BOROUGH OF BARROW IN FURNESS

www.barrowbc.gov.uk

Statement of Accounts 2017/18

BOROUGH OF BARROW IN FURNESS

www.barrowbc.gov.uk

Statement of Accounts 2017/18

Contents:

1. Introduction

The Statement of Accounts summarises the authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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.

Throughout the Narrative Report the authority outlines the value created to the community. The value added is considered to be the services delivered and the achievement and outcomes of the corporate priorities.

The financial statements are prepared and presented based on material grounds taking into account the specific materiality for the authority as used by our Appointed Auditors.

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

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

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

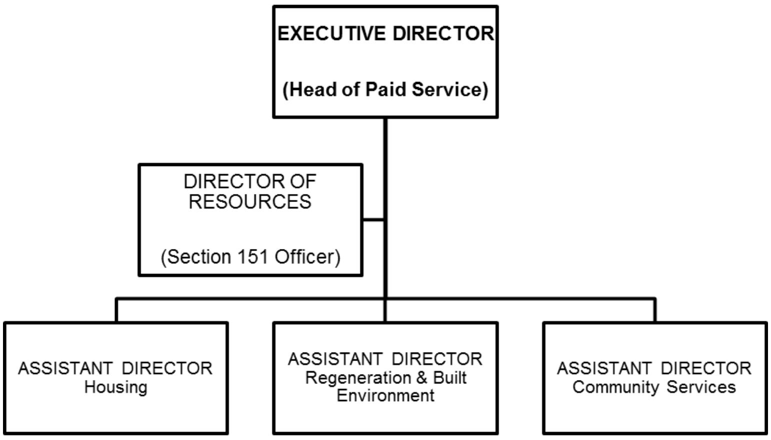
Urban regeneration has been a major project in Barrow since the 1980s with developments on various former industrial sites in the centre of Barrow, including the dry dock, the Barrow Jute Works and Barrow Steel Works. Barrow's most popular free-entry tourist attraction is the Dock Museum, built upon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

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

The Full Council comprises 36 elected Councillors and is responsible for taking all decisions, but to make this manageable it gives four committees covering planning, licensing, audit, and finance and policy responsibility to carry out most of its functions.

By law the authority is responsible for delivering housing services, planning and building control, environmental health and licensing services, refuse collection, street cleansing and waste collection services to the public. In addition the authority chooses to deliver leisure, economic development and regeneration services. All services are supported by finance, IT, HR, legal and other central support functions.

The management structure of the authority comprises 2 Directors and 3 Assistant Directors who are responsible for delivery of all local services; these officers are collectively the authority's Management Board:



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 Local Code of Corporate Governance sets out the framework within which the authority conducts its business and affairs, and is based on the principles of good governance. The authority produces an Annual Governance Statement with the Statement of Accounts which reports on the extent of the authority's compliance with its principles and practices of good governance, including the arrangements for monitoring effectiveness.

The authority's vision for the Borough is a healthy population, with high aspirations, living in good quality housing with decent jobs in a diverse economy.

The corporate priorities that will deliver tangible long term benefits to the community are focussed on the following themes, shown together with achievements for 2017/18:

- **Developing the local economy to secure a long term economic future for all our community**
    - Signature of Joint Statement to Collaborate with South Lakeland District Council and Lancaster City Council to establish the Lancaster and South Cumbria Economic Region;
    - Submission of Local Plan for examination;
    - Supported joint Cumbria CVS grant for community leaders and activists;
    - Accountable body for Art Gene from Coastal Communities Fund – Linking the Landscapes and Communities of Barrow and Sandy Gap projects;

  - Continuation of Furness Economic Development Forum and supply chain project – funded by Coastal Communities Fund;
  - Support for welfare benefits delivered in partnership with Barrow Citizens Advice Bureau and Barrow and District Disability Association; and
  - Works on-site for entrance to Marina Village – funded by Cumbria Local Enterprise Partnership.

- **A strong and vibrant town centre community**
  - Support for Barrow Business Improvement District.
  - Review of the forum as a theatre and conference facility **-** income from admissions, income from room hire, subsidies, reduced expenditure and options for the use of the building;
  - Review of the forum as a cafe – catering offer externally appraised and to be retendered;
  - Masterplan for the town centre in development;
  - Town centre planting and hanging baskets enhancing the streetscape;
  - Town centre car parking provision;
  - Main shoppers car parks free after 3pm; and
  - Town centre street cleansing maintained in new waste management contract.

- **Closing the gap on health inequalities**
  - Appointment of Life Leisure as the operator of the Park Leisure Centre;
  - Completion of Barrow Island Open Space project;
  - Completion of Cavendish Park Pavilion and Community Room project with the Barrow Island Community Sports Trust – accountable body for Big Lottery and Waste Recycling Environmental Limited (WREN);
  - Review of means testing and maximum award for Disabled Facility Grants;
  - Participation in the Locality Health and Wellbeing Forum and support for the Cumbria Healthy Weight Declaration;
  - Maintain the decent homes standard across Council owned dwellings; and
  - Support for low income households delivered through council tax support and discretionary housing payments.

- **Providing a greater choice of good quality housing and regenerating the oldest and poorest quality housing in the Borough**
  - Submission of Local Plan for examination;
  - Neighbourhood Planning Protocol agreed;
  - Sale of five areas of Council owned land for residential development agreed;
  - Ongoing completion of refurbishment of 300+ privately owned Barrow Island flats supported through Cluster of Empty Homes grant;
  - Participation in the Syrian refugee re-settlement programme;
  - Funding from Government grant to support Women's Community Matters to prevent domestic abuse and support domestic abuse victims; and
  - Accountable body support to The Well for recovery facilities and accommodation continues – funded by Public Health England**.**

- **Providing efficient and effective services**
  - Council Plan agreed;
  - 2016-2020 Budget Strategy implemented;
  - Five development posts introduced as part of succession planning identified in the Workforce Strategy;
  - Housing Revenue Account budget measures implemented;
  - Major works to replace both cremators – contractor selected;
  - Payroll service insourced and HR and Payroll System in operation from April 2017;
  - Internal Audit service insourced from April 2017;
  - Insourcing of revenues, benefits and customer services agreed;
  - Annual staff appraisals and biennial staff survey established;

- Self-service development of the Council's website and web forms continuing;
- Review of customer services planned; and
- Comprehensive Housing Management System implemented during the year.

The Council Plan recognises that direct delivery does not apply across all of the corporate priorities and therefore delivery also includes; partnership – where responsibility for what the authority wants to achieve is shared with other local organisations such as Cumbria County Council, Cumbria Local Enterprise Partnership, the Health Sector and other partners; and influencing - where responsibility for delivering objectives lies entirely beyond the scope of local partners.

4. Service Performance

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

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

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

2016/17	Description	2017/18
	Average time to process:	
13.2 days	• new housing benefit claims	10.3 days
13.5 days	• new council tax support claims	10.5 days
4.3 days	• changes in circumstances for housing benefit claims	3.6 days
4.0 days	• changes in circumstances for council tax support claims	4.8 days
29.7%	Average household recycling	28.7%
94.4%	Land charge searches completed within 5 working days	98.8%
96.27%	Council tax collected	96.74%
98.67%	Business rates collected	98.01%
9.66 days	Sickness averaged per employee	11.32 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 of £355k; see paragraph 7.

- The Housing Revenue Account is balanced with a net movement in financial reserves of £831k; see paragraph 8.

- The authority's share of the Collection Fund for 2017/18 is a surplus of £50k for council tax and a deficit of £34k for business rates; these are distributed in 2018/19 and 2019/20 along with the preceptors proportions; see paragraph 12.

- The authority's net worth has increased from £107.9m to £116.2m which is largely attributable to the change in the value of the pension fund; see paragraph 6.

- Usable reserves have increased by £1.385m; see paragraphs 9 and 10 and the Movement in Reserves Statement page 17.

- Capital investment of £4.16m was delivered through the capital programme for 2017/18; see paragraph 10.

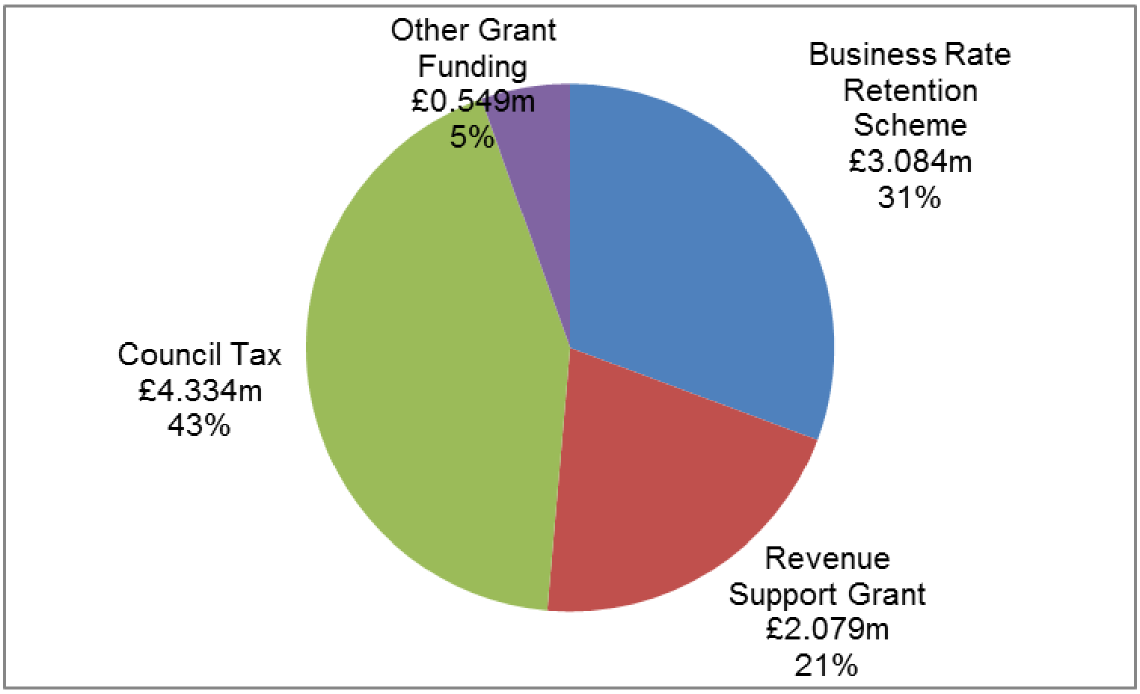
6. Net Assets of the Authority

The authority has net assets of £116.2m; 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 £107.9m to £116.2m is largely attributable to the change in the value of the pension fund of £4.8m; the increase in short term investments and cash of £1.3m; the decrease in long term borrowing of £1m; and the change in debtors and creditors of £1.2m.

7. General Fund Outturn

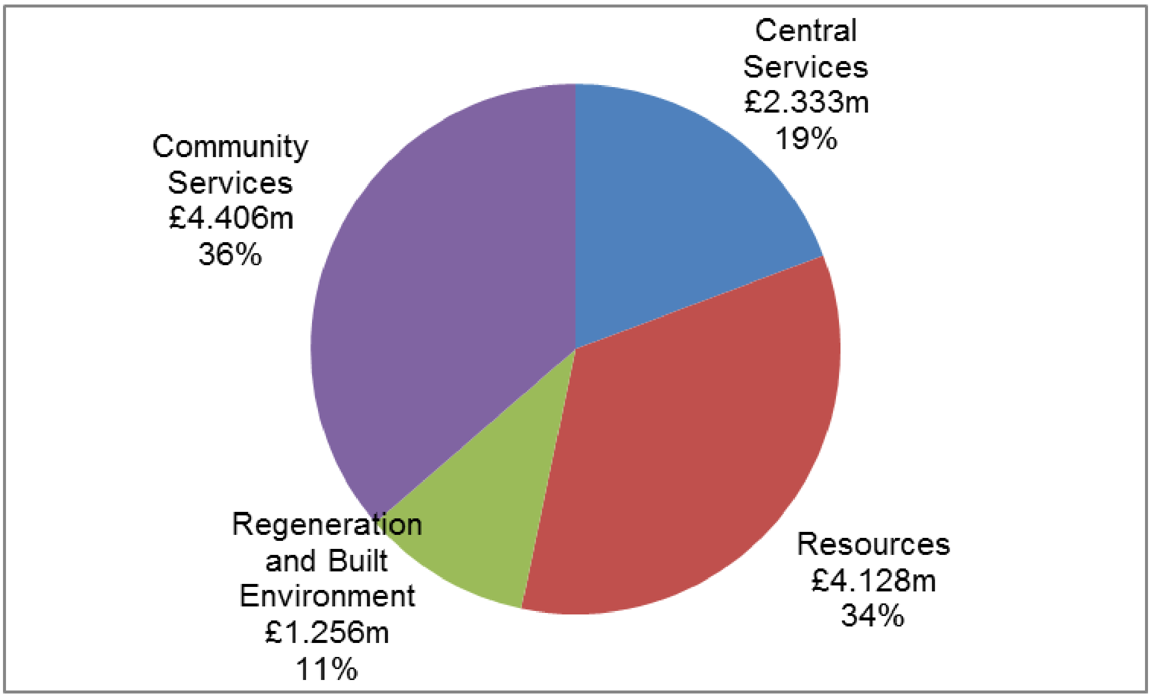
The General Fund budget for 2017/18 was originally approved by Full Council on the 1 March 2017 and was last formally revised on the 20 March 2018 as £10.046m.

The total financing came from:



Excluding corporate amounts not charged to services of -£2.076m, the net service expenditure budget was split between the divisions as follows:

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



The actual outturn for 2017/18 had no impact on the General Fund balance. The outturn before movements in earmarked reserves was £0.355m, with a net £0.355m being drawn from reserves for the year.

A net £1.741m of reserves were used as planned and in accordance with matters reported to the Executive Committee for 2017/18. £0.709m of additional one-off income has been added to reserves in line with previous practice and is held against specific services. £0.296m has been added to reserves for; savings following voluntary redundancies and delays in recruiting the Budget Strategy development roles £0.124m; operational property cost reductions £0.130m; reduced bad debt provision requirement £0.042m. An unplanned £0.381m was added to reserves as the net of service underspends and additional income generated.

Details of the movements in earmarked reserves will be presented to the authority's Executive Committee on the 27 June 2018. The earmarked reserves are contained in Note 8.

Recurring savings and reductions are taken into account when setting the budget for future years and for review in the current year (2018/19). Members have agreed a formal review of the Budget Strategy for autumn 2018 and the potential to secure any budget reductions following the closure of 2017/18 will be included in that review.

The items set out in the following table are the result of comparing the expected reduction in reserves of £199k to the unplanned addition to reserves of £381k; some items do not recur such as the employee costs where posts have subsequently been deleted or recruited.

Division	Employee costs	Supplies and services	Other items	Total
	£000	**£000**	**£000**	**£000**
Resources	19	66	59	144
Community Services	-	42	99	141
Regeneration and Built Environment	76	30	(4)	102
Central Services	65	39	5	109
Corporate Amounts	-	-	84	84
Total	**160**	**177**	**243**	**580**

A detailed analysis of the variances within these headings will be presented to the authority's Executive Committee on the 27 June 2018.

The Expenditure and Funding Analysis (Page 37) shows expenditure allocated to all service divisions for decision making purposes. To review the General Fund variations in net expenditure compared to the budget, the Housing Revenue Account at (£743k) is excluded. The General Fund remains at £1,874k. After eliminating the technical and accounting adjustments of £1,519k (Page 42) and the transfers from earmarked reserves of £736k, prior to posting the service variances, the General Fund result was £381k:

- Net Expenditure in the Comprehensive Income and Expenditure Statement £1,131k
- Exclude the Housing Revenue Account (£743k)
- Gives General Fund £1,874k
    - Technical and accounting adjustments (£1,519k)
    - Use of earmarked reserves (£736k)
    - Service underspends and additional income generated £381k

This is the £381k unplanned addition to earmarked reserves making the total General Fund use of reserves for 2017/18 £355k (Page 45).

8. Housing Revenue Account Outturn

The original Housing Revenue Account budget was approved by Full Council on the 1 March 2017 as a balanced budget; the income matching the expenditure forecast. The revised budget was approved by Full Council on the 1 March 2018 with an estimated contribution from reserves of £38k. The actual outturn for the Housing Revenue Account was a deficit charged to the fund balance of £443k in order to establish the Housing Revenue Account reserve. The balancing of the Account included an unplanned addition to the reserve of £831k; £689k in respect of maintenance and repairs, and £142k from reduced costs, additional income and one-off items.

9. Revenue Reserves and Balances

The authority held the following General Fund financial reserves during 2017/18:

1 April 2017 £000		31 March 2018 £000
2,300	General Fund balance	2,300
1,535	Medium Term Financial Plan support	1,537
733	Transformation reserve	649
1,832	Renewals reserve	1,596
91	Insurance reserve	90
866	Losses reserve	866
2,792	Budget contingency reserve	2,966
106	Apprentices reserve	76
260	Welfare support reserve	211
810	Earmarked revenue grants	679
11,325		**10,970**

Details of the movements in earmarked reserves will be presented to the authority's Executive Committee on the 27 June 2018. The earmarked reserves are contained in Note 8.

The authority held the following Housing Revenue Account financial reserves during 2017/18:

1 April 2017 £000		31 March 2018 £000
1,443	Housing Revenue Account balance	1,000
1,194	Major repairs reserve	1,992
-	General reserve	1,274
2,637		**4,266**

10. Capital Expenditure and Financing

During 2017/18 the authority's capital expenditure was £4.16m:

Investment	Expenditure	Source	Financing
Public sector housing	£1.32m	Major repairs reserve	£1.32m
Private sector housing	£1.75m	Reserves/revenue	£0.13m
Public buildings/properties	£0.05m	Capital grants	£2.37m
Other public assets	£1.04m	Capital receipts	£0.34m
Programme	**£4.16m**	**Financing**	**£4.16m**

The capital receipts and grants received in the year and unapplied at the 31 March 2018 are:

- Capital receipts
  - At 1 April 2017 £1.9m
  - Plus usable receipts of £0.8m from:
    - 1-5 Lawson Street
    - Land at Church Street
    - Repaid Cluster of Empty Homes loans
    - 21 dwellings under the Right to Buy

  - Less receipts used in financing in 2017/18 £0.3m
  - At 31 March 2018 £2.4m

- Capital grants
  - At 1 April 2017 £2.5m
  - Plus grants of £0.8m from:
    - Disabled Facilities Grant
    - Environment Agency
    - Big Lottery
    - WREN
    - Coastal Communities Fund
  - Less grants used in financing in 2017/18 £1.2m
  - At 31 March 2018 £2.1m

11. Treasury Management

The authority managed its cash and investments in-house during 2017/18. As at 31 March 2018, £17m of investments and cash of £3m were managed in-house. The authority has 23 Public Works Loan Board (PWLB) loans outstanding at 31 March 2018; 18 of these, £16.1m, relate to the Housing Revenue Account self-financing settlement. The balance outstanding is £38.5m; in total, £25.1m belonging to the Housing Revenue Account and £13.4m to the General Fund. One loan is repayable in 2018/19; £1m. The authorised limit for borrowing in 2017/18 was £54m and this was not breached. These items complied with the authority's Treasury Management Strategy for 2017/18, which was approved by Full Council on 21 March 2017.

12. Collection Fund

The Collection Fund balance was a net surplus of £0.3m at 31 March 2018, made up of a surplus on council tax of £0.4m and a deficit on NNDR of £0.1m. The council tax surplus is payable across 2018/19 and 2019/20 to Cumbria County Council, the Police and Crime Commissioner for Cumbria and the General Fund £50k; split against their 2018/19 precepts. The NNDR deficit will be recovered from central government, Cumbria County Council and the General Fund £34k in 2018/19 and 2019/20. This is dealt with by precepting arrangements.

The accumulated amounts held at the 31 March 2018 for the authority are:

- £158k surplus for council tax.
- £359k 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 for Work and Pensions. When council tax reductions became a local scheme, the central funding (now from the Ministry of Housing, 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 2017/18 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 2018, the actuarial valuation showed a net liability of £27.8m (2016/17 £32.6m). This is explained in detail in Note 35 to the accounting statements (page 72). 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 2018 was £27.8m, a decrease of £4.8m during 2017/18.

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 2017/18 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 22 to 34).

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 2018.

20. Material Events After the Accounting Date

The Statement of Accounts was originally authorised for issue by the Director of Resources on the 31 May 2018 and is now authorised for issue on the 26 July 2018, 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 original Budget Strategy forecasts and 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.
    - Estimated the medium term shortfall in Housing Revenue Account finances and identified the majority of savings required when setting the 2018/19 budget.
    - 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 HR and Payroll system which will provide workforce and resource planning information to managers; this review was undertaken with service managers.
    - Agreed a formal review of the Budget Strategy for autumn 2018.

- 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 an established Business Improvement Team to continue the Budget Strategy policy themes.

- The authority 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 2017/18 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 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

2018/19 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 2018. For the financial years 2018/19 to 2020/21, the programme contains:

Investment	Expenditure	Source	Financing
Public sector housing	£5.8m	Major repairs reserve	£5.8m
Private sector housing	£4.6m	Reserves/revenue	£0.7m
Public buildings/properties	£2.8m	Capital grants	£3.1m
Other public assets	£0.8m	Capital receipts	£4.4m
Programme	**£14.0m**	**Financing**	**£14.0m**

In terms of treasury management and cash flow, the interest payable on external borrowing in 2018/19 is £1.44m; there are small annual reductions in this amount for loans that are maturing. The cash flow has reduced by £0.7m to £3.1m at the 31 March 2018; the cash flow is split between investing (capital and treasury), financing and operating activities on Page 20. 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. Value for Money

The authority recognises its responsibility to achieve value for money in service delivery and seeks to incorporate the principles of economy, efficiency and effectiveness, in delivering services by taking account of costs, quality of services and local context.

23. Workforce

The authority's establishment consists of 243 posts; 195 in the General Fund and 48 in the Housing Revenue Account. The posts are worked by 200.95 full time equivalent (FTE) staff; 158.03 FTE in the General Fund and 42.92 FTE in the Housing Revenue Account:

	Headcount	FTE
Resources	17	15.67
Community Services	90	62.38
Regeneration and the Built Environment	55	51.40
Housing Revenue Account	48	42.92
Central Services	33	28.58

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.

24. Key Sections in the Statement of Accounts

The 2017/18 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 15) 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 16) – this shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation. Authorities raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The local taxation position is shown in the Movement in Reserves Statement.

- **Movement in Reserves Statement** (pages 17 and 18) – 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 19) **-** 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 20) – 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 22 to 76) – these include a summary of the significant accounting policies and other explanatory information.

- **Housing Revenue Account and Notes** (pages 77 to 83) – 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 84 to 87) – 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%).

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.

26. Acknowledgement and Influences

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.

Looking ahead, the implementation of the Budget Strategy and financial resilience for the Housing Revenue Account is a focus for the authority. Funding continues to be a major influence for the authority and there is a risk that local government finances may reduce further in upcoming years; the authority awaits progress of the Fairer Funding Review. Through the Council Plan the authority aims to achieve the corporate priorities whilst continuing to deliver day to day services for residents, businesses and visitors.

There have been a number of challenges during the preparation of the 2017/18 Statement of Accounts. The authority is in the process of outsourcing the management of the Park Leisure Centre and insourcing Revenues, Benefits and Customer Services; there has also been the HR and Payroll System to embed and close at year end and a new Housing Management System has been implemented. Resources have been managed and the challenges have been managed along with the completion of the Statement of Accounts.

This is the first year with the shortened closure of accounts period and I am pleased to report that the Finance Department have approached this constructively and have achieved the 31 May 2018 publication in a professional and efficient manner.

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

The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources.

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- Approve the Statement of Accounts.

The Director of Resources' Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently

- made judgements and estimates that were reasonable and prudent

- complied with the local authority Code.

The Director of Resources has also:

- kept proper accounting records which were up to date

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the authority for 2017/18 and of its expenditure and income for the year ended 31 March 2018.

S M Roberts CPFA, ACMA
Director of Resources
Section 151 Officer
31 May 2018
Revised 26 July 2018

Councillor Mrs A Burns
Audit Committee Chairman
26 July 2018

Comprehensive Income and Expenditure Statement

2016/17					2017/18		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Notes**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**			**£000**	**£000**	**£000**
23,770	(20,185)	3,585	Resources		23,351	(19,391)	3,960
9,238	(4,431)	4,807	Community services		8,476	(4,501)	3,975
3,774	(2,861)	913	Regeneration and the built environment		5,295	(2,946)	2,349
5,677	(11,826)	(6,149)	Housing Revenue Account		9,579	(11,629)	(2,050)
2,298	(14)	2,284	Central services		2,383	(5)	2,378
44,757	**(39,317)**	**5,440**	**Cost of Services**		**49,084**	**(38,472)**	**10,612**
1,726	(1,310)	416	Other operating expenditure	9	1,367	(950)	417
4,949	(2,802)	2,147	Financing and investment income and expenditure	10	4,444	(2,373)	2,071
6,388	(18,452)	(12,064)	Taxation and non-specific grant income	11	5,192	(17,161)	(11,969)
57,820	**(61,881)**	**(4,061)**	**(Surplus) or Deficit on Provision of Services**		**60,087**	**(58,956)**	**1,131**
(12,313)	-	(12,313)	(Surplus) or deficit on revaluation of non-current assets		(4,186)	-	(4,186)
5,915	-	5,915	Re-measurements of the net defined benefit liability / (asset)		(5,259)	-	(5,259)
(6,398)	**0**	**(6,398)**	**Other Comprehensive Income and Expenditure**		**(9,445)**	**0**	**(9,445)**
51,422	**(61,881)**	**(10,459)**	**Total Comprehensive Income and Expenditure**		**50,642**	**(58,956)**	**(8,314)**

2017/18	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 2017 brought forward	**(11,325)**	**(1,443)**	**(1,194)**	**(1,941)**	**(2,503)**	**(18,406)**	**(89,481)**	**(107,887)**
Movement in Reserves during 2017/18								
(Surplus) or deficit on the provision of services	1,874	(743)	-	-	-	1,131	-	1,131
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(9,445)	(9,445)
Total Comprehensive Income and Expenditure	**1,874**	**(743)**	**0**	**0**	**0**	**1,131**	**(9,445)**	**(8,314)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(1,519)	(88)	(798)	(471)	360	(2,516)	2,516	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**355**	**(831)**	**(798)**	**(471)**	**360**	**(1,385)**	**(6,929)**	**(8,314)**
Transfers to/(from) Earmarked Reserves (Note 8)	-	-	-	-	-	0	-	0
(Increase)/Decrease in 2017/18	**355**	**(831)**	**(798)**	**(471)**	**360**	**(1,385)**	**(6,929)**	**(8,314)**
Balance at 31 March 2018 carried forward	**(10,970)**	**(2,274)**	**(1,992)**	**(2,412)**	**(2,143)**	**(19,791)**	**(96,410)**	**(116,201)**

At the 31 March 2018, the General Fund Balance comprises earmarked reserves of £8.67m and a Fund balance of £2.3m; at 31 March 2017 these were £9.025m and £2.3m respectively. As at 31 March 2018 The HRA Fund Balance comprises earmarked reserves of £1.274m and a Fund balance of £1.0m; at 31 March 2017 the Fund balance was £1.443m

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 Reserve	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.

31 March 2017		Notes	31 March 2018
£000			**£000**
162,463	Property, Plant & Equipment	13	164,356
690	Heritage Assets	14	698
1,496	Long Term Debtors	26	1,338
164,649	**Long Term Assets**		**166,392**
15,019	Short Term Investments	17	17,031
32	Inventories		26
2,708	Short Term Debtors	18	3,089
3,802	Cash and Cash Equivalents	19	3,054
21,561	**Current Assets**		**23,200**
(1,494)	Short Term Borrowing	17	(1,494)
(5,173)	Short Term Creditors	20	(4,847)
(6,667)	**Current Liabilities**		**(6,341)**
(545)	Provisions	21	(560)
(38,479)	Long Term Borrowing	17	(37,479)
(32,632)	Other Long Term Liabilities	23	(29,011)
(71,656)	**Long Term Liabilities**		**(67,050)**
107,887	**Net Assets**		**116,201**
(18,406)	Usable Reserves	Page 17	(19,791)
(89,481)	Unusable Reserves	22	(96,410)
(107,887)	**Total Reserves**		**(116,201)**

These accounts were originally authorised for issue on the 31 May 2018 and have been subsequently re-authorised for issue on the 26 July 2018.

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

2016/17		Notes	2017/18
£000			£000
(4,061)	**Net (surplus) or deficit on the provision of services**		**1,131**
(1,733)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	27	(5,030)
2,331	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	28	1,742
(3,463)	**Net cash flows from Operating Activities**		**(2,157)**
4,582	Investing Activities	30	2,064
(939)	Financing Activities	31	841
180	**Net (increase) or decrease in cash and cash equivalents**		**748**
3,982	Cash and cash equivalents at the beginning of the reporting period	19	3,802
3,802	Cash and cash equivalents at the end of the reporting period	19	3,054
180	**Net (increase) or decrease in cash and cash equivalents**		**748**

Note 1. ACCOUNTING POLICIES

a. General Principles

The Statement of Accounts summarises the authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18 and the Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards and Financial Reporting Standards.

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

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

b. Accruals of Income and Expenditure

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

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

c. Cash and Cash Equivalents

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

d. Council Tax and Business Rate Transactions

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

e. Exceptional Items

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

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

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

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

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

g. Charges to Revenue for Non-Current Assets

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

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

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

h. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

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

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

<u>Discretionary Benefits</u>

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

i. Events after the Balance Sheet Date

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

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

j. Financial Instruments

Financial Liabilities

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

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

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

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

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

Financial Assets - Loans and Receivables

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

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

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

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

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

k. Foreign Currency Translation

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

l. Government Grants and Contributions

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

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

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

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

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

m. 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.

n. Leases

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

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

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

<u>The Authority as Lessee</u>

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue 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.

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.

o. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2017/18. 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.

p. Property, Plant and Equipment

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

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

The authority does not capitalise borrowing costs.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (which will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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

<u>Fair value measurement</u>

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

<u>Impairment</u>

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

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant, Equipment and Vehicle 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, equipment and vehicles – straight-line allocation over the useful life of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over the useful life of the asset.

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

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

q. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

Contingent Assets

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

r. Reserves

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

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

s. Revenue Expenditure Funded from Capital under Statute

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

t. VAT

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

u. Rounding

The Council accepts that minor rounding differences of between £1k and £2k may occur within its Statement of Accounts, these amounts are not material and the Council does not intend to alter any totals where this occurs.

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 2018 for 2018/19. For this disclosure the standards introduced by the 2018/19 Code include:

- IFRS 9 Financial Instruments which introduces changes to the classification and measurement of financial assets and a new "expected credit loss" model for impairing financial assets;
- IFRS 15 Revenue from Contracts with Customers which presents new requirements for the recognition of revenue;
- Amendments to IAS 12 Income Taxes (Recognition of Deferred Tax for Unrealised Losses) which relates to deferred tax assets for debt instruments measured at fair value; and
- Amendments to IAS 7 Statement of Cash Flows (Disclosure Initiative) which may require some additional analysis of Cash Flows from Financing Activities in future years to show both changes arising from cash flows and non-cash changes.

The introduction of these standards is not anticipated to have an impact on this authority's financial statements and would not have had an impact if the standards had been applied in 2017/18.

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 prepared the accounting statements on a going concern basis which assumes continued operation for the foreseeable future.

- 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 vehicles within the waste management contract are included in the accounting statements as an embedded lease.

  The authority has considered whether any property should be classed as an investment property or property, plant and equipment. The authority does not hold any assets for capital **appreciation but does hold some assets let** to commercial tenants that were specifically funded by Government urban regeneration programmes; **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.

- The authority has considered which of its assets should be classified as heritage assets.

- Fair value estimations: When the fair values of financial assets and liabilities (Surplus Assets or Assets Held for Sale) cannot be measured based on quoted prices (unadjusted) in active markets (where transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis i.e. Level 1 inputs) their fair value is measured using the following valuation techniques:

    - Level 2 inputs, quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
    - Level 3 inputs, that are based on unobservable data; or observable market valuation data adjusted as necessary for the specific asset or liability.

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

  Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Information about the valuation techniques and inputs used in determining the fair value of these assets is set out in Note 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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Revaluation of Property, Plant and Equipment

Property, plant and equipment (with the exception of infrastructure, community assets, assets under construction and equipment) are revalued on a periodic basis and tested annually for indictors of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset. Advice has been provided by the authority's external valuers. If the actual results differ from the assumptions the value of the property, plant and equipment will be over or understated. This would be adjusted when the assets were next revalued. For instance if council dwellings were not impaired in 2017/18, 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 £7.079m and the depreciation charged to the HRA for 2017/18 would be overstated by £236k.

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 2017/18 would be £2.34m rather than £1.95m.

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 2018 figures are:

- +0.1% per annum increase in the discount rate assumption would result in a decrease in the net pensions liability of £1.844m; or,
- +0.1% per annum increase in the inflation assumption would result in an increase in the net pensions liability of £1.874m; or,
- +0.1% per annum increase in the pay growth assumption would result in an increase in the net pensions liability of £0.241m; or,
- 1 year increase in the member's life expectancy assumption would result in an increase in the net pensions liability of £2.353m.

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 Loan 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 Loan Board. The calculation is independently calculated by the authority's treasury advisors to check the reasonableness of the fair value calculated.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be to decrease the fair value of fixed rate borrowing liabilities by £5.87m. 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 31 May 2018 and is now authorised for issue on the 26 July 2018, 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 2018 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.

2017/18	**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	3,237	164	3,401	559	3,960
Community Services	2,661	38	2,699	1,276	3,975
Regeneration and the Built Environment	123	268	391	1,958	2,349
Housing Revenue Account	(2,261)	(831)	(3,092)	1,042	(2,050)
Central Services	1,856	145	2,001	377	2,378
Net Cost of Service	**5,616**	**(216)**	**5,400**	**5,212**	**10,612**
Other income and expenditure	(5,616)	(260)	(5,876)	(3,605)	(9,481)
(Surplus) or Deficit on Provision of Services	**0**	**(476)**	**(476)**	**1,607**	**1,131**

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)**

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

2016/17					2017/18			
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**
0	61	(1)	60	Resources	418	144	(3)	559
745	120	0	865	Community Services	1,057	217	2	1,276
690	113	4	807	Regeneration and the Built Environment	1,751	219	(12)	1,958
(4,524)	112	3	(4,409)	Housing Revenue Account	856	189	(3)	1,042
147	117	4	268	Central Services	164	222	(9)	377
(2,942)	**523**	**10**	**(2,409)**	**Net Cost of Service**	**4,246**	**991**	**(25)**	**5,212**
(1,683)	(527)	(548)	(2,758)	Other income and expenditure from the Expenditure and Funding Analysis	(2,720)	(531)	(354)	(3,605)
(4,625)	**(4)**	**(538)**	**(5,167)**	**Difference between General Fund Surplus or Deficit & Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services**	**1,526**	**460**	**(379)**	**1,607**

Note 6b. Expenditure and Income Analysed by Nature

2016/17						2017/18				
Cost of service	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)	Surplus or Deficit on Provision of Services
£000	**£000**	**£000**	**£000**	**£000**		**£000**	**£000**	**£000**	**£000**	**£000**
					Expenditure					
6,767	-	-	-	6,767	Employee expenses	7,451	-	-	-	7,451
38,163	29	-	-	38,192	Other service expenses	36,274	29	-	-	36,303
5	-	-	-	5	Support service recharges	-	-	-	-	0
(178)	-	-	-	(178)	Depreciation, amortisation, impairment & revaluation	5,666	-	-	-	5,666
-	-	4,948	-	4,948	Interest payments	-	-	4,444	-	4,444
-	590	-	-	590	Precepts and levies	-	462	-	-	462
44,757	**619**	**4,948**	**0**	**50,324**	**Total Expenditure**	**49,391**	**491**	**4,444**	**0**	**54,326**
					Income					
(39,317)	-	-	-	(39,317)	Fees, charges and other service income	(38,779)	-	-	-	(38,779)
-	-	(2,801)	-	(2,801)	Interest and investment income	-	-	(2,373)	-	(2,373)
-	-	-	(7,004)	(7,004)	Income from council tax and NDR	-	-	-	(7,480)	(7,480)
-	-	-	(5,060)	(5,060)	Government grants and contributions	-	-	-	(4,489)	(4,489)
-	(203)	-	-	(203)	Gain on disposal of fixed assets	-	(74)	-	-	(74)
(39,317)	**(203)**	**(2,801)**	**(12,064)**	**(54,385)**	**Total Income**	**(38,779)**	**(74)**	**(2,373)**	**(11,969)**	**(53,195)**
5,440	**416**	**2,147**	**(12,064)**	**(4,061)**	**(Surplus) / Deficit on Provision of Services**	**10,612**	**417**	**2,071**	**(11,969)**	**1,131**

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

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Adjustments between accounting basis and funding basis under regulations 2017/18	Usable Reserves General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the CIES:							
Charges for depreciation and impairment of non-current assets	(1,825)	(2,118)	-	-	-	(3,943)	3,943
Revaluation losses on Property, Plant and Equipment	(184)	(936)	-	-	-	(1,120)	1,120
Capital grants and contributions applied	1,217	-	-	-	-	1,217	(1,217)
Revenue expenditure funded from capital under statute	(2,119)	-	-	-	-	(2,119)	2,119
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(123)	(755)	-	-	-	(878)	878
Insertion of items not debited or credited to the CIES							
Statutory provision for the financing of capital investment	742	-	-	-	-	742	(742)
Voluntary provision for the financing of capital investment	-	870	-	-	-	870	(870)
Capital expenditure charged against the General Fund and HRA balances	127	8	-	-	-	135	(135)
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the CIES	791	-	-	-	(791)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	1,151	1,151	(1,151)
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	123	827	-	(950)	-	0	0
Cluster of Empty Homes loan repayment	-	-	-	(221)	-	(221)	221
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	338	-	338	(338)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(362)	-	-	362	-	0	0
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Reserve credited to the HRA	-	2,118	(2,118)	-	-	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	1,320	-	-	1,320	(1,320)
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	74	(1)	-	-	-	73	(73)
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	(2,095)	(522)	-	-	-	(2,617)	2,617
Employer's pension contributions and direct payments to pensioners payable in the year	1,739	418	-	-	-	2,157	(2,157)
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	354	-	-	-	-	354	(354)
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	22	3	-	-	-	25	(25)
Total Adjustments	**(1,519)**	**(88)**	**(798)**	**(471)**	**360**	**(2,516)**	**2,516**

Adjustments between accounting basis and funding basis under regulations 2016/17	Usable Reserves General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the CIES:							
Charges for depreciation and impairment of non-current assets	(1,601)	(1,656)				(3,257)	3,257
Revaluation losses on Property, Plant and Equipment	75	3,656				3,731	(3,731)
Capital grants and contributions applied	439					439	(439)
Revenue expenditure funded from capital under statute	(755)					(755)	755
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(45)	(1,063)				(1,108)	1,108
Insertion of items not debited or credited to the CIES							
Statutory provision for the financing of capital investment	527					527	(527)
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	(1,667)	(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)**

Note 8. TRANSFERS (TO)/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18. 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 2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31 March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
MTFP reserve	(2,870)	1,335	-	(1,535)	379	(381)	(1,537)
Transformation reserve	(681)	290	(342)	(733)	208	(124)	(649)
Renewals reserve	(1,228)	283	(887)	(1,832)	511	(275)	(1,596)
Insurance reserve	(100)	14	(5)	(91)	1	-	(90)
Losses reserve	(593)	-	(273)	(866)	-	-	(866)
Budget contingency reserve	(2,783)	2,040	(2,049)	(2,792)	956	(1,130)	(2,966)
Apprentices reserve	(160)	54	-	(106)	30	-	(76)
Welfare support reserve	(119)	57	(198)	(260)	57	(8)	(211)
Ring-fenced properties	(652)	750	(98)	0	-	-	(0)
Earmarked revenue grants	(843)	352	(319)	(810)	286	(155)	(679)
Total General Fund earmarked reserves	**(10,029)**	**5,175**	**(4,171)**	**(9,025)**	**2,428**	**(2,073)**	**(8,670)**
HRA earmarked reserves	0	-	-	0	-	(1,274)	(1,274)
Total earmarked reserves	**(10,029)**	**5,175**	**(4,171)**	**(9,025)**	**2,428**	**(3,347)**	**(9,944)**

The Council has the following general fund 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.
Ring-fenced properties – this reserve held the excess income from operating industrial units funded by the Northwest Regional Development Agency (now Homes England); 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 were transferred to the renewals reserve in 2016/17.

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

Note 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:

2016/17		2017/18
£000		**£000**
96	Parish council precepts	100
494	Payments to the Government Housing Capital Receipts Pool	362
29	Pension administration expenses	29
1,108	Carrying value of disposed non-current assets	876
(1,311)	Sale proceeds from the disposal of non-current assets	(950)
416	**Total**	**417**

The gain on the disposal of non-current assets for 2017/18 is £74k; for 2016/17 this was £203k.

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:

2016/17		2017/18
£000		**£000**
1,450	Interest payable and similar charges	1,485
3,498	Interest on pension liabilities	2,959
(2,603)	Interest on plan assets	(2,173)
(198)	Interest receivable and similar income	(200)
2,147	**Total**	**2,071**

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:

2016/17		2017/18
£000		**£000**
(4,232)	Council tax income	(4,299)
(9,098)	Business rate retention	(8,129)
6,333	Business rate tariff	4,829
56	Business rate levy	364
(63)	Business rate pool	(245)
(2,703)	Revenue Support Grant	(2,079)
(1,336)	Non-ring fenced government grants	(1,014)
(1,021)	Capital grants and contributions	(1,396)
(12,064)	**Total**	**(11,969)**

Note 12. GRANT INCOME

The authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2017/18:

2016/17		**2017/18**
£000		**£000**
	Credited to Taxation and Non Specific Grant Income	
(2,704)	Revenue Support Grant	(2,079)
(474)	New Homes Bonus Grant	(299)
(50)	New Burdens Grants	(99)
(750)	DCLG Grants	(630)
(348)	DCLG Business Rates	(615)
(432)	DCLG Coastal Communities Fund Grant	(12)
(300)	DCLG Public Health England	-
(2)	Environment Agency	(107)
-	Lottery Big Local Trust	(567)
-	Other contributions	(81)
(5,060)	**Total**	**(4,489)**
	Credited to Services	
(18,638)	Housing benefits subsidy	(17,958)
(414)	Benefits administration	(378)
(256)	Disabled Facilities Grant	(538)
(192)	Cabinet Office	(23)
(37)	Cumbria County Council	(160)
(38)	Other local authorities	(50)
(183)	DCLG Public Health England	-
-	DCLG Coastal Communities	(163)
-	DCLG Homelessness	(105)
(100)	Other grants	(26)
(19,858)	**Total**	**(19,401)**

Note 13. PROPERTY, PLANT, EQUIPMENT AND VEHICLES

Movement on Balances Movements in 2017/18	Council Dwellings £000	Other Land and Buildings £000	HRA Other Land and Buildings £000	Plant, Equipment & Vehicles £000	HRA Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant, Equipment & Vehicles £000
Cost or Valuation										
At 1 April 2017	**72,425**	**58,281**	**3,018**	**2,176**	**167**	**5,151**	**10,237**	**3,900**	**10,869**	**166,224**
additions and enhancements	1,320	656	-	1,668	8	3	-	-	-	3,655
Reclassification start of year	-	(6)	-	-	-	-	(27)	33	-	0
revaluation increases/(decreases) recognised in the Revaluation Reserve	693	3,003	266	-	-	-	-	224	-	4,186
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(948)	(69)	12	-	-	-	-	(126)	-	(1,131)
eliminate depreciation on revaluation	(1,949)	(1,351)	(147)	-	-	-	-	(4)	-	(3,451)
de-recognitions	-	-	(2)	(17)	-	-	-	-	-	(19)
disposals	(753)	-	-	-	-	-	-	(123)	-	(876)
At 31 March 2018	**70,788**	**60,514**	**3,147**	**3,827**	**175**	**5,154**	**10,210**	**3,904**	**10,869**	**168,588**
Accumulated Depreciation and Revaluation										
At 1 April 2017 reclassified	**0**	**(1,337)**	**(38)**	**(1,251)**	**(21)**	**(786)**	**(328)**	**0**	**0**	**(3,761)**
depreciation charge	(1,949)	(1,198)	(132)	(412)	(36)	(159)	(48)	(4)	-	(3,938)
eliminate depreciation on revaluation	1,949	1,351	147	-	-	-	-	4	-	3,451
derecognition / scrapped	-	-	-	16	-	-	-	-	-	16
At 31 March 2018	**0**	**(1,184)**	**(23)**	**(1,647)**	**(57)**	**(945)**	**(376)**	**0**	**0**	**(4,232)**
Net Book Value at 31 March 2018	**70,788**	**59,330**	**3,124**	**2,180**	**118**	**4,209**	**9,834**	**3,904**	**10,869**	**164,356**

Movement on Balances Movements in 2016/17	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 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-recognitions	-	-	-	(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
derecognition / scrapped	-	-	-	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**

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, Equipment and Vehicles: 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 2018, the authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted to cost £86k similar commitments at the 31 March 2017 were £1.3m. The major commitments are:

31 March 2017		**31 March 2017**
£000		**£000**
14	Retentions	45
1,215	Housing market renewal	-
74	IT Equipment & Development	41
1,303	**Total**	**86**

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 Lambert Smith Hampton Group Limited, Mr M Messenger BSocSc (Hons) DipVal MRICS. 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 2017/18. 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 2017/18 was performed by Lambert Smith Hampton Group Limited and produced a net book value at 31 March 2018 of £72.114m.

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:		
2013/14	NPS North West Limited	7,059
2014/15	NPS North West Limited	2,417
2015/16	NPS North West Limited	4,645
2016/17	NPS North West Limited	6,021
2017/18	Lambert Smith Hampton Group Limited	44,890
Total for assets carried at current value (MV-EUV and FV)		**65,032**
Assets carried at historical cost:		25,827
Finance leases		1,383
Net Book Value at 31 March 2018		**92,242**

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	350	250	600
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	2,684	565	3,249
Land & property	Professional judgement	-	55	55
	Fair value as at 31 March 2018	**3,034**	**870**	**3,904**

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

Highest and best use of surplus assets

These surplus assets are made up of 17 areas of land and 1 property (2016/17 - 17 areas of land and 2 properties) 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 market conditions; others because of pending decisions or resources and others subject to contract/planning decisions.

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 2018	£870k (£335k as at 31 March 2017)
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 £131.58 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

Within the period there has been one transfer from Level 3 to Level 2 inputs and one Level 2 to Level 3. Additionally, one transfer into surplus assets on reclassification has arisen at Level 3. Where an event or change in circumstance are significant in relation to the specific asset, resulting in a change in level, the date of any such transfer will be deemed to be at the end of the reporting period.
The 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 2017		335
Sales/disposals	Land disposal	(15)
Transfers in to level 3	Property vacant and reclassified as surplus	42
Transfers out of level 3	Land comparable valuation, now observable inputs	(8)
Total gains/losses recognised in revaluation of property within other comprehensive income	CIES Line - Resources	(42)
Total gains/losses recognised in revaluation of property within the revaluation reserve		**558**
Closing Balance as at 31 March 2018		**870**

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 2017/18 is £42k (2016/17 £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. 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, Aries II builders steam yacht model by Bonhams and further immaterial items by the authority's Museum Curator, who also reports, no items held, as at 31 March 2018, 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 2017/18 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 North West Limited, 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.

2016/17						2017/18				
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**
603	79	20	-	702	Heritage Asset – Valuation at 1 April	603	79	20	-	702
603	**79**	**20**	**14**	**716**	**At 1 April**	**603**	**79**	**20**	**14**	**716**
-	-	-	-	0	Additions	12	-	-	-	12
603	**79**	**20**	**14**	**716**	**At 31 March**	**615**	**79**	**20**	**14**	**728**
					Accumulated Depreciation and Revaluation					
-	-	-	(6)	(6)	Heritage Asset – Cost at 1 April	-	-	-	(7)	(7)
-	(12)	(3)	-	(15)	Heritage Asset – Valuation at 1 April	-	(15)	(4)	-	(19)
0	**(12)**	**(3)**	**(6)**	**(21)**	**At 1 April**	**0**	**(15)**	**(4)**	**(7)**	**(26)**
-	(3)	(1)	(1)	(5)	depreciation charge	-	(4)	-	-	(4)
0	**(15)**	**(4)**	**(7)**	**(26)**	**At 31 March**	**0**	**(19)**	**(4)**	**(7)**	**(30)**
-	-	-	7	7	Net Book Value at 31 March – Cost	-	-	-	7	7
603	64	16	-	683	Net Book Value at 31 March - Valuation	615	60	16	-	691
603	**64**	**16**	**7**	**690**	**Total Net Book Value at 31 March**	**615**	**60**	**16**	**7**	**698**

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	620	
Total value of assets valued in 2011/12			**620**
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**
2017/18	Bonhams International Auctioneers & Valuers	8	
	Authority's Museum Curator	4	
Total value of assets valued in 2017/18			**12**
Assets carried at historical cost			**7**
Net Book Value at 31 March 2018			**698**

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

	2016/17	**2017/18**
	£000	**£000**
Opening GBV at 1st April	716	716
Value of Heritage Assets Acquired/Donation/Valuation		
Historic Collection	-	12
Total at 31 March	**716**	**728**
Accumulated Depreciation and Revaluation		
Opening balance at 1 April	(21)	(26)
New Statues and Herbert Leigh	(4)	(4)
War Memorials (Cost)	(1)	-
Total Accumulated Depreciation & Revaluation 31 March	**(26)**	**(30)**
Net Book Value at 31 March – Valuation	683	691
Net Book Value at 31 March - Cost	7	7
Total Net Book Value 31 March	**690**	**698**

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.

2016/17		2017/18
£000		£000
40,976	***Opening Capital Financing Requirement***	**40,122**
6	Impairment charge for non-dwelling Housing Revenue Account assets	-
	Capital investment	
2,937	Property, Plant and Equipment	2,042
755	Revenue Expenditure Funded from Capital under Statute	2,119
	Sources of finance	
(146)	Capital receipts reserve	(338)
(580)	Government grants and other contributions	(2,368)
(2,649)	Use of Major Repairs Reserve	(1,320)
(254)	Contributions from earmarked reserves	(127)
(63)	Revenue contribution to capital outlay	(8)
(527)	Minimum Revenue Provision from General Fund	(742)
(555)	Voluntary Revenue Provision from the Housing Revenue Account	(870)
	Cluster of Empty Homes	
222	Cluster of Empty Homes loan repayment	221
	Finance lease	
-	Finance lease embedded in waste management contract	1,614
40,122	***Closing Capital Financing Requirement***	**40,345**
	Explanation of movements in year	
(527)	Decrease in underlying General Fund need to borrow	(742)
(555)	Decrease in underlying Housing Revenue Account need to borrow	(870)
6	Impairment charge for non-dwelling Housing Revenue Account assets	-
222	Cluster of Empty Homes loan	221
-	Finance lease	1,614
(854)	***Increase/(decrease) in Capital Financing Requirement***	**223**

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 - Finance Leases

The authority has one group of assets embedded in a contractual arrangement which are vehicles and equipment in relation to the authority’s waste and street cleaning services: this lease commenced on 1 April 2017 and runs for seven years. The actual vehicle fleet includes: five single compartment refuse collection vehicles, three twin pack refuse collection vehicles, four caged tippers, three sweepers and two supervisor vans.

The authority is committed to making minimum lease payments under this lease to settle the long-term liability for the interest in the assets acquired by the authority. The table below reconciles the future minimum lease payments to their present value

As at 31 March 2017		**As at 31 March 2018**		
		Minimum lease payment	**Finance charges**	**Present value**
£000		**£000**	**£000**	**£000**
-	Not more than one year	251	31	220
-	Later than one year and not later than five years	1,005	73	932
-	Later than five years	251	5	246
0		**1,507**	**109**	**1,398**

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 5 non-specialist vehicles and 24 photocopiers on short term agreements utilised across a number of departments. These are considered deminimus and are not included in the following lease figures.

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

As at 31 March 2017		**As at 31 March 2018**
£000		**£000**
119	Not more than one year	99
63	Later than one year and not later than five years	53
-	Later than five years	-
182		**152**

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 2017		**As at 31 March 2018**
£000		**£000**
9	Minimum lease payments	6
(25)	Sublease receipts	(24)
(16)		**(18)**

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 2017		31 March 2018
£000		**£000**
(898)	Not more than one year	(992)
(1,618)	Later than one year and not later than five years	(1,454)
(712)	Later than five years	(566)
(3,228)		**(3,012)**

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 2017/18 £57k of contingent rents were receivable by the authority (£75k in 2016/17).

Note 17. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Long Term 31 March 2017	Short Term 31 March 2017		Long Term 31 March 2018	Short Term 31 March 2018
£000	**£000**		**£000**	**£000**
		Investments		
-	18,819	Cash, cash equivalents and investments	-	20,083
		Debtors		
1,332	1,299	Loans and receivables	1,178	1,246
		Borrowings		
(38,479)	(1,494)	Financial liabilities at amortised cost	(37,479)	(1,494)
		Other Liabilities		
-	-	Finance lease liabilities	(1,178)	(220)
		Creditors		
-	(2,149)	Financial liabilities carried at contract amount	-	(1,623)

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 2018 as:

31 March 2017	Cluster of Empty Homes loan	31 March 2018
£000		£000
1,332	Long term debtor for principal due beyond the next 12 months	1,178
147	Short term debtor for repayments due in the next 12 months	154
370	Financial Instrument Adjustment Account for the interest on remaining repayments	296
363	Usable Capital Receipts	584
2,212	**Total advance**	**2,212**

Income, Expense, Gains and Losses

2016/17				2017/18		
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	1,486	-	1,486
-	(199)	(199)	Total income in (Surplus) or Deficit on the Provision of Services: interest income	-	(200)	(200)
1,450	**(199)**	**1,251**	**Net (gain)/loss for the year**	**1,486**	**(200)**	**1,286**

Fair Values of Assets and Liabilities

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

- The fair value of Public Works Loan Board (PWLB) loans of £46.991m 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 £37.479m would be valued at £53.727m. 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 £9.02m.

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

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

31 March 2017			31 March 2018	
Carrying amount	**Fair value**		**Carrying amount**	**Fair value**
£000	**£000**		**£000**	**£000**
20,118	20,118	Loans and receivables short-term	21,329	21,329
1,332	1,332	Loans and receivables long-term	1,178	1,178
(38,479)	(48,616)	Borrowings long-term	(37,479)	(46,991)
(1,494)	(1,501)	Borrowings short-term	(1,494)	(1,497)
-	-	Other long-term liabilities	(1,398)	(1,398)
(2,149)	(2,149)	Creditors	(1,623)	(1,623)
(20,672)	**(30,816)**	**Total**	**(19,487)**	**(29,002)**

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 2018) 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 £17m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the authority's deposits, but there was no evidence at the 31 March 2018 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 and is predominantly short term at 31 March 2018:

31 March 2017		**31 March 2018**
£000		**£000**
92	Less than three months	186
80	Three to six months	85
19	Six months to one year	19
138	More than one year	65
329	**Outstanding debt**	**355**
239	Provision for bad and doubtful debts	123
73%	Percentage of provision	35%

<u>Liquidity Risk</u>

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 2017		**31 March 2018**
£000		**£000**
1,000	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
7,350	Between 10 and 15 years	7,350
8,500	Between 15 and 20 years	8,500
1,239	Between 20 and 25 years	239
-	Between 25 and 30 years	-
4,000	Between 30 and 35 years	8,795
8,390	Between 35 and 40 years	3,595
39,479		**38,479**

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

Market Risk

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

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

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

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

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

31 March 2017		**31 March 2018**
£000		**£000**
(6,169)	Decrease in fair value of fixed rate borrowings liability	(5,869)

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 2017		**31 March 2018**
£000		**£000**
350	Central government bodies	779
519	Other local authorities	531
1,839	Other entities and individuals	1,779
2,708	**Total**	**3,089**

Note 19. CASH AND CASH EQUIVALENTS

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

31 March 2017		31 March 2018
£000		£000
2	Cash held by the authority	2
3,800	Bank current accounts	3,051
-	Interest income bank current accounts	1
3,802	**Total Cash and Cash Equivalents**	**3,054**

Note 20. SHORT TERM CREDITORS

The short term creditors held by the authority consist of:

31 March 2017		31 March 2018
£000		£000
(1,050)	Central government bodies	(1,225)
(984)	Other local authorities	(994)
(3,139)	Other entities and individuals	(2,628)
(5,173)	**Total**	**(4,847)**

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 2017	**(526)**	**(9)**	**(10)**	**(545)**
Amounts added in 2017/18	(39)	(1)	-	(40)
Amounts used in 2017/18	19	-	6	25
Balance at 31 March 2018	**(546)**	**(10)**	**(4)**	**(560)**

The business rate appeals provision established in 2013/14 reflects the Council’s proportionate liability (40%) for repayments of successful business rate appeals. The impact of all open appeals against the 2010 List have been estimated and an estimate for appeals against the 2017 List has been calculated based on the potential appeals against the new ratable values.

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

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

Note 22. UNUSABLE RESERVES

31 March 2017		31 March 2018
£000		**£000**
(42,010)	i. Revaluation Reserve	(45,041)
(81,020)	ii. Capital Adjustment Account	(79,667)
369	iii. Financial Instruments Adjustment Account	296
32,555	iv. Pensions Reserve	27,756
555	v. Collection Fund Adjustment Account	201
70	vi. Accumulated Absences Account	45
(89,481)	**Total Unusable Reserves**	**(96,410)**

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.

2016/17		2017/18	
£000		**£000**	**£000**
(30,693)	**Balance at 1 April**		**(42,010)**
(12,533)	Upward revaluation of assets	(7,066)	
220	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	2,880	
(12,313)	**(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services**		**(4,186)**
791	Difference between fair value depreciation and historical cost depreciation	957	
205	Accumulated gains on assets sold & derecognised	198	
996	**Amount written off to the Capital Adjustment Account**		**1,155**
(42,010)	**Balance at 31 March**		**(45,041)**

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.

2016/17		2017/18	
£000		£000	£000
(77,026)	**Balance at 1 April**		**(81,020)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
3,257	▪ Charges for depreciation and impairment of non-current assets	3,943	
167	▪ Increase in Major Repairs Reserve for depreciation on non-dwelling assets	-	
(3,731)	▪ Revaluation (gains) and losses on Property, Plant and Equipment	1,120	
755	▪ Revenue expenditure funded from capital under statute	2,119	
1,108	▪ 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	878	
(996)	Adjusting amounts written out of the Revaluation Reserve	(1,155)	
560	**Net written out amount of the cost of non-current assets consumed in the year**		**6,905**
	Capital financing applied in the year:		
(146)	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(338)	
(2,649)	▪ Use of the Major Repairs Reserve to finance capital expenditure	(1,320)	
(439)	▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,217)	
(143)	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	(1,151)	
-	▪ Application of grants to capital financing from the Capital Grants Unapplied Account – Cluster of Empty Homes advance	-	
222	▪ Unapplied grants released to Capital Receipts Reserve	221	
(527)	▪ Statutory provision for the financing of capital investment charged against the General Fund balance	(742)	
(555)	▪ Voluntary provision for the financing of capital investment charged against the HRA Fund balance	(870)	
(254)	▪ Use of earmarked reserves to finance new capital expenditure	(127)	
(63)	▪ Capital expenditure charged against the General Fund balance	(8)	**(5,552)**
(81,020)	**Balance at 31 March**		**(79,667)**

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.

2016/17		2017/18
£000		**£000**
448	**Balance at 1 April**	**369**
(79)	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	(73)
369	**Balance at 31 March**	**296**

iv. Pensions Reserve

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

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

2016/17		2017/18
£000		**£000**
26,644	**Balance at 1 April**	**32,555**
5,915	Actuarial (gains) or losses on pensions assets and liabilities	(5,259)
2,125	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	2,617
(2,129)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,157)
32,555	**Balance 31 March**	**27,756**

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.

2016/17				2017/18		
Council Tax	**Business Rates**	**Total**		**Council Tax**	**Business Rates**	**Total**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
(198)	**1,301**	**1,103**	**Balance at 1 April**	**(251)**	**806**	**555**
(53)	(495)	(548)	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	93	(447)	(354)
(251)	**806**	**555**	**Balance at 31 March**	**(158)**	**359**	**201**

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.

2016/17		2017/18
£000		£000
60	**Balance at 1 April**	70
10	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.	(25)
70	**Balance at 31 March**	45

Note 23. OTHER LONG TERM LIABILITIES

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

2016/17		2017/18
£000		£000
(32,555)	Pension scheme liabilities	(27,756)
(77)	Compulsory purchase proceeds	(77)
-	Finance lease liability	(1,178)
(32,632)	**Total**	**(29,011)**

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 2018:

<u>MMI Scheme of Arrangement</u>

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

<u>Business Rate Appeals</u>

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 against the 2005 and 2010 Rating Lists. The authority has added a prudent provision for appeals against the 2017 Rating List; no appeals are currently lodged. It is not possible to quantify appeals that have not been yet been lodged with the Valuation Office Agency and the 2017 Rating List brings a new process for lodging appeals; there is little experience of this in operation. 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:

2016/17		2017/18
£000		**£000**
164	Property rents	160
1,332	Cluster of Empty Homes loan principal	1,178
1,496	**Total**	**1,338**

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:

2016/17		2017/18
£000		**£000**
(3,424)	Depreciation	(3,943)
4,365	Revaluation losses and gains on previous losses	(1,120)
(54)	(Increase)/decrease in provision for bad debts	107
81	(Increase)/decrease in provisions	(15)
(1,069)	(Increase)/decrease in creditors	923
(639)	Increase/(decrease) in debtors	288
8	Increase/(decrease) in inventories	(6)
4	Movement in pension liability	(460)
(1,108)	Carrying amount of non-current assets sold or derecognised	(878)
81	Clusters of Empty Homes soft loan interest	74
(1,755)		**(5,030)**

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:

2016/17		2017/18
£000	**Investing**	**£000**
1,310	Proceeds from the sale of property, plant and equipment	950
1,021	Other receipts from investing activities	792
2,331		**1,742**

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:

2016/17		2017/18
£000		**£000**
(118)	Interest received	(114)
1,450	Interest paid	1,450

Note 30. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The investing activities consist of:

2016/17		2017/18
£000		**£000**
3,144	Purchase of property, plant and equipment	2,027
42,990	Purchase of short-term investments	37,000
(1,310)	Proceeds from the sale of property, plant and equipment	(950)
(39,000)	Proceeds from short-term investments	(35,000)
(1,021)	Other receipts from investing activities	(792)
(221)	Cluster of Empty Homes loan repayments	(221)
4,582	**Net cash flows from investing activities**	**2,064**

Note 31. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The financing activities consist of:

2016/17		2017/18
£000		**£000**
(939)	Agency transactions relating to business rates and council tax (billing authority)	(375)
-	Principal transactions relating to finance lease	216
-	Loan repayment - PWLB	1,000
(939)	**Net cash flows from financing activities**	**841**

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 2018 are disclosed in Note 18 and grant income for 2017/18 is disclosed in Note 12.

Members
Members of the Council have direct control over the authority's financial and operating policies. 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 £46k 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 2017/18 is shown in Note 33. There are no balances outstanding at the 31 March 2018. Details of the entities that members are involved with are recorded in the Register of Members Interests which can be found on the Councils website listed under each member.

Officers
Officers of the Council have direct control over the authority's finances and operational decisions. There are no balances outstanding at the 31 March 2018.

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 £1.265m on property maintenance within the Housing Revenue Account in 2017/18. The authority was one of eight equal members and did not have the potential to significantly control the company. The authority ceased to be a member of Cumbria Housing Partnership Limited in May 2017.

Note 33. MEMBERS' ALLOWANCES

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

2016/17		2017/18
£000		**£000**
85	Basic allowances	86
31	Extra responsibility allowance	29
8	Expenses	8
124	**Total**	**123**

The Mayor of the Borough also receives an honorarium for their year of office to cover mayoral duties and civic receptions. The honorarium for 2017/18 was £4k (£4k for 2016/17).

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	2017/18	97	15	112
	2016/17	96	13	109
Director of Resources	2017/18	77	12	89
	2016/17	76	10	86

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:

2016/17		Remuneration Band	2017/18	
Number of Employees	Number leaving in the year		Number of Employees	Number leaving in the year
-	-	£50,000 - £54,999	3	-
-	-	£55,000 - £59,999	1	1
-	-	£60,000 - £64,999	-	-
-	-	£65,000 - £69,999	-	-
-	-	£70,000 - £75,999	-	-
-	-	£76,000 - £79,999	-	-
-	-	£80,000 - £85,999	-	-

Exit Packages

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

2016/17		Exit package cost band	2017/18	
Number	Cost		Number	Cost
	£000			£000
4	48	£0 - £20,000	-	-
1	43	£20,001 - £40,000	1	35
-	-	£40,001 - £60,000	-	-
-	-	£60,001 - £80,000	-	-
-	-	£80,001 - £100,000	-	-
5	**91**	**Total**	**1**	**35**

Termination Benefits
The authority agreed the departure of 1 employee in 2017/18, incurring liabilities of £35k (£91k in 2016/17). All five terminations in 2016/17 were for voluntary redundancy.

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:

2016/17		**2017/18**	
£000		**£000**	**£000**
	Comprehensive Income and Expenditure Statement		
	Cost of Services:		
1,153	▪ current service cost	1,699	
45	▪ curtailments	103	
3	▪ past service costs	-	
	Financing and Investment Income and Expenditure		
3,498	▪ interest on pension liabilities	2,959	
(2,603)	▪ interest on plan assets	(2,173)	
	Other operating expenses		
29	▪ *administration expenses*	29	
2,125	***Total Post-Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services***		**2,617**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
5,915	▪ re-measurements (liabilities and assets)		(5,259)
8,040	***Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Account***		**(2,642)**

	Movement in Reserves Statement:	
(2,125)	▪ reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,617)
	Actual amounts charged against the General Fund balance for pensions in the year	
2,129	▪ Employers' contributions payable to the scheme	2,157

Pensions Assets and Liabilities Recognised in the Balance Sheet

2016/17		2017/18
£000		**£000**
(120,196)	Present value of the defined benefit obligation	(117,320)
87,641	Fair value of plan assets	89,564
(32,555)	**Net liability arising from defined benefit obligation**	**(27,756)**

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

2016/17		2017/18
£000		**£000**
75,315	Opening fair value of scheme assets	87,641
2,603	Interest on plan assets	2,173
11,664	Re-measurements (assets)	1,238
(29)	Administration expenses	(29)
2,129	Employer contributions	2,157
284	Member contributions	316
(4,325)	Benefits/transfers paid	(3,932)
87,641	**Closing fair value of scheme assets**	**89,564**

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

2017/18		2017/18
£000		**£000**
(101,959)	Benefit obligation at the beginning of the period	(120,196)
(1,153)	Current service cost	(1,699)
(3,498)	Interest on pension liabilities	(2,959)
(284)	Member contributions	(316)
	Re-measurements (liabilities):	
3,249	▪ Experience gain/(loss)	0
(21,696)	▪ Gain/(loss) on financial assumptions	4,021
868	▪ Gain/(loss) on demographic assumptions	0
(45)	Curtailments	(103)
(3)	Past service costs	0
4,325	Benefits/transfers paid	3,932
(120,196)	**Benefit obligation at the end of the period**	**(117,320)**

Pension scheme assets comprised:

Period Ended 31 March 2017					Period Ended 31 March 2018			
Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total assets	Asset category	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total assets
£000	£000	£000			£000	£000	£000	
				Equities				
11,305	-	11,305	12.9%	UK quoted	11,375	-	11,375	12.7%
-	-	0	0.0%	UK unquoted	-	-	0	0.0%
17,616	-	17,616	20.1%	Global quoted	19,167	-	19,167	21.4%
-	876	876	1.0%	UK equity pooled	-	985	985	1.1%
-	14,724	14,724	16.8%	Overseas equity pooled	-	12,987	12,987	14.5%
				Bonds				
5,521	-	5,521	6.3%	UK corporate bonds	5,284	-	5,284	5.9%
263	-	263	0.3%	Overseas corporate bonds	269	-	269	0.3%
-	-	0	0.0%	UK corporate bonds pooled	-	-	0	0.0%
-	17,090	17,090	19.5%	UK Government indexed pooled	-	15,674	15,674	17.5%
				Property				
6,135	-	6,135	7.0%	UK	5,732	-	5,732	6.4%
-	2,717	2,717	3.1%	Property funds	-	2,597	2,597	2.9%
				Alternatives				
-	-	0	0.0%	Hedge funds	-	2,150	2,150	2.4%
-	2,191	2,191	2.5%	Private equity funds	-	5,732	5,732	6.4%
-	5,171	5,171	5.9%	Infrastructure funds	-	537	537	0.6%
-	789	789	0.9%	Real Estate debt funds	-	1,970	1,970	2.2%
-	438	438	0.5%	Private debt funds	-	-	0	0.0%
-	-	0	0.0%	Healthcare Royalties	-	358	358	0.4%
				Cash				
-	-	0	0.0%	Cash instruments	-	-	0	0.0%
2,717	-	2,717	3.1%	Cash accounts	4,747	-	4,747	5.3%
-	88	88	0.1%	Net current assets	-	-	0	0.0%
43,557	**44,084**	**87,641**	**100%**	**Total**	**46,574**	**42,990**	**89,564**	**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 2018.

The significant assumptions used by the actuary have been:

2016/17		2017/18
	Mortality assumptions:	
	Longevity at 65 for future pensioners:	
25.4	▪ Men	25.5
28.4	▪ Women	28.5
	Longevity at 65 for current pensioners:	
23.1	▪ Men	23.2
25.7	▪ Women	25.8

2016/17		2017/18
	Financial assumptions:	
2.3%	Rate of CPI inflation	2.1%
3.8%	Rate of increase in salaries	3.6%
2.3%	Rate of increase in pensions	2.2%
2.5%	Rate for discounting scheme liabilities	2.6%

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%)	-	1,844
Rate of inflation (increase by 0.1%)	1,874	-
Rate of increase in salaries (increase by 0.1%)	241	-
Longevity (increase by 1 year)	2,353	-

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 £2.140m in contributions to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 16 years, 2017/18 (16 years 2016/17).

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.

2016/17		**2017/18**
£000		**£000**
51	Fees payable to external audit with regard to external audit services carried out by the appointed auditor for the year	51
14	Fees payable to external audit for the certification of grant claims and returns for the year	16
65	**Total**	**67**

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:

2016/17		**2017/18**
£000		**£000**
60	Assets	79
(7)	Gross Income	(7)
7	Gross Expenditure	8
0	**Net (surplus) or deficit for the year**	**1**

2016/17			2017/18	
£000		**Note**	**£000**	
	Expenditure			
4,103	Repairs and maintenance		3,060	
3,275	Supervision and management		3,304	
8	Rents, rates, taxes and other charges		4	
(2,000)	Depreciation, impairment and revaluation of dwellings	5	2,897	
161	Depreciation and revaluation of other HRA property	6	158	
12	Debt management costs		13	
118	Movement in the allowance for bad debts		143	
5,677	**Total Expenditure**			**9,579**
	Income			
(10,269)	Dwelling rents		(10,053)	
(366)	Non-dwelling rents		(378)	
(1,191)	Charges for services and facilities		(1,198)	
(11,826)	**Total Income**			**(11,629)**
(6,149)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**			**(2,050)**
251	HRA services' share of Corporate and Democratic Core			240
1	HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services			(1)
(5,897)	**Net (Income)/Expenditure for HRA Services**			**(1,811)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(202)	Gain or (loss) on sale of HRA non-current assets			(74)
6	Pension administration expenses	11		6
980	Interest payable and similar charges			964
195	Pensions interest cost and expected return on pension assets	11		172
(4,918)	**(Surplus) or deficit for the year on HRA services**			**(743)**

Movement on the HRA Statement

2016/17		2017/18	
£000		**£000**	
(1,545)	Balance on the HRA at the end of the previous year		(1,443)
(4,918)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(743)	
4,957	Adjustments between accounting basis and funding basis under statute	(96)	
63	Capital expenditure funded by the HRA	8	
102	**(Increase) or decrease in the year on the HRA**		**(831)**
-	Transfer to or (from) earmarked reserves		1,274
(1,443)	Balance on the HRA at the end of the current year		(1,000)

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 (MRR), at a level that was at least the level of the Major Repairs Allowance (MRA) (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 MRR are retained, but the MRA had been replaced with a locally derived amount. A five year transition period had finished at the end of the 2016-17 financial year whereby the authority has been able to:

- Use a notional MRA figure as a measure of the assessment for depreciation
- Utilise a credit transfer for any excess of housing stock depreciation above an amount equal to the notional MRA
- Reverse revaluation and impairment losses on housing stock out of the HRA where the HRA revaluation reserve cannot meet the loss.

For the 2017/18 year Depreciation continues to be charged to the HRA as a proper accounting practice. However, from 2017/18 the authority will no longer have the ability to charge any difference between the depreciation charge and the notional major repairs allowance to the major repairs reserve. This rule applies to all depreciation not just housing stock.

For the 2017/18 year Impairment and valuation gains and losses not covered by revaluation reserve in relation to HRA non-dwellings can now be reversed which follows the same rules as the housing stock.

2. Dwelling Stock

The dwelling stock held by the authority consists of:

	31 March 2017	Movements	31 March 2018
1 bed house	142	-	142
2 bed house	371	(3)	368
3+ bed house	866	(15)	851
Total houses	**1,379**	**(18)**	**1,361**
1 bed flat	937	(2)	935
2 bed flat	305	(1)	304
3+ bed flat	6	-	6
Total flats	**1,248**	**(3)**	**1,245**
Dwelling stock	**2,627**	**(21)**	**2,606**

3. HRA Non-Current Assets

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

31 March 2017		31 March 2018
£000		£000
72,425	Council dwellings	70,788
2,980	Land and buildings	3,124
146	Equipment	118
75,551	**HRA assets**	**74,030**

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 was changed in 2016/17 to 40%, an increase from 35% which was set in 2010/11. As a consequence the Council recognises dwellings at a value of £70.788m on the Balance Sheet. At vacant possession the same dwellings would have a value of £176.969m with the difference of £106.181m 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 2017		31 March 2018
£000		£000
72,425	Balance Sheet value EUV-SH	70,788
108,637	Difference of EUV-SH and EUV-VP	106,181
181,062	**Value of dwelling stock at EUV-VP**	**176,969**

5. Depreciation and Revaluation of Dwellings

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

2016/17		2017/18	
£000		£000	£000
85	Revaluation loss	1,465	
(3,741)	Reversal of previous revaluation loss	(517)	948
1,656	Depreciation for current year		1,949
(2,000)			**2,897**

6. Depreciation and Revaluation of Other HRA Property

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

2016/17		2017/18	
£000		£000	£000
(6)	Reversal of previous revaluation loss	(13)	
-	De-recognition of non-current asset	2	(11)
167	Depreciation for current year		169
161			**158**

7. HRA Capital Financing Requirement

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

2016/17		2017/18
£000		£000
21,074	**Opening Capital Financing Requirement**	**20,525**
6	Impairment charge for non-dwelling Housing Revenue Account assets	-
	Capital investment:	
2,649	Council dwellings	1,949
	Source of finance:	
(2,649)	Major Repairs Reserve	(1,949)
(555)	Voluntary Revenue Provision – towards the repayment of HRA Debt	(870)
20,525	**Closing Capital Financing Requirement**	**19,655**
	Explanation of movements in year	
(555)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	(870)
6	Impairment charge for non-dwelling Housing Revenue Account assets	-
(549)	**Increase/(decrease) in Capital Financing Requirement**	**(870)**

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 change in the general determination was 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 2017/18 is set out in the following table:

2016/17		2017/18	
£000		**£000**	**£000**
	Item 8 Credit		
(5)	Discounts for early repayment of debt	(2)	
(4,053)	Reversal of previous year revaluation loss - dwellings	(516)	
(6)	Reversal of previous year revaluation loss – non dwellings	(13)	(531)
	Item 8 Debit		
866	Interest payable on external loans	866	
1,656	Depreciation of dwellings	1,949	
167	Depreciation of non-dwellings	169	
115	Interest payable on notional cash balances	98	
11	Debt management expenses	13	
3	Premium charges for early repayment of debt	1	
603	Transfers to the Major Repairs Reserve	-	
-	De-recognition on non-current assets	2	
85	Revaluation loss - dwellings	1,465	
-	Revaluation loss – non dwellings	-	4,563
(558)	**Item 8 Credit and Item 8 Debit**		**4,032**

9. HRA Non-Current Asset Disposals

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

2016/17		2017/18
£000		**£000**
1,063	Carrying value of dwellings sold	753
(1,258)	Sale proceeds from dwellings	(827)
(195)	**Net gain on disposals**	**(74)**

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.

2016/17		2017/18
£000		**£000**
	MRR transfers in the year:	
(1,656)	From HRA for dwellings depreciation	(1,949)
(604)	Difference between MRA and dwellings depreciation	-
(2,260)	**MRA for the year**	**(1,949)**
(167)	Increase for depreciation of non-dwelling assets	(169)
2,649	Capital expenditure financed by MRR	1,320
(1,416)	**Balance brought forward**	**(1,194)**
(1,194)	Balance carried forward	(1,992)

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		2016/17	
£000		**£000**	**£000**
	HRA		
	Cost of Services:		
255	▪ current service cost	344	
2	▪ curtailment costs	-	344
	Financing and Investment Income and Expenditure		
762	▪ interest cost	645	
(567)	▪ expected return on scheme assets	(473)	172
	Other operating expenditure		
6	▪ pension administration expenses		6
458	***Total Post Employment Benefit Charged to the HRA Income and Expenditure Account***		**522**

	Movement in Reserves Statement	
(458)	• reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(522)
	Actual amounts charged against the HRA balance for pensions in the year	
403	• employers’ contributions payable to scheme	418

12. Rent Arrears

At 31 March 2018 the HRA rent arrears and the provision in respect of uncollectable debts was:

2016/17		2017/18
£000		**£000**
706	Arrears at year end	826
536	Provision for bad and doubtful debts	626
76%	**Percentage of provision**	**76%**

13. HRA Balance

The financial reserves required by the HRA have been reviewed and a HRA fund balance together with a separate general earmarked reserve has been agreed as the most appropriate method for holding the financial reserves.

The general earmarked reserve will contain the funds available to the HRA for restructuring costs, service development costs, insurance premiums, uninsured losses, one-off items of spend that meet the Reserves and Balances Policy, budget support and budget volatility.

31 March 2017		31 March 2018
£000		**£000**
(1,443)	HRA fund balance	(1,000)
-	HRA earmarked reserves	(1,274)

The HRA earmarked reserves have been established from:

- HRA Fund balance £443k
- HRA Surplus for 2017/18 £831k

Collection Fund Income and Expenditure Statement

2016/17				2017/18		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000		£000	£000	£000
			Income			
(31,959)	-	(31,959)	Income from Council Tax	(32,831)	-	(32,831)
-	(23,501)	(23,501)	Income collectable from business ratepayers	-	(23,368)	(23,368)
-	555	555	Transitional Protection Payment	-	3,056	3,056
(31,959)	**(22,946)**	**(54,905)**	**Total Income**	**(32,831)**	**(20,312)**	**(53,143)**
			Expenditure			
			Precepts demand & shares:			
-	11,986	11,986	- Central Government	-	9,945	9,945
22,858	2,397	25,255	- Cumbria County Council	23,952	1,989	25,941
4,121	9,682	13,803	- Barrow Borough Council	4,250	8,163	12,413
4,020	-	4,020	- Cumbria Police & Crime Commissioner	4,128	-	4,128
			Charged to the Collection Fund			
(117)	(93)	(210)	- Write off of uncollectable amounts	(146)	(89)	(235)
245	410	655	- Increase/(decrease) in bad debt provision	273	245	518
-	(73)	(73)	- Increase/(decrease) in provision for appeals	-	51	51
-	96	96	- Costs of collection	-	93	93
31,127	**24,405**	**55,532**	**Total Expenditure**	**32,457**	**20,397**	**52,854**
(832)	**1,459**	**627**	**(Surplus)/Deficit for the year**	**(374)**	**85**	**(289)**

Restated						
Council Tax	Business Rates	Total	***Collection Fund balances***	Council Tax	Business Rates	Total
(1,224)	3,253	2,029	Balance brought forward at 1 April	(1,463)	2,015	552
593	(2,697)	(2,104)	Distribution of previous years (surplus)/deficit	631	(1,203)	(572)
(832)	**1,459**	**627**	**(Surplus)/Deficit for the year (as above)**	**(374)**	**85**	**(289)**
(1,463)	2,015	552	Balance carried forward at 31 March	(1,206)	897	(309)
			Allocated to			
(192)	806	614	- Barrow Borough Council	(158)	359	201
(1,083)	201	(882)	- Cumbria County Council	(893)	90	(803)
-	1,008	1,008	- Central Government	-	448	448
(188)	-	(188)	- Cumbria Police & Crime Commissioner	(155)	-	(155)
(1,463)	**2,015**	**552**	**Balance carried forward at 31 March**	**(1,206)**	**897**	**(309)**

2016/17 Collection Fund Council Tax balances have been re-stated for Barrow Borough Council surplus adjustments 2015/16 & 2016/17.

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 2017-2018 were estimated before the start of the financial year as £9.945m to Central Government, £1.989m to Cumbria County Council and £8.163m to this authority. These sums have been paid in 2017-2018 and charged to the collection fund in year. Barrow Borough Council also received £207k 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 2018. As such authorities are required to make a provision for these amounts. Appeals are charged and provided for in the proportion of the precepting shares. The total net increase of the provision charged to the collection fund for 2017/18 has been calculated at £51k.

The total non-domestic rateable value at the 31 March 2018 was £53.59m (£57.35m at the 31 March 2017); the 2017 Rating List came into effect on 1 April 2017 and the authority's total non-domestic rateable value decreased as a result.

The national non-domestic rate multiplier for 2017/18 was 47.9 pence in the pound (49.7 pence in the pound for 2016/17).

A small business rate relief scheme was also introduced on the 1 April 2005 whereby, providing certain conditions are met, occupiers of properties with a rateable value of less than £15k pay a reduced rate of 46.6 pence in the pound (48.4 pence in the pound for 2016/17) and can also qualify for rate relief.

3. Bad and Doubtful Debts

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

31 March 2017		31 March 2018
£000	**Council Tax**	**£000**
3,900	Arrears	3,829
2,127	Provision for bad and doubtful debts	2,108
55%	Percentage of provision	55%
	Business ratepayers	
1,459	Arrears	1,445
1,243	Provision for bad and doubtful debts	1,310
85%	Percentage of provision	91%

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 2017		31 March 2018
£000	**Council Tax**	**£000**
513	Arrears	498
285	Provision for bad and doubtful debts	274
56%	Percentage of provision	55%
	Business ratepayers	
584	Arrears	578
497	Provision for bad and doubtful debts	524
85%	Percentage of provision	91%

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 2017/18 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 2017/18 is £4.231m. The retained levy for the authority paid into the pool was £364k and the distribution of the retained levy to the authority was £196k, these are shown within the Comprehensive Income and Expenditure Statement. The authority's share of the pool volatility reserve, £48k, is held in the Balance Sheet as an earmarked reserve.

5. Council Tax Base

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

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

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

The Council Tax base for 2017/18 was 18,698 (18,555 for 2016/17). The tax base for 2017/18 was approved by Council on 2 March 2017. The collection rate was assumed to be 97% for 2017/18 (97% in 2016/17).

The Council Tax base for the year was set as:

2016/17 Band D equivalent number of chargeable dwellings	**Band**	**Standard factor**	**2017/18 Band D equivalent number of chargeable dwellings**
20	Disabled reductions		23
8,315	A	6/9	8,438
3,537	B	7/9	3,541
3,630	C	8/9	3,642
2,082	D	9/9	2,086
1,105	E	11/9	1,113
328	F	13/9	321
110	G	15/9	110
2	H	18/9	2
19,129	Equivalent chargeable dwellings		19,276
18,555	**97% of which gives the Council Tax base**		**18,698**

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. The following table contains the council tax bandings for the main preceptors for 2017/18.

2016/17 Council Tax	**Band**	**Property value**	**2017/18 Council Tax**
£			**£**
1,110.30	A	Up to £39,999	1,149.15
1,295.34	B	£40,000 to £51,999	1,340.68
1,480.40	C	£52,000 to £67,999	1,532.20
1,665.44	**D**	**£68,000 to £87,999**	**1,723.73**
2,035.54	E	£88,000 to £119,999	2,106.78
2,405.64	F	£120,000 to £159,999	2,489.83
2,775.74	G	£160,000 to £319,999	2,872.88
3,330.88	H	£320,000 and over	3,447.46

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

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Barrow Borough Council (the 'Authority') for the year ended 31 March 2018 which 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 Income and Expenditure Statement and notes to the financial statements, including a summary of accounting policies. 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 2017/18.

In our opinion the financial statements:
- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to
This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 1 to 95, and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our

opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority’s arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice
Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the ‘Delivering Good Governance in Local Government: Framework (2016)’ published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice
In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 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 Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Director of Resources and Those Charged with Governance for the financial statements
As explained more fully in the Statement of Responsibilities set out on page 14, the Authority is required to make arrangements for the proper administration of its financial affairs and 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. 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 2017/18, which give a true and fair view, and for such internal control as the Director of

Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources is responsible for assessing the Authority’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit Committee is Those Charged with Governance.

Auditor’s responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Report on other legal and regulatory requirements - Conclusion on the Authority’s 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 criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority
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.

Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources
We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Gareth Kelly

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

110 Queen Street
Glasgow
G1 3BX

31 July 2018

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.

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.

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 and was revised with effect from 1 April 2017. 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.

Ministry of Housing, Communities and Local Government
A Department of Central Government with an overriding responsibility for determining the allocation of general resources to Local Authorities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

BOROUGH OF BARROW IN FURNESS

www.barrowbc.gov.uk

Version Control:	
Document Name:	Annual Governance Statement 2017/18
Version:	Version 1
Author:	Corporate Support Manager
Approved by:	Audit Committee
Date Approved:	26 July 2018
Review Date:	April 2019

Annual Governance Statement – 2017-2018

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 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.

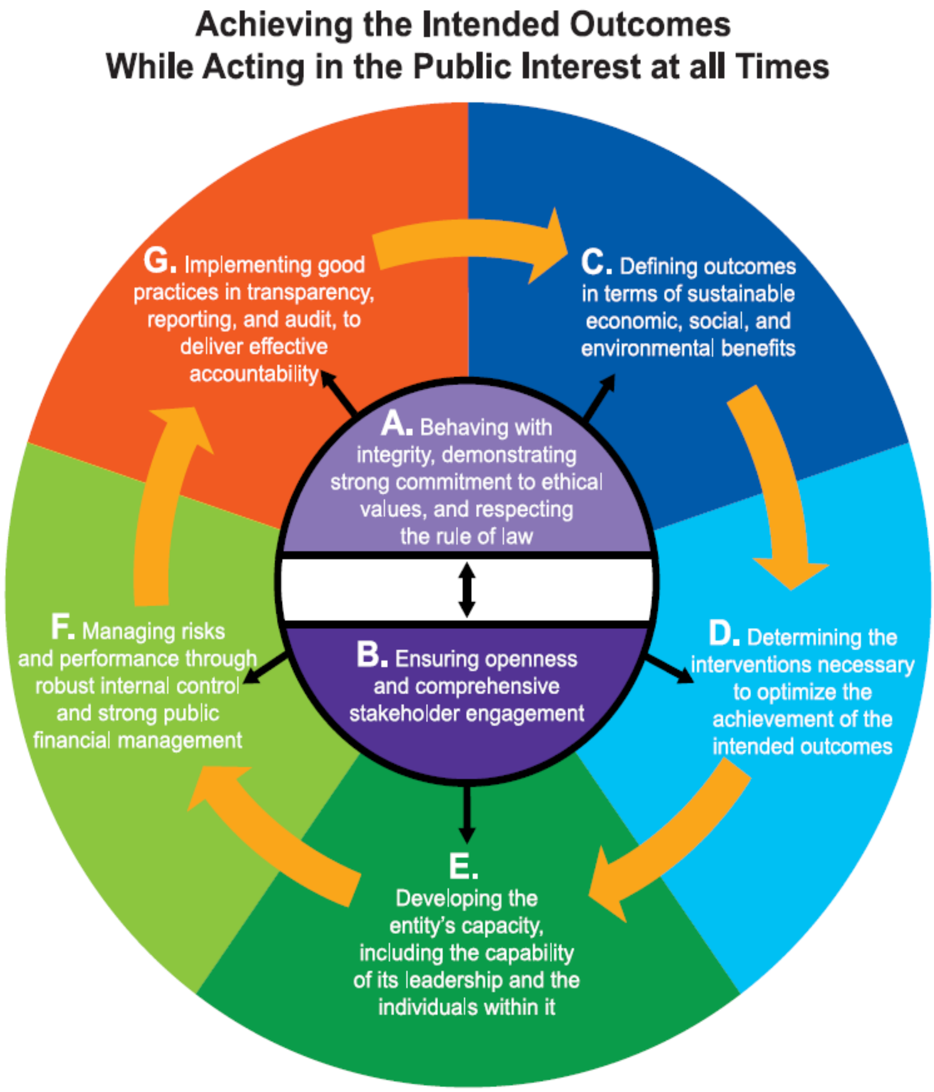
D. Determining the interventions necessary to optimise the achievement of intended outcomes.

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:



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 the Council's governance group will undertake audits of individual departments.

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. The Democratic Services Manager (Monitoring Officer) monitors compliance with the Member's code of conduct
The Executive Director (Head of Paid Services) has overall responsibility for ensuring compliance with the officer's code of conduct

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 Chief Financial Officer has responsibility for ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

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 communicates the Council's vision which specifies intended outcomes for the period from 2017 - 2020. The plan details how the Council will achieve the priorities which were identified by Elected Members. The Council's Performance Plan translates the vision into a course of action for the authority and its partnerships.

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 which demonstrates how the Council achieves value for money

Agendas, reports and minutes for all Council meetings are published on the Council's website. Committee reports and minutes
During 2017/18 the Council made two significant decisions in relation to services; it was agreed the Park Leisure Centre would be outsourced to an external operator and partner; it was agreed the Revenues and Benefits service would be insourced after being operated by an external contractor for 20 years.

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. An external review of customer engagement is planned for 2019 following insourcing of Customer Services Department.

Partnership working

The Council participates in formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. The Council works closely with the Business Improvement District Board and the Local Enterprise Partnership supporting town centre improvements which is one of the Council's priorities.

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

Managing data

The Council has undertaken a review of data management in preparation for the implementation of the General Data Protection Regulation which has delivered improvements to internal controls to facilitate compliance with the regulation.

The Council has made significant investment in the IT infrastructure to minimise the loss of data through cyber attacks.

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 Councils policies on the anti-fraud and anti-corruption strategy which are detailed in the Code of Governance.

The assurance gathering from service divisions for 2017/18 was not as intended and is in the process of changing to provide a more robust challenge, however the corporate assurance gathering arrangements for 2017/18 were:

- Service Managers reviewed the outcomes of Internal Audit work and acted upon the recommendations made. Where the conclusion of the audit resulted in restricted assurance, the reports were also considered by Management Board to ensure that the responses address the issues identified. Priority 1 issues are monitored by Corporate Support and updates are provided to the Audit Committee.
- Performance management information is reported to the Executive Committee on a quarterly basis together with financial information. Where necessary Managers provide an explanation of performance and Members also ask for further information when considering corrective action. During 2017/18 the sickness absence reporting information has been increased at Management Board and at the Executive Committee. The Executive Committee has referred matters of concern to the Overview and Scrutiny Committee regarding both performance and policy.
- Risk management information is reported to Management Board and the Audit Committee quarterly; Executive Committee annually. This is

supplemented by a risk assessment of each report presented to the Executive Committee; reporting officers complete the risk assessments and these are considered by Management Board prior to the Executive Committee.

- External assessments are also a source of assurance, with the Public Sector Network (PSN) compliance being the most significant assessment besides the external auditors report. The Council complies with the PSN requirements and considers all matters raised by the external auditors.
- The Council operates a Managers Forum as a means of networking and discussion of policy and procedure changes, and their practical implementation. The Managers Forum feeds into the Management Group which is the heads of department level (senior Managers) and also directly to the Management Board if so directed. The Management Group includes Management Board; the Managers Forum does not. Management Group meet to discuss more strategic issues, lately this has focussed on the Council Plan Objectives and delivering the Budget Strategy. This interaction with service Managers provides assurance to Management Board that there is a consistent communication of information and of policy.
- To support assurance in the Council's activities, external advice is brought in as needed. There is ongoing advice from insurers, treasury management advisors, VAT and tax advisors and others including service specific support. During 2017/18 there was also service specific legal advice and procurement advice obtained.
- The Council operates a performance appraisal system and during 2017/18 has also established a revised job template. This is a key part of governance as it cascades the scheme of delegation from the Constitution, through senior Managers, to service Managers and to Officers. The Council considers the assignment and clarity of responsibilities and duties to be fundamental to the system of assurance and the performance appraisal system operates to support this arrangement.
- The Council operates a robust induction process. For new staff this is performed by service Managers against a HR checklist for consistency. Induction is performed by Democratic Services for new Members.
- The Council experiences fairly low number of service complaints and few complaints progress to the final stages of that process. Where necessary corrective action from complaints is implemented to improve service delivery.
- The whistleblowing hotline continues to be used with 43 calls received during 2017/18.

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 who 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 it 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 a 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 has stated; my detailed opinion is that, for the systems reviewed, the Council has basically sound systems of control in place, although there are weaknesses which put some of the system objectives at risk, these mainly relate to areas of contract management and control 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:

- Council Leased Vehicles;
- Procurement;
- Rawlinson Street Corridor;
- Town Hall Ground Floor Alterations;
- Crematorium/Cemetery Office;
- High Level Electrical Repairs and Festive Lighting; and
- Electrical Reactive Maintenance and Repairs.

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

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

An action plan was developed to address these issues, which is detailed below. The actions relating compliance with contracts have not been completed because the Procurement Officer left the Council in December 2017 and we have been unable to find a replacement. A Purchasing Officer is now in post to support the Corporate Support Manager in addressing these issues.

Action plan for 2017/18

Action	Responsible officer	Progress
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 but has been impacted because of delays in recruiting a replacement Procurement Officer
Establish an informal support group consisting Internal Audit and the Procurement Officer help managers with compliance issues.	Procurement Officer	Not complete because of delays in recruiting a replacement Procurement Officer
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	Complete
Amend the Purchasing Procedure to state that the threshold limits in the guide apply to orders in a 12 month period. This will ensure	Director of Resources	Complete

that multiple orders for identical items are compliant with the Purchasing Procedure threshold limits.		
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	On-going, to date the replicate data servers have been relocated to a secure Council owned site. A new firewall was installed during Q1.

There were no recommendations relating to the Annual Governance Statement in the 2016/17 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 2017/18 seven audit reports identified significant weaknesses in internal control and the audit conclusion was: Restricted Assurance.

All of these reports relate to on-going issues with the completion of the Council's contract check list which is required by Standing Orders. An action plan has been developed to address these issues, which is detailed below:

Action plan for 2018/19

Action	Responsible officer	Due date
Monitor the progress against individual contract checklists and intervene if required.	Corporate Support Manager	On-going
Establish an informal support group consisting Internal Audit and the Procurement Officer help managers with compliance issues.	Corporate Support Manager	On-going

J. Certification Statement

The review of the governance arrangements for the financial year 2017-2018 has not highlighted any areas of major concern for the Council. We believe that the existing arrangements are fit for purpose and are adequate to meet the Council's corporate aims.

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