171)	(9,025)

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 was amalgamated into the budget contingency reserve during 2015/16.

Ring-fenced properties – this reserve held the excess income from operating industrial units funded by the North West Development Agency (now Homes and Communities Agency); the reserve was ring-fenced for expenditure or investment in these industrial units. Following agreement from Homes & Communities Agency these reserves are no longer ring-fenced and have now been transferred to the renewals reserve.

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.

Notes to the Main Accounting Statements

Note 9. OTHER OPERATING EXPENDITURE

The authority's other operating expenditure shown below the Cost of Services in the Comprehensive Income and Expenditure Statement consists of:

2015/16		2016/17
£000		£000
94	Parish council precepts	96
308	Payments to the Government Housing Capital Receipts Pool	494
24	Pension administration expenses	29
35	Derecognised non-current assets	-
438	Carrying value of disposed non-current assets	1,108
(600)	Sale proceeds from the disposal of non-current assets	(1,311)
299	Total	416

The gain on the disposal of non-current assets for 2016/17 is £203k; for 2015/16 this was £162k.

Note 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

The authority's financing and investment income and expenditure shown below the Cost of Services in the Comprehensive Income and Expenditure Statement consists of:

2015/16		2016/17
£000		£000
1,450	Interest payable and similar charges	1,450
3,332	Interest on pension liabilities	3,498
(2,390)	Interest on plan assets	(2,603)
(179)	Interest receivable and similar income	(198)
2,213	Total	2,147

Note 11. TAXATION AND NON SPECIFIC GRANT INCOMES

The authority's taxation and specific grant income shown below the Cost of Services in the Comprehensive Income and Expenditure Statement holds a number of grants and contributions that are used on a corporate basis. The grants and contributions are as follows:

2015/16		2016/17
£000		£000
(4,121)	Council tax income	(4,232)
(8,806)	Business rate retention	(9,098)
6,280	Business rate tariff	6,333
45	Business rate levy	56
(57)	Business rate pool	(63)
(5,132)	Non-ring fenced government grants	(4,039)
(37)	Capital grants and contributions	(1,021)
(11,828)	Total	(12,064)

Notes to the Main Accounting Statements

Note 12. GRANT INCOME

The authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2016/17:

2015/16		2016/17
£000		£000
	Credited to Taxation and Non Specific Grant Income	
(3,292)	Revenue Support Grant	(2,704)
(476)	New Homes Bonus Grant	(474)
(101)	New Burdens Grants	(50)
(141)	Efficiency Support Grant	-
(325)	DCLG Grants	(750)
(491)	DCLG Business Rates	(348)
(432)	DCLG Coastal Communities Fund Grant	(432)
-	DCLG Public Health England	(300)
108	Environment Agency – (repayment of grant 2015/16)	(2)
(19)	Other contributions	-
(5,169)	Total	(5,060)
	Credited to Services	
(20,092)	Housing benefits subsidy	(18,638)
(446)	Benefits administration	(414)
(433)	Disabled Facilities Grant	(256)
(14)	Cabinet Office	(192)
(107)	Cumbria County Council	(37)
(28)	Other local authorities	(38)
-	DCLG Public Health England	(183)
(120)	Other grants	(100)
(21,240)	Total	(19,858)

Note 13. PROPERTY, PLANT & EQUIPMENT

Movement on Balances	Council Dwellings £000	Other Land and Buildings £000	HRA Other Land and Buildings £000	Plant, Furniture and Equipment £000	HRA Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation										
At 1 April 2016	61,757	56,426	2,811	2,324	104	5,151	10,237	3,315	10,775	152,900
additions and enhancements	2,648	82	-	50	63	-	-	-	94	2,937
Reclassification start of year	-	-	-	-	-	-	-	-	-	0
Reclassification in year	-	(97)	-	-	-	-	-	97	-	0
revaluation increases/(decreases) recognised in the Revaluation Reserve	7,083	4,207	478	-	-	-	-	545	-	12,313
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	3,656	79	6	-	-	-	-	(5)	-	3,736
eliminate depreciation on revaluation	(1,656)	(2,416)	(277)	-	-	-	-	(7)	-	(4,356)
de-recognition	-	-	-	(198)	-	-	-	-	-	(198)
disposals	(1,063)	-	-	-	-	-	-	(45)	-	(1,108)
At 31 March 2017	72,425	58,281	3,018	2,176	167	5,151	10,237	3,900	10,869	166,224
Accumulated Depreciation and Revaluation										
At 1 April 2016 reclassified	0	(2,576)	(169)	(1,246)	0	(627)	(281)	-	-	(4,899)
Reclassification/elimination depreciation on transfer	-	7	-	-	-	-	-	(7)	-	0
depreciation charge	(1,656)	(1,184)	(146)	(203)	(21)	(159)	(47)	-	-	(3,416)
eliminate depreciation on revaluation	1,656	2,416	277	-	-	-	-	7	-	4,356
de-recognition / scrapped disposals	-	-	-	198	-	-	-	-	-	198
At 31 March 2017	0	(1,337)	(38)	(1,251)	(21)	(786)	(328)	0	0	(3,761)
Net Book Value at 31 March 2017	72,425	56,944	2,980	925	146	4,365	9,909	3,900	10,869	162,463

Notes to the Main Accounting Statements

Movement on Balances	Council Dwellings £000	Other Land and Buildings £000	HRA Other Land and Buildings £000	Plant, Furniture and Equipment £000	HRA Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
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 disposals	-	8	-	-	-	-	-	-	-	8
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

Notes to the Main Accounting Statements

Depreciation

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

- Council Dwellings: the buildings are depreciated on a straight line basis over 30 years
- Other Buildings: the buildings are depreciated on a straight line basis over various lives between 3 to 75 years
- Plant, Furniture & Equipment: 3-25 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 2017, the authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £1.3m similar commitments at the 31 March 2016 were £240k. The major commitments are:

31 March 2016		31 March 2017
£000		£000
51	Building refurbishment	-
-	Retentions	14
53	Housing market renewal	1,215
136	IT Equipment & Development	74
240	Total	1,303

Additionally the Council also entered into a contract for waste and street cleansing services that commenced on the 1 April 2017 for seven years. This contract establishes an embedded finance lease for the vehicle fleet which includes; five single-compartment refuse collection vehicles, three twin pack refuse collection vehicles, three caged tippers, three sweepers and several supervisor vans. The finance lease will be recognised in the Council's accounts for 2017/18.

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 North West Ltd, Mr T Lamb BSc (Hons) MRICS 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 2016/17. 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.

The authority's HRA dwellings and garages are valued on an annual basis and are carried at current value. The valuation for 2016/17 was performed by NPS NW Ltd and produced a net book value at 31 March 2017 of £73.732m.

Notes to the Main Accounting Statements

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:		
2012/13	NPS North West Ltd	324
2013/14	NPS North West Ltd	7,715
2014/15	NPS North West Ltd	15,873
2015/16	NPS North West Ltd	4,684
2016/17	NPS North West Ltd	33,921
Total for assets carried at current value (MV-EUV and FV)		62,517
Assets carried at historical cost:		26,214
Net Book Value at 31 March 2017		88,731

Surplus Assets

Valuation techniques

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

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 & property	Market comparison	421	150	571
Land & property	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	3,144	145	3,289
Land & property	Professional judgement	-	40	40
Fair value as at 31 March 2017		3,565	335	3,900

Notes to the Main Accounting Statements

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 and best use of surplus assets

These surplus assets are made up of 17 areas of land and 2 properties (2015/16 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 them at their 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 – property and land
As at 31 March 2017	£335k (£1.785m as at 31 March 2016)
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.

Transfer between levels of the fair value hierarchy

The adoption of IFRS 13 *fair value measurement* was prospective from 2015/16, therefore, there is only one year's data movement to 2016/17. As such there has been two transfers from Level 3 to Level 2 inputs; plus one Level 2 and one Level 3 transfer into surplus assets on reclassification; 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.

Notes to the Main Accounting Statements

The table below presents the movements during the year of Level 3 property and land surplus assets held at fair value.

Surplus Land & Properties	Reason for movement	£000
Opening Balance - 1 April 2016		1,785
Sales/Disposals	Land disposal	(45)
Transfers in to level 3	Property vacant and reclassified as surplus	14
Transfers out of level 3	Land comparable valuation, now observable inputs	(1,425)
Total gains recognised in revaluation of property within other comprehensive income	CIES Line - Resources	6
Closing Balance as at 31 March 2017		335

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 2016/17 is £6k of revaluation gain. The surplus or deficits are directly affected by the assumptions used in the unobservable inputs and therefore influenced by any variations to the assumptions. For example, if the unobservable input valuation is too prudent the revaluation gain will be overstated.

Note 14. HERITAGE ASSETS

The authority's Dock Museum, Town Hall and Town area have a variety of collections that relate to the natural man-made history of Barrow-in-Furness, the surrounding district and beyond. There are several categories of assets within these collections; including furniture, silverware, civic regalia, arts and sculpture, social and industrial history, and more specific assets relating to Barrow's history, such as several ship models, boats and historic statues. In addition, during 2012/13 the authority was fortunate, through funding donations, to be able to add a major Viking Hoard of coins and silver pieces to its collections; this is now on exhibition at the Dock Museum. 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 2017, 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 2016/17 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 de minimus level plus the Graving Dock, Cenotaph war memorial and stone fountain where, following discussions with both of the authority's valuers, Bonhams and NPS NW Ltd, it was deemed impracticable to do so. This is owing to the lack of information on any purchase cost; the lack of comparable market values and the diverse nature of the objects. One class of asset, again due to the impracticable nature of gaining a valuation, is reported at cost.

Notes to the Main Accounting Statements

2015/16		2016/17								
Historic Collection	New Statues	Herbert Leigh - Boat	War Memorials	Total	Movement on Balances	Historic Collection	New Statues	Herbert Leigh - Boat	War Memorials	Total
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
					Cost or Valuation					
-	-	-	14	14	Heritage Asset - Cost at 1 April	-	-	-	14	14
602	79	20	-	701	Heritage Asset - Valuation at 1 April	603	79	20	-	702
602	79	20	14	715	At 1 April	603	79	20	14	716
1	-	-	-	1	Additions	0	-	-	-	0
603	79	20	14	716	At 31 March	603	79	20	14	716
					Accumulated Depreciation and Revaluation					
-	-	-	-	-	Heritage Asset - Cost at 1 April	0	-	-	(6)	(6)
-	-	-	-	-	Heritage Asset - Valuation at 1 April	0	(12)	(3)	-	(15)
-	(9)	(2)	(5)	(16)	At 1 April	0	(12)	(3)	(6)	(21)
-	(3)	(1)	(1)	(5)	depreciation charge	0	(3)	(1)	(1)	(5)
-	(12)	(3)	(6)	(21)	At 31 March	0	(15)	(4)	(7)	(26)
					Net Book Value at 31 March - Cost	0	-	-	7	7
603	67	17	-	687	Net Book Value at 31 March - Valuation	603	64	16	-	683
603	67	17	8	695	Total Net Book Value at 31 March	603	64	16	7	690

Notes to the Main Accounting Statements

Depreciation

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

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

Revaluations

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

Financial Year	Valuer	Value £000	Total £000
Carried at Valuation:			
2011/12	Bonhams International Auctioneers & Valuers	624	
Total value of assets valued in 2011/12			624
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	
Total value of assets valued in 2015/16			1
Total value of assets valued in 2016/17			0
Assets carried at historical cost			7
Net Book Value at 31 March 2017			690

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

	2015/16	2016/17
	£000	£000
Opening GBV at 1st April	715	716
Value of Heritage Assets Acquired/Donation/Valuation		
Historic Collection	1	-
Total at 31 March	716	716
Accumulated Depreciation and Revaluation		
Opening balance at 1 April	(16)	(21)
New Statues and Herbert Leigh	(4)	(4)
War Memorials (Cost)	(1)	(1)
Total Accumulated Depreciation & Revaluation 31 March	(21)	(26)
Net Book Value at 31 March – Valuation	687	683
Net Book Value at 31 March - Cost	8	7
Total Net Book Value 31 March	695	690

Notes to the Main Accounting Statements

Note 15. 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.

2015/16		2016/17
£000		£000
44,372	Opening Capital Financing Requirement	40,976
-	Impairment charge for non-dwelling Housing Revenue Account assets	6
	Capital investment	
2,402	Property, Plant and Equipment	2,937
752	Revenue Expenditure Funded from Capital under Statute	755
	Sources of finance	
(100)	Capital receipts reserve	(146)
(451)	Government grants and other contributions	(580)
(1,514)	Use of Major Repairs Reserve	(2,649)
(985)	Contributions from earmarked reserves	(254)
(104)	Revenue contribution to capital outlay	(63)
(897)	Minimum Revenue Provision from General Fund	(527)
(702)	Voluntary Revenue Provision from the Housing Revenue Account	(555)
	Cluster of Empty Homes	
(1,900)	Cluster of Empty Homes loan advance	-
103	Cluster of Empty Homes loan repayment	222
40,976	Closing Capital Financing Requirement	40,122
	Explanation of movements in year	
(897)	Decrease in underlying General Fund need to borrow	(527)
(702)	Decrease in underlying Housing Revenue Account need to borrow	(555)
-	Impairment charge for non-dwelling Housing Revenue Account assets	6
(1,797)	Cluster of Empty Homes loan	222
(3,396)	Increase/(decrease) in Capital Financing Requirement	(854)

Note 16. LEASES

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

Authority as Lessee - Operating Leases

The authority has a number of assets embedded in contractual arrangements, these are vehicles and equipment. The authority also leases in allotments and other land and buildings.

The authority has 4 non-specialist vehicles and 21 photocopiers on short term agreements utilised across a number of departments. These are considered de minimus and are not included in the following lease figures.

Notes to the Main Accounting Statements

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

As at 31 March 2016		As at 31 March 2017
£000		£000
545	Not more than one year	119
182	Later than one year and not later than five years	63
-	Later than five years	-
727		182

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 2016		As at 31 March 2017
£000		£000
9	Minimum lease payments	9
(22)	Sublease receipts	(25)
(13)		(16)

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 2016		31 March 2017
£000		£000
(987)	Not more than one year	(898)
(2,024)	Later than one year and not later than five years	(1,618)
(998)	Later than five years	(712)
(4,009)		(3,228)

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 2016/17 £75k of contingent rents were receivable by the authority (£75k in 2015/16).

Note 17. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Long Term 31 March 2016 £000	Short Term 31 March 2016 £000		Long Term 31 March 2017 £000	Short Term 31 March 2017 £000
		Investments		
-	15,009	Cash, cash equivalents and investments	-	18,819
		Debtors		
1,480	1,046	Loans and receivables	1,332	1,299
		Borrowings		
(39,479)	(494)	Financial liabilities at amortised cost	(38,479)	(1,494)
		Creditors		
-	(1,722)	Financial liabilities carried at contract amount	-	(2,149)

Notes to the Main Accounting Statements

The long term debtor relates to two interest free loans advanced from the Cluster of Empty Homes funding for the purpose of bringing empty homes back into use. A loan of £312k was advanced in 2013/14 and £1.9m in 2015/16 and both are repayable over 10 years; these are represented on the Balance Sheet at the 31 March 2017 as:

31 March 2016	Cluster of Empty Homes loan	31 March 2017
£000		£000
1,480	Long term debtor for principal due beyond the next 12 months	1,332
140	Short term debtor for repayments due in the next 12 months	147
451	Financial Instrument Adjustment Account for the interest on remaining repayments	370
141	Usable Capital Receipts	363
2,212	Total advance	2,212

Income, Expense, Gains and Losses

2015/16				2016/17		
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
-	(179)	(179)	Total income in (Surplus) or Deficit on the Provision of Services: interest income	-	(199)	(199)
1,450	(179)	1,271	Net (gain)/loss for the year	1,450	(199)	1,251

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 £49.623m 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 £56.776m. 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 £9.651m.

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

Notes to the Main Accounting Statements

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

31 March 2016			31 March 2017	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
16,055	16,055	Loans and receivables short-term	20,118	20,118
1,480	1,480	Loans and receivables long-term	1,332	1,332
(39,479)	(46,486)	Borrowings long-term	(38,479)	(48,616)
(494)	(494)	Borrowings short-term	(1,494)	(1,501)
(1,722)	(1,722)	Creditors	(2,149)	(2,149)
(24,160)	(31,167)	Total	(20,672)	(30,816)

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 2017) 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 £15m 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

Notes to the Main Accounting Statements

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 2017 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 2016		31 March 2017
£000		£000
101	Less than three months	92
38	Three to six months	80
57	Six months to one year	19
90	More than one year	138
286	Outstanding debt	329
231	Provision for bad and doubtful debts	239
81%	Percentage of provision	73%

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 2016		31 March 2017
£000		£000
-	Less than 1 year	1,000
1,000	Between 1 and 2 years	1,000
3,000	Between 2 and 5 years	3,000
5,000	Between 5 and 10 years	5,000
4,350	Between 10 and 15 years	7,350
11,500	Between 15 and 20 years	8,500
2,239	Between 20 and 25 years	1,239
-	Between 25 and 30 years	-
-	Between 30 and 35 years	4,000
12,390	Between 35 and 40 years	8,390
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.

Notes to the Main Accounting Statements

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 2016		31 March 2017
£000		£000
(5,761)	Decrease in fair value of fixed rate borrowings liability	(6,169)

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 18. SHORT TERM DEBTORS

The short term debtors held by the authority consist of:

31 March 2016		31 March 2017
£000		£000
1,400	Central government bodies	350
342	Other local authorities	519
1,552	Other entities and individuals	1,839
3,294	Total	2,708

Notes to the Main Accounting Statements

Note 19. CASH AND CASH EQUIVALENTS

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

31 March 2016		31 March 2017
£000		£000
2	Cash held by the authority	2
3,979	Bank current accounts	3,800
1	Interest income bank current accounts	-
3,982	Total Cash and Cash Equivalents	3,802

Note 20. SHORT TERM CREDITORS

The short term creditors held by the authority consist of:

31 March 2016		31 March 2017
£000		£000
(517)	Central government bodies	(1,050)
(856)	Other local authorities	(984)
(2,538)	Other entities and individuals	(3,139)
(3,911)	Total	(5,173)

Note 21. 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 2016	(554)	(56)	(16)	(626)
Amounts added in 2016/17	-	(15)	-	(15)
Amounts used in 2016/17	15	62	6	83
Reduction in provision in 2016/17	13	-	-	13
Balance at 31 March 2017	(526)	(9)	(10)	(545)

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.

Notes to the Main Accounting Statements

Note 22. UNUSABLE RESERVES

31 March 2016		31 March 2017
£000		£000
(30,693)	i. Revaluation Reserve	(42,010)
(77,026)	ii. Capital Adjustment Account	(81,020)
448	iii. Financial Instruments Adjustment Account	369
26,644	iv. Pensions Reserve	32,555
1,103	v. Collection Fund Adjustment Account	555
60	vi. Accumulated Absences Account	70
(79,464)	Total Unusable Reserves	(89,481)

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.

2015/16		2016/17	
£000		£000	£000
(29,087)	Balance at 1 April		(30,693)
(3,258)	Upward revaluation of assets	(12,533)	
999	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	220	
(2,259)	(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		(12,313)
621	Difference between fair value depreciation and historical cost depreciation	791	
32	Accumulated gains on assets sold & derecognised	205	
653	Amount written off to the Capital Adjustment Account		996
(30,693)	Balance at 31 March		(42,010)

ii. Capital Adjustment Account

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

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and enhancement. The Account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Capital Adjustment Account, apart from those involving the Revaluation Reserve.

Notes to the Main Accounting Statements

2015/16		2016/17	
£000		£000	£000
(75,100)	Balance at 1 April		(77,026)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
3,290	▪ Charges for depreciation and impairment of non-current assets	3,257	
138	▪ Increase in Major Repairs Reserve for depreciation on non-dwelling assets	167	
624	▪ Revaluation losses on Property, Plant and Equipment	(3,731)	
752	▪ Revenue expenditure funded from capital under statute	755	
473	▪ 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	1,108	
(653)	Adjusting amounts written out of the Revaluation Reserve	(996)	
4,624	Net written out amount of the cost of non-current assets consumed in the year		560
	Capital financing applied in the year:		
(100)	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(146)	
(1,514)	▪ Use of the Major Repairs Reserve to finance capital expenditure	(2,649)	
(433)	▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(439)	
(18)	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	(143)	
(1,900)	▪ Application of grants to capital financing from the Capital Grants Unapplied Account – Cluster of Empty Homes advance	-	
103	▪ Unapplied grants released to Capital Receipts Reserve	222	
(897)	▪ Statutory provision for the financing of capital investment charged against the General Fund balance	(527)	
(702)	▪ Voluntary provision for the financing of capital investment charged against the HRA Fund balance	(555)	
(985)	▪ Use of earmarked reserves to finance new capital expenditure	(254)	
(104)	▪ Capital expenditure charged against the General Fund balance	(63)	(4,554)
(77,026)	Balance at 31 March		(81,020)

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.

2015/16		2016/17	
£000		£000	
51	Balance at 1 April		448
397	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		(79)
448	Balance at 31 March		369

iv. Pensions Reserve

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

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

Notes to the Main Accounting Statements

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

2015/16		2016/17
£000		£000
30,532	Balance at 1 April	26,644
(4,075)	Actuarial (gains) or losses on pensions assets and liabilities	5,915
2,387	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	2,125
(2,200)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,129)
26,644	Balance 31 March	32,555

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.

2015/16				2016/17		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000		£000	£000	£000
(204)	229	25	Balance at 1 April	(198)	1,301	1,103
6	1,072	1,078	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	(53)	(495)	(548)
(198)	1,301	1,103	Balance at 31 March	(251)	806	555

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.

2015/16		2016/17
£000		£000
63	Balance at 1 April	60
(3)	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.	10
60	Balance at 31 March	70

Notes to the Main Accounting Statements

Note 23. OTHER LONG TERM LIABILITIES

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

2015/16		2016/17
£000		£000
(26,644)	Pension scheme liabilities	(32,555)
(77)	Compulsory purchase proceeds	(77)
(26,721)	Total	(32,632)

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 24. 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 2017:

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 25. 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 26. LONG TERM DEBTORS

The long term debtors held by the authority consist of:

2015/16		2016/17
£000		£000
154	Property rents	164
1,480	Cluster of Empty Homes loan principal	1,332
1,634	Total	1,496

Notes to the Main Accounting Statements

Note 27. 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:

2015/16		2016/17
£000		£000
(3,428)	Depreciation	(3,424)
(624)	Revaluation losses and gains on previous losses	4,365
(62)	(Increase)/decrease in provision for bad debts	(54)
(181)	(Increase)/decrease in provisions	81
398	(Increase)/decrease in creditors	(1,069)
(527)	Increase/(decrease) in debtors	(639)
(3)	Increase/(decrease) in inventories	8
(187)	Movement in pension liability	4
(473)	Carrying amount of non-current assets sold or derecognised	(1,108)
(394)	Clusters of Empty Homes soft loan interest	81
(5,481)		(1,755)

Note 28. 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:

2015/16		2016/17
£000	Investing	£000
600	Proceeds from the sale of property, plant and equipment	1,310
37	Other receipts from investing activities	1,021
637		2,331

Note 29. 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:

2015/16		2016/17
£000		£000
(135)	Interest received	(118)
1,450	Interest paid	1,450

Notes to the Main Accounting Statements

Note 30. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The investing activities consist of:

2015/16		2016/17
£000		£000
2,464	Purchase of property, plant and equipment	3,144
39,000	Purchase of short-term investments	42,990
1,900	Clusters of Empty Homes loan advance	-
(600)	Proceeds from the sale of property, plant and equipment	(1,310)
(42,000)	Proceeds from short-term investments	(39,000)
(37)	Other receipts from investing activities	(1,021)
(103)	Cluster of Empty Homes loan repayments	(221)
624	Net cash flows from investing activities	4,582

Note 31. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The financing activities consist of:

2015/16		2016/17
£000		£000
1,623	Agency transactions relating to business rates and council tax (billing authority)	(939)
1,623	Net cash flows from financing activities	(939)

Note 32. RELATED PARTIES

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

Central Government

Central government has effective control over the general operations of the authority – it is responsible for providing the statutory framework within which the authority operates and provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (such as council tax bills and housing benefits). Grant receipts outstanding at 31 March 2017 are disclosed in Note 18 and grant income for 2016/17 is disclosed in Note 12.

Members

Members of the Council have direct control over the authority's financial and operating policies. During 2016/17, housing benefit to the value of £178 was paid to one member in their capacity as private landlord. One member is on the Trust Board of Citizens Advice Bureau, one member is the Treasurer and one member a member at Barrow & District Disability Association and one member is a trustee and one member the chair of Women's Community Matters. Barrow Borough Council awarded grants of £99K to Citizens Advice Bureau, £15k to Barrow & District Disability Association and £12k 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 2016/17 is shown in Note 33. There are no balances outstanding at the 31 March 2017. Details of the entities that members are involved with are recorded

Notes to the Main Accounting Statements

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. There are no balances outstanding at the 31 March 2017.

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 £3.1m on property maintenance within the Housing Revenue Account in 2016/17. The authority is one of eight equal members and does not have the potential to significantly control the company. The authority ceased to be a member of Cumbria Housing Partnership Ltd in May 2017.

Note 33. MEMBERS' ALLOWANCES

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

2015/16		2016/17
£000		£000
84	Basic allowances	85
30	Extra responsibility allowance	31
9	Expenses	8
123	Total	124

The Mayor of the Borough also receives an honorarium for their year of office to cover mayoral duties and civic receptions. The honorarium for 2016/17 was £4k (£5k for 2015/16).

Note 34. OFFICERS' REMUNERATION

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

		Salary & car allowance	Pension Contribution	Total
		£000	£000	£000
Executive Director	2016/17	96	13	109
	2015/16	96	13	109
Director of Resources	2016/17	76	10	86
	2015/16	75	10	85

Notes to the Main Accounting Statements

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:

2015/16		Remuneration Band	2016/17	
Number of Employees	Number leaving in the year		Number of Employees	Number leaving in the year
1	1	£50,000 - £54,999	-	-
-	-	£55,000 - £59,999	-	-
-	-	£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:

2015/16		Exit package cost band	2016/17	
Number	Cost		Number	Cost
	£000			£000
3	34	£0 - £20,000	4	48
2	56	£20,001 - £40,000	1	43
3	149	£40,001 - £60,000	-	-
-	-	£60,001 - £80,000	-	-
-	-	£80,001 - £100,000	-	-
8	239	Total	5	91

Termination Benefits

The authority agreed the termination of the contract of five employees in 2016/17, incurring liabilities of £91k (£239k in 2015/16). All five left on voluntary redundancy.

Notes to the Main Accounting Statements

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:

2015/16		2016/17	
		£000	£000
	Comprehensive Income and Expenditure Statement		
	<i>Cost of Services:</i>		
1,247	▪ current service cost	1,153	
172	▪ curtailments	45	
2	▪ past service costs	3	
	<i>Financing and Investment Income and Expenditure</i>		
3,332	▪ interest on pension liabilities	3,498	
(2,390)	▪ interest on plan assets	(2,603)	
	<i>Other operating expenses</i>		
24	▪ administration expenses	29	
2,387	Total Post-Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services		2,125
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
(4,075)	▪ re-measurements (liabilities and assets)		5,915
(1,688)	Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Account		8,040

Movement in Reserves Statement:		
(2,387)	▪ reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,125)
	<i>Actual amounts charged against the General Fund balance for pensions in the year</i>	
2,200	▪ Employers' contributions payable to the scheme	2,129

Notes to the Main Accounting Statements

Pensions Assets and Liabilities Recognised in the Balance Sheet

2015/16		2016/17
£000		£000
(101,959)	Present value of the defined benefit obligation	(120,196)
75,315	Fair value of plan assets	87,641
(26,644)	Net liability arising from defined benefit obligation	(32,555)

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

2015/16		2016/17
£000		£000
75,431	Opening fair value of scheme assets	75,315
2,390	Interest on plan assets	2,603
(1,000)	Re-measurements (assets)	11,664
(24)	Administration expenses	(29)
2,200	Employer contributions	2,129
309	Member contributions	284
(3,991)	Benefits/transfers paid	(4,325)
75,315	Closing fair value of scheme assets	87,641

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

2015/16		2016/17
£000		£000
(105,963)	Benefit obligation at the beginning of the period	(101,959)
(1,247)	Current service cost	(1,153)
(3,332)	Interest on pension liabilities	(3,498)
(309)	Member contributions	(284)
-	Re-measurements (liabilities):	
-	▪ Experience gain/(loss)	3,249
5,075	▪ Gain/(loss) on financial assumptions	(21,696)
-	▪ Gain/(loss) on demographic assumptions	868
(172)	Curtailments	(45)
(2)	Past service costs	(3)
3,991	Benefits/transfers paid	4,325
(101,959)	Benefit obligation at the end of the period	(120,196)

Notes to the Main Accounting Statements

Pension scheme assets comprised:

Period Ended 31 March 2016				Asset category	Period Ended 31 March 2017			
Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total assets		Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total assets
£000	£000	£000			£000	£000	£000	
				Equities				
9,943	-	9,943	13.2%	UK quoted	11,305	-	11,305	12.9%
-	-	0	0.0%	UK unquoted	-	-	0	0.0%
14,159	-	14,159	18.8%	Global quoted	17,616	-	17,616	20.1%
-	2,636	2,636	3.5%	UK equity pooled	-	876	876	1.0%
-	12,427	12,427	16.5%	Overseas equity pooled	-	14,724	14,724	16.8%
				Bonds				
5,197	-	5,197	6.9%	UK corporate bonds	5,521	-	5,521	6.3%
301	-	301	0.4%	Overseas corporate bonds	263	-	263	0.3%
-	-	0	0.0%	UK corporate bonds pooled	-	-	0	0.0%
0	13,481	13,481	17.9%	UK Government indexed pooled	-	17,090	17,090	19.5%
				Property				
5,799	-	5,799	7.7%	UK	6,135	-	6,135	7.0%
-	2,711	2,711	3.6%	Property funds	-	2,717	2,717	3.1%
				Alternatives				
-	-	0	0.0%	Hedge funds	-	-	0	0.0%
-	1,582	1,582	2.1%	Private equity funds	-	2,191	2,191	2.5%
-	4,142	4,142	5.5%	Infrastructure funds	-	5,171	5,171	5.9%
-	527	527	0.7%	Real Estate debt funds	-	789	789	0.9%
-	-	0	0.0%	Private debt funds	-	438	438	0.5%
				Cash				
-	-	0	0.0%	Cash instruments	-	-	0	1.0%
2,335	-	2,335	3.1%	Cash accounts	2,717	-	2,717	3.1%
-	75	75	0.1%	Net current assets	-	88	88	0.1%
37,734	37,581	75,315	100%	Total	43,557	44,084	87,641	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 2017.

Notes to the Main Accounting Statements

The significant assumptions used by the actuary have been:

2015/16		2016/17
	Mortality assumptions:	
	Longevity at 65 for future pensioners:	
25.9	▪ Men	25.4
28.9	▪ Women	28.4
	Longevity at 65 for current pensioners:	
23.1	▪ Men	23.1
25.7	▪ Women	25.7

2015/16		2016/17
	Financial assumptions:	
2.0%	Rate of CPI inflation	2.3%
3.5%	Rate of increase in salaries	3.8%
2.0%	Rate of increase in pensions	2.3%
3.5%	Rate for discounting scheme liabilities	2.5%

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%)	-	1,890
Rate of inflation (increase by 0.1%)	1,920	-
Rate of increase in salaries (increase by 0.1%)	308	-
Longevity (increase by 1 year)	2,559	-

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 2019.

The authority is expected to pay £2.138m in contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 16 years, 2016/17 (16 years 2015/16).

Notes to the Main Accounting Statements

Note 36. EXTERNAL AUDIT COSTS

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

2015/16		2016/17
£000		£000
51	Fees payable to external audit with regard to external audit services carried out by the appointed auditor for the year	51
13	Fees payable to external audit for the certification of grant claims and returns for the year	14
64	Total	65

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:

2015/16		2016/17
£000		£000
60	Assets	60
(8)	Gross Income	(7)
11	Gross Expenditure	7
3	Net (surplus) or deficit for the year	0

Note 38. PRIOR PERIOD RESTATEMENT OF SERVICE EXPENDITURE AND INCOME

Expenditure on services and income relating to or derived from those services is defined in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its reportable segments. Those reportable segments are based on the authority's internal reporting structure; the Director and Assistant Directors that report to the Executive Director. This is a change from the previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SERCOP). The following tables show how the expenditure and income has been restated.

Notes to the Main Accounting Statements

As reported in the Comprehensive Income and Expenditure Statement 2015/16	Adjustments between SERCOP classifications and internal reporting classifications	As restated 2015/16
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Net Expenditure

SERCOP Service line	£000	£000	£000	Division
Central services to the public	2,115	97	2,212	Central services
Cultural and related services	3,145	1,355	4,500	Community services
Highways and transport	(236)	236	0	
Environmental and regulatory Planning	2,889 604	(1,537) (604)	1,352 0	Regeneration and built environment
Local authority housing	(1,028)	0	(1,028)	Local authority housing
Other housing	1,528	(1,528)	0	
Corporate and democratic core	1,515	2,442	3,957	Resources
Non distributed costs	274	(274)	0	
Exceptional item; MMI provision	187	(187)	0	
Cost of Services	10,993	0	10,993	

Gross Expenditure

SERCOP Service line	£000	£000	£000	Division
Central services to the public	2,745	(533)	2,212	Central services
Cultural and related services	4,715	4,060	8,775	Community services
Highways and transport	531	(531)	0	
Environmental and regulatory Planning	4,758 3,353	(151) (3,353)	4,607 0	Regeneration and built environment
Local authority housing	11,073	0	11,073	Local authority housing
Other housing	22,732	(22,732)	0	
Corporate and democratic core	1,515	23,701	25,216	Resources
Non distributed costs	274	(274)	0	
Exceptional item; MMI provision	187	(187)	0	
Cost of Services	51,883	0	51,883	

Gross Income

SERCOP Service line	£000	£000	£000	Division
Central services to the public	(630)	630	0	Central services
Cultural and related services	(1,570)	(2,705)	(4,275)	Community services
Highways and transport	(767)	767	0	
Environmental and regulatory Planning	(1,869) (2,749)	(1,386) 2,749	(3,255) 0	Regeneration and built environment
Local authority housing	(12,101)	0	(12,101)	Local authority housing
Other housing	(21,204)	21,204	0	
Corporate and democratic core	0	(21,259)	(21,259)	Resources
Non distributed costs	0	0	0	
Exceptional item; MMI provision	0	0	0	
Cost of Services	(40,890)	0	(40,890)	

Housing Revenue Account Income and Expenditure Statement

2015/16 £000		Note	2016/17 £000
	Expenditure		
5,193	Repairs and maintenance		4,103
3,355	Supervision and management		3,275
5	Rents, rates, taxes and other charges		8
2,310	Depreciation, impairment and revaluation of dwellings	5	(2,000)
138	Depreciation and revaluation of other HRA property	6	161
11	Debt management costs		12
61	Movement in the allowance for bad debts		118
11,073	Total Expenditure		5,677
	Income		
(10,474)	Dwelling rents		(10,269)
(360)	Non-dwelling rents		(366)
(1,267)	Charges for services and facilities		(1,191)
(12,101)	Total Income		(11,826)
(1,028)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(6,149)
234	HRA services' share of Corporate and Democratic Core		251
54	HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services		1
(740)	Net (Income)/Expenditure for HRA Services		(5,897)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(161)	Gain or (loss) on sale of HRA non-current assets		(202)
5	Pension administration expenses	11	6
966	Interest payable and similar charges		980
205	Pensions interest cost and expected return on pension assets	11	195
275	(Surplus) or deficit for the year on HRA services		(4,918)

Movement on the HRA Statement

2015/16 £000		2016/17 £000
(2,413)	Balance on the HRA at the end of the previous year	(1,545)
275	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(4,918)
593	Adjustments between accounting basis and funding basis under statute	4,957
-	Capital expenditure funded by the HRA	63
868	(Increase) or decrease in the year on the HRA	102
(1,545)	Balance on the HRA at the end of the current year	(1,443)

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 2016/17.

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

Notes to the Housing Revenue Account

2. Dwelling Stock

The dwelling stock held by the authority consists of:

	31 March 2016	Movements	31 March 2017
1 bed house	142	-	142
2 bed house	378	(7)	371
3+ bed house	888	(22)	866
Total houses	1,408	(29)	1,379
1 bed flat	940	(3)	937
2 bed flat	306	(1)	305
3+ bed flat	6	-	6
Total flats	1,252	(4)	1,248
Dwelling stock	2,660	(33)	2,627

3. HRA Non-Current Assets

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

31 March 2016		31 March 2017
£000		£000
61,757	Council dwellings	72,425
2,642	Land and buildings	2,980
104	Equipment	146
64,503	HRA assets	75,551

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 40%, an increase from 35% which was set in 2010/11. As a consequence the Council recognises dwellings at a value of £72.425m on the Balance Sheet. At vacant possession the same dwellings would have a value of £181.062m with the difference of £108.637m 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 2016		31 March 2017
£000		£000
61,757	Balance Sheet value EUV-SH	72,425
114,691	Difference of EUV-SH and EUV-VP	108,637
176,448	Value of dwelling stock at EUV-VP	181,062

5. Depreciation and Revaluation of Dwellings

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

2015/16		2016/17	
£000		£000	£000
1,432	Revaluation loss	85	
(806)	Reversal of previous revaluation loss	(3,741)	(3,656)
1,684	Depreciation for current year		1,656
2,310			(2,000)

Notes to the Housing Revenue Account

6. Depreciation and Revaluation of Other HRA Property

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

2015/16 £000		2016/17	
		£000	£000
1	Revaluation loss	-	
(1)	Reversal of previous revaluation loss	(6)	(6)
138	Depreciation for current year		167
138			161

7. HRA Capital Financing Requirement

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

2015/16 £000		2016/17	
		£000	£000
21,776	Opening Capital Financing Requirement		21,074
-	Impairment charge for non-dwelling Housing Revenue Account assets		6
	Capital investment:		
1,514	Council dwellings		2,649
	Source of finance:		
(1,514)	Major Repairs Reserve		(2,649)
(702)	Voluntary Revenue Provision – towards the repayment of HRA Debt		(555)
21,074	Closing Capital Financing Requirement		20,525
	Explanation of movements in year		
(702)	Decrease in underlying need to borrow (unsupported by Government financial assistance)		(555)
-	Impairment charge for non-dwelling Housing Revenue Account assets		6
(702)	Increase(decrease) in Capital Financing Requirement		(549)

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 2016/17 is set out in the following table:

Notes to the Housing Revenue Account

2015/16		2016/17	
£000		£000	£000
	Item 8 Credit		
(8)	Discounts for early repayment of debt	(5)	
(806)	Reversal of previous year revaluation loss - dwellings	(4,053)	
(1)	Reversal of previous year revaluation loss – non dwellings	(6)	(4,064)
	Item 8 Debit		
866	Interest payable on external loans	866	
1,684	Depreciation of dwellings	1,656	
138	Depreciation of non-dwellings	167	
99	Interest payable on notional cash balances	115	
11	Debt management expenses	11	
6	Premium charges for early repayment of debt	3	
347	Transfers to the Major Repairs Reserve	603	
1,432	Revaluation loss - dwellings	85	
1	Revaluation loss – non dwellings	-	3,506
3,769	Item 8 Credit and Item 8 Debit		(558)

9. HRA Non-Current Asset Disposals

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

2015/16		2016/17
£000		£000
338	Carrying value of dwellings sold	1,063
(498)	Sale proceeds from dwellings	(1,258)
(160)	Net gain on disposals	(195)

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.

2015/16		2016/17
£000		£000
	MRR transfers in the year:	
(1,684)	From HRA for dwellings depreciation	(1,656)
(347)	Difference between MRA and dwellings depreciation	(604)
(2,031)	MRA for the year	(2,260)
(138)	Increase for depreciation of non-dwelling assets	(167)
1,514	Capital expenditure financed by MRR	2,649
(761)	Balance brought forward	(1,416)
(1,416)	Balance carried forward	(1,194)

Notes to the Housing Revenue Account

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:

2015/16 £000		2016/17	
		£000	£000
	HRA		
	<i>Cost of Services:</i>		
279	▪ current service cost	255	
55	▪ curtailment costs	2	257
	<i>Financing and Investment Income and Expenditure</i>		
726	▪ interest cost	762	
(521)	▪ expected return on scheme assets	(567)	195
	<i>Other operating expenditure</i>		
5	▪ pension administration expenses		6
544	Total Post Employment Benefit Charged to the HRA Income and Expenditure Account		458

<i>Movement in Reserves Statement</i>		
(544)	• reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(458)
	<i>Actual amounts charged against the HRA balance for pensions in the year</i>	
448	• employers' contributions payable to scheme	403

12. Rent Arrears

At 31 March 2017 the HRA rent arrears and the provision in respect of uncollectable debts was:

2015/16 £000		2016/17	
		£000	£000
636	Arrears at year end		706
483	Provision for bad and doubtful debts		536
76%	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 2016 £000		31 March 2017 £000
(1,545)	Total HRA balance carried forward	(1,443)

Collection Fund Income and Expenditure Statement

2015/16			2016/17			
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000		£000	£000	£000
			Income			
(30,449)	-	(30,449)	Income from Council Tax	(31,959)	-	(31,959)
-	(22,506)	(22,506)	Income collectable from business ratepayers	-	(23,501)	(23,501)
-	29	29	Transitional Protection Payment	-	555	555
(30,449)	(22,477)	(52,926)	Total Income	(31,959)	(22,946)	(54,905)
			Expenditure			
			<i>Precepts demand & shares:</i>			
-	12,122	12,122	- Central Government	-	11,986	11,986
21,396	2,425	23,821	- Cumbria County Council	22,858	2,397	25,255
4,012	9,741	13,753	- Barrow Borough Council	4,121	9,682	13,803
3,840	-	3,840	- Cumbria Police & Crime Commissioner	4,020	-	4,020
			<i>Charged to the Collection Fund</i>			
(199)	(65)	(264)	- Write off of uncollectable amounts	(117)	(93)	(210)
587	114	701	- Increase/(decrease) in bad debt provision	245	410	655
-	380	380	- Increase/(decrease) in provision for appeals	-	(73)	(73)
-	97	97	- Costs of collection	-	96	96
29,636	24,814	54,450	Total Expenditure	31,127	24,405	55,532
(813)	2,337	1,524	(Surplus)/Deficit for the year	(832)	1,459	627

Council Tax	Business Rates	Total	<i>Collection Fund balances</i>	Council Tax	Business Rates	Total
(1,479)	573	(906)	Balance brought forward at 1 April	(1,473)	3,253	1,780
819	343	1,162	Distribution of previous years surplus/deficit	569	(2,697)	(2,128)
(813)	2,337	1,524	(Surplus)/Deficit for the year (as above)	(832)	1,459	627
(1,473)	3,253	1,780	Balance carried forward at 31 March	(1,736)	2,015	279
			<i>Allocated to</i>			
(198)	1,301	1,103	- Barrow Borough Council	(252)	806	554
(1,083)	325	(758)	- Cumbria County Council	(1,263)	201	(1,062)
-	1,627	1,627	- Central Government	-	1,008	1,008
(192)	-	(192)	- Cumbria Police & Crime Commissioner	(221)	-	(221)
(1,473)	3,253	1,780	Balance carried forward at 31 March	(1,736)	2,015	279

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 2016-2017 were estimated before the start of the financial year as £11.986m to Central Government, £2.397m to Cumbria County Council and £9.589m to this authority. These sums have been paid in 2016-2017 and charged to the collection fund in year. Barrow Borough Council also received £93k 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 2017. 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 decrease of the provision charged to the collection fund for 2016/17 has been calculated at £73k.

The total non-domestic rateable value at the 31 March 2017 was £57.35m (£56.679m at the 31 March 2016).

The national non-domestic rate multiplier for 2016/17 was 49.7 pence in the pound (49.3 pence in the pound for 2015/16).

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 48.4 pence in the pound (48.0 pence in the pound for 2015/16) and can also qualify for rate relief.

3. Bad and Doubtful Debts

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

Notes to the Collection Fund

31 March 2016		31 March 2017	
£000	Council Tax		£000
3,696	Arrears		3,900
2,116	Provision for bad and doubtful debts		2,127
57%	Percentage of provision		55%
	Business ratepayers		
1,185	Arrears		1,459
1,020	Provision for bad and doubtful debts		1,243
86%	Percentage of provision		85%

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 2016		31 March 2017	
£000	Council Tax		£000
491	Arrears		513
281	Provision for bad and doubtful debts		285
57%	Percentage of provision		56%
	Business ratepayers		
474	Arrears		584
407	Provision for bad and doubtful debts		497
86%	Percentage of provision		85%

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 2016/17 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 2016/17 is £2.371m. The retained levy for the authority paid into the pool was £56k and the distribution of the retained levy to the authority was £50k, these are shown within the Comprehensive Income and Expenditure Statement. The authority's share of the pool volatility reserve, £12k, is held in the Balance Sheet as an earmarked reserve.

5. Council Tax Base

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

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

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

Notes to the Collection Fund

The Council Tax base for 2016/17 was 18,555 (18,061 for 2015/16). The tax base for 2016/17 was approved by Council on 1 March 2016. The collection rate was assumed to be 97% for 2016/17 (97% in 2015/16).

The Council Tax base for the year was set as:

2015/16 Band D equivalent number of chargeable dwellings	Band	Standard factor	2016/17 Band D equivalent number of chargeable dwellings
14	Disabled reductions		20
7,956	A	6/9	8,315
3,470	B	7/9	3,537
3,601	C	8/9	3,630
2,051	D	9/9	2,082
1,100	E	11/9	1,105
315	F	13/9	328
111	G	15/9	110
2	H	18/9	2
18,620	Equivalent chargeable dwellings		19,129
18,061	97% of which gives the Council Tax base		18,555

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.

2015/16 Council Tax £	Band	Property value	2016/17 Council Tax £
1,076.09	A	Up to £39,999	1,110.30
1,255.43	B	£40,000 to £51,999	1,295.34
1,434.79	C	£52,000 to £67,999	1,480.40
1,614.13	D	£68,000 to £87,999	1,665.44
1,972.83	E	£88,000 to £119,999	2,035.54
2,331.52	F	£120,000 to £159,999	2,405.64
2,690.22	G	£160,000 to £319,999	2,775.74
3,228.26	H	£320,000 and over	3,330.88

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 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves 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 2016/17.

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 Authority's 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 2016/17, 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 for the financial year for which the financial statements are prepared 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: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements for securing 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 for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, 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 this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Independent Auditor's Report to Members

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Gareth Kelly
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

DATE TO BE ADDED ON CONCLUSION OF AUDIT

Cost Centres by Division

Resources Division

Corporate management
Democratic representation and management
Corporate Support
Non distributed costs
Cost of collection
Council Tax Support
Emergency planning
General grants
Registration of electors and elections
Parish precepts
Barrow BID
KOFAC
Coastal Communities Fund
Housing Benefits
Universal Credit
Homelessness

Housing Revenue Account

HRA Income
HRA Administration
HRA Estates
Property Inspectors
RTB Administration
Leaseholder Flats
Housing Shops
Community Involvement
Mobile Caretakers
Homeless Families & Dispersed Accommodation
Warden Services
Communal Rooms

Central Services

Finance Department
Information technology
Legal
HR
Technical support
Barrow Town Hall
Democratic services
Office support - admin
Customer services
Internal audit
Town Hall Stewards
Revenues and benefits client
Community services management

Community Services Division

Dock museum
The Forum
Sports development and community recreation
The park leisure centre
Barrow park
Parks and open spaces
Playground
Allotments
Cemeteries
Crematorium
Kennels
Public conveniences
Street cleansing
Streetscene unit
Waste collection & Recycling
The Markets
Off street car parking

Regeneration & the Built Environment

Local land charges
Coast protection
Environmental Health
Community Safety
Building control
Work in default
Development control
Planning
Regeneration
The mall and shops
Estates management
Commercial properties
Street fittings
Street lighting
Housing renewal administration
Housing market renewal team
Cluster Empty Homes

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 allocating 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.

Glossary

Impairment Loss

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

Intangible Asset

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

International Accounting Standards (IAS)

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

International Financial Reporting Standards (IFRS)

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

Investing Activities

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

Inventory

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

Investment Strategy

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

Item 8 Credit and Debit (General) Determination

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

Lease

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

Liability

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

Major Repairs Reserve

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

Material

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

Members' Allowances

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

Minimum Revenue Provision (MRP)

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

Movement in Reserves Statement

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

Non Current Asset

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

Non Domestic Rates (NDR)

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

Operating Activities

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

Pension Reserve

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

Precept

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

Provision

A provision is a liability of uncertain timing or amount.

Prudential Indicators

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

Related Party

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

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

Reporting Period

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

Reserves

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

Revaluation Reserve

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital under Statute (REFFCUS)

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

Risk

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

Risk management

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

Statement of Accounts

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

Treasury Management

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

Trust Funds

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

Usable Reserves

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

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.

AUDIT COMMITTEE	(D) Agenda Item 8
Date of Meeting: 21st September, 2017	
Reporting Officer: Corporate Support Manager	
<p>Title: Annual Governance Statement</p> <p>Summary and Conclusions:</p> <p>Provide Members with the updated Annual Governance Statement for 2016/17.</p> <p>Recommendations:</p> <p>To consider the report and raise any questions.</p>	

Report

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

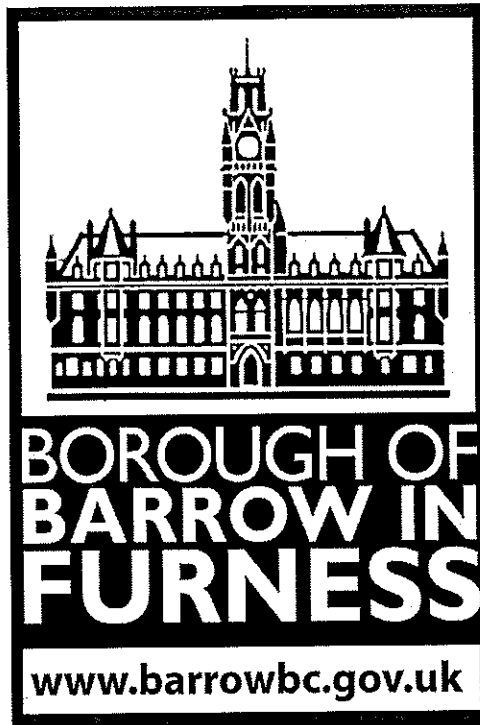
The following members of staff were involved in preparing the Annual Governance Statement for 2016/17:

Executive Director. Head of Paid Services
 Director of Resources: S151 Officer
 Assistant Director of Community Services
 Assistant Director of Regeneration and the Built Environment
 Assistant Director of Housing
 Members of the Governance Group
 Internal Audit, Manager
 Democratic Services Manager (Monitoring Officer)
 Corporate Support Manager

The Annual Governance Statement was presented to this Committee in July and following discussions with the auditor from Grant Thornton, the Head of Internal Audit and the Directors, the Statement has been revised so that it summarises the arrangements that we have in place. A copy is attached at **Appendix 2**). Amendments have been made to the Significant Governance Control Issues section to reflect concerns raised in recent Internal Audit reports where the Audit Conclusion was Restricted Assurance. An action plan has been developed to address these concerns.

Background Papers

Nil



Version Control: Version 1	
Document Name:	Annual Governance Statement 2016/17
Version:	
Author:	Corporate Support Manager
Approved by:	Audit Committee
Date Approved:	
Review Date:	April 2018

Annual Governance Statement – 2016-2017

Scope and Responsibility

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

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

Governance

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

The Council's Governance Framework

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

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

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable and proportionate

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

CIPFA has developed a framework for good governance in the public sector based on the International Framework, Good Governance in the Public Sector which the Council aims to work towards.

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve the Council's objectives while acting in the public interest at all times.

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

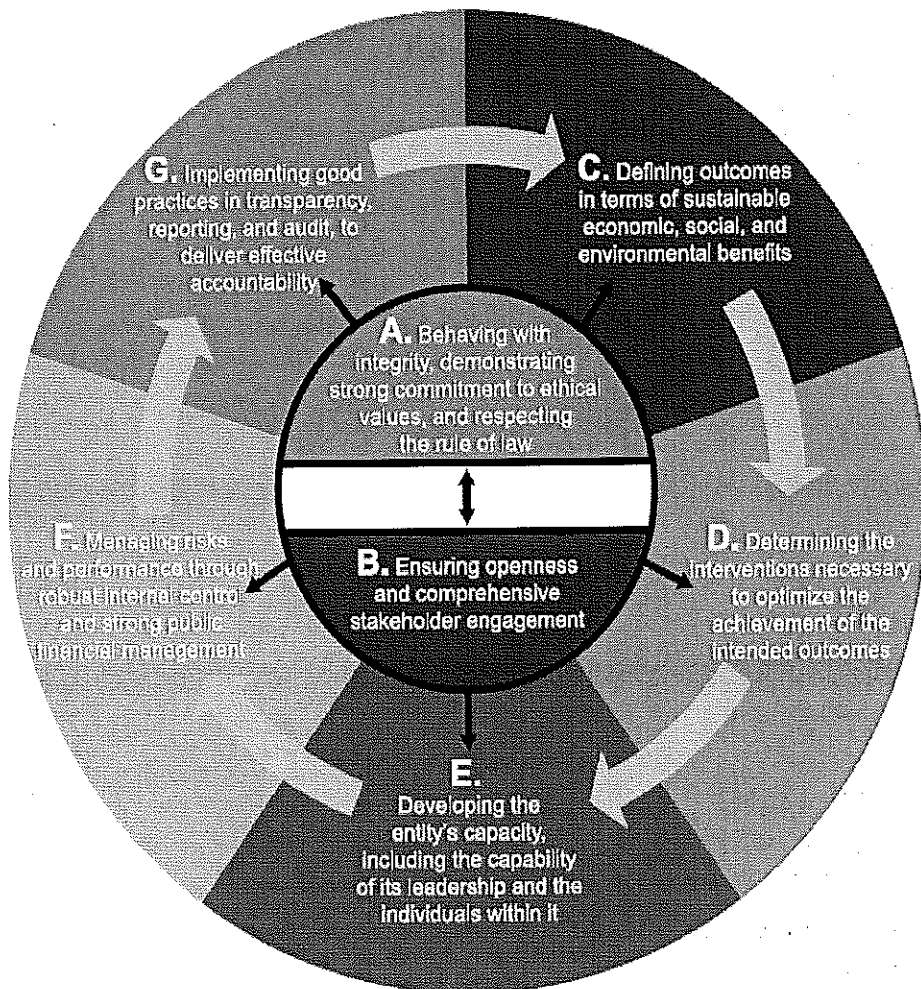
Our Local Code of Corporate Governance is the document that sets out the framework within which the Council conducts its business and affairs; it is based on seven principles of good governance.

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

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

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

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



Review of Effectiveness

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

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

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

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

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

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

Analysis of this information indicated that there were no significant assurance issues and the governance group determined that the questionnaire be reviewed and that the questions could be by interview.

Based on the self assessment the Council considers its governance arrangements to be at a satisfactory level.

To support the self assessment we reviewed the source documents recommended in the CIPFA guidance schedule and identified additional

evidence to demonstrate compliance with the supporting principals of good governance.

We already produce an annual Local Code of Corporate Governance which defines what we do to deliver effective governance arrangements: [Code of Governance](#)

The Constitution

The Borough of Barrow-in-Furness has agreed a constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

Some of these processes are required by the law, while others are a matter for the Council to choose and set out the basic rules governing the Council's business.

The Constitution was comprehensively revised in 2015 and is regularly reviewed to ensure it is fit for purpose.

The Constitution sets out the Council's ethical standards for Elected Members and Officers.

We have adopted formal codes of conduct defining standards of personal behaviour for Members and officers.

We have put in place effective systems to protect the rights of staff. We ensure that policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place.

The Constitution includes the Council's Contract Standing Orders, Financial Regulations, committee structure, delegation powers and how the Council operates.

The Section 151 Officer is responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.

The Council takes a longer term view and publishes these so the public are aware of our intended outcomes. This information can be found published in documents including the Budget Strategy, the Council's Priorities and the Council Plan.

The Council has prepared and published a plan which sets out the Council's priorities; a Medium Term Financial Plan which is a financial representation of the Council's Vision and supports the priorities.

We will enable the Chief Financial Officer to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained.

The Constitution is published on the Council's website: [Council constitution](#)

Decision making process

The Council plan

The Council plan is a strategic document under which the Council's other policy framework documents sit. It sets out the Council's vision and priorities for the period from 2017 - 2020. The plan details how the Council will achieve the priorities which have been agreed by Elected Members.

Council decisions are made by either the Executive Committee under delegated powers or by Full Council. All meetings are open to the public and we attempt to publish all committee agenda items under "Part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.

A Member development programme provides a structured framework to ensure Members have the opportunity to develop their skills and are supported to carry out their duties.

The Council will develop and retain a management structure that provides leadership and creates the opportunity for staff to work effectively and efficiently to achieve the Council objectives. We will provide training and support to enable staff to develop their skills so they can achieve their full potential. We will develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.

We will ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.

Members are provided with financial and performance reports on a regular basis.

Agendas, reports and minutes for all Council meetings are published on the Council's website. [Committee reports and minutes](#)

Customer engagement

We strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes which meet the needs and expectations of the public. These arrangements will recognise that

different sections of the community have different priorities and establish robust processes for dealing with these competing demands.

We have a customer service strategy which defines how we will engage with customers and other stakeholders and involve them in improving our services.

Partnership working

The Council participates in formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.

We contribute to and support initiatives that benefit the residents and businesses in the Borough. We ensure that partnerships are based on trust, a shared commitment to change and a culture that promotes and accepts challenge among partners.

When supporting stakeholder relationships we are clear about the Terms of Reference and clearly define our role. Our arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands.

Managing risk

The Council recognises that risk management is an integral part of all activities and must be considered in all aspects of decision making. We have risk management arrangements in place including mitigating actions to support the achievement of the Council's intended outcomes. We work with our contractors to understand our shared risks.

We ensure that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their job.

The Council's risk register is agreed annually by the Executive Committee. The register is reviewed on a quarterly basis by Management Board and the output is reported to the Audit Committee.

The responsibilities for managing risk are defined in the Council's risk policy.

Managing performance

The Council has a performance management framework which was agreed by the Executive Committee and performance data is reported to Management Board and the Executive Committee on a quarterly basis.

The Council produces a number of strategies and policies to ensure we comply with our responsibilities and these are published on the Council's website. [Corporate Documents](#)

Governance arrangements and internal control

Audit Committee

We maintain the Audit Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the Council's culture. The function of the Audit Committee includes:

- Consider reports and opinion of the internal audit function.
- Consider specific reports from internal audit and ensure agreed recommendations are implemented in a reasonable time frame.
- Consider reports and opinion of the appointed auditor.
- Monitor the risk management process.
- Monitor the Council's policies on the anti-fraud and anti-corruption strategy.

We have established a governance group with the remit of collecting assurance information across all departments.

We publish an Annual Governance Statement, signed by the Executive Director and the Chair of the Audit Committee to confirm that we are satisfied that we have effective governance arrangements in place.

Overview and Scrutiny Committee

We maintain an effective Overview and Scrutiny Committee to provide constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible.

Internal Audit

The internal audit function develops an annual audit plan which is risk based and is agreed by the Director of Resources and the Audit Committee. The audit plan provides a structure approach to reviewing internal control.

Internal Audit provides specific reports and recommendations. It also provides an Annual Report on internal control which includes an audit opinion in support of the Council's Annual Governance Statement as required under the Accounts and Audit Regulations 2015.

The opinion is derived from work carried out by Internal Audit during the year as part of the agreed Internal Audit Plan.

Internal Audit Opinion

The Head of Internal Audit's detailed opinion is that, for the systems reviewed, the Council has basically sound systems of control in place, although there are weaknesses which put some of the system objectives at risk, these mainly relate to areas of contract management and control and Community Services. The profile of assurance is in our experience comparable to other local

authorities, with the majority of Council systems receiving Substantial Assurance.

There are however, seven areas where only Restricted assurance can be provided, which relate to:

- Re-Roofing James Freel Close;
- Housing Stock Condition Survey;
- Barrow Cemetery North West Extension;
- Performance Management;
- Procurement;
- Housing Management System;
- Car Park Meter Income; and
- Kennels.

Weaknesses found as a result of our work, together with our recommendations for improvement, have been included in our reports to senior management and Members. Additionally, any weaknesses identified through the Annual Governance Statement process are recorded separately and reflect the assurance provided from all sources both internal and external.

Significant governance and internal control issues

There were no recommendations relating to the Annual Governance Statement in the 2015/16 Annual Audit Letter.

However it is recognised that changes to local government funding is challenging for the Council and will impact on service provision. The Council's proposals for managing funding changes have been agreed and are detailed in the Council's Budget Strategy.

In 2016/17 eight audit reports identified significant weaknesses in internal control and the audit conclusion was: Restricted Assurance.

A review of the reports identified that the management of contracts and procurement was of significant concern with five of the reports relating to non-compliance with the Council's Standing Orders and/or the Council's Purchasing Procedure when preparing, tendering and managing the contract process and procuring high value services and supplies.

The Council has developed a contract checklist to support managers through the process however non-completion or partial completion of this checklist was raised as an important issue in all the reports.

In addition to contract issues the procurement audit identified issues in obtaining documentation to support compliance with the Council's Purchasing Procedure.

There were reports where the Audit Conclusion was restricted assurance because of the significant number of recommendations in the report. In both cases this was due to previous recommendations not being implemented. These reports were Performance Management and the Kennels.

Management Board have agreed actions that will deliver improvements and these are included in the action plan.

There is one on-going action from the previous year regarding the outstanding Business Continuity Plan.

The Council has identified arrangements for ICT disaster recovery and these were implemented. This will facilitate the Council's business continuity arrangements and the Business Continuity Plan has been prepared. Disaster recovery arrangements are in place to allow priority services to operate if the Town Hall cannot be used. Replicate data is collected in real time and stored off-site. Partial testing of this system has been completed to provide confidence that these arrangements are effective and data is being retrieved on a regular basis. Comprehensive testing has been subject to a number of delays and currently cost of installing a firewall to facilitate accessing external networks is being reviewed.

Action Plan

Action plan for 2017/18

Action	Responsible officer	Due date
Continue to monitor the delivery of the Budget Strategy.	Management Board	On-going
Monitor the progress against individual contract checklists and intervene if required.	Procurement Officer	On-going
Establish an informal support group consisting Internal Audit and the Procurement Officer help managers with compliance issues	Procurement Officer	End of Q3

Action	Responsible officer	Due date
Amend the Purchasing Procedure so that all procurements over £25,000 require input from the Procurement Officer to ensure compliance with the Purchasing Guide.	Director of Resources	End of Q3
Amend the Purchasing Procedure to state that the threshold limits in the guide apply to orders in a 12 month period. This will ensure that multiple orders for identical items are compliant with the Purchasing Procedure threshold limits.	Director of Resources	End of Q3
Ensure that agreed recommendations are implemented in a timely manner	Audit Committee	On-going
Develop a comprehensive testing plan for Business continuity arrangements and test capability for delivering services from the Park Leisure Centre.	Corporate Support Manager	January 2018

J. Certification Statement

The review of the governance arrangements for the financial year 2016-2017 has not highlighted any areas of major concern for the Council. We believe that the existing arrangements are fit for purpose and are adequate to meet the Council's corporate aims.

Councillor Mrs A Burns

Chairman of the Audit Committee

P Huck

Executive Director

		Part One
AUDIT COMMITTEE		(D) Agenda Item 9
Date of Meeting:	21st September, 2017	
Reporting Officer:	Director of Resources	
<p>Title: Audit Findings Report</p> <p>Summary and Conclusions:</p> <p>This report contains the Audit Findings Report which is intended to highlight any significant items arising from the audit process for the benefit of the Audit Committee.</p> <p>Recommendations:</p> <p>To receive the Audit Findings Report and raise any questions.</p>		

Report

The Audit Findings Report is attached at **Appendix 3** and is intended to highlight any significant items arising from the audit for the benefit of the Audit Committee.

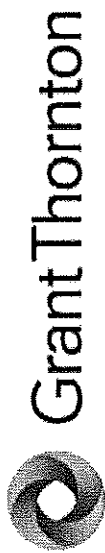
The External Auditor is required to issue the report at the conclusion of the audit, noting any adjustments made to the draft accounts as published.

Subject to Members agreeing the Letter of Representation, the External Auditor will give an unqualified audit opinion.

The External Auditor will present the Audit Findings Report.

Background Papers

Nil



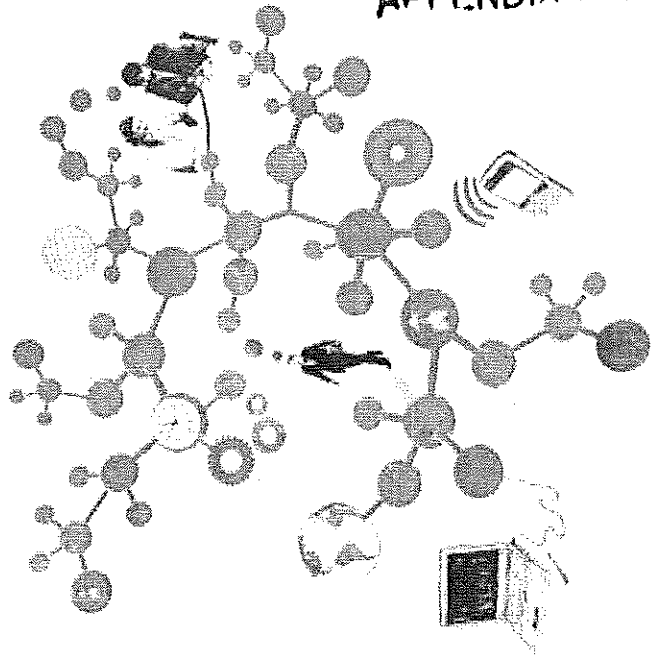
The Audit Findings for Barrow Borough Council

Year ended 31 March 2017
September 2017

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21st September 2017

Dear Sirs

Audit Findings for Barrow Borough Council for the year ended 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance, which in the case of Barrow Borough Council is the Audit Committee, to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) (TSA (UK&I)), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours Faithfully

Gareth Kelly
Engagement Lead

Chartered Accountants

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Section 1: Executive summary

01. Executive summary

02. Audit findings

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Purpose of this report

This report highlights the key issues affecting the results of Barrow Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 (the Act).

Under the National Audit Office (NAO) Code of Audit Practice (the Code), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report; whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Council acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the value for money (VFM) conclusion). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

As explained on page 9, at the start of our audit we updated our materiality calculation to take account of a reduction in gross expenditure in the comprehensive income and expenditure account. Aside from this, in the conduct of our audit we have not had to alter or change our audit approach, which we communicated in our Audit Plan to the Audit Committee on 23 March 2017.

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

- agreement of non-material disclosures to supporting information;
- confirmation of the balance outstanding from an organisation in receipt of a material loan from the Council;
- review of the final version of the financial statements;
- obtaining and reviewing the management letter of representation;
- review of the final versions of the Annual Governance Statement (AGS); and
- updating our post balance sheet events review, to the date of signing the opinion; and
- providing the required submission to the National Audit Office in respect of the Council's Whole of Government Accounts (WGA) return.

Executive summary

We received the draft financial statements on 2nd June 2017. This was almost a month ahead of the statutory deadline for this year and this demonstrates the finance team were able to achieve its goal of closing the accounts faster. Next year the accounts will need to be submitted for audit by 31 May 2018, so this demonstrates good progress has been made. Good-quality working papers supporting the accounts were provided in accordance with the agreed timetable.

Key audit and financial reporting issues

Financial statements opinion

We identified two adjustments affecting the Council's reported financial position with the details recorded in section two of this report. The draft financial statements for the year ended 31 March 2017 recorded a net surplus on provision of services of £4.050m; the audited financial statements show a net surplus of £4.061M. The difference is driven by changes made to correct two non-trivial errors, one of which increased expenditure by £314,000 and the other reduced expenditure by £325,000. We have also recommended a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- the Council continues to produce good-quality accounts which include all disclosures required by CIPFA and accounting standards;
- the Council has made good preparations for the change in the statutory timetable for the audit of the accounts; and
- management need to ensure that they have appropriate assurance over the adequacy of the accounting treatment for one-off or unusual items as the adjustments required this year all related to items of this nature.

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

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We confirm that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice. We agreed changes to the AGS to streamline the document and ensure control weaknesses relating to procurement highlighted by internal audit were adequately disclosed, together with an appropriate action plan.

Controls

Roles and responsibilities

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

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

Findings

We draw your attention in particular to control issues identified in relation to:

- improvements to the configuration of the main accounting system to strengthen the Council's IT control environment

Further details are provided within section two of this report.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources for 2016/17.

Our work this year concentrated on the progress that has been made to implement the Council's budget strategy and the arrangements in place to revisit the financial plans to reflect changing government policy impacting on the housing function. We found the Council had arrangements in place to address the related financial pressures in both areas but further work will be required over the following 12 months to address the challenges faced by the Council.

Details of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to the Audit Committee in March 2018.

The way forward

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

We have made six recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Director of Resources and the finance team.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2017

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Audit findings

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As we reported in our audit plan, we determined overall materiality to be £1,038,000, being 2% of gross revenue expenditure. We have considered whether this level remained appropriate during the course of the audit. We identified that gross revenue expenditure had reduced significantly as a consequence of the reversal of prior year impairments relating to Council dwellings. Consequently, we re-calculated materiality based on gross revenue expenditure in the draft financial statements and determined that materiality should be reduced to £895,000. We have confirmed that the amendments to the accounts detailed in this report did not further reduce gross revenue expenditure so no further changes to materiality were required as a result of these adjustments.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £44,000. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Related party transactions	The Council conducts its business using public funds. The Related Party disclosures ensures that the Council discloses in full any transactions that have occurred with related parties. This ensures that the Council is open about who it does business with and counters any allegations or suspicion of nepotism on the part of management or TCWG.	£20,000 (Individual misstatements will also be evaluated with reference to how material they are to the other party)
Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings

Audit findings against significant risks

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

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Barrow Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Barrow Borough Council, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management; • Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation; and • Review of unusual significant transactions. 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular, the findings of our review of journal controls and testing of journal controls and entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315). In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks (continued)

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>Valuation of property, plant and equipment</p> <p>The Council revalues its non-housing assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p> <p>In accordance with the relevant guidance, Council dwellings are revalued annually.</p>	<p>Work completed</p> <ul style="list-style-type: none"> Review of management's processes and assumptions for the calculation of the estimate. Review of the competence, expertise and objectivity of any management experts used. Review of the instructions issued to valuation experts and the scope of their work. Discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions. Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these assets held at carrying value are not materially different to current value. Testing of a judgemental sample of revaluations made during the year to ensure they are input correctly into the Council's asset register. 	<p>The Council recognised significant upward valuations in this year's financial statements, which are largely driven by:</p> <ul style="list-style-type: none"> a significant increase in the value of Council dwellings with the average property value increasing from £23,217 to £27,569. the Council's rolling programme of valuations including valuation of the leisure centre and the forum which are two significant assets – the Council's valuer assessed that in total the Forum and the Leisure Centre had increased in value by £3M since they were last valued five years ago. <p>We liaised with the valuer, as management's expert, to obtain further information regarding the basis of the valuations provided. This information enabled us to conclude that assumptions and modelling underpinning the valuations is reasonable. Tracing a sample of valuations back to the Balance Sheet provided assurance that the correct information had been entered in the asset register. However, when accounting for upward revaluations on Council Dwellings management had overstated by £314,000 the amount that could be credited to net cost of services. Management have agreed to adjust for this error as set out in more detail on page 21 of this report.</p> <p>Five non-housing assets account for £36m (57%) of the Council's property, plant and equipment carried at current value on the Balance Sheet. Under the existing arrangement, these assets are only revalued every five years. Management should consider whether more frequent valuations are required to ensure the value of these assets is fairly stated at each balance sheet date.</p>

Audit findings against significant risks (continued)

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet represents a significant estimate in the financial statements.</p>	<ul style="list-style-type: none"> • We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. This provided an understanding of the basis on which the valuation is carried out. • We undertook procedures to confirm the reasonableness of the actuarial assumptions made. • We reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our audit work has not identified any issues in respect of the risk identified.</p>

Audit findings against other risks

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

Transaction cycle and risk	Description of risk	Work completed	Assurance gained & issues arising
<p>Employee remuneration Employee remuneration accruals understated Remuneration expenses not correct</p>	<p>Payroll expenditure represents a significant percentage of the Council's gross expenditure. We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle; undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding; analytical procedures to identify any discrepancies in monthly payrolls and consideration of whether payroll expenditure is in line with our expectations based on supporting evidence; and tested the reconciliation between the payroll system and the amounts recorded in the general ledger and financial statements. 	<p>Our audit work has not identified any issues in respect of the risk identified.</p>
<p>Operating expenses Creditors understated or not recorded in the correct period Operating expenses understated</p>	<p>Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs. We identified the completeness of non-pay expenditure in the financial statements as a risk requiring particular audit attention.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle; undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding; and tested a sample of post year-end payments to ensure "cut-off" is correct (i.e. that they are recorded in the right period). 	<p>Our audit work has not identified any issues in respect of the risk identified.</p>

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks (continued)

Transaction cycle and Risk	Description of risk	Work completed	Assurance gained & issues arising
<p>Welfare benefit expenditure</p> <p>Welfare benefit expenditure improperly computed</p>	<p>Welfare benefit expenditure represents a significant percentage of the Council's gross expenditure.</p> <p>We identified welfare benefit expenditure as a risk requiring particular audit attention:</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle; • undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding; • tested a sample of payments to housing benefit claimants to confirm the amount due has been calculated accurately and in accordance with relevant regulations; and • tested the reconciliation between the benefits system and the amounts recorded in the financial statements. 	<p>Our audit work has not identified any issues in respect of the risk identified.</p>
<p>Changes to the presentation of local authority financial statements</p>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented and evaluated the process for recording the required financial reporting changes to the 2016/17 financial statements; • reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure; • reviewed the appropriateness of the revised grouping of entries within the Movement in Reserves Statement (MIRS); • tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES; • tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger; • tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements; and • reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice. 	<p>Overall, our work has confirmed management has prepared the comprehensive income and expenditure statement in accordance with CIPFA guidance. To aid interpretation of the accounts, management have also produced the expenditure and funding analysis, as required by CIPFA.</p> <p>However, we have agreed the following minor presentational changes to the accounts to ensure compliance with relevant guidance and accounting standards:</p> <ul style="list-style-type: none"> • the prior period restatement is included as a note to the accounts; in the draft accounts the restatement was incorporated into the narrative report; and • the expenditure and funding analysis has been disclosed as a note to the accounts as in the draft accounts this was presented as a primary statement. <p>Currently, the Council's internal reporting focusses on the variance between actual performance and the budget estimates. We have agreed with management that in future internal reporting will be aligned with the format of expenditure and funding analysis to make clearer the link between the outturn and the position reported in the accounts.</p>



New issues and risks identified during the course of the audit

This section provides commentary on new issues and risks which were identified during the course of the audit and were not previously communicated in the Audit Plan

Issue	Commentary
<p>1. New Waste and Recycling Contract The Council completed a tendering exercise in the 2016/17 financial year to appoint a new contractor to provide its waste collection service. The contract was signed at the end of March and the contract commenced from 1 April 2017. Our experience working with other local authorities indicated that waste collection contracts can give rise to complex accounting considerations. In particular, there is a need to assess whether the contract provides the Council with control over the vehicles the contractor uses to provide the service.</p>	<p>Accounting standards provide a framework for assessing whether contracts contain a lease. Management identified the contract it had signed with the new contractor conveyed a right to control the vehicles used by the contractor to fulfil the contract. When preparing the draft accounts, management determined that its interest in the vehicles was equivalent to an operating lease. When the Council is party to an operating lease, the leased asset is not accounted for on the Council's Balance Sheet. This is on the basis that the balance of risk and reward associated with owning the asset has not transferred to the Council. We challenged management's assessment that the arrangement constituted an operating lease on the basis that the length of the new waste contract is seven years, which is similar to the typical useful economic life of refuse collection vehicles. Management revisited its assessment and determined that the arrangement was a finance lease. We agreed an amendment with the Council to re-classify the lease. This amendment reduced the value of the future operating leases commitment disclosed in the accounts by £1.428m. The Council will account for the finance lease from 1 April 2017 in line with the date the contract commenced. We also agreed an additional disclosure to the capital commitments note to make users of the statements aware of the contract the Council had entered into as at 31 March 2017.</p>


Accounting policies, estimates and judgements

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

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>The Council's income recognition policy reflects that activity is accounted for in the year it takes place, not simply when cash payments are made. In respect of revenue, the Council's accounting policies state that:</p> <ul style="list-style-type: none"> Revenue from the sale of goods is recognised when the Council 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 them. 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 Council. As the billing authority, Barrow Borough Council accounts for its own share of the council tax and business rates transactions in the Balance Sheet (and the Comprehensive Income and Expenditure Account) and its share of the collection fund balance is held in the Collection Fund Adjustment Account. The precepting authorities' share of the council tax for business rate transactions as well as their share of the collection fund balance is accounted for as a debtor or creditor with those bodies. 	<p>The Council's accounting policy is in line with the requirements of CIPFA code and is adequately disclosed in the accounts.</p>	<p> GREEN</p>
Going concern	<p>The Director of Resources, in her role as the Section 151 officer, has completed an assessment which asserts that she has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed the Council's assessment. We are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.</p>	<p> GREEN</p>

Accounting policies, estimates and judgements (continued)

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

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	<ul style="list-style-type: none"> • Key estimates and judgements include: <ul style="list-style-type: none"> - Useful life of Property, Plant and Equipment (PPE) - Revaluations of PPE - Impairments of PPE - Valuation of pension fund net liability - Provision for NNDR appeals. 	<p>We have considered the Council's arrangements in each of these areas. We were satisfied the judgements made by management were appropriately supported and where estimates had been used a robust process had been adopted to arrive at the estimate. Our detailed work on the estimates for the pension liability and the valuation of PPE are set out on page 11.</p> <p>In accordance with relevant accounting standards, the Council includes in its balance sheet a provision reflecting its assessment of its exposure to business rate appeals. This is based on appeals submitted to the Valuation Office Agency at 31 March 2017, by businesses within the Borough. The Council undertakes a regular detailed review to determine the amount which should be held in a provision in respect of appeals submitted where a decision had not been taken by the Valuation Office Agency at the year-end. We identified a minor, but non-trivial discrepancy, whereby some older, but still valid, appeals had been excluded from the provision calculation in error. On account of immateriality, no adjustment has been made but management has agreed to revisit next year the basis on which the working paper is prepared.</p> <p>We have also examined documentation showing appeals settled after the year-end. We were satisfied the value of the provision as at 31 March 2017 is appropriately supported.</p>	 <p>GREEN</p>

Assessment

- [GREEN] Accounting policy appropriate and disclosures sufficient
- [AMBER] Accounting policy appropriate but scope for improved disclosure
- [RED] Marginal accounting policy which could potentially attract attention from regulators

Audit findings

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
1. Matters in relation to fraud	<ul style="list-style-type: none"> • We have previously considered and discussed the risk of fraud with the Audit Committee and we have received a written response to our enquiries from the Chair of the Audit Committee. • We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2. Matters in relation to related parties	<ul style="list-style-type: none"> • From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3. Matters in relation to laws and regulations	<ul style="list-style-type: none"> • You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations. • We have not identified any incidences from our audit work.
4. Written representations	<ul style="list-style-type: none"> • A letter of representation has been requested from the Council.
5. Confirmation requests from third parties	<ul style="list-style-type: none"> • We requested from management permission to send confirmation requests to the Council's bankers, the institutions with which the Council had investments at the year-end and two organisations the Council had granted loans to. This permission was granted and the requests were sent. • With one exception, the necessary confirmations have been received.
6. Disclosures	<ul style="list-style-type: none"> • We have agreed a small number of changes to disclosures in the accounts. These are set out on page 24.

Other communication requirements continued

	Issue	Commentary
7.	Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; and/or • the information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or is otherwise misleading. <p>There are no matters to report.</p>
8.	Specified procedures for Whole of Government Accounts	<ul style="list-style-type: none"> • We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. • However, the Council is below the thresholds set by the NAO so we are not required to undertake any detailed audit procedures on the 2016/17 consolidation pack.

Internal controls – review of issues raised in prior year

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1. X	Our IT audit team undertook a programme of work to review the configuration of the Council's main accounting system and the controls established within that system to prevent and/or detect access.	<p>Update on actions taken to address the issue</p> <ul style="list-style-type: none"> • Our IT audit team undertook a follow-up review earlier this year. Some progress has been made to address the findings included in the previous year's audit findings report. However, at the time of our review the Council had only partially implemented some of our key recommendations. In particular: • acknowledged segregation of duties conflicts had not been formally documented to demonstrate these had been agreed by management; • default passwords were still used on some default accounts; • a system weakness which could facilitate management override within the system had not been addressed; and • there had been limited progress to implement audit-logging. <p>We understand that some work has been ongoing to address the recommendations made by our IT auditors. We will consider the progress made as part of next year's audit.</p>

Assessment

- ✓ Action completed
- X** Not yet addressed

Adjusted misstatements

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure
<p>1 Depreciation adjustment debited to Income and Expenditure following reversal of impairments</p> <p>There was a significant gain in the value of Council dwellings. Accounting standards require the Council to reverse any impairments charged previously to the income and expenditure account. However, the amount credited to the income and expenditure account has to be offset by an adjustment reflecting the additional depreciation which would have been charged had the impairment not been recognised. Management failed to post this adjustment when preparing the accounts.</p>	<p>HRA Expenditure understated by £314,000</p> <p>Surplus on Revaluation of Assets understated by £314,000</p>	<p>No impact</p>	<p>Surplus on Provision of Services overstated by £314,000</p> <p>Other Comprehensive Income understated by £314,000</p>
<p>2 Treatment of amounts paid to Cumbria County Council in respect of Barrow Island works</p> <p>The Council made a payment to Cumbria County Council under the terms of a Section 278 agreement. The payment was a deposit which Cumbria County Council would use to cover the cost of any inspections of the project due in line with their responsibilities as the Highways Authority and to also cover the cost of rectifying any damage to the highway caused by the project. This payment should have been recognised as part of debtors in the Balance Sheet but had been treated as revenue funded from capital under statute (REFCUS)</p>	<p>Regeneration and Built Environment Expenditure overstated by £325,000</p>	<p>Current Assets – Debtors understated by £325,000</p>	<p>Surplus on Provision of Services understated by £325,000</p>

Adjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure
<p>3 Treatment of Public Health England Grant</p> <p>The Council had recognised a grant of £483,000 in non-specific grant income. The grant should have been matched to the REFUCS expenditure of £183,000 incurred during the year with the balance of £300,000 being carried as a capital grant unapplied in the Balance Sheet and not as originally forming part of earmarked reserve in the draft accounts.</p>	<p>Resources Directorate - Gross Income understated by £183,000</p> <p>Taxation and Non-Specific Grants overstated by £183,000</p>	<p>Earmarked Reserves overstated by £300,000</p> <p>Capital Grants Unapplied understated by £300,000</p>	<p>No impact</p>

Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Reason for not adjusting
1 Detailed review of the provision for appeals against the rateable values provided by the Valuation Office Agency identified that the provision was understated by £81,000. Increases in the provision are accounted for as part of the Collection Fund and the Council recognises its share of 40% as shown in its primary statements.	Taxation and Other Non-Specific Income (Business Rate Retention) overstated by £32,000	Long Term Liabilities – Provisions understated by £32,000	The adjustments are clearly immaterial
Overall impact	£32,000	£32,000	

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value	Account balance	Impact on the financial statements
1 Misclassification	£1,428,000	Note 16 - Operating Leases	As noted earlier in this report on page 15, our testing identified that the Council had incorrectly concluded that the new waste contract included an operating lease. Given that we have agreed with management that the lease is actually a finance lease, an adjustment has been made to remove the amounts relating to the operating lease from Note 16.
2 Misclassification	£1,000,000	Balance Sheet	The Authority has a loan which is due for repayment in the 2017/18 financial year. This had been disclosed as part of long-term borrowing in error. We agreed an adjustment to classify this balance as short-term borrowing.
3 Disclosure	N/A	Note 13 – Property, Plant and Equipment – Capital Commitments	In light of the issue set out above, at our request management have added a disclosure to the capital commitments notes to indicate that as a consequence of signing the new waste contract the Council is committed to the acquisition of new vehicles which the contractor will use to fulfil the contract.
4 Disclosure	Various	Prior Period Adjustment Disclosure	As noted earlier in this report on page 14, we have agreed with management that information regarding the restatement of prior year comparators as part of the 'Telling the Story' changes should be disclosed as a note to the account rather than as part of the narrative report.

Section 3: Value for Money

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money**
- 04. Other statutory powers and duties
- 05. Fees, non-audit services and independence
- 06. Communication of audit matters

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in March 2017 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan, which we presented to the Audit Committee at its meeting on 23 March 2017.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- the progress made to implement the changes in service provision set out in the budget strategy approved in July 2016; and
- the plans in place to ensure the Council's housing function is on a stable footing given changes in government policy.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 29 to 30.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

Appendix B outlines our audit report, which includes our unqualified opinion on the Council's VfM arrangements.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement as follows;

- ensuring there is sufficient consideration by senior management of key assumptions made by external consultants before these are incorporated into Council strategy;
- establishing an appropriate timetable for taking a decision regarding future delivery of the revenues and benefits service. The timetable should provide sufficient time for members and officers to consider all plausible options for service delivery;
- building into the Council's medium-term financial plan for the Housing Revenue Account sufficient provision for expected increases in depreciation charges following the recent increase in the value of Council dwellings; and
- ensuring the Council's forward-programme of planned maintenance on Council dwellings makes adequate provision for any additional degradation linked to the Council's coastal climate.

Management's response to these can be found in the Action Plan at Appendix A.

Key findings

Significant risk	Work to address	Findings and conclusions
<p>Budget Strategy</p> <p>In our 2015-16 Audit Findings Report we noted that the Council had developed a budget strategy in September 2016 and that significant detailed work would need to be undertaken by officers and members to realise the savings associated with the re-provision of the leisure and the revenues and benefit service.</p>	<p>We assessed the Council's arrangements with those officers responsible for developing and implementing the detailed plans required to deliver the necessary savings. We will assess whether sufficient progress is being made with the plans to realise the strategy.</p>	<p>The Council has made progress to implement the savings schemes set out in the Budget Strategy. Two of the savings schemes represent approximately £1.25m of the total savings of £2.37m per year which the Council need to deliver and our work focussed on these. A Delivery Plan for the implementation of the strategy was considered by the Executive Committee in November 2016. We set out below our understanding of the current position in relation to the two major savings schemes and our assessment of the arrangements currently in place.</p> <p>Leisure Contract</p> <p>The Council has been working with external consultants to take forward the procurement of an outsourcing partner to deliver leisure services in the Borough. At the time of preparing the Budget Strategy, the Council had identified that savings of around £470,000 per annum could be delivered through outsourcing the Forum and the leisure centre under a new contract which is due to be in place by 1 April 2018.</p> <p>Prior to going out to tender, the Council commissioned an early market engagement exercise which provided some assurance that the market would come forward with a bid to provide services at the Forum and the leisure centre. This indicates that appropriate arrangements were in place to inform the approach set out in the Budget Strategy. However, our review of the relevant documentation suggests there was only limited evidence that there was market appetite for running the services provided by the Forum on terms that would be acceptable to the Council.</p> <p>The original plans have now been revised following further work so that the outsourcing exercise is confined to the leisure centre. The timing has also changed: due to an existing contract for the provision of fitness and gym facilities on the leisure centre site a decision was taken to postpone the commencement date for the new contract to 1 August 2018.</p> <p>Officers have provided assurance that the savings targeted in the approved budget strategy can still be achieved even though the Council now only intends to outsource the running of the leisure centre. The Council is confident that the market will come forward with a proposal to run the service where any payment due from the Council to the outsourcing partner is significantly less than the current cost of running the facility. This reflects an expectation that an outsourcing partner will be able to generate more income and have lower overheads than the existing arrangements.</p> <p>More detailed projections have been produced to support the revised estimate linked to the outsourcing of the leisure centre. However, officers recognise that there is still some uncertainty that a provider will come forward with a proposal on terms that will be sufficient to ensure the Council can deliver the required savings. Alongside any savings generated from the leisure centre outsourcing, management have confirmed that they intend to find additional savings through making changes to the way in which services are delivered at Forum. Management understands that they the Council may still need to find savings in other areas to achieve the reduction in net expenditure set out in the Budget Strategy.</p> <p>Revenues and Benefits Contract</p> <p>The Council's existing arrangements for the provision of the revenues and benefits service expire on 30 September 2018. Management has indicated that they intend to provide Members with the opportunity to consider a range of options in relation to future service provision. Management has explained that their focus in the period to 31 March 2017 has been on the leisure outsourcing. Management need to ensure there is sufficient flexibility built into the timetable to enable a full range of options to be considered and that the expiry date of the existing contract does not restrict the best value for money options available.</p>

Key findings (continued)

Significant risk	Work to address	Findings and conclusions
<p>Provision of Council-owned housing</p> <p>Recent changes in government policy has negatively impacted on the 30-year business plans local authorities were required to produce when they took on additional housing debt as part of the re-financing of Council housing in 2011/12. These changes pose a risk to the sustainable provision of Council-owned housing if they are not addressed.</p>	<p>We assessed the Council's arrangements with those officers responsible for developing and implementing the detailed plans required to deliver the necessary savings. We will assess whether sufficient progress is being made with the plans to realise the strategy.</p>	<p>Management recognise the pressure presented by changes in government policy. The Council has prepared a detailed projection for the Housing Revenue Account ('HRA') which models the impact of the reduction in rents imposed by the central government and the continuation of the existing trend whereby increasing numbers of Council tenants are taking advantage of the opportunity to purchase their Council property under the terms of the right to buy scheme.</p> <p>To balance the 2017-18 HRA budget management established a Housing Service Review Group and savings totalling £268,000 were agreed of which the majority relates to a reduction in the voluntary provision for repayment of debt. Looking ahead to 2018-19, management has forecast that if further remedial action is not taken the deficit on the HRA will be £300,000 in 2018-19 and around £500,000 each year from 2019/20 onwards. We understand the aforementioned working group has been tasked with identifying further savings, as well as changes to the service which could increase income. There is a recognition amongst senior managers at the Council and Members that the sustainability of the service depends on management continuing to bring forward changes which reduce the cost of running the service.</p> <p>Maintenance represents the main cost associated with the housing function. The Council has worked hard to ensure that all but four of its properties meet the government's decent homes standard. There has also been extensive work undertaken to review maintenance contracts to ensure these meet the Council's requirements and provide value for money. In January 2017, the Council identified that further planned maintenance was required to rectify problems with the roofs and the damp insulation on some properties in the Borough. These works had not been identified as part of a condition survey in 2014 and the need to undertake the work became apparent after repairs to the affected properties were required. We understand that in both cases the coastal climate experienced by the Borough has had a significant impact so it will be important that, when planning likely planned maintenance, the Council takes account of any components within its Council dwellings which might require renewal or replacement sooner due to factors associated with the local climate.</p> <p>New accounting arrangements affecting the HRA come into effect from the 2017-18 financial year. This is because the five-year transitional period introduced after the major self-financing reforms introduced in 2012-13 has ended. Under the new arrangements, depreciation is charged to the Housing Revenue Account and there is no longer any provision for an adjustment to be made to cap the amount charged to the HRA at an amount equal to the amount set aside to fund major repairs as part of the Council's business plan. The Council needs to ensure its medium term financial plan for the HRA takes account of the consequence of these changes as the impact could be significant. This is because the value of the Council's dwellings has increased in recent years due to trends in the local market and changes in guidance issued to valuers. Increases in the value of Council dwellings lead to an increase in the depreciation charge.</p>

Value for money

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Fees, non-audit services and independence

01. Executive summary
02. Audit findings
03. Value for Money
04. Fees, non audit services and independence
05. Communication of audit matters

Fees, non audit services and independence

We confirm below our final fees charged for the audit and confirm as at 8 September there were no fees for the provision of non-audit services.

Fees

	Proposed fee £	Final fee £
Council audit	51,119	51,119
Grant certification	13,733	13,733
Total audit fees (excluding VAT)	65,852	65,852

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. This did not identify any non-audit services being provided to the Council.

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Communication to those charged with governance

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

This document, the Audit Findings Report, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psaal.co.uk/2016/03/26/audit-responsibilities-of-auditors/>)

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/wp-content/uploads/2016/03/Code-of-Audit-Practice-2016-2017.pdf>). Our work considers the Council's key risks when reaching our conclusions under the Code.

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

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

Appendices

A. Action Plan

B. Audit Opinion

Appendix A: Action plan

Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1	Align in-year financial reporting to the format of the Expenditure and Funding Analysis within the Statement of Accounts.		Accepted, the divisions and presentation within the Statement will be the format used in quarterly reporting.	Implementation September 2017 Director of Resources and Accountancy Services Manager
2	Consider commissioning revaluations of significant non-housing assets on a more frequent basis.		Accepted, we will consider the frequency of the significant non-housing asset valuations.	Implementation October 2017 Accountancy Services Manager and Asset Accountant
3	Implement the outstanding IT audit recommendations relating to the configuration of the Oracle main accounting system.		Accepted, the outstanding recommendations will be progressed with our external support provider.	Implementation December 2017 Financial Services Manager and IT Manager
4	Ensure the timetable for decision making on the future provision of the revenues and benefits service is sufficient to ensure a full options appraisal can be undertaken.		Accepted	Implementation October 2017 Director of Resources
5	Update the medium-term financial plan for the Housing Revenue Account (HRA) to reflect any increase in capital charges due to come by the HRA from 2017-18 onwards.		Accepted	Implementation October 2017 Director of Resources and Service Accountant
6	Review the schedule of planned maintenance to ensure there is adequate consideration of maintenance which might need to be brought forward due to the Borough's coastal climate.		Accepted, this affects a small number of properties within the stock and materials will be a consideration for planned maintenance in future	Implementation September 2017 Assistant Director (Housing)

Controls

- High – Significant effect on control system and/or value for money arrangements
- Medium – Effect on control system and/or value for money arrangements
- Low – Best practice

Appendix B: Audit opinion

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

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 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves 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/LASAAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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 Authority's 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/LASAAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 for the financial year for which the financial statements are prepared 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 Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

Appendices

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements for securing 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 for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, 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 this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

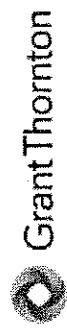
Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Gareth Kelly
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Fardman Square
Spinningfields
Manchester
M3 3EB

DATE TO BE ADDED ON CONCLUSION OF AUDIT



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AUDIT COMMITTEE		Part One (D) Agenda Item 10
Date of Meeting: 21st September, 2017		
Reporting Officer: Director of Resources		
<p>Title: Approvals and Letter of Representation</p> <p>Summary and Conclusions:</p> <p>This report contains the Council's Letter of Representation and requests the approval for this to be signed in addition to signing and publishing the Statement of Accounts 2016-2017 and Annual Governance Statement 2016-2017.</p> <p>Recommendations:</p> <ol style="list-style-type: none"> 1. To approve the audited accounts and authorise the Chairman of this committee to sign the Statement of Accounts for 2016-2017 on behalf of the Council; 2. To approve the Annual Governance Statement for 2016-2017 and authorise the Chairman of this committee to sign on behalf of the Council; 3. To approve the Letter of Representation and authorise the Director of Resources and the Chairman of this committee to sign on behalf of the Council; and 4. To publish the Statement of Accounts and Annual Governance Statement on the Council's website. 		

Report

Statement of Accounts

After considering the Audit Findings Report for 2016-2017, Members are recommended to approve the audited Statement of Accounts for 2016-2017 and to authorise the Chairman of this committee to sign on behalf of the Council.

The Statement of Accounts will be published on the Council's website once the audit certificate is provided.

Annual Governance Statement

The same consideration applies to the Annual Governance Statement for 2016-2017 and Members are asked to authorise the Chairman of this committee to sign on behalf of the Council.

The Statement of Accounts will be published on the Council's website once the audit certificate is provided.

Letter of Representation

The purpose of this letter is to provide assurance to the External Auditors on relevant and significant matters relating to the financial year. The Letter of Representation is issued to disclose the material facts affecting the 2016-2017 transactions of the Council; the letter is at **Appendix 4**. There are no significant issues to highlight.

Members are asked to consider and approve the Letter of Representation and authorise the Director of Resources and the Chairman of this committee to sign on behalf of the Council.

Acknowledgement

I would like to thank all of the officers involved in both the finance and governance work carried out during 2016-2017 and during the audit process. Closing early this year is recognised as an achievement, but it has had impacts on technical matters and maintaining business as usual. There will need to be a debriefing process in order to eliminate some of the issues encountered before March 2018. My concerns are around resources, including my own time, and how the condensed audit period may impact on business as usual. We will work through this with Grant Thornton who I would like to thank for working with us through the audit process.

Background Papers

Nil



APPENDIX No. 4

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

**Barrow Borough Council
Resources Directorate**

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

Our Ref: SMR/AB

Contact Name: Susan Roberts

Date: 21/09/2017

Your Ref: -

Dear Sirs

Barrow Borough Council
Financial Statements for the year ended 31 March 2017

This representation letter is provided in connection with the audit of the financial statements of Barrow Borough Council for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

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

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code") which give a true and fair view in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the Council has been assigned, pledged or mortgaged;
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x. All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.
- xiv. The financial statements are free of material misstatements, including omissions.

- xv. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xvi. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xvii. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi. We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxii. We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

- xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 21 September 2017.

Yours faithfully

**S M Roberts CPFA, ACMA
Director of Resources, Section 151 Officer
21 September 2017**

**Councillor Mrs A Burns
Audit Committee Chairman
21 September 2017**

Signed on behalf of the Council

Part One	
AUDIT COMMITTEE	(D)
Date of Meeting: 21st September, 2017	Agenda
Reporting Officer: Director of Resources	Item
11	
Title: Internal Audit Final Report	
Summary and Conclusions:	
Internal Audit performs audits in accordance with the approved Internal Audit Annual Plan. This report includes the final audit report issued since the last meeting of this Committee.	
Recommendations:	
To receive the Internal Audit final report and raise any questions.	

Report

There is one final report for consideration by Members:

- 17-01 Income Collection **Appendix 5**

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

The assurance levels are:

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

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

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

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

The recommendation levels assigned to issues identified are:

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

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

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

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

Background Papers

Nil

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 17-01
INCOME COLLECTION

Executive Summary

Introduction

The Borough Council offers a range of methods of payment to its customers. The more traditional options such as cheque, debit/credit cards, standing order and direct debit have been supplemented by newer methods which include a dedicated payment hotline, the Internet, Touchtone phone and Allpay payment points. Internet and telephone services are processed through the Axis Income Management system, which is provided by Capita Software Services.

Payment by cash is no longer accepted at the Town Hall, although a number of areas, particularly customer facing services such as car parking machines and leisure, continue to take cash payments for the facilities they provide. Income is still received in the form of cheques, mainly through the post.

Audit Objectives

An audit of this system forms part of the agreed 2017/18 programme. The audit objectives were to evaluate and test specific internal controls for the collection and receipting of income within the Council. The scope and objectives of the audit were discussed and agreed in advance with the Financial Services Manager.

Audit work included testing of the operation of key controls.

Key Points
Substantial Assurance
Two Important issues
Five minor issues
One Previous Recommendation

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound system, there are weaknesses, which may put some of the system objectives at risk. We have made two Priority 2 recommendations, which concern:

- ensuring that all contracts are accurately worded to avoid loss of income to the Council. Further, any variations agreed as part of a contract extension should be carefully considered prior to acceptance; and
- ensuring that Park café accounts are provided by Continental Landscapes and the correct income due to the Council is received.

We have made five Priority 3 recommendations, which relate to:

- ensuring that putting green income is accurately and consistently receipted, and reconciled to physical cash held prior to pay in;

- confirming the insurance arrangements for non-council staff transporting council income;
- reviewing the float of £20 at the putting green to confirm it is sufficient and not combined with funds belonging to an outside party;
- ensuring that a consistent procedure for processing rejected car parking contract Direct Debits is agreed and adhered to; and
- designing and producing a new report to allow the Gift vouchers issued and redeemed at the Forum through the Spektrix system, to be regularly reconciled to the Council's Oracle Financial system.

Internal Audit reviewed the outstanding recommendation made in Audit Report 16-01, dated March 2017. The recommendation has been implemented.

Internal Audit also reviewed the outstanding recommendation made in Audit Report 14-01, dated September 2014. The recommendation remains outstanding and relates to:

- reviewing the Forum daily reconciliation sheets and ensuring that they are accurately and consistently completed, including completion of all sections of the reconciliation sheet.

Management Response

We have received a constructive management response from Management Board, the Streetcare Manager, Admin and Parking Services Manager, Financial Services Manager and the Venue Manager, accepting each of the recommendations.

Acknowledgement

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

		<u>Part One</u>
AUDIT COMMITTEE		(D)
Date of Meeting: 21st September, 2017		Agenda
Reporting Officer: Head of Internal Audit		Item
		12
<p>Title: Internal Audit Progress Report</p> <p>Summary and Conclusions:</p> <p>The Internal Audit Progress Report has been produced. The report sets out the year to date progress against the agreed Internal Audit Annual Plan.</p> <p>Recommendations:</p> <p>To receive the Internal Audit Progress report and raise any questions.</p>		

Report

The Internal Audit Progress Report for the period from 1st April, 2017 to 8th September, 2017 is attached at **Appendix 6**.

Background Papers

Nil

BARROW BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

April to September 2017

2017/18

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EXECUTIVE SUMMARY

Purpose

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

- Internal Audit work performed up to 8th September 2017, including final reports issued relating to a previous reporting period; and
- Significant issues that have arisen during this period as a result of our work.

Content

The information is presented in the following schedules:

1. *A Statistical Summary of Recommendations*

This schedule includes all audit recommendations to which Council management have responded between 1st April and 8th September 2017. The figures are analysed according to the 'priority' of the recommendations, and the extent to which each has been accepted by management for action.

2. *Accepted Priority 1 Recommendations*

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

3. *Rejected Recommendations*

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

4. *Audit Coverage*

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

5. *Classifications of Assurance and Recommendations*

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

1. STATISTICAL SUMMARY OF RECOMMENDATIONS

The following table summarises the number of audit recommendations we have made in our final reports issued up to 8th September 2017; analysed by their priority, including whether accepted by management.

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made	13	3	5	5
Fully Accepted	13	3	5	5
Partly Accepted	0	-	-	-
Not Accepted	0	-	-	-

2. ACCEPTED PRIORITY 1 RECOMMENDATIONS

There have been no Priority One recommendations since the previous Audit Committee.

3. REJECTED RECOMMENDATIONS

3.1 PRIORITY ONE RECOMMENDATIONS

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

3.2 PRIORITY TWO RECOMMENDATIONS

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

4. INTERNAL AUDIT COVERAGE:

APRIL – SEPTEMBER 2017

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	ANNUAL AUDITS			
17-01	Income Collection	1	Final	Substantial
17-02	Housing Benefits	1		
17-03	Council Tax & Council Tax Support	1		
17-04	Business Rates (NNDR)	1		
17-05	Risk Management	1		
17-06	Cash Floats/Receipting Controls	-		
17-08	Fraud and Corruption Survey	-	Complete	N/a
17-09	Performance Management	2		
17-10	Budgetary Control	2		
17-11	Treasury Management	2		
17-12	Car Park Meter Income	2		
17-13	Payroll (incl Expenses)	2		
17-14	Accounts Receivable	2		
17-15	Corporate Control/Governance	2		
17-16	Main Accounting System and Periodic Controls	2	Q1 In Progress	
17-17	Procurement (inc. Ordering)	2		
17-18	Accounts Payable	2		
17-19	Housing Rents	2		
17-20	Standing Orders/Financial Regs/Council Plans & Policies	2		
17-21	Housing Maintenance (Day to day repairs)	2		
17-22	Housing Rents - System Review	-		
17-23	NFI responsibilities	-	Ongoing	
17-25	Benefit Certification	-	In Progress	
17-26	Probity	-	Complete	N/a
17-27	Council leased vehicles	-	Final	Restricted
17-28	Probity	-	Complete	N/a

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	COMMUNITY ORGANISATIONS AND MAYOR'S ACCOUNT			
-	Hawcoat	-	Complete	N/a
-	Abbotsvale	-	In Progress	N/a
-	Dalton Community Association	-		
-	Barrow Playing Fields Users Association 2013-14	-	Outstanding Issues	
17-24	Mayor's Account	-	Complete	N/a
	IT ENVIRONMENT AUDITS			
IT64	Email and Internet Controls	-	Draft	Substantial
IT65	IT General Controls	-		
IT66	IT Implementation Review	-		
17-07	IMPLEMENTATION REVIEW			

Fraud Hotline Calls

	Revenues/ Benefit related	Staff Related	Other	Total
2017/18 (April – September)	12	0	5	17
2016/17 (Full year)	54	3	3	60

5. CONTRACT AUDIT

Report Number	Audit Assignment	Status	Assurance/ Comment
CR100	Crematorium/Cemetery Office	Initial Draft	No Assurance; however, further information provided; queries to resolve.
CR80	Roa Island Jetty	Stage 4 Findings issued 15th Sept 16	Final Account awaited
CR91	Rawlinson Street Corridor	Stage 4 Findings issued 22nd Dec 16	
CR94	2014 CHP Devonshire Road Improvements	Stage 2 and 3 Findings issued 4th May 17	
CR95	Town Hall Ground Floor Improvements	Stage 4 Findings to issue	
CR97	Maritime Streets Landscaping Design	Stage 3 completed 17th Sept 15	Awaiting response to findings
CR98	Maritime Streets Landscaping Works		Awaiting further information
CR107	High level electrical repairs & festive lighting	Stage 2 findings issued 4th May 17	
CR108	Electrical reactive repairs & maintenance	Stage 2 findings issued 4th May 17	
CR113	Recycling Containers	Stage 1 Findings issued 30th May 17	
CR115	Refuse, Recycling & Street Cleansing 2017-24	Supporting information outstanding	

6. CLASSIFICATIONS

6.1 Classification of Assurance Levels

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

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

6.2 Priority of Recommendations

Our audit recommendations are categorised by three priority levels: -

- Priority 1* Major issues that we consider need to be brought to the attention of senior management.
- Priority 2* Important issues which should be addressed by management in their area of responsibility.
- Priority 3* Detailed issues of a relatively minor nature.

7. PERFORMANCE

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

Indicator		2017/18
1	Percentage of Draft reports issued within 10 working days of completion of audit fieldwork.	100%
2	Percentage of Management Responses received within 20 working days of issue of the Draft report.	50%
3	Percentage of Final reports issued within 10 working days of receipt of management response.	100%
4	Percentage of Priority 1 and Priority 2 Recommendations acceptable to the audit client.	100%

Draft Reports issued

Ref	Audit	Date issued
IT64	Email and Internet Controls	8 September 2017

APPENDIX 1 – RESTRICTED ASSURANCE AUDITS

Ref	Audit	Recommendations			Previous Recommendations			Total	Date Issued
		P1	P2	P3	P1	P2	P3		
17-27	Council Leased Vehicles	3	3	0		0		6	27 June 2017

AUDIT COMMITTEE	(D) Agenda Item 13
Date of Meeting: 21st September, 2017	
Reporting Officer: Corporate Support Manager	
<p>Title: Monitoring Internal Audit Reports</p> <p>Summary and Conclusions:</p> <p>Update Members on the implementation of recommendations from Internal Audit reports where the Audit Conclusion was Restricted Assurance.</p> <p>Recommendations:</p> <p>To consider the report and determine whether further action is required.</p>	

Report

Internal Audit undertakes reviews of Council's systems as defined in the annual audit plan. The audit conclusion may be Restricted Assurance where significant weaknesses are identified. This has replaced monitoring of Priority 1 Recommendations because the Audit Conclusion may also be Restricted Assurance if there are a significant number of important issues.

At the last meeting of this committee there were eight Audit Reports where the Audit Conclusion was Restricted Assurance.

Many of the issues were related to contracts and procurement and Management Board have agreed to the following actions to deliver improvements:

- The progress against individual contract checklists will be monitored electronically. This will be done by the Procurement Officer who can then intervene and provide advice if required; issues can be reported at the Contract Working Group.
- An informal support group consisting of Internal Audit and the Procurement Officer will be established so that if managers can't comply with procurement rules they can seek advice as to what steps to take and what documentation is required to support the deviation; this shall be documented.
- The Purchasing Procedure will be amended so that all procurements over £25,000 require input from the Procurement Officer to ensure compliance with the Purchasing Guide. The chest should be used for procurement where appropriate; the Procurement Officer shall decide on the appropriateness.

- The Purchasing Procedure will be amended to state that the threshold limits in the guide apply to orders in a 12 month period. This will identify incidents where multiple smaller orders for identical items are made to avoid compliance with the Purchasing Procedure threshold limits; this will be monitored by the Procurement Officer (an annual review).
- The Head of Internal Audit to be invited to Contract Working Group meetings on an exceptions basis to assist in resolving complex matters.
- Senior managers will monitor the implementation of agreed recommendations through regular one to one meetings or the appraisal process.

Other issues related to previous recommendations not being implemented. I will actively monitor the implementation of these recommendations and provide updates on an exceptions basis.

Background Papers

Nil

AUDIT COMMITTEE		<u>Part One</u> (D) Agenda Item 14
Date of Meeting: 21st September, 2017		
Reporting Officer: Corporate Support Manager		
<p>Title: Risk Management</p> <p>Summary and Conclusions:</p> <p>Provide Members with amendments to the Council's Risk Registers for 2017/18.</p> <p>Recommendations:</p> <p>To note the amendments.</p>		

Report

The Council's Risk Registers (attached at **Appendices 7 and 8**) were reviewed by Management Board at their meeting on 30th August and the following amendments were made:

Corporate Risk 2

Future subsidy of the Forum; now excluded from outsourcing has been added to the Potential Impact.

Council agreed full service and use of facility review to significantly reduce subsidy has been added to the Mitigating Actions.

Corporate 4

Sickness in Quarter 1 of 2017/18 has increased, largely related to long-term personal stress; the current counselling service offered by the Council will be reviewed has been added to the mitigating actions.

Corporate 8

Ongoing recruitment issues in Environmental Health may impact delivery times has been added to the mitigating actions.

Operational 1

The Mitigating Actions have been amended, the Forum has been removed from the risk and the outsourcing date to be 1st August 2018.

Operational 7

A complete cremator replacement is planned for 2018/19 has been added to the Mitigating Actions.

Background Papers

Nil

Threat description and reference	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
<p>Corporate 1 2017/1 Legislative changes will impact on the Housing Revenue Account Income.</p>	5	5	25	<p>Imposed 1% rent reduction year on year for 3 years. (est total loss in budget of c10% over the 3 years)</p> <p>- welfare reform changes, in particular the continued impact of the bedroom tax, and the implementation of universal credit. There has also been a significant increase in the number of "Right to Buy" applications which are generally for larger properties and is impacting on the our ability to manage tenancies. Although the numbers on universal credit remain low experience is showing it is proving difficult to collect rent from such recipients)</p>	<p>The Housing Service has drafted its next Business Plan which will agree The Service will deal with The threats to income over The next three years in particular. The Housing Service has and is implementing a range of initiatives within its operational arrangements to deal with welfare reform. This ranges from The change in focus of Housing officers and up-skilling to engagement with potential residents with emphasis on ensuring they have budget plans in place from The start of their new tenancy. Equal priority is also afforded to existing tenants to ensure they have The necessary budget plans and arrangements in place to meet their Housing costs. new Technology solutions are also being progressed to improve The management of tenancies.</p>	Assistant Director - Housing	5	4	20
<p>Corporate 2 2017/2 Future financial stability and sustainability of the Council.</p>	5	5	25	<p>Without sufficient funding plans discretionary services may be at risk of reduction or closure.</p> <p>Statutory services may be delivered with reduced service levels.</p> <p>Staff redundancies may not be avoidable.</p> <p>Funding to external bodies may be reduced.</p> <p>The Council's capital programme and treasury management strategy must be affordable and reduced revenue resources may impact on the Council's plans.</p> <p>The overall capacity of the Council to deliver services may need to be scaled down and may fall below users expectations.</p> <p>The 2019-20 projected £2.7m deficit which has increase because of the New Homes Bonus will be reduced through the next Budget Strategy.</p> <p>Future subsidy of the Forum; now excluded from outsourcing.</p>	<p>The Council's Medium Term Financial Plan has been projected out to 2019-2020 and will be aligned to the Council's Plan and presented to the Executive Committee. All of the assumptions are clearly shown and will continue to be reviewed during the life of the Budget Strategy. The Budget Strategy development process is underway. Through the Budget Strategy, the Medium Term Financial Strategy aim of eliminating the deficit in the core budget will be delivered. This will require the use of the reserves set aside for support and pacing the changes, to achieve longer term financial resilience.</p> <p>The impacts of the Budget Strategy will be closely monitored by Management Board, including the impacts on the workforce. The Council has a Workforce Strategy which provides a clear commitment to employees. Along with the Budget Strategy, the Council will review and publish its Plan, Priorities and Objectives for the coterminous period.</p> <p>The Council is somewhat limited in the additional external funding it can access, but wherever possible bids are submitted where grants are available; this is for projects and not for sustainable services. In order to maximise the grant funding brought into the Borough, the Council increasingly works with other organisations to draw funding in; in most cases taking on the role of accountable body.</p> <p>Council agreed full service and use of facility review to significantly reduce subsidy.</p>	Executive Director and Director of Resources	5	4	20

<p>Corporate 3 2017/1 Failure of external partner, service providers or contractors</p>	<p>3</p>	<p>5</p>	<p>15</p>	<p>This is likely to result in the suspension of some service while alternative service providers are identified</p>	<p>The Council monitors the position of service providers through regular client meetings and will undertake company checks on our contractors The Council retains the intellectual property and assets that will support continuity of services</p>	<p>Management Board</p>	<p>3</p>	<p>4</p>	<p>12</p>
<p>Corporate 4 2017/2 Level of sickness worsens</p>	<p>4</p>	<p>4</p>	<p>16</p>	<p>A significant increase may impact on the Council's capacity to deliver services. An increase in sickness absence may result in the need for temporary staff thereby increasing costs.</p>	<p>The Council put a number of measures in place in 2016/17 which have contributed to reducing the current levels of sickness. Details of sickness management will be reported to Management Board on a quarterly basis. Sickness in Q1 of 2017/18 has increased, largely related to long-term personal stress; the current counselling service offered by the Council will be reviewed.</p>	<p>Director of Resources</p>	<p>3</p>	<p>4</p>	<p>12</p>
<p>Corporate 5 2017/1 Impact of Welfare Reform changes</p>	<p>4</p>	<p>4</p>	<p>16</p>	<p>This has had an impact on the Housing Revenue Account as detailed in risk Corporate 1 2017/1 above. An increasing number of residents experience low incomes and risk homelessness.</p>	<p>1. Continue to support and work with advice agencies throughout the Borough to assist residents to receive appropriate advice. 2. Maximise the Discretionary Housing Payments fund and assist residents in the most challenging financial circumstances to look for longer-term solutions to their problems. 3. The Council has developed a Homeless Strategy based on our approach of preventative work to assist residents under threat of losing their homes and assist those who are homeless, to resolve their issues. Reduced grants for Local Government Council Tax Reduction Scheme are not passed on as reduction in entitlement. Continue to invest in group repair schemes to enhance the properties and environment. Continue to offer disabled facilities grants and disabled adaptations. The Council provides financial support to Citizens Advice Bureau and the Barrow and District Disability Association to continue to provide welfare benefits advice until 2020.</p>	<p>Management Board</p>	<p>4</p>	<p>3</p>	<p>12</p>
<p>Corporate 6 2017/1 Delivery of the water front regeneration programme</p>	<p>4</p>	<p>4</p>	<p>16</p>	<p>Failure to deliver the programme will damage the profile of Barrow as a place to live and work. There is currently an active market in private sector residential development which would make the Marina Village of interest to private sector developers.</p>	<p>The Council is committed to complete the site assembly. The project can progress in phases subject to the availability of funding. The first access into the site has obtained planning permission and construction has started. The Council has entered into discussions with the Home and Communities Agency to bring forward the site as a development priority for Cumbria.</p>	<p>Executive Director</p>	<p>3</p>	<p>3</p>	<p>9</p>

<p>Corporate 7 2017/1 Maintain H&S arrangements and target services for improvement.</p>	<p>2 5 10</p>	<p>Members of the public and Council employees could be put at risk by Council operations</p>	<p>The establishment of the Technical Services Team and the Health & Safety Management Group has strengthened the Council's H&S arrangements. Health & Safety systems will be kept under review. All staff have received electronic H&S training. Agreed H&S improvement plan in the process of implementation. High risk services will be targeted for improvement. The Council has been advised on risk mitigation by its insurers Zurich Mutual and has agreed a corporate inspection policy and action plan to improve the inspection of properties.</p>	<p>Executive Director</p>	<p>2 3 6</p>
<p>Corporate 8 2017/2 Capacity to undertake statutory inspections, investigations and enforcement action.</p>	<p>5 5 25</p>	<p>Compliance with statutory targets may be compromised. Response time for investigations and enforcement action may be compromised.</p>	<p>Consultancy services are brought in as required for specific issues or to backfill where Council officers deal with complex cases. Ongoing recruitment issues in Environmental Health may impact delivery times.</p>	<p>Assistant Director - Regeneration and Built Environment</p>	<p>4 4 16</p>
<p>Corporate 9 2017/1 Information Technology security breach</p>	<p>4 5 20</p>	<p>Corrupt systems and loss of data. Withdrawal of Public Sector Network access. System downtime impacting on service delivery. Low level issues are being identified as risks during the annual testing and the resource requirement for achieving PSN compliance is increasing as a result.</p>	<p>Up-to-date Information Security Policy. Staff using email and internet sign up to the Policy. Management overview of email and internet usage. Individual virtual servers for discrete business areas. Business continuity plan. Symantec has been set up on all windows machines to provide a level of protection against virus', spyware and other threats. E-training for email and internet vigilance has been delivered to all staff. Virtual desktops provide more controlled environment which further limits the possibility of breaches. IT Services will continue to Review ICT Security and update systems as required. IT Services will also provide training and advise to minimise the risks.</p>	<p>Director of Resources</p>	<p>2 3 6</p>

<p>Corporate 10 2017/1 Effective workforce planning</p>	4	4	4	16	<p>Potential impact – Without effective workforce planning, service delivery and service quality are placed at risk. If adequately qualified and experienced officers are not in place, the risk of service failure and customer dissatisfaction increase and the risk of regulatory failure may need to be addressed. Without a transparent commitment from Management and the Administration, the workforce may be less inclined to remain with the Council for the longer term and seek out a career elsewhere.</p>	<p>Mitigation – The Council has a Workforce Strategy which will be reviewed and updated with the Council Plan and associated documents. Management and the Administration are aware that the Council's workforce is the most valuable resource in achieving service delivery and customer satisfaction. Development, training and succession planning are keys to the retention of the workforce and in recruiting new employees. Where there are skills gaps, the Council will look to fill that gap with training and in the short term look to consultants or other skilled professionals to ensure service continuity. The Council will only look to retain consultants on a short term basis, as and when required, to allow time for the required skills and knowledge to be acquired by the workforce.</p>	<p>Director of Resources</p>	4	3	12
<p>Corporate 11 2017/1 Incidents of fraud, bribery or corruption</p>	2	2	4	4	<p>It would indicate a failure of the Council's systems. Loss of money. Loss of reputation and confidence.</p>	<p>Fraud and corruption policy in place for staff and Members. Effective whistle blowing policy in place. Monitoring of standards and checks by Internal Audit</p>	<p>Director of Resources</p>	1	2	2
<p>Corporate 12 2017/1 Major incident affecting service delivery</p>	1	5	5	5	<p>Widespread damage due to fire, flooding or severe weather.</p>	<p>Business continuity plan. Contingency plans. access to Council systems</p>	<p>Executive Director</p>	1	4	4
<p>Corporate 13 2017/1 Major incident affecting ICT systems</p>	1	4	4	4	<p>Damage to Council's ICT infrastructure due to fire or flooding. Failure of ICT systems may adversely affect service delivery.</p>	<p>Disaster recovery plan Business continuity plan. Contingency plans. access to Council systems Offsite replicate server has been established.</p>	<p>Director of Resources</p>	1	3	3

Operational risks April 2017

Threat	Likelihood	Impact	score	Potential impact	Mitigating actions	Responsible	Likelihood	Impact	score
Operational 1 2017/2 Not having adequate staffing to deliver key services.	4	5	20	Key services, including statutory services and demand led services cannot be delivered or delivered at an unacceptably low level.	<p>The many customer facing services have been contracted out and therefore staffing lies with the contractor. Housing are still in house and we will manage staffing levels. It is anticipated that we will have outsourced the Park Leisure Centre by 1st August 2018.</p> <p>Management Board co-ordinate leave to ensure that senior management is available. Staff holiday planning is undertaken by the managers within departments.</p> <p>Consultancy services are used where unplanned absences will result in statutory services being adversely affected. The Council has also agreed mutual aid arrangements for professional support with other local authorities.</p>	Management Board	3	4	12
Operational 2 2017/1 Access to operational buildings.	2	5	10	Key services, including statutory services and demand led services cannot be delivered.	<p>The Council has a Business Continuity Plan. Services that are contracted out do not depend on the Council's premises being accessible.</p> <p>The leisure services are not statutory - no access would be inconvenient and prevent users from enjoying the facilities. Key back office functions performed in the Town Hall can be carried out from other operational buildings. There are several key holders for each operational building.</p>	Executive Director	1	3	3

Operational risks April 2017

Threat	Likelihood	Impact	score	Potential impact	Mitigating actions	Responsible	Likelihood	Impact	score
Operational 3 2017/1 Unable to collect household waste.	3	5	15	Households would potentially have side waste if the refuse container filled up due to delays in collections. There are health and safety issues with holding waste and particularly side waste for householders.	The waste collection service is contracted out. There is a waste management snow plan. There is capacity within the week to put on additional collections to catch up from any delays.	Assistant Director - Community Services	2	3	6
Operational 4 2017/1 Unable to pay housing benefits to claimants.	3	5	15	Housing benefit recipients would be unable to pay their rent and this may jeopardise their tenancies.	The BACS file is produced by the Council's contractor a day ahead of time. The Council has support for BACS from its supplier and from its bank. Payments can be made by alternative methods in exceptional circumstances.	Director of Resources	2	2	4
Operational 5 2017/1 Reduced income may challenge the Council's ability to focus on any more than the decent homes standard and delay investment in the wider environment or the upkeep of communal areas on estates	3	5	15	The Housing Service seeks to ensure the majority of its investment is delivered through a procurement club which adds value, capacity and ensure value for money.	Regular stock surveys are completed and communication with tenants ensures available resources are focused appropriately.	Assistant Director - Housing	2	3	6

Operational risks April 2017

Threat	Likelihood	Impact	score	Potential impact	Mitigating actions	Responsible	Likelihood	Impact	score
<p>Operational 6 2017/1 Welfare reform changes will impact on the cost of the Council providing temporary accommodation and the up-turn in the local economy is impacting on the availability of the private sector accommodation such as Bed and Breakfast.</p>	4	4	16	The Council will find it increasing difficult to provide suitable temporary accommodation.	The Council will carryout a review of the options of providing temporary accommodation and seek a model that ensures suitable accommodation is provided and full cost recovery from recipients.	Assistant Director - Housing	4	3	12
<p>Operational 7 2017/1 Unplanned outage of the cremator.</p>	2	5	10	Services are pre-booked and there would be disruption to users in rescheduling or transferring the services. There would be a loss of income.	The cremator is regularly checked by crematorium staff and by the contracted maintenance provider. A complete cremator replacement is planned for 2018/19. Arrangements exist with a neighbouring crematorium for the planned outage that occurs when the Council's cremator is re-lined.	Assistant Director - Community Services	2	3	6
<p>Operational 8 2017/1 Failure of swimming pool filters or other equipment and downtime for major maintenance work.</p>	2	4	8	The swimming pool would be unavailable to users until fixed. If the outage ran over weeks, the gym & swim members may request a partial refund. There would be a loss of income.	The daily checks carried out on the swimming pool and associated plant would identify potential areas of concern and the appropriate contractor would be brought in to address the issues raised.	Assistant Director - Community Services	2	3	6

Operational risks April 2017

Threat	Likelihood	Impact	score	Potential impact	Mitigating actions	Responsible	Likelihood	Impact	score
Operational 9 2017/1 Significant breach of the Council IT network	4	5	20	Unauthorised access to sensitive financial information which may result loss of monies. Unauthorised access to personal data which may leave to Council vulnerable to litigation. Infection of the Council's network by malicious viruses which may prevent the Council carrying its normal duties. The Council loses access to the Public Sector Network which increase operating costs and impact on us delivering Council services effectively.	The Council has implemented the controls required to comply with the Public Sector Network requirements including robust penetration testing to identify and address weaknesses. Installation of Semantec mail filtering, Bloxx web filtering, robust firewalls, antivirus software. Third party support which includes installing up to date versions and patches to reduce the risk of unauthorised access or infections. E-learning programme on IT security for all staff	IT Team Manager	2	3	6
Operational 10 2017/1 Significant system failure	2	3	6	Unable to effectively conduct normal business activities. Loss of historical work and data. Failure to meet deadlines	On-going monitoring of system performance. Disaster recovery arrangements in place with off-site real time replication of data. External support and maintenance contacts in place with appropriate Service Level Agreements	IT Team Manager	1	3	3
Operational 11 2017/1 Unmanaged access to Council network	3	2	6	Uncontrolled interventions which may inadvertently impact on the Council's network leading to system downtime.	Change control procedure in place. External access by third parties is risk assessed.	IT Team Manager	1	2	2

AUDIT COMMITTEE	(D) Agenda Item 15
Date of Meeting: 21st September, 2017	
Reporting Officer: Director of Resources	
<p>Title: External Auditor Appointment from 2018-2019</p> <p>Summary and Conclusions:</p> <p>The Council has received a consultation invitation regarding the auditor appointment from 2018-2019 for five years.</p> <p>Recommendations:</p> <ol style="list-style-type: none"> 1. To raise any questions or representations; 2. To agree that the Council has no objections to the proposed auditor appointment; and 3. To agree that the Director of Resources reply to the consultation on behalf of the Council. 	

Report

The Council has received a formal communication from Public Sector Audit Appointments (PSAA), **Appendix 9**. This is a consultation invitation regarding the auditor appointment from 2018-2019 for five years.

Members will recall that the Council opted into the sector-led body for audit appointments and the PSAA is therefore responsible for procuring and appointing our auditors. Grant Thornton won a contract through the procurement exercise and PSAA proposes that Grant Thornton is the appointed auditor for the Council.

The communication from PSAA sets out the appointment details and requests a response to the appointment or objections by 5pm on 22nd September, 2017.

Members are recommended to raise any questions or representations with a view to agreeing that the Council has no objections to the proposed auditor appointment. It is proposed that I respond on behalf of the Council as satisfied with the proposed appointment of Grant Thornton.

This appointment does not include the work on the Housing Benefit Certification work which must be separately procured. There are discussions between the districts on joint procurement of this service and an update will be presented in due course.

Background Papers

Nil

Susan Roberts

From: auditorappointments@psaa.co.uk
Sent: 14 August 2017 18:06
To: Phil Huck; Susan Roberts
Cc: auditorappointments@psaa.co.uk
Subject: Barrow-in-Furness Borough Council - consultation on auditor appointment from 2018/19

Importance: High

This is a formal communication to the chief executive and chief finance officer of Barrow-in-Furness Borough Council to consult on the auditor appointment from 2018/19

I am writing to consult you on the appointment of Grant Thornton (UK) LLP to audit the accounts of Barrow-in-Furness Borough Council for five years from 2018/19. The appointment will start on 1 April 2018.

Background

For audits of the accounts from 2018/19, PSAA is responsible for appointing an auditor to principal local government and police bodies that have chosen to opt into its national auditor appointment arrangements. More information on the [appointing person scheme](#) is available on our website.

About the proposed appointment

PSAA must, under regulation 13 of the Regulations, appoint an external auditor to each opted-in authority and consult the authority about the proposed appointment.

Barrow-in-Furness Borough Council has opted into PSAA's auditor appointment arrangements. We have sent regular email communications to audited bodies about this process, and wrote to you on 19 June 2017 to advise you that we had completed a procurement to let audit contracts from 2018/19. Grant Thornton (UK) LLP was successful in winning a contract in the procurement, and we propose appointing this firm as the auditor of Barrow-in-Furness Borough Council.

Grant Thornton UK comprises around 4,500 employees delivering services to 40,000 clients. The public sector has played a significant role within the firm for over 30 years. The UK Public Sector Assurance team employs 301 people, including 29 Key Audit Partners, based in designated 'centres of excellence', providing it with locally based public sector specialists across the country. The team is solely dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and the Wales Audit Office. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's development of appropriate thought leadership and support, such as its series of publications and workshops on income generation in local authorities. In addition, the team can draw on the commercial skills and experience of a wider assurance team of over 1,516 individuals, to reflect the changing assurance needs of local authorities and NHS bodies.

In developing this appointment proposal, we have applied the following principles, balancing competing demands as much as we can, based on the information provided to us by audited bodies and audit firms:

- ensuring auditor independence, as we are required to do by the Regulations;
- meeting our commitments to the firms under the audit contracts;

- accommodating joint/shared working arrangements where these are relevant to the auditor's responsibilities;
- ensuring a balanced mix of authority types for each firm;
- taking account of each firm's principal locations; and
- providing continuity of audit firm if possible, but avoiding long appointments.

Further information on the auditor appointment process is available on our website.

Responding to this consultation

We are consulting you on the proposed appointment of Grant Thornton (UK) LLP to audit the accounts of Barrow-in-Furness Borough Council for five years from 2018/19. The consultation will close at **5pm on Friday 22 September 2017**.

If you are satisfied with the proposed appointment, please confirm this by email to auditorappointments@psaa.co.uk. No further action is needed from you.

The PSAA Board will consider all proposed auditor appointments at its meeting scheduled for 14 December 2017. We will write by email to all opted-in bodies after this Board meeting to confirm auditor appointments.

Process for objecting to the proposed auditor appointment

If you wish to make representations to PSAA about the proposed auditor appointment, please send them by email to auditorappointments@psaa.co.uk to arrive by **5pm on Friday 22 September 2017**.

Representations can include matters that you believe might be an impediment to the proposed firm's independence, were it to be your appointed auditor. Your email should set out the reasons why you think the proposed appointment should not be made. The following may represent acceptable reasons:

1. there is an independence issue in relation to the firm proposed as the auditor, which had not previously been notified to PSAA;
2. there are formal and joint working arrangements relevant to the auditor's responsibilities, which had not previously been notified to PSAA; or
3. there is another valid reason, for example you can demonstrate a history of inadequate service from the proposed firm.

We will consider carefully all representations and will respond by Monday 16 October 2017 by email.

If your representations are accepted, we will consult you on an alternative auditor appointment between 16-27 October 2017. If your representations are not accepted, we will confirm this to you. You may choose to make further representations to the PSAA Board, providing any additional information to support your case.

We will write to all bodies to confirm the Board's final decision on the appointment of the auditor before 21 December 2017.

Scale fees for 2018/19

We will consult on scale fees for 2018/19 in due course and will publish confirmed scale fees for 2018/19 for opted-in bodies on our website in March 2018. The results of the audit procurement indicate that a reduction in scale fees in the region of approximately 18 per cent should be possible for 2018/19, based on the individual scale fees applicable for 2016/17. Further information on the audit procurement is available on our website.

Further information

If you have any questions about your proposed auditor appointment or the consultation process, please email us at auditorappointments@psaa.co.uk.

Yours sincerely

Jon Hayes
Chief Officer

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