

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Thursday, 27th September, 2012
at 2.00 p.m. (Committee Room No. 4)

A G E N D A

PART ONE

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

3. **Admission of Public and Press**

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

4. **Declarations of Interest**

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

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

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

5. To confirm the Minutes of the meeting held on 28th June and the special meeting held on 25th July, 2012 (copies attached).
6. Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

- (D) 7. Local Government Ombudsman Annual Letter 2011/2012.
- (D) 8. Annual Governance Statement.
- (D) 9. Statement of Accounts 2011/12.

- (D) 10. Annual Governance Report 2011/12.
- (D) 11. Letter of Representation 2011/12.
- (D) 12. Monitoring Priority 1 Recommendations.
- (D) 13. Risk Management.
- (D) 14. Performance Management.
- (D) 15. Audit Committee Work Plan.
- (D) 16. Internal Audit Progress Report.

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

Membership of Committee

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

For queries regarding this agenda, please contact:

Keely Fisher
Democratic Services Officer
Tel: 01229 876313
Email: ksfisher@barrowbc.gov.uk

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BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting: 28th June, 2012
at 2.00 p.m.

PRESENT:- Councillors Pointer (Vice-Chairman), Barlow and Murray.

Also present were Keith Jackson from Internal Audit and Gareth Kelly from the Audit Commission.

1 – Minutes

The Minutes of the meeting held on 6th March, 2012 were taken as read and confirmed.

2 – Apologies for Absence/Attendance of Substitute Members

Apologies for absence were received from Councillors Burns (Chairman) and Wilson.

Councillor Barlow had replaced Councillor Wilson for this meeting only.

3 – Restricted Assurance Levels and Attendance of Senior Officers

The Policy Review Officer reported that Internal Audit undertook reviews of the Council's systems as defined in the Annual Audit Plan. At the conclusion of each audit, Internal Audit gave an overall opinion on the level of assurance, which they considered was appropriate by the controls in place and their operation within the system audited. The following classification of assurance levels had been adopted:-

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

To provide enhanced assurance, Members agreed to invite Senior Officers to attend the Audit Committee meetings to provide clarification regarding identified weaknesses and also agreed that it should be a standing item on future agendas.

To ensure that this was progressed in a timely manner it was recommended that the Chair would request any attendance following receipt of the Agenda. Any Member wishing to request the attendance of Senior Officers should do so through the Chair by the Monday before the meeting.

At the meeting held on 6th March, 2012, it was agreed that the Assistant Director Community Services be invited to today's meeting to discuss issues raised about the Catering Contract (Minute No. 37 refers). A copy of the Executive Summary of the Catering Contract reported at the last meeting was attached to the report for Members' information.

The Assistant Director Community Services was unable to attend today's meeting and provided Members with a written summary about the Catering Contract. Members felt that the tabled summary provided by the Assistant Director did not provide the answers which the Audit Committee were requesting, therefore it was moved by Councillor Murray and seconded by Councillor Barlow that a special meeting of the Audit Committee be arranged to discuss the Catering Contract.

RESOLVED:- (i) That the Chair of the Audit Committee determine whether Senior Officers should attend meetings; and

(ii) That a special meeting of the Audit Committee be arranged to discuss the Catering Contract.

4 – Internal Audit Annual Report 2011-2012

The Council's Internal Audit Manager attended the meeting and presented the Internal Audit Annual Report for 2011-2012 to the Committee. He explained that the purpose of the Annual Report was to meet the Head of Internal Audit's Annual reporting requirements set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code). The Head of Internal Audit's formal annual report presented an opinion of the overall adequacy and effectiveness of the internal control environment; and

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

The 2011/12 Year Opinion was that the annual report provided reasonable assurance that the majority of key controls were operating satisfactorily.

The detailed opinion was that, for the systems reviewed, the Council had basically sound systems of control in place, although there were weaknesses which put some of the system objectives at risk. The profile of assurance was in Internal Audit's experience comparable to other local authorities, with the majority of Council systems receiving Substantial Assurance. There were however, two areas where only Restricted assurance could be provided, which related to:

- Risk Management (Business Continuity Management); and
- Re-roofing, demolition and elevation repairs at 2-28 Sutherland Street and 96 Crellin Street (Group Repair) Contract.

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

Progress against the 2011/12 Annual Plan

A detailed analysis of the current situation regarding the 2011/12 plan had been appended to the Internal Audit Annual Report. The assessment of auditable areas had identified 73 systems, which covered the Council's operations. The audit coverage achieved in the period, compared to the audit plan, was set out in the table below. The reduction in planned coverage compared to actual mainly related to changes made to the audit plan for an increased number of contract audit reviews. In addition, Housing Benefit Grant Certification testing had been completed which was not reflected in these figures, all of which were included within regular progress reports issued to the Audit Committee.

	Percentage of systems covered		Percentage of risk covered	
	2011/12	2010/11	2011/12	2010/11
Planned	36%	33%	79%	77%
Achieved	33%	25%	77%	62%

The following table summarised the assurance levels recorded in final reports relating to the years 2011/12 and 2010/11. The majority of Council systems, had achieved the level of Substantial Assurance, however, two systems had been classified as Restricted Assurance in 2011/12.

Final Reports	Total	Unqualified Assurance		Substantial Assurance		Restricted Assurance		No Assurance	
		No.	%	No.	%	No.	%	No.	%
2011/12	31	4	13	25	81	2	6	0	0
2010/11	30	1	3	22	74	7	23	0	0

An assurance level was not applicable for a further report; IT Internet Access and Security.

A summary of the number of audit recommendations made in the Internal Audit Final report issued during 2011/12 along with management responses were as follows:-

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made 2011/12	123	7	76	40
Fully Accepted	117	7	73	37
Partly Accepted	5	0	3	2
Not Accepted	1	0	0	1

During the year Internal Audit had reported on the implementation of 172 agreed audit recommendations made in previous reports. The results were as follows:-

	Fully Implemented	Not Implemented	Overtaken By Events	TOTAL
2011/12	58	65	49	172
2010/11	58	69	21	148

For the recommendations not fully implemented revised dates had been agreed with management for their implementation. Internal Audit would further review progress on their implementation during 2012/13.

RESOLVED:- To note the Internal Audit Annual Report for 2011/12.

5 – Internal Audit – Final Reports

The Borough Treasurer reported that Internal Audit had completed a number of audits in accordance with the approved annual programme. On completion, final reports were presented to this Committee for consideration.

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

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

1. Receipt Book Checks – Substantial Assurance;
2. Housing and Council Tax Benefits – Substantial Assurance;
3. Financial Information System – Substantial Assurance;
4. Payroll System Review – Substantial Assurance;
5. Procurement (including Ordering) –Substantial Assurance;
6. Car Park Meter Income – Substantial Assurance;
7. The Forum – Substantial Assurance;
8. Internet Access and Security – Five important issues;

Contract Audits

9. Waterside Business Park - New Access Road – Substantial Assurance;
10. Ship Inn Piel Island - Completion of Refurbishment Phase 4 – Substantial Assurance; and
11. Hindpool Urban Park Extension/ Demolition of Albert Street Flats – Substantial Assurance.

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

RESOLVED:- To note the Internal Audit Final Reports.

6 – Anti-Fraud and Corruption Policies Review

The Borough Treasurer reported that the Authority currently had an Anti-Fraud and Corruption Policy that included a section on Whistle Blowing. The Policy was last reviewed in 2007.

A review had been undertaken by the Borough Treasurer, the Head of Internal Audit and the Deputy Executive Director.

The existing Policy had been split into an Anti-Fraud and Corruption Policy for external promotion and a separate Whistle Blowing Policy for internal promotion.

The Anti-Fraud and Corruption Policy set out the Authority's commitment to the prevention and detection of fraud and corruption. It outlined the responsibilities of staff, Members and management and sets out the procedures to be followed where suspicion of financial or other irregularity was raised. The Fraud Response Plan had been added to the Policy to highlight the procedure that the Authority would follow once a concern had been raised.

The Whistle Blowing Policy applied to all staff, Members and those contractors working for the Authority on the Council's premises. The Policy set out the Authority's expectation that serious concerns were raised. The Fraud Response Plan was the same for these concerns, but it was not necessary to repeat it in this Policy. Both Policies would be promoted to staff, Members and others.

In order to ensure that the Policies were current, relevant, and reflected best practice, they would be reviewed and updated on an annual basis.

The Anti-Fraud and Corruption Policy would be published on the website and the Whistle Blowing Policy on the Intranet. Both documents would be promoted to all staff once approved by this Committee.

RESOLVED:- That Members approve the Anti-Fraud and Corruption and the Whistle Blowing Policies.

7 – Annual Review of Internal Audit 2011-2012

The Borough Treasurer reported that Regulation 4 of the Accounts and Audit Regulations 2011 required audited bodies to conduct a review of the effectiveness of its system of internal control at least once a year. Regulation 4 also required the findings of the review of the system of internal control to be considered by this Committee. This review was contained within the Annual Governance Statement, presented to Members as part of the agenda at this Committee meeting.

Regulation 6 of the Accounts and Audit Regulations 2011 required audited bodies to review the effectiveness of their Internal Audit service once a year and for the findings of the review to be considered by this Committee; this is a part of the system of internal control referred to in Regulation 4.

The Borough Treasurer was satisfied that the Internal Audit Service was effective. She had referred to a number of documents to support her opinion:-

1. The CIPFA code of practice for Internal Audit in local government – a self-assessment checklist completed by the Head of Internal Audit and reviewed by the Borough Treasurer;
2. The CIPFA statement on the role of the Head of Internal Audit in local government – a self-assessment completed by the Head of Internal Audit and reviewed by the Borough Treasurer;
3. The Internal Audit Annual Report for 2011-2012 – this contains the performance of the service for the financial year; and
4. Post audit questionnaires – these were returned by departmental managers to reflect satisfaction with the service.

The completed questionnaires were returned to the Borough Treasurer and it was her expectation that the service should perform to a good standard which equated to an 80% satisfaction rate. From the questionnaires returned for 2011-2012, the Internal Audit service had achieved an 89% satisfaction rate.

RESOLVED:- That Members endorse the review.

8 – Going Concern

The Borough Treasurer reported that the Authority was required to assess and determine that it was appropriate to prepare the financial statements on a going concern basis. The review should take account of all available information about the future, which was at least, but not limited to the next twelve months from the end of the reporting period.

The accounts of the Authority for the period 1st April, 2011 to 31st March, 2012 had been prepared on a going concern basis. This basis assumed that the Authority would be able to realise its assets and liabilities in the normal course of business and that it would continue in business for the foreseeable future.

RESOLVED:- That Members agree that the Authority was a going concern and that it was appropriate for the accounts to be prepared on the going concern basis.

9 – Audit Committee Work Plan

The Borough Treasurer reported that in line with best practice the Audit Committee would now have a work plan which identified its activities and would be reviewed regularly to ensure it enabled the Committee to fulfil its terms of reference. The work plan would be presented at each Committee and any updates would be highlighted.

The items listed were not exclusive as other items could and would be brought to the Committee as appropriate.

June meeting

Annual Governance Statement
Going Concern
Annual Review of Internal Audit
Audit Committee Work Plan
Internal Audit Annual Report
Internal Audit Final Reports (individual audits)
Risk Management Report
Performance Management Report
External Audit Reports

September meeting

Statement of Accounts for 2011-2012
Audit Commission – Annual Governance Report for 2011-2012
Letter of Representation for 2011-2012
Audit Committee Work Plan
Internal Audit Final Reports (individual audits)

Risk Management Report

Performance Management Report

External Audit Reports (in addition to the Annual Governance Report)

December meeting

Audit Committee Work Plan

Internal Audit Final Reports (individual audits)

Risk Management Report

Performance Management Report

External Audit Reports

March meeting

Review of Policies

Review of Financial Regulations

Review of Contract Standing Orders

Audit Committee Work Plan

Internal Audit Plan for 2013-2014

Internal Audit Final Reports (individual audits)

Risk Management Report

Performance Management Report

External Audit Reports

Gareth Kelly from the Audit Commission suggested that in line with good practice, a self review on the effectiveness of the Audit Committee be carried at the end of the year and suggested that this may be built into the Committee's Work Plan.

RESOLVED:- That Members approve the Work Plan for 2012/13.

10 – Risk Management

The Policy Review Officer attached as an appendix the Risk Register for 2012/13 to his report. It continued to focus on those business critical risks which were under the control of the Council.

The following risks had been added to the Risk Register:-

Risk 4: The impact of changes to the housing benefit scheme and how they would affect housing rent income;

Risk 5: The impact of reduced grant funding for the Local Council Tax Reduction Scheme (formally Council Tax benefit) would have on the Council's budget; and

Risk 8: The impact of a reduction in recycling reward credits on the Council's budget.

Members discussed in detail issues raised on the Risk Register and asked Officers questions regarding these matters.

RESOLVED:- That the report be noted and that risks be monitored by the appropriate Officers.

11 – Performance Management

The Policy Review Officer provided Members with the Council's Performance Management report. The Council's Key Priorities for 2012/15 were:

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

In 2011/12 there wasn't a formal action plan but there were a number of improvement activities being implemented which included:-

- Undertake a comprehensive service delivery review;
- Transfer management of waste collection, building cleaning and dog warden services to the Streetcare Team to reduce management costs;
- Undertake a business improvement review of the Development Control service and develop framework for setting local planning fees;
- Introduce self-financing of Council housing services;
- Re-let the responsive repairs contract;
- Review housing support services;
- Update Information Technology and introduce Customer Relations Management service in the Housing department;
- Demolish the agreed areas of Marsh Street;
- Demolish 100 Abbey Road and carry out external improvements to 102 Abbey Road; and
- Completion of the all weather soccer centre.

The actions for 2012/13 are listed below and it was acknowledge that some of the actions will take longer than one year to complete.

KP 1:

- Complete the all weather soccer centre;
- Renegotiate the Council's catering contract;
- Carry out a Survey of Tenants and Residents (STAR survey) to understand the expectations and aspirations of our tenants;
- Review recycling collections to maximise recycling income and mitigate the impact of a reduction in the value of recycling rewards; and
- Actively encourage all Members to access the Modern Councillor online e-learning facility.

KP 2:

- A two year project to carry out Group Repair Work to 240 properties in sub areas A and E including:
 Re-roofing;
 Chimney stack repairs;
 Door and window replacement;
 Rendering and new rain water goods; and
 Cavity wall insulation;
- Identify appropriate sites in partnership with Accent Housing to build 27, 3-bedroom social houses; and
- Target the £3.442m allocated from the Clusters of Empty Homes fund for the refurbishment of the Barrow Island Flats.

KP 3:

- Transfer management of Waterside House to BAE Systems as part of the lease agreement;
- Complete refurbishment at Phoenix Business Centre; and
- Agree local arrangements to mitigate the impact of the Council Tax reduction scheme, which replaces the current Council Tax Benefits.

KP 4:


- Complete the external refurbishment of 102 Abbey Road; and
- Two year project to construct a roof on level C of the multi storey car park.





Progress against these actions together with a more detailed action plan would be reported to the Audit Committee and Management Board on a quarterly basis.

Key Performance Indicators

The Policy Review Officer provided Members with a list of key indicators identified by Management Board as follows:-

Local indicators

Indicator	Description	2010/11	2011/12	Change
9	Percentage of Council tax collected	96.8	96.8	

10	Percentage of NNDR collected	98.01	98.00	
12	Average number of days sick per member of staff	10.59	8.19	
NI 191	Residual waste per household	544	532	
N1192	% of waste recycled or composted	35.9	36.4	

The collection of Council Tax and National Non Domestic Rates was similar to the previous year. There had been a significant improvement in absence due to sickness.

The waste figure indicated that less waste was being generated and more of that waste was being recycled or composted

Management Board had identified key income streams and these would be monitored on a monthly basis and the information quarterly. The table below shows the indicators and performance against budget for 2011/12:-

Income 2011/12

		Year to date cumulative			
Service		Q1	Q2	Q3	Q4
Crematorium	Budget	88,200	176,400	264,600	352,800
	Actual	58,198	158,388	276,949	410,748
Cemetery	Budget	24,808	49,615	74,423	99,230
	Actual	11,539	29,420	50,668	82,331
Parking	Budget	223,000	446,000	669,000	892,000
	Actual	143,640	305,905	469,655	628,377
Recycling	Budget	246,500	493,000	739,500	986,000
	Actual	0	245,600	446,613	848,626
Bulky waste	Budget	9,000	18,000	27,000	36,000
	Actual	13,028	25,082	34,710	45,893
PLC 1	Budget	187,600	375,200	562,800	750,400
	Actual	141,532	314,314	438,991	628,487

RESOLVED:- That the report be noted.

12 – Annual Governance Statement

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

The following members of staff were involved in preparing the Annual Governance Statement for 2011/12:-

Chief Executive: Head of Paid Services;
Executive Director;
Deputy Executive Director: Monitoring Officer;
Borough Treasurer: S151 Officer;
Assistant Director of Community Services;
Assistant Director of Regeneration and the Built Environment;
Internal Audit Manager; and
Policy Review Officer.

The Annual Governance Statement and supporting evidence was attached as an appendix to the Policy Review Officer's report.

RESOLVED:- (i) That the Annual Governance Statement be agreed and submitted to the District Auditors along with the supporting evidence for their consideration; and

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

13 – Monitoring Priority 1 Recommendations

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

To ensure that all agreed Internal Audit Priority 1 recommendations were implemented in a timely manner they were now tracked by management. Progress against the implementation of the Priority 1 recommendations that were agreed in 2011/12 were attached as an appendix to the Policy Review Officer's report.

The Priority 1 recommendations had come from the following audit reports:-

- Partial demolition of a 'Darlington' Steel Portal Framed Warehouse and Re-establishing Structure (CR 59);
- Sutherland Street – Group Repairs (CR 63);
- Risk Management – Business Continuity (11-08);
- IT General Controls – Liberata (IT 46); and
- Catering Contract – The Forum (10-24).

Members gave consideration to the Priority 1 recommendations and in particular made reference to the Catering Contract.

Keith Jackson reported that Internal Audit would monitor all recommendations independently from the Policy Review Officer.

RESOLVED:- That the report be noted.

The meeting closed at 3.37 p.m.

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Special Meeting: 25th July, 2012
at 2.00 p.m.

PRESENT:- Councillors Burns (Chairman), Pointer (Vice-Chairman), Murray, Thurlow and Wilson.

Also present was Tracy Seton from the Audit Commission who was standing in for Gareth Kelly.

14 – Declarations of Interest

Councillor Burns declared an Other Registrable Interest in respect of Agenda Item No. 6 – Catering Contract (Minute No. 15). The Catering Contract report referred to a Boxing Club Dinner which was held at The Forum and she was in attendance at that dinner.

15 – Catering Contract

The Borough Treasurer reported that the Internal Audit report regarding the Catering Contract at The Forum was presented to this Committee held on 6th March, 2012 by the Head of Internal Audit. Members raised several points and had requested that the Assistant Director Community Services be invited to the next meeting to discuss the arrangements.

The Assistant Director Community Services was away on Council business for that meeting of the Audit Committee on 28th June, 2012 and a report was tabled with Item No. 7 of that agenda to provide an update for Members. However, Members felt that the tabled report did not provide the answers to their questions and it was resolved that a Special Audit Committee meeting be held specifically regarding this Contract.

The Internal Audit report for the Catering Contract at The Forum along with the tabled item from the Assistant Director Community Services were attached as an appendix to the Borough Treasurer's report.

The Assistant Director Community Services was in attendance at the meeting along with the Head of Internal Audit and both answered questions from the Committee. Members made particular reference to the fact that the Contract had not been tendered for a number of years and that no market testing had been carried out, in addition the lack of a formal contract since 2008 was highlighted. Members also felt that the Cleaning and Catering Contracts should be separated.

Members also asked the following questions:-

- Where do we stand if the arrangements with Sodexo were disseminated?
- What do the sundry figures within the Internal Audit report relate to?

- Are the invoices transparent?
- Are we getting value for money?
- Is the exclusivity clause going to be discussed in the new contract?

The Assistant Director Community Services responded to Members' questions and in particular agreed that the Cleaning and the Catering Contracts should be separated; and that he would look into The Forum and The Dock Museum cleaning contracts being incorporated within the Town Hall Building Cleaning Contract.

The Assistant Director Community Services also confirmed that a number of operational issues/concerns raised within the Internal Audit report had been addressed; and effective monitoring arrangements were now in place.

The Assistant Director Community Services reported that he would be meeting with Sodexo on Friday 3rd August, who would be submitting a proposal which was hopefully going to be more favourable than current arrangements. He stated that he would then share this proposal with Members and if they were not satisfied with the proposals then he would be happy to go out to tender for the Catering Contract.

From their discussion, Members felt that they would like to recommend to the Executive Committee that any further contracts be market tested to ensure that the Council was getting best value for money. In particular Members stated that they wanted to ensure value for money was being achieved and that the Catering service should be market tested.

The Assistant Director Community Services stated that it would be a costly exercise to carry out and that Members needed to take into account the TUPE implications for existing staff and also the cost implications to the Council. He suggested also that any contract should be for a minimum of three years with the possibility of extension for a further three years. Members confirmed that they didn't have the assurance that the best deal was being obtained for the Council and confirmed market testing should be undertaken.

RESOLVED:- (i) That the reports be noted for information;

(ii) That the Assistant Director Community Services market test the Catering service as soon as possible to ensure that the Council is getting the best value for money and ensure that appropriate contracts are put in place; and

(iii) That the Head of Internal Audit carry out further reviews of the operational Catering Contract and issues raised in his report and report back to a subsequent meeting of the Audit Committee.

The meeting closed at 2.35 p.m.

AUDIT COMMITTEE		Part One (D) Agenda Item 7
Date of Meeting: 27th September, 2012		
Reporting Officer: Deputy Executive Director		
Title: Local Government Ombudsman Annual Letter 2011/2012		
Summary and Conclusions: To consider the Ombudsman's Annual Letter for 2011/2012.		
Recommendation: The Committee are requested to note the Ombudsman's Annual Letter.		

Report

The Ombudsman issues an annual letter to Councils reviewing complaints against the Authority. A copy of the letter and annual statistics is attached at **Appendix 1**.

During 2011/2012, a total of eighteen enquiries and complaints were made against the Council, fifteen of which were complaints which the Ombudsman's office considered and another three were referred to the Council as premature complaints.

In any one year, there can be a difference in the number of complaints received by the Ombudsman and the number of decisions made. This is because some decisions will have been made on complaints received in the previous year and not all of the complaints received by the Ombudsman in 2011/12 will have been decided by 31st March, 2012.

The Ombudsman made decisions on twelve complaints in 2011/12. Five complaints had not been investigated (one as there was no power to investigate; one as there was no reason to use exceptional power to investigate and three fell into the investigation not justified and other category). Seven complaints had been investigated (four had not found enough evidence of fault and for the other three, injustice had been remedied during enquiries).

During 2011/12 the Council dealt with three first enquiries on complaints from the Ombudsman within an average time of 17.3 days. The Ombudsman was pleased to report in her letter that she had no concerns about the Council's response times.

Background Papers

Nil.

22 June 2012

Local Government OMBUDSMAN

Mr T Campbell
Chief Executive
Barrow-in-Furness Borough Council
Town Hall
Duke Street
BARROW-IN-FURNESS
Cumbria
LA14 2LD

Dear Mr Campbell

Annual Review Letter

I am writing with our annual summary of statistics on the complaints made to me about your authority for the year ended 31 March 2012. I hope the information set out in the enclosed tables will be useful to you.

The statistics include the number of enquiries and complaints received by our Advice Team, the number forwarded by the Advice Team to my office, and decisions made on complaints about your authority. The decision descriptions have been changed to more closely follow the wording in our legislation and to give greater precision. Our guidance on statistics provides further explanation ([see our website](#)).

The statistics also show the time taken by your authority to respond to written enquiries.

I am pleased to say that I have no concerns about your authority's response times and there are no issues arising from the complaints that I want to bring to your attention.

Changes to our role

I am also pleased to have this opportunity to update you on changes to our role. Since April 2010 we have been exercising jurisdiction over the internal management of schools on a pilot basis in 14 local authority areas. This was repealed in the Education Act 2011 and the power restored to the Secretary of State for Education. During the short period of the pilot we believe we have had a positive impact on the way in which schools handle complaints. This was endorsed by independent research commissioned by the Department for Education which is available [on their website](#).

Our jurisdiction will end in July 2012 and all complaints about internal school matters will be completed by 31 January 2013.

From April 2013, as a result of the Localism Act 2011, local authority tenants will take complaints about their landlord to the Independent Housing Ombudsman (IHO). We are working with the IHO to ensure a smooth transition that will include information for local authority officers and members.

/....

Supporting good local public administration

We launched a new series of Focus reports during 2011/12 to develop our role in supporting good local public administration and service improvement. They draw on the learning arising from our casework in specific service areas. Subjects have included school admissions, children out of school, homelessness and use of bankruptcy powers. The reports describe good practice and highlight what can go wrong and the injustice caused. They also make recommendations on priority areas for improvement.

We were pleased that a survey of local government revenue officers provided positive feedback on the bankruptcy focus report. Some 85% said they found it useful.

In July 2011, we also published a report with the Centre for Public Scrutiny about how complaints can feed into local authority scrutiny and business planning arrangements.

We support local complaint resolution as the most speedy route to remedy. Our training programme on effective complaint handling is an important part of our work in this area. In 2011/12 we delivered 76 courses to councils, reaching 1,230 individual learners.

We have developed our course evaluation to measure the impact of our training more effectively. It has shown that 87% of learners gained new skills and knowledge to help them improve complaint-handling practice, 83% made changes to complaint-handling practice after training, and 73% said the improvements they made resulted in greater efficiency.

Further details of publications and training opportunities are on [our website](#).

Publishing decisions

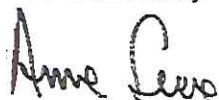
Following consultation with councils, we are planning to launch an open publication scheme during the next year where we will be publishing on our website the final decision statements on all complaints. Making more information publicly available will increase our openness and transparency, and enhance our accountability.

Our aim is to provide a comprehensive picture of complaint decisions and reasons for councils and the public. This will help inform citizens about local services and create a new source of information on maladministration, service failure and injustice.

We will publish a copy of this annual review with those of all other English local authorities on our website on 12 July 2012. This will be the same day as publication of our Annual Report 2011/12 where you will find further information about our work.

We always welcome feedback from councils and would be pleased to receive your views. If it would be helpful, I should be pleased to arrange a meeting for myself or a senior manager to discuss our work in more detail.

Yours sincerely



Anne Seex
Local Government Ombudsman

Enquiries and complaints received	Benefits & Tax	Corporate & Other Services	Environmental Services & Public Protection & Regulation	Housing	Planning & Development	Total
Advice given	1	0	1	0	1	3
Premature complaints	2	0	0	1	0	3
Forwarded to Investigative team (resubmitted)	1	0	0	0	1	2
Forwarded to Investigative team (new)	4	4	0	1	1	10
Total	8	4	1	2	3	18

Investigative team - Decisions

Not investigated		Investigated			Report	Total
No power to investigate	No reason to use exceptional power to investigate	Investigation not justified & Other	Not enough evidence of fault	No or minor injustice & Other	Injustice remedied during enquiries	
1	1	3	4	0	0	12

Response times to first enquiries	No of first enquiries	Avg no of days to respond
	3	17.3

AUDIT COMMITTEE	(D) Agenda Item 8
Date of Meeting: 27th September, 2012	
Reporting Officer: Policy Review Officer	
Title: Annual Governance Statement	
Summary and Conclusions:	
To provide Members with the updated Annual Governance Statement for 2011/12.	
Recommendations:	
<ol style="list-style-type: none">1. Members are invited to consider the report and agree to submit the report and supporting evidence to the District Auditors for their consideration; and2. To agree that the Annual Governance Statement be published on the Council's website.	

Report

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

The following members of staff were involved in preparing the Annual Governance Statement for 2011/12.

- Chief Executive: Head of Paid Services;
- Executive Director;
- Deputy Executive Director: Monitoring Officer;
- Borough Treasurer: S151 Officer;
- Assistant Director of Community Services;
- Assistant Direct of Regeneration and the Built Environment;
- Internal Audit, Manager; and
- Policy Review Officer.

The Annual Governance Statement was presented to this committee in June and following discussions with the District Auditor some additions have been made and these are highlighted in grey.

The Annual Governance Statement is attached at **Appendix 2**.

Background Papers

Nil



Annual Governance Statement 2011-2012

Author: Deputy Executive Director

Date published: September 2012

Review date: January 2013

Endorsed by Audit Committee September
2012

Corporate Directorate
Town Hall
Duke Street
Barrow-in-Furness
Cumbria
LA14 2LD
directorsadmin@barrowbc.gov.uk

Annual Governance Statement – 2011-2012

A. Scope and Responsibility

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

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

B. Governance

Governance is about how the Council ensures that the right things are done in the right way, for the right people, in a timely, open, honest and accountable manner.

C. The Council's Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable 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 ongoing process designed to identify and prioritise the risks to the achievement of [the authority'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.

The governance framework has been in place at Barrow Borough Council for the year ended 31 March 2011 and up to the date of approval of the [annual report] and statement of accounts.

The Council has approved a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework - Delivering

Good Governance in Local Government. The core principles identified in the framework underpin the Council's approach to governance:

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

The framework enables the Authority to monitor the achievement of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost effective services. Appendix 1 shows the process involved in preparing the statement and link to the supporting documents. Appendix 2 depicts the AGS framework.

D. Review of Effectiveness

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

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

- Chief Executive - Head of Paid Services
- Executive Director
- Deputy Executive Director - Monitoring Officer
- Borough Treasurer - S151 Officer
- Assistant Director of Community Services
- Assistant Director of Regeneration and the Built Environment
- Housing Manager
- Democratic Services Manager
- Internal Audit Manager
- Policy Review Officer

In addition, the above group assisted with a review of the Council's constitution.

In compiling the Annual Governance Statement the group considered recommendations from the Internal Audit annual report and the Annual Governance Report.

The group was advised on the implications of the results of the review of effectiveness by the Audit Committee. The Council will continue to review weaknesses and ensure continuous improvement of the systems in place. The group agreed that raising awareness of our governance arrangements for our management group and are exploring documented assurance declarations where appropriate.

E. Self Assessment

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

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

Based on the self assessment the Council considers its governance arrangements to be of a satisfactory standard.

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

The Authority's governance arrangements conform to the governance principles set out in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government.

- **Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area:**
 - The Council has a strategic vision and has identified four key priorities for 2012-2015.
 - The Council uses its budget strategy and annual key priority objectives to define how the vision will be delivered.
 - The Medium Term Financial Plan underpins corporate aims and priorities.
 - Effective Budget Monitoring takes place regularly.
 - The Council has developed measures including progress against key priority actions and performance indicators and reports these to senior managers and the Executive Committee on a quarterly basis.
 - An Annual Report articulates the Council's activities and achievements.
- **Members and Officers working together to achieve a common purpose with clearly defined functions and roles:**

- Senior elected Members and managers work together to deliver the Council's vision.
 - The roles of elected Members and Officers are defined in the Council's Constitution.
 - Official Member spokespersons have been identified for strategic objectives.
 - Terms of reference for Committees and the Council are clearly defined within the Constitution.
 - Clear delegations and accountabilities are laid down in the Constitution.
 - Executive Committee pre-agenda meetings with Members and Management Team ensure informed decision making.
 - Achieving compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by the Council.
 - Financial administration procedures are produced and issued by the Borough Treasurer.
- **Promoting Council values and demonstrating the values of good governance through upholding high standards of conduct and behaviour:**
 - The Council promotes its culture and value through the codes of conduct which are an integral part of the Council's Constitution. This includes anti-fraud and whistle blowing arrangements. The Constitution was reviewed and amended in 2012 and the amendments were endorsed by Full Council.
 - The expected behaviour of Members and Officers is clearly defined in the constitution.
 - Contract Standing Orders and Financial Regulations have been established and embedded within the organisation.
 - The Authority has an effective Internal Audit service.
 - The Standards Committee will stand down in 2012-2013 and the Audit Committee has taken responsibility for promoting and maintaining high standards of conduct.
 - Members and Officers are required to declare interest and these are recorded in the interest register.
 - The Council also records attendance at hospitality events and gifts in a register.
- **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:**
 - The Council has effective and transparent decision making processes, agendas and minutes are available to the public.
 - The Council has effective scrutiny and audit committees with formal Terms of Reference.
 - Members are provided with information and data to allow them to make informed decisions.
 - An effective system of internal control is in place and is designed to manage risk to a reasonable level rather than to eliminate all risk.

- The Council's risk register is monitored on a quarterly basis by senior Officers and Members.
 - Active health and safety arrangements, including a robust policy and an official Member spokesperson.
 - Devolved financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures, including:
 - Financial awareness training and working closely with service accountants in all aspects of financial management and administration.
 - Formal quarterly budget monitoring reports to the Executive Committee.
 - Active performance management arrangements are in place.
 - A robust complaints and compliments procedure is in place and is widely publicised.
 - Freedom of Information requests are dealt with in accordance with established protocols.
- **Developing the capacity and capability of Members and Officers to be effective:**
 - An induction programme is in place for Officers and Members.
 - All elected Members have personal development plans to improve their knowledge and skills.
 - A Member training and development programme is in operation and a spokesperson for member development.
 - The Council has a corporate training plan for staff development.
 - The Council has appointed a number of “learning” representatives to support staff development.
 - The Council has Section 151 and Monitoring Officers.
- **Engaging with local people and other stakeholders to ensure robust public accountability:**
 - The Council employs a community engagement Officer to enable effective engagement with the public.
 - The Council's approach to communication is defined in the consultation strategy.
 - The Council publishes an annual report to inform residents of the Council's financial and service delivery performance.
 - “Talking Point” is Barrow Borough Council's new online service to help the people of Barrow Borough contact us about local issues.
 - Committee and Council meetings are open to the public, with papers available on the internet.
 - The Council engages by various means with hard to reach groups, such as the Citizens Advice Bureau, Furness Multicultural Forum, the Disability Association, Age Concern and the Blind Society.

F. Internal Audit opinion

An important part of the governance arrangements is the maintenance of an Internal Audit function, which operates in accordance with Code of Practice for Internal Audit in Local Government. The effectiveness of the Internal Audit function is examined on an annual basis. The Internal Audit function examines and evaluates the adequacy of the Council's system of internal controls as a contribution to ensuring that resources are used in an economical, efficient and effective manner. The work is delivered through a risk-based approach to the Internal Audit planning process; resulting in the production of an Annual Audit Plan which is approved by the Audit Committee.

The effectiveness of the Internal Audit function is subject to review through the Council's Audit Committee; in addition the Council's External Auditor will place reliance wherever possible on the work carried out by Internal Audit.

The following paragraphs are extracted from the Head of Internal Audit's Annual Report and provide the opinion for 2011-2012:

"This report provides reasonable assurance that the majority of key controls were operating satisfactorily. 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. The profile of assurance is in our experience comparable to other local authorities, with the majority of Council systems receiving Substantial Assurance. There are however, two areas where only restricted assurance can be provided, which relate to:

- Risk Management (Business Continuity Management)
- Re-roofing, demolition and elevation repairs at 2-28 Sutherland Street & 96 Crellin Street (Group Repair) Contract"

G. Financial management

The Borough Treasurer is the Officer charged with statutory responsibility for the proper administration of the Authority's financial affairs, this statutory role is the Chief Financial Officer. In 2010 CIPFA issued a Statement on the Role of the Chief Financial Officer in Local Government, which sets out five principles that define the core activities and behaviours that belong to the role of the Chief Financial Officer and the governance requirements needed to support them. The Authority's financial management arrangements conform to the governance requirements of the Statement.

The Borough Treasurer:

- Leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- Ensures that budget calculations are robust and reserves and balances are adequate in accordance with CIPFA guidance and best practice.
- Ensures that the appropriate financial information systems, functions and controls are in place so that finances are kept under review on a regular basis.

The Borough Treasurer has established a Medium Term Financial Plan based on the Authority's Budget Strategy in order to meet the challenge of reduced Central Government funding.

H. Significant governance and internal control issues

A number of issues were raised by the Audit Commission in their Annual Governance report for 2010-2011 and these have been addressed during 2011-2012:

- Review all current and new contracts to ensure the wording is appropriate to the services procured by the Council – *implemented*.
- Ensure all agreed Internal Audit recommendations are implemented in a timely manner – *Priority 1 recommendations are now tracked by Management to ensure their timely implementation*.
- Implement robust assurance gathering arrangements across all departments to support the Annual Governance Statement disclosure – *this is achieved through the Management Board*.
- Ensure all significant weaknesses are identified in the Annual Governance Statement and include a robust action plan setting out how the weaknesses are to be addressed – *these are set out in Section I*.
- Ensure that the tendering and contracting arrangements and practices are further improved – *implemented with the Contract Management Checklist, revisions to the Contract Standing Orders and the findings of Internal Audit contract review work*.

We will continue to take steps to address significant governance issues and further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

During 2010-2011 four Restricted assurance Internal Audit reports were issued that did not relate to specific contract audit reviews and the issues raised have been addressed during 2011-2012:

- Residual Waste – *this was a review of the bulky waste and special collection arrangements and the key recommendations have been implemented.*
- IT General Controls Review – *the key recommendations have been implemented including the development of an ICT disaster recovery plan.*
- Catering Contract Sodexo – *this is currently under review by the Assistant Director of Community Services.*
- IT Asset Management – *the key recommendations have been implemented.*

I. Action Plan

The self assessment from Management Team has not highlighted any major issues. However, during 2011-2012 two Restricted Internal Audit reports were issued and these will be addressed during 2012-2013:

Action	Responsible officer	Due date or comment
Risk Management – Business Continuity		
Designate senior officer responsible for business continuity management	Executive Director	<i>This is the Director of Regeneration and Community Services and then the Executive Director from the 1st July 2012.</i>
Define the roles of Management Team and the Incident Management Team	Executive Director	<i>This is Management Team and then Management Board from the 1st July 2012.</i>
Consider business continuity management training requirements	Executive Director	<i>Suitable training will be considered when the Business Continuity Plan is agreed.</i>
Promote business continuity management	Executive Director	<i>Staff will be made aware of the Business Continuity Plan through the Intranet.</i>
An up to date business continuity plan should be produced.	Executive Director	<i>This will be actioned by the Executive Director when the new management structure has bedded in.</i>
Sutherland Street Group Repair		
Completion of specific contract documentation	Deputy Executive Director	<i>Implemented - more robust arrangements are now in place including contract monitoring summary</i>

		<i>sheets which came into use in December 2010. A review of contracts exceeding £100,000 awarded since December 2010 has indicated that the contract monitoring sheets are being used</i>
Strengthening insurance gathering arrangements	Deputy Executive Director	<i>A team of managers from the Council's Management Group has been identified to review the Council's assurance gathering arrangements. Outstanding Priority 1 recommendations from internal Audit are now reviewed on a regular basis to ensure that they are implemented in a timely manner.</i>

J. Certification Statement

The review of the governance arrangements for the financial year 2011-2012 has not highlighted any areas of major concern for the Council. We believe that the existing arrangements are fit for purpose and are adequate to meet the Council's corporate aims.

Councillor Mrs A Burns
Chairman of the Audit Committee
27th September 2012

P Huck
Executive Director
19th September 2012

AUDIT COMMITTEE		Part One (D) Agenda Item 9
Date of Meeting: 27th September, 2012		
Reporting Officer: Borough Treasurer		
Title: Statement of Accounts 2011/12		
Summary and Conclusions:		
The Accounts and Audit Regulations 2011 require the approval and publication of the Statement of Accounts, by the 30 th September 2012. This report summarises the Council's accounts for the year ended 31 March 2012.		
Recommendations:		
Members are recommended to:		
<div>1. Review the Statement of Accounts for 2011/12 and to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements that need to be brought to the attention of the Council;</div> <div>2. Formally approve the Statement of Accounts for 2011/12; and</div> <div>3. Authorise the Chairman of this Committee to sign the Statement of Accounts for 2011/12 on behalf of the Council.</div>		

Report

The Statement of Accounts for 2011/12 (Statement) is attached at **Appendix 3** to this report.

The Statement of Accounts summarises the authority's transactions for the 2011/12 financial year and its position at the year-end of 31st March 2012. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. The Regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards and Financial Reporting Standards.

In preparing this Statement of Accounts, the Borough Treasurer has selected suitable accounting policies and then applied them consistently, made judgements and estimates that were reasonable and prudent and complied

with the all relevant Codes and legislations. The accounting policies are detailed on pages 22 to 37 (Note 1 to the Accounts) and include a new policy for Heritage Assets (paragraph m on page 29) which uses broadly the same accounting treatment as the existing policy for Property, Plant and Equipment. The critical judgements and assumptions are set out on pages 37 to 40 (Notes 2 to 4 to the Accounts).

The Statement was originally authorised for issue on the 29th June 2012 for auditing. The Audit Commission have audited the Statement and their findings are reported in the Annual Governance Report on the agenda for this meeting. The finalised Statement was authorised for issue on the 19th September 2012.

Executive Summary

The financial statements for 2011/12 can be summarised as:

- General Fund resulted in a £151k net surplus which was added to the Restructuring Reserve, leaving a balanced account for the year.
- The Housing Revenue Account (HRA) resulted in a £484k net surplus; £371k of this is committed to on-going housing maintenance.
- The Collection Fund resulted in a £165k net surplus which will be shared between the major preceptors in 2013/14.
- The Balance Sheet Net Assets have reduced by £23,497k (£23.5 million) which is matched by a reduction in the Total Reserves. The main items that caused the reduction in Net Assets are:
 - £17,089k (£17.1 million) new long term borrowing for the Housing Subsidy settlement payment;
 - £3,811k (£3.8 million) decrease in the value of the Long Term Assets held by the Council; and
 - £2,910k (£2.9 million) increase in the Long Term Pension Scheme Liabilities.

These are matched by reductions in unusable reserves.

The Statement of Accounts 2011/12

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

The explanatory foreword

The explanatory foreword (pages 1 to 15) 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 cash flows.

The main items in the foreword in relation to 2011/12 are:

- For General Fund - a comparison of the financial outturn against the original budget, showing the use of revenue reserves. The net result for the year was a balanced account. There was a reduction of £620k in the amounts added to reserves for the year compared to the original budget. The bulk of that came from using the Transition Grant awarded in the year to pay for restructuring costs instead of reserving it and carrying it forward.
- For the HRA – a comparison of the financial outturn against the original budget. The net result for the year being a surplus of £484k; £371k of which is committed to on-going housing maintenance.
- Reserves and balances – the position at the beginning and end of the financial year, with movements in the year on each reserve.
- Material items – for 2011/12 there was a payment to the DCLG for the HRA to exit the subsidy system of £17,089k (£17.1 million). This payment was financed by new borrowing that belongs to the HRA that shall be paid off over the life of the 30 year HRA Business Plan.
- Change in accounting policy – heritage assets are now a separate Balance Sheet category and the authority has reclassified some assets already included within the accounts following a review. In addition the historic collections held within the Dock Museum, Town Hall and surrounding town area were brought into the accounts, with a value of £595k. These changes applied from 1 April 2010, so the main accounting statements have been restated from the 2010/11 published Statement of Accounts.
- Financial planning and the future – there is a brief commentary on the financial situation going forward, including the Budget Strategy and the current issues that will impact on that Strategy.
- Capital and borrowing – the outturn for the year and the approved Capital Programme going forward. The capital expenditure for 2011/12 was £6,671k (£6.7 million). The new borrowing was taken out for the HRA Subsidy settlement payment.

Statement of Responsibilities

The Statement of Responsibilities (page 16) precedes the accounting statements and sets out the responsibilities of the authority and of the Borough Treasurer in respect of the Statement of Accounts.

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

Movement in Reserves Statement

The Movement in Reserves Statement (pages 17 &18) 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.

This Movement in Reserves 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 headings set 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.

For 2011/12 the General Fund Balance has not changed.

Earmarked Reserves

Earmarked Reserves are amounts set aside to provide financing for future expenditure plans. During 2011/12 £1,205k (£1.2 million) was added to these reserves which consist of £1,391k (£1.3 million) of Transition Grant going into reserves and a net reduction of £186k of existing reserves being used. Excluding the ring-fenced properties movement of £174k which is not available to the General Fund for any other purpose, a net £360k of Earmarked Reserves were used during 2011/12.

As at the 31st March 2012 the Earmarked Reserves are (Pages 48 to 50 provide more details):

- Committed £3,727k (£3.7 million);
- Available £1,502k (£1.5 million); and
- Specific revenue grants £3,197k (£3.2 million).

The expectation is that these reserves will reach minimum levels by the end of the Budget Strategy.

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.

For 2011/12 the HRA Balance was increased by £484k.

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.

For 2011/12 the Major Repairs Reserve was reduced by £197k. This was used to finance capital expenditure on Council dwellings.

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.

For 2011/12 the Capital Receipts Reserve was reduced by £572k. This was used to finance capital expenditure in addition to the capital receipts received in the year. The balance is committed to the approved Capital Programme.

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.

For 2011/12 the Capital Grants Unapplied reduced by £543k. This was used to finance capital expenditure in addition to the capital grants received in the year. The balance is committed to the approved Capital Programme.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (page 19) 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.

The major items on comparing year to year are:

- Environmental and regulatory services – recycling income is lower in 2011/12 by £142k.
- Planning services – revaluation loss recognised in the accounts in 2011/12 higher than previous year by £2,317k (£2.3 million); 104 Abbey Road (see Statement Page 76 Note 38 for more information) & spend on support to business and enterprise lower in 2011/12 by £570k (this was grant funded).
- Highways and transport services – concessionary travel scheme no longer a borough function, the net reduction for 2011/12 is £1,078k (£1.1 million).
- Taxation and non-specific income – capital grants lower in 2011/12 by £1,747k (£1.7 million) & Government support (Formula Grant and NNDR redistribution) lower in 2011/12 by £2,068k (£2.1 million).
- Actuarial (gains)/losses on pension assets & liabilities – these have changed from a gain to a loss, creating a difference of £9,525k (£9.5 million). These changes come as a result of the Pension Actuary

assessing the fund and each participant's liability each year, bearing in mind the valuation of the fund assets at each year end. This loss does not impact on the General Fund or the Housing Revenue Account.

Balance Sheet

The Balance Sheet (page 20) 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 are 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

The Cash Flow Statement (page 21) shows the changes in cash and cash equivalents of the authority during the year. This Statement shows how the authority generates and uses cash and cash equivalents by classifying the cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the authority are funded by way of local taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (borrowing) to the authority.

Notes to the Main Accounting Statements

The Notes to the Main Accounting Statements (pages 22 to 85) include a summary of the significant accounting policies and other explanatory information.

Housing Revenue Account and Notes

The Housing Revenue Account (pages 86 to 90) 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

The Collection Fund (pages 91 to 94) is an agent's statement that reflects the statutory obligation for the authority, as a billing authority, to maintain a separate Collection Fund. The Statement shows the transactions for council tax and non-domestic rates and the way these have been distributed to precepting authorities, the General Fund and the Government non-domestic rates pool.

Background Papers

Nil



STATEMENT OF ACCOUNTS 2011/12

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EXPLANATORY FOREWORD

Introduction from the Borough Treasurer

The Statement of Accounts summarises the authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. Figures for the previous year are included to assist in the interpretation of the accounting statements.

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

The explanatory foreword 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 cash flows.

a. Accounting Statements

The Statement of Accounts comprises:

- Statement of Responsibilities
- Main Accounting Statements
 - Movement in Reserves Statement
 - Comprehensive Income and Expenditure Statement
 - Balance Sheet
 - Cash Flow Statement
 - Notes to the Main Accounting Statement
- Supplementary Accounting Statements
 - Housing Revenue Account and Notes
 - Collection Fund and Notes

b. Statement of Responsibilities

The Statement of Responsibilities (page 16) precedes the accounting statements and sets out the responsibilities of the authority and of the Borough Treasurer in respect of the Statement of Accounts.

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

c. Movement in Reserves Statement

The Movement in Reserves Statement (pages 17 & 18) 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.

d. Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (page 19) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation. Authorities raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The local taxation position is shown in the Movement in Reserves Statement.

e. Balance Sheet

The Balance Sheet (page 20) 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 are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and the reserves that hold the timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

f. Cash Flow Statement

The Cash Flow Statement (page 21) shows the changes in cash and cash equivalents of the authority during the year. This Statement shows how the authority generates and uses cash and cash equivalents by classifying the cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the authority are funded by way of local taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (borrowing) to the authority.

g. Notes to the Main Accounting Statements

The Notes to the Main Accounting Statements (pages 22 to 85) include a summary of the significant accounting policies and other explanatory information.

h. Housing Revenue Account and Notes

The Housing Revenue Account (pages 86 to 90) 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.

i. Collection Fund and Notes

The Collection Fund (pages 91 to 94) is an agent's statement that reflects the statutory obligation for the authority, as a billing authority, to maintain a separate Collection Fund. The Statement shows the transactions for council tax and non-domestic rates and the way these have been distributed to precepting authorities, the General Fund and the Government non-domestic rates pool.

j. Comparison to net revenue budget

The General Fund net revenue budget for 2011/12 was approved as £14,114k by Council on the 1 March 2011. This compares to the actual outturn as follows:

Net Original Budget	Actual		Net Original Budget	Actual
2010/11	2010/11		2011/12	2011/12
£000	£000		£000	£000
16,574	14,573	Revenue budget/outturn before reserves	12,289	13,180
19	1,853	Earmarked reserve movements	1,825	1,205
16,593	16,426	Net revenue budget/outturn	14,114	14,385
(4,417)	(4,428)	Council tax	(4,444)	(4,444)
(12,176)	(12,024)	General Government grants	(9,670)	(9,941)
(16,593)	(16,452)	Total revenue financing	(14,114)	(14,385)
0	(26)	Deficit/(surplus) for the year	0	0

The main variations in the outturn against the 2011/12 approved budget are:

- Cost of staff redundancies £808k
- One-off costs of restructuring £70k
- Lower car parking income than expected £261k
- Reduced recycling credits £137k
- Lower leisure centre income than expected £119k
- Reduction in bad debt provision (£323k)
- VAT recovered for sports tuition (£81k)
- Higher cemetery and crematorium income than expected (£41k)
- Net saving on treasury activities (£41k)

The difference in the earmarked reserves movements come from:

	Planned	Actual	Difference
	£000	£000	£000
Revenue grants			
Use of earmarked revenue grants	(121)	(46)	75
New Restructuring Reserve			
Create Restructuring Reserve: from Transition Grant	1,699	421	
Add additional Government settlement: from Transition Grant	137	137	
Add additional Government settlement: from Formula Grant	48	48	
Add net surplus on 2011/12 outturn	-	151	
	1,884	757	(1,127)
Other new reserves			
CCTV: from Transition Grant	120	184	
NMT: from Transition Grant	50	50	
Grants to external bodies: from Transition Grant	-	400	
	170	634	464
Other existing reserves			
Ring fenced properties	47	174	
Leisure Centre income support	-	(124)	
Budget setting support	(155)	(155)	
Festival fund	-	(35)	
	(108)	(140)	(32)
Overall totals	1,825	1,205	(620)

The difference between the amount originally earmarked to create the Restructuring Reserve and the actual amount of £421k comes from the Budget Strategy which was agreed by Council after the budget was originally set. Specifically, the difference of £1,278k has three elements: £400k was earmarked for a new reserve for grants to external bodies (as shown in the table above); £808k was used to pay for redundancy costs in 2011/12 and £70k for other one-off restructuring costs. The other new reserves were created in line with the original budget with CCTV being £64k higher due to lower spend than anticipated in 2011/12; a two year allocation was originally approved. The existing reserves have moved with ring fenced properties realising a higher net surplus for 2011/12, the Leisure Centre income support being released to revenue to support the end of the 10% price cut and

freeze period, the final of the three year budget setting support being released to revenue and £35k of the festival fund being spent in the year.

The general Government grants increased for:

- Homelessness grant (£113k)
- New homes bonus grant (£158k)

The Housing Revenue Account budget for 2011/12 was approved as a balanced budget by Council on the 1 March 2011. This compares to the actual outturn as follows:

Original Budget	Actual		Original Budget	Actual
2010/11	2010/11		2011/12	2011/12
£000	£000		£000	£000
(9,080)	(9,066)	Income	(9,507)	(9,554)
9,080	8,889	Expenditure	9,507	9,070
0	(177)	Deficit/(surplus) on HRA services	0	(484)
-	(38)	Transfers to/(from) earmarked reserves	-	-
0	(215)	Deficit/(surplus) for the year	0	(484)

The main variation in the actual outturn against the 2011/12 approved budget comes from the maintenance programme where works cannot be timed to occur with absolute certainty and a new contractor was appointed for all responsive repairs.

k. Reserves and balances

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

	Balance at 31 March 2011	Movement in the year	Balance at 31 March 2012
	£000	£000	£000
General Fund:			
Committed reserves			
VAT & insurance	(1,145)	-	(1,145)
Budget setting support	(155)	155	0
Public buildings	(500)	-	(500)
Pay review	(176)	-	(176)
GF Properties	(341)	(174)	(515)
Leisure Centre income support	(124)	124	0
CCTV	-	(184)	(184)
Neighbourhood Management Team	-	(50)	(50)
Grants to external bodies	-	(400)	(400)
Restructuring Reserve	-	(757)	(757)
Committed reserves total	(2,441)	(1,286)	(3,727)

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Available reserves			
General reserve	(1,367)	-	(1,367)
Festivals	(63)	35	(28)
Market Hall	(51)	-	(51)
Park Vale	(56)	-	(56)
Available reserves total	(1,537)	35	(1,502)

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 2011	Movement in the year	Balance at 31 March 2012
	£000	£000	£000
Grants and contributions:			
Committed reserves	(3,243)	46	(3,197)

The Major Repairs Reserve contains the balance of funding available for capital works to Council dwellings:

	Balance at 31 March 2011	Movement in the year	Balance at 31 March 2012
	£000	£000	£000
Housing Revenue Account:			
Committed reserves			
Major Repairs Reserve	(199)	197	(2)

The fund balances are held separately in accordance with statute and can not subsidise one another:

	Balance at 31 March 2011	Movement in the year	Balance at 31 March 2012
	£000	£000	£000
Fund balances:			
General Fund	(2,289)	-	(2,289)
Housing Revenue Account	(1,038)	(484)	(1,522)

The reserves and balances have been reviewed at the 31 March 2012 and the Borough Treasurer considers the balances to be adequate:

	Balance at 31 March 2012	
	£000	£000
General Fund:		
Committed reserves	(3,727)	
Available reserves	(1,502)	
Grants and contributions	(3,197)	(8,426)
Fund balance		(2,289)
Total General Fund reserves and balances		(10,715)
Housing Revenue Account:		
Major Repairs Reserve		(2)
Fund balance		(1,522)
Total Housing Revenue Account reserves and balances		(1,524)

I. Material assets and liabilities

During 2011/12 the authority has not acquired any material assets or incurred any material liabilities.

m. Retirement benefits

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

n. Material and unusual charges and credits

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

In Relation to 2011/12

HRA Settlement Payment - on the 28 March 2012 the authority paid £17,089k to the Department for Communities and Local Government in order to exit the subsidy system as instructed by the Settlement Payments Determination 2012. Self-financing of the Housing Revenue Account commenced on 1 April 2012.

In Relation to 2010/11

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

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

o. Significant change in accounting policies

The 2011/12 Code introduced heritage assets into the authority's financial statements. Heritage assets are held for their contribution to knowledge and culture, they have historical, artistic, scientific, geophysical or environmental qualities.

In accordance with the Code, the authority's heritage assets have been recognised at the 1 April 2010. This includes the reclassification of civic statues and a boat at the Dock Museum previously held as community assets and the recognition of the historic collections held within the Town Hall and the Dock Museum. Heritage assets have been valued by Bonhams, International Auctioneers and Valuers and the net book value at the 31 March 2012 is £705k.

The heritage assets already held within the authority's Balance Sheet have been reclassified as at the 1 April 2010 and the historic collections have been recognised on the Balance Sheet:

The accounting standard for heritage assets was not adopted in time for the 2010/11 accounts, but a disclosure was included based on the insurance valuation for the historic collections of £2,365k. The assets have been valued so that they can be included in the accounts at market value; £595k. The equivalent 2011/12 insurance valuation is £2,197k, but this is a valuation for a different purpose and is not held within the Balance Sheet.

Balance Sheet

	2010/11 Published Accounts			2010/11 Restated
	31 March 2010	Reclassified community assets	Recognised historic collections	1 April 2010
	£000	£000	£000	£000
Property, Plant and Equipment	176,248	(383)	-	175,865
Heritage Assets	0	383	595	978
Unusable Reserves	(109,387)	-	(595)	(109,982)

The recognition of the heritage assets being brought onto the Balance Sheet of the authority is recognised in the Comprehensive Income and Expenditure Statement: (Surplus) or Deficit on revaluation of Property, Plant and Equipment in 2010/11.

The reclassified community assets were revalued in 2011/12 however the revaluation applied for 2010/11; when they became heritage assets. The revaluation has been restated into 2010/11 as the heritage assets as a whole were revalued at the 1 April 2010. This restatement impacts on the main accounting statements and this is set out in the following table 'Transactions restated into 2011/12'.

Before illustrating the restatements made for the heritage assets it is necessary to first highlight that the Code required the 'Cultural, environmental, regulatory and planning services' subjective line on the Comprehensive Income and Expenditure Statement, be separated as:

Comprehensive Income and Expenditure Statement

	2010/11 Published Accounts		
	2010/11 Figures		
	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000
Cultural, environmental, regulatory and planning services	15,750	(5,970)	9,780
	2010/11 Figures Restated		
Cultural and related services	5,554	(1,551)	4,003
Environmental and regulatory services	5,217	(2,278)	2,939
Planning services	4,979	(2,141)	2,838
Total	15,750	(5,970)	9,780

The restatements to the 2010/11 main accounting statements for heritage assets are shown in the following table; sub totals have also changed on the face of the statements:

Transactions restated into 2010/11

	2010/11 Restated	Heritage asset revaluation loss	Heritage asset depreciation in year	Heritage asset addition in year	2010/11 Restated
	£000	£000	£000	£000	£000
Balance Sheet: Heritage Assets	978 as restated	(261)	(15)	19	721
Balance Sheet: Property, Plant and Equipment (£157,731k minus £383k heritage assets)	157,348	-	15	(19)	157,344
Comprehensive Income and Expenditure Statement: Cultural and related services – gross expenditure	5,554 as restated	261	-	-	5,815
Movement in Reserves Statement: Adjustments between accounting basis & funding basis under regulations – General Fund	4,737	(261)	-	-	4,476
Balance Sheet: Unusable Reserves (£102,701k plus £595k historic collections)	(103,296) as restated	261	-	-	(103,035)

p. Financial planning

The revenue budget for 2012/13 was approved on the 28 February 2012 as £13,153k, including parish precepts. The budget was based on the authority's Budget Strategy, agreed by Council on the 24 January 2012. The aim of the Budget Strategy is to balance the authority's revenue budget by 2015/16. The Medium Term Financial Plan projections were agreed with the revenue budget and the detailed plan was approved by the Executive Committee on 18 April 2012.

The Comprehensive Spending Review introduced the term 'Revenue Spending Power', this is defined as the aggregate of Council Tax, Formula Grant and other Specific Grants. The whole Revenue Spending Power was then reduced by an average of 8.9%.

An additional revenue grant 'Transition Grant' is also paid where the reduction in Revenue Spending Power exceeds 8.9%. For Barrow Borough Council, the reduction in Revenue Spending Power for 2011/12 was 24.46% and after the Transition Grant awarded for 2011/12 of £2,544k, this became 8.8%. The authority determined that the Transition Grant should be used to create a Restructuring Reserve that would allow the necessary changes to reach a balanced budget in 2015/16 to be managed effectively.

In monetary terms the Government support reduced from £9,084k in 2010/11 to £7,017k in 2011/12, a reduction of £2,067k, or 22.76%. The savings and reductions that were made in anticipation of the reduction in Government support, together with additional income raised and a review of the Treasury portfolio resulted in a net deficit of £396k being funded from the Restructuring Reserve.

For 2012/13 the Government support reduced from the 2011/12 level to £6,205k (excluding the 2010/11 Council Tax freeze grant), a further reduction of £812k year on year and £2,879k from the 2010/11 level of support. The Revenue Spending Power was reduced by 23.59% for 2012/13, which became 8.8% after the 2012/13 Transition Grant of £2,086k.

As the Government is reducing the Revenue Spending Power for the authority by an average of 23% over the first two years of the CSR, the same reduction has been used for the latter years as well – in cash grant terms rather than Revenue Spending Power.

Over the Comprehensive Spending Review the authority will have lost a total of £12,775k in Government support.

Forecasting the authority's budget requirement with the reduced Government support combined with the effects of the recession, inflation and the shortfall of income from the recycling credits not reaching 40% in 2010/11, produces a cumulative deficit of £5,013k unless corrective action is taken.

The Budget Strategy is based on five components which together with a prudent estimate of 2% growth from economic recovery towards the end of the Medium Term Financial Plan cumulatively balance the 2015/16 revenue budget:

1. Prudent use of balances £600k;
2. Efficiency measures £469k;
3. Reduce staffing costs £1,727k;
4. Increasing income £1,490k; and
5. Service reductions £527k.

Together with £200k from economic recovery, the savings and reductions meet the £5,013k forecast deficit for 2015/16.

q. Future changes

Council Tax Reduction Scheme

All billing authorities are required to adopt a local Council Tax Reduction Scheme to come into force on 1 April 2013 and this will replace the council tax benefit system which ends on 31 March 2013.

On 17 May 2012 the Department for Communities and Local Government issued a number of documents outlining the requirements of authorities, including the preparation of a scheme, transitional arrangements, certain prescribed requirements and the prescribed default scheme.

At the Executive Committee meeting of the 20 June 2012, it was agreed in principle that the prescribed default scheme would be adopted as the proposed local scheme. Initial consultation with the major preceptors is underway.

The proposed local scheme will be presented to the Executive Committee in July 2012 along with any mitigation of costs and the comments from the major preceptors. Once the proposed local scheme is approved, public consultation will be open for 12 weeks. The local Council Tax Reduction Scheme will be presented to the Executive Committee together with the results of the public consultation in November 2012, with approval by the Council anticipated in December 2012.

Business Rates Retention Scheme

Under the current system business rates, which are levied on all non-domestic properties in England, are collected by billing authorities and then pooled at the national level. They are re-distributed by central government to all local authorities as part of their formula grant settlement. Local retention of business rates, including growth in business rates, may provide an opportunity for authorities in England as increases in local authority budgets will be more directly linked to changes in local business rates.

On 17 May 2012 the Department for Communities and Local Government issued a Statement of Intent which confirms that the local share will be set at 50 per cent of business rates revenue. The local share will form the baseline for each authority's funding level and tariff and top up amounts. From April 2013, authorities will keep all of the growth upon their share, subject to the levy on disproportionate benefit. The local share will remain fixed at 50 per cent until a reset of the system when the baseline funding levels for each local authority will be reviewed to take account of changes in relative need and resource. The Government does not intend to reset the system until 2020 at the earliest and in the long-term aspires to a 10-year reset period, although the length of the reset period and scope will not be set in regulation. The statement confirms that tariffs and top-ups will be adjusted at each five yearly revaluation so that an authority's retained rates income is not affected.

Further consultation is expected in the summer of 2012.

Universal Credit

Universal Credit is a new single payment for people who are looking for work or on a low income. Universal Credit aims to help claimants and their families to become more independent and will simplify the benefits system by bringing together a range of working-age benefits into a single streamlined payment.

The new Universal Credit system will be launched in 2013 and will replace:

- income-based Jobseeker's Allowance;
- income-based Employment and Support Allowance;
- Income Support;
- Child Tax Credits;
- Working Tax Credits; and
- Housing Benefit.

The national launch of Universal Credit comes in October 2013 and for claimants this will mean that:

- New claimants: will be able to make claims for Universal Credit from October 2013. From April 2014, all new claims will be for Universal Credit.
- Existing claimants: will move onto Universal Credit in line with a phased approach that the Department of Works and Pensions expect to have completed by the end of 2017.

HRA Self-Financing

April 2012 is the beginning of self-financing for the Housing Revenue Account. Self-financing marks the end of the centralised subsidy system, fully devolves financing to the authority, provides greater transparency for tenants and encourages better long-term asset management.

As a consequence of the subsidy system ending, the authority made a settlement payment of £17,098k to the Department for Communities and Local Government on the 28 March 2012. The cost of that borrowing is built into the Housing Revenue Account business plan.

The authority has more control over the finances of the Housing Revenue Accounts, apart from the Government retaining control over the limit on the overall rented income for which it pays Housing Benefit subsidy.

r. Capital and borrowing

The authority's capital investment for 2011/12 and how it has been financed is shown below:

2010/11		2011/12
£000		£000
8,908	Capital investment	6,671
-	Financed by borrowing	(1,308)
(6,378)	Financed by grants and contributions	(2,296)
(529)	Financed by capital receipts	(955)
(1,846)	Financed by Major Repairs Reserve	(2,112)
(155)	Financed by revenue balances	-
(8,908)	Total financing	(6,671)

The future capital investment for the years 2012/13 to 2015/16 and the financing is planned to be:

	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000
Capital investment	6,405	4,832	4,480	4,280
Financed by borrowing	(2,400)	(1,800)	(1,500)	(1,500)
Financed by grants and contributions	(453)	(399)	(399)	(399)
Financed by capital receipts	(1,647)	(681)	(581)	(331)
Financed by major repairs reserve	(1,905)	(1,952)	(2,000)	(2,050)
Total financing	(6,405)	(4,832)	(4,480)	(4,280)

On the 29 May 2012 the authority was informed that £3,442k of 'Cluster of Empty Homes Funding' has been allocated to bring 229 empty homes back into use and to pay for environmental works in the surrounding area, £1,500k. This will be added to the programme once the programme has been approved by Council.

The authority has long-term debt which has been borrowed in previous years to fund capital projects. During 2011/12 borrowing of £17,089k was taken out specifically to pay the Department for Communities and Local Government the settlement payment for the end of the Housing Revenue Account subsidy system. In funding the capital investment for 2011/12, no external loans were required as other resources were available. It is expected that it will be necessary to borrow to fund future capital investment, where other resources are not available, and the cost of borrowing has been built into the Medium Term Financial Plan.

The authority's borrowing is limited by the Prudential Code for Capital Finance in Local Authorities and the approved limit is agreed by Council each year. On the 24 January 2012, prior to taking out the new borrowing for the HRA self-financing settlement payment, Full Council approved an increase to the authorised limit on external debt to £47,000k for 2011/12.

The authorised limit and borrowing for 2012/13 and current estimates to 2015/16 is shown below:

	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000
Authorised limit on external debt	57,000	59,000	61,000	63,000
Total of external loans	41,879	43,679	45,179	46,679

s. Provisions and contingencies

No new provisions have been created in 2011/12.

The authority has included the Scheme of Arrangement with Municipal Mutual Insurance (MMI) into the contingent liabilities disclosed in the Notes to the accounting statements. A contingent Scheme of Arrangement under section 425 of the Companies Act 1985 became effective on 21 January 1994 but remains held in

reserve because a surplus at the conclusion of the run-off period continues to be foreseen by their Directors. The reserve is held by MMI and their primary objective is to conclude the run-off of the MMI's business and pay Scheme creditors. In March 2012, the Supreme Court found against MMI in relation to mesothelioma claims. The judgement has significant implications for MMI and for the members of the Scheme of Arrangement and may affect the possibility of a solvent run-off.

t. Material events after the reporting date

No material events have occurred after the reporting date.

u. Current economic climate

The current economic climate has not adversely affected the authority's revenue budgets, capital spending plans or assets and liabilities beyond expectations identified when setting the financial plans for the year.

In 2011/12 the authority continued its cautious approach towards counterparty investment decisions. Deposits have been limited to the authority's main bank, the HSBC which has one of the highest credit rating scores and a solid capitalisation value.

The authority's provision for bad and doubtful receivable debt has been reviewed in light of the amounts written off in recent years and the timing and probability that all amounts will be recovered.

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 core Government funding allocated to the authority.

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

S M Roberts CPFA, ACMA
Borough Treasurer
Section 151 Officer

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The authority is required to:

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

The Borough Treasurer's Responsibilities

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

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

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

The Borough Treasurer has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the authority for 2011/12 and of its expenditure and income for the year ended 31 March 2012.

S M Roberts CPFA, ACMA
Borough Treasurer
Section 151 Officer
29 June 2012 revised 19 September 2012

Councillor Mrs A Burns
Audit Committee Chairman
27 September 2012

ACCOUNTING STATEMENTS

Movement in Reserves Statement 2010/11

2010/11 Restated	General Fund Balance £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Major Repairs Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2010 brought forward	(2,263)	(5,407)	(823)	(412)	(1,909)	(2,225)	(13,039)	(109,387)*	(122,426)
Movement in Reserves during 2010/11									
(Surplus) or Deficit on the provision of services	(6,355)	-	17,951	-	-	-	11,596	-	11,596
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(5,655)	(5,655)
Total Comprehensive Income and Expenditure	(6,355)	-	17,951	-	-	-	11,596	(5,655)	5,941
Adjustments between accounting basis & funding basis under regulations (Note 7)	4,476	-	(18,128)	213	231	1,201	(12,007)	12,007	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(1,879)	-	(177)	213	231	1,201	(411)	6,352	5,941
Transfers to/(from) Earmarked Reserves (Note 8)	1,853	(1,815)	(38)	-	-	-	0	-	0
(Increase)/Decrease in 2010/11	(26)	(1,815)	(215)	213	231	1,201	(411)	6,352	5,941
Balance at 31 March 2011 carried forward	(2,289)	(7,222)	(1,038)	(199)	(1,678)	(1,024)	(13,450)	(103,035)	(116,485)

* The balance at 31 March 2010 £109,387k plus Historic Collections £595k on 1 April 2010, gives the balance at 1 April 2010 £109,982k (Balance Sheet).

Movement in Reserves Statement 2011/12

2011/12	General Fund Balance £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2011 brought forward	(2,289)	(7,222)	(1,038)	(199)	(1,678)	(1,024)	(13,450)	(103,035)	(116,485)
Movement in Reserves during 2011/12									
(Surplus) or deficit on the provision of services	1,777	-	17,384	-	-	-	19,161	-	19,161
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	4,336	4,336
Total Comprehensive Income and Expenditure	1,777	-	17,384	-	-	-	19,161	4,336	23,497
Adjustments between accounting basis & funding basis under regulations (Note 7)	(2,982)	-	(17,868)	197	572	543	(19,538)	19,538	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(1,205)	-	(484)	197	572	543	(377)	23,874	23,497
Transfers to/(from) Earmarked Reserves (Note 8)	1,205	(1,205)	-	-	-	-	0	-	0
(Increase)/Decrease in 2011/12	0	(1,205)	(484)	197	572	543	(377)	23,874	23,497
Balance at 31 March 2012 carried forward	(2,289)	(8,427)	(1,522)	(2)	(1,106)	(481)	(13,827)	(79,161)	(92,988)

Comprehensive Income and Expenditure Statement 2011/12

2010/11 Restated				2011/12		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
8,285	(7,302)	983	Central services to the public	8,477	(7,142)	1,335
5,815	(1,551)	4,264	Cultural and related services	5,212	(1,491)	3,721
5,217	(2,278)	2,939	Environmental and regulatory services	5,207	(1,961)	3,246
4,979	(2,141)	2,838	Planning services	6,179	(2,233)	3,946
2,045	(1,263)	782	Highways and transport services	715	(1,052)	(337)
19,025	-	19,025	Local authority housing - revaluation of council dwellings (Note 5)	-	-	0
-	-	0	Local authority housing - self-financing settlement (Note 5)	17,089	-	17,089
8,103	(9,066)	(963)	Local authority housing - other	9,193	(9,555)	(362)
23,225	(22,611)	614	Other housing services	22,471	(21,376)	1,095
1,579	(85)	1,494	Corporate and democratic core	1,833	(95)	1,738
(4,827)	-	(4,827)	Non distributed costs - pensions valuation adjustment (Note 5)	-	-	0
57	-	57	Non distributed costs - other	275	-	275
73,503	(46,297)	27,206	Cost of Services	76,651	(44,905)	31,746
		358	Other operating expenditure (Note 9)			267
		2,463	Financing and investment income and expenditure (Note 10)			1,813
		(18,431)	Taxation and non-specific income (Note 11)			(14,665)
		11,596	(Surplus) or Deficit on Provision of Services			19,161
		709	(Surplus) or deficit on revaluation of Property, Plant and Equipment			1,175
		(6,364)	Actuarial (gains)/losses on pension assets/liabilities			3,161
		(5,655)	Other Comprehensive Income and Expenditure			4,336
		5,941	Total Comprehensive Income and Expenditure			23,497

Balance Sheet

1 April 2010 Restated	31 March 2011 Restated		Notes	31 March 2012
£000	£000			£000
175,865	157,344	Property, Plant & Equipment	12	153,520
978	721	Heritage Assets	13	705
-	-	Assets Held For Sale	14	30
10	6	Long Term Debtors	24	5
176,853	158,071	Long Term Assets		154,260
30	31	Inventories	16	16
7,026	5,282	Short Term Debtors	17	2,382
1,126	3,852	Cash and Cash Equivalents	18	5,591
8,182	9,165	Current Assets		7,989
(489)	(489)	Short Term Borrowing	15	(494)
(5,922)	(5,804)	Short Term Creditors	19	(4,316)
(6,411)	(6,293)	Current Liabilities		(4,810)
(680)	(47)	Provisions	20	(41)
(22,390)	(22,390)	Long Term Borrowing	15	(39,479)
(32,433)	(22,021)	Other Long Term Liabilities	23	(24,931)
(100)	-	Capital Grants Receipts in Advance		-
(55,603)	(44,458)	Long Term Liabilities		(64,451)
123,021	116,485	Net Assets		92,988
(13,039)	(13,450)	Usable Reserves	21	(13,827)
(109,982)	(103,035)	Unusable Reserves	22	(79,161)
(123,021)	(116,485)	Total Reserves		(92,988)

Cash Flow Statement

2010/11 Restated		2011/12
£000		£000
11,596	Net (surplus) or deficit on the provision of services	19,161
(19,998)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements (Note 25)	(12,398)
3,266	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities (Note 26)	(16,398)
(5,136)	Net cash flows from Operating Activities (Note 27)	(9,635)
3,139	Investing Activities (Note 28)	21,658
(729)	Financing Activities (Note 29)	(13,762)
(2,726)	Net (increase) or decrease in cash and cash equivalents	(1,739)
1,126	Cash and cash equivalents at the beginning of the reporting period (Note 18)	3,852
3,852	Cash and cash equivalents at the end of the reporting period (Note 18)	5,591
(2,726)	Net (increase) or decrease in cash and cash equivalents	(1,739)

Notes to the Accounts

1. ACCOUNTING POLICIES

a. General Principles

The Statement of Accounts summarises the authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. The Regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, 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.

b. Accruals of Income and Expenditure

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

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

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

e. Exceptional Items

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

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

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

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

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

g. Charges to Revenue for Non-Current Assets

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

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

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

h. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

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

Post Employment Benefits

Employees of the authority are members of the Local Government Pension Scheme, 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 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 pension fund attributable to the authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - expected return on assets – the annual investment return on the fund assets attributable to the authority, based on an average of the expected long-term return credited to the Financing and Investment

Income and Expenditure line in the Comprehensive Income and Expenditure Statement

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

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

Discretionary Benefits

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

i. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; 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.

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

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

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

k. Foreign Currency Translation

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

l. Government Grants and Contributions

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

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

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

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

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

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

Transition Grant

Transition Grant is a revenue grant paid by Central Government in 2011/12 and 2012/13. It is paid to authorities who would otherwise see a reduction in 'revenue spending power' of more than 8.9% in either year. The grant is the amount needed to ensure that no authority experiences a revenue spending power reduction in either 2011/12 or 2012/13 of more than 8.9%. The definition of 'revenue spending power' used to calculate eligibility for the grant is the aggregate of Council Tax, Formula Grant and other Specific Grants. The grant is non-ring fenced and is credited to the Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement; as part of the Local Services Support Grant.

m. Heritage Assets

The authority's heritage assets are held in the Town Hall, the Dock Museum and the Town area. The historic collections are held to support the objective of increasing the knowledge, understanding, culture and appreciation of the authority's history and local area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets. The authority's collections of heritage assets are accounted for as:

- Historic Collections are carried at market value
 - Social history
 - Ship models
 - Boats
 - Industrial history
 - Art and sculpture
 - Ceramics and glass
 - Furniture
 - Silverware

- Regalia
- Old statues
- New statues are carried at market value
- War memorials are carried at depreciated historic cost

These items are reported in the Balance Sheet, the valuations have been carried out at the 1 April 2010 and 1 April 2011. Future valuation reviews will, in consultation with the appropriate professionals, be undertaken with sufficient frequency to ensure that the valuations remain current. Where these assets are deemed to have indeterminate lives no depreciation will be applied. Where the useful life can be determined, the authority's depreciation policy will be applied. Acquisitions are initially recognised at cost and donations are recognised at valuation ascertained by the Dock Museum's curator. The Dock Museum also holds a collection of ephemera which is not recognised on the Balance Sheet as the value of these small items, even when grouped is de minimus. There are three assets where cost information is not readily available and the authority believes that the benefits of obtaining the valuation for these items would not justify the cost; the graving dock, the cenotaph and the stone fountain.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets - if an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the authority's general policies on impairment – see 'q.' in this summary of significant accounting policies. Should there ever be a disposal of heritage assets, the proceeds of such items are accounted for in accordance with the authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see 'q.' in this summary of significant accounting policies).

n. Inventories and Long Term Contracts

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

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

o. Leases

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

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

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

The Authority as Lessee

Operating Leases

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

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

The Authority as Lessor

Operating Leases

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

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

p. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Accounting Code of Practice 2011/12. 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 SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

q. Property, Plant and Equipment

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

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 deminimis and are not considered to create an asset.

Measurement

Assets are initially measured at cost, comprising:

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

The authority does not capitalise borrowing costs.

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

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

- infrastructure and community assets– depreciated historical cost
- assets under construction –historical cost until brought into use
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

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

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

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

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

Impairment

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

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to

the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

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

r. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

s. Reserves

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

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

t. Revenue Expenditure Funded from Capital under Statute

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

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

u. VAT

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

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

The adoption of amendments to *IFRS 7 Financial Instruments: Disclosures* by the Code will result in a change in accounting policy that requires disclosure.

The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1 July 2011 but the authority is not required by the Code to implement this amended disclosure requirement until 1 April 2012.

Following a review of the financial assets and liabilities at 31 March 2012, it is considered unlikely that the IFRS 7 accounting standard will have a material impact on the financial statements of the authority.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The authority has considered the classification of its leases, both as lessor and lessee, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements.
- The authority is deemed to control assets that fall within contractual and other arrangements which involve the provision of a service using specific underlying assets and which therefore are considered to contain a lease. The accounting treatment for leases has been applied to these arrangements to

determine whether the lease contained within them is a finance or an operating lease.

- The authority has considered whether any property should be classed as an investment property or property, plant and equipment.
- The authority has considered which of its assets should be classified as heritage assets.

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 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Revaluation of Property, Plant and Equipment

Property, plant and equipment (with the exception of infrastructure, community assets, assets under construction and equipment) are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset. Advice has been provided by the authority's external valuers. If the actual results differ from the assumptions the value of the property, plant and equipment will be over or understated. This would be adjusted when the assets were next revalued. For instance if council dwellings were not impaired in 2011/12, but it was subsequently determined that the impairment to the value should have been 10%, their value in the Balance Sheet would be overstated by £6,171k and the depreciation charged to the HRA for 2012/13 would be overstated by £206k.

Depreciation of Property, Plant and Equipment

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

council dwellings was determined to be 25 years, rather than the current 30 years, the depreciation charge to the HRA for 2012/13 would be £2,036k rather than £1,696k.

Heritage Assets

Heritage assets have been brought onto the Balance Sheet from the 1 April 2010 onwards. The assets have been valued at 1 April 2010 and 1 April 2011 so that they can be included in the accounts at market value where possible. These assets are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset. Advice has been provided by the authority's external valuers. If the actual results differ from the assumptions the value of the heritage assets will be over or understated. This would be adjusted when the assets were next revalued. For instance if the historic collections were not impaired in 2011/12, 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 £60k.

Arrears

At 31 March 2012 the authority had outstanding sundry debtors, housing rent debtors and council tax debtors. A review of these outstanding balances was undertaken and the provisions for bad and doubtful debts reviewed. However in the current economic climate it is not certain that such a provision allowance would be sufficient. An increase in the sundry debtor bad debt provision of 10% would require a contribution from General Fund of £27k and for housing rent debtors, a contribution from the HRA of £24k. An increase in council tax debtors would be collected from future years liabilities.

Pensions liability

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

The effects of the net pensions liability of changes in individual assumptions can be measured. These assumptions interact in complex ways, but some examples of their sensitivity based on 31 March 2012 figures are:

- +0.1% per annum increase in the discount rate assumption would result in an increase in the net pensions liability of £1,284k; or,
- +0.1% per annum increase in the salary inflation assumption would result in an increase in the net pensions liability of £1,307k; or,
- 1 year addition to the member's life expectancy assumption would result in an increase in the net pensions liability of £1,683k.

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

Financial instruments

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

If interest rates had been 1% higher with all other variables held constant, the financial effect would be to decrease the fair value of fixed rate borrowing liabilities by £6,316k. A 1% fall would increase the fair value by the same amount. Borrowings are not carried at fair value, so nominal gains and losses on fixed borrowings would not impact on the (Surplus) or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

5. MATERIAL ITEMS OF EXPENSE AND INCOME

The Comprehensive Income and Expenditure Statement includes the following items:

In Relation to 2011/12

HRA Settlement Payment - on the 28 March 2012 the authority paid £17,089k to the Department for Communities and Local Government in order to exit the subsidy system as instructed by the Settlement Payments Determination 2012. Self-financing of the Housing Revenue Account commenced on 1 April 2012.

In Relation to 2010/11

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

Revaluation of council dwellings - during 2010/11, the authority recognised a revaluation loss of £19,025k in relation to its council dwellings. Local authority housing is valued at Existing Use Value of Social Housing. Existing Use means the delivery of appropriate housing to those who are unable to obtain suitable housing through the wider housing market. The Value is obtained by taking the cost of buying a vacant dwelling and applying an adjustment factor according to the type of tenancy and regional factors to reflect that the property is used as Social Housing.

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

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was originally authorised for issue by the Borough Treasurer on the 29 June 2012 and are now authorised for issue on the 19 September 2012 after incorporating revisions from the audit. Events taking place after this date are not reflected in the accounting statements or notes. Where events taking place before this date provided information about conditions existing at the 31 March 2012, the figures in the accounting statements and notes have been adjusted in all material respects to reflect the impact of this information.

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.

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2011/12

	Usable Reserves						
2011/12	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	(2,195)	(1,818)				(4,013)	4,013
Revaluation losses on Property, Plant and Equipment	(2,408)	(1,096)				(3,504)	3,504
Capital grants and contributions applied	1,113					1,113	(1,113)
Revenue expenditure funded from capital under statute	(1,243)					(1,243)	1,243
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(429)	(117)				(546)	546
Self-financing settlement		(17,089)				(17,089)	17,089
Insertion of items not debited or credited to the CIES							
Statutory provision for the financing of capital investment	1,086					1,086	(1,086)
Capital expenditure charged against the General Fund and HRA balances	588					588	(588)
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the CIES	52				(52)	0	-
Application of grants to capital financing transferred to the Capital Adjustment Account					595	595	(595)

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2011/12

	Usable Reserves						
2011/12	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 Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	289	222		(511)		0	-
Use of the Capital Receipts Reserve to finance new capital expenditure				955		955	(955)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(129)			129		0	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				(1)		(1)	1
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Reserve credited to the HRA		1,915	(1,915)			0	-
Use of the Major Repairs Reserve to finance new capital expenditure			2,112			2,112	(2,112)
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		120				120	(120)
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,641)	(321)				(1,962)	1,962

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2011/12

	Usable Reserves						
2011/12	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
Employer's pension contributions and direct payments to pensioners payable in the year	1,898	315				2,213	(2,213)
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	33					33	(33)
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	4	1				5	(5)
Total Adjustments	(2,982)	(17,868)	197	572	543	(19,538)	19,538

	Usable Reserves						
2010/11 Comparative Figures Restated	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	(2,177)	(1,834)	-	-	-	(4,011)	4,011

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2011/12

	Usable Reserves						
2010/11 Comparative Figures Restated	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
Revaluation losses on Property, Plant and Equipment	(507)	(18,968)	-	-	-	(19,475)	19,475
Capital grants and contributions applied	3,632	-	-	-	-	3,632	(3,632)
Revenue expenditure funded from capital under statute	(2,348)	-	-	-	-	(2,348)	2,348
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(357)	(192)	-	-	-	(549)	549
Insertion of items not debited or credited to the CIES							
Statutory provision for the financing of capital investment	1,121	-	-	-	-	1,121	(1,121)
Capital expenditure charged against the General Fund and HRA balances	1,512	-	-	-	-	1,512	(1,512)
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the CIES	187	-	-	-	(187)	0	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	1,388	1,388	(1,388)
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	162	326	-	(488)	-	0	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	529	-	529	(529)

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2011/12

	Usable Reserves						
2010/11 Comparative Figures Restated	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
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(194)	-	-	194	-	0	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	(4)	-	(4)	4
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Reserve credited to the HRA	-	1,634	(1,634)	-	-	0	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	1,847	-	-	1,847	(1,847)
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	-	241	-	-	-	241	(241)
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	1,857	395	-	-	-	2,252	(2,252)
Employer's pension contributions and direct payments to pensioners payable in the year	1,575	261	-	-	-	1,836	(1,836)

	Usable Reserves						
2010/11 Comparative Figures Restated	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 Collection Fund Adjustment Account:							
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	11	-	-	-	-	11	(11)
Adjustments primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	2	9	-	-	-	11	(11)
Total Adjustments	4,476	(18,128)	213	231	1,201	(12,007)	12,007

8. TRANSFERS (TO)/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

	Balance at 1 April 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000
General Fund:							
Committed reserves							
VAT & insurance	(462)	-	(683)	(1,145)	-	-	(1,145)
Budget setting	(311)	156	-	(155)	155	-	0
Public buildings	-	-	(500)	(500)	-	-	(500)
Pay review	(176)	-	-	(176)	-	-	(176)
GF Properties	(262)	55	(134)	(341)	-	(174)	(515)

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2011/12

	Balance at 1 April 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012
	£000	£000	£000	£000	£000	£000	£000
Leisure Centre income	(194)	70	-	(124)	124	-	0
Other reserves: to public buildings	(500)	500	-	-	-	-	0
CCTV	-	-	-	-	-	(184)	(184)
Neighbourhood Management Team	-	-	-	-	-	(50)	(50)
Grants to external bodies	-	-	-	-	-	(400)	(400)
Restructuring Reserve	-	-	-	-	-	(757)	(757)
Committed reserves total	(1,905)	781	(1,317)	(2,441)	279	(1,565)	(3,727)
Available reserves							
General reserve	(303)	-	(1,064)	(1,367)	-	-	(1,367)
Festivals	(114)	51	-	(63)	35	-	(28)
Market Hall	(51)	-	-	(51)	-	-	(51)
Park Vale	(56)	-	-	(56)	-	-	(56)
Other reserves: to general reserve	(214)	214	-	0	-	-	0
Available reserves total	(738)	265	(1,064)	(1,537)	35	-	(1,502)

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

	Balance at 1 April 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012
	£000	£000	£000	£000	£000	£000	£000
Grants and contributions:							
Committed reserves	(2,746)	290	(787)	(3,243)	231	(185)	(3,197)

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2011/12

	Balance at 1 April 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012
General Fund							
Committed reserves	(1,905)	781	(1,317)	(2,441)	279	(1,565)	(3,727)
Available reserves	(738)	265	(1,064)	(1,537)	35	-	(1,502)
Grants							
Committed reserves	(2,746)	290	(787)	(3,243)	231	(185)	(3,197)
Total earmarked reserves	(5,389)	1,336	(3,168)	(7,221)	545	(1,750)	(8,426)

The movement in 2011/12 is the net of the transfers out £545k and the transfers in (£1,750k); (£1,205k).

9. OTHER OPERATING EXPENDITURE

2010/11		2011/12
£000		£000
103	Parish council precepts	103
194	Payments to the Government Housing Capital Receipts Pool	129
61	(Gains)/losses on the disposal of non-current assets	35
358	Total	267

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010/11		2011/12
£000		£000
978	Interest payable and similar charges	983
1,504	Pensions interest cost and expected return on pensions assets	854
(19)	Interest receivable and similar income	(24)
2,463	Total	1,813

11. TAXATION AND NON SPECIFIC GRANT INCOMES

2010/11		2011/12
£000		£000
(4,428)	Council tax income	(4,477)
(7,932)	Non-domestic rates	(5,360)
(4,092)	Non-ring fenced government grants	(4,596)
(1,979)	Capital grants and contributions	(232)
(18,431)	Total	(14,665)

12. PROPERTY, PLANT & EQUIPMENT

Movement on Balances	Council Dwellings £000	Other Land and Buildings £000	HRA Other Land and Buildings £000**	Plant, Furniture and Equipment £000	HRA Plant, Furniture and Equipment £000**	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Movements in 2011/12										
Cost or Valuation										
at 1 April 2011	63,146	59,463	-	4,185	-	5,673	9,625	1,486	19,193	162,771
reclassification of assets	-	(2,329)	2,329	(97)	97	-	9	(9)	-	0
At 1 April 2011 reclassified	63,146	57,134	2,329	4,088	97	5,673	9,634	1,477	19,193	162,771
additions and enhancements	2,112	139	-	341	-	(15)	72	5	2,773	5,427
Reclassification in year	-	3,083	-	-	-	-	-	(30)	(3,083)	(30)
revaluation increases/(decreases) recognised in the Revaluation Reserve	(717)	(958)	205	-	-	-	-	296	-	(1,174)
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(1,015)	(2,386)	(81)	(7)	-	-	(25)	(40)	50	(3,504)
eliminate depreciation on revaluation	(1,696)	(727)	(136)	(29)	-	-	-	-	-	(2,588)
derecognition – disposals	(117)	-	-	-	-	-	-	-	(429)	(546)
At 31 March 2012	61,713	56,285	2,317	4,393	97	5,658	9,681	1,708	18,504	160,356
Accumulated Depreciation and Revaluation										
at 1 April 2011	-	(2,616)	-	(2,461)	-	(298)	(52)	-	-	(5,427)
reclassification of assets	-	35	(35)	80	(80)	-	-	-	-	0
At 1 April 2011 reclassified	-	(2,581)	(35)	(2,381)	(80)	(298)	(52)	-	-	(5,427)
depreciation charge	(1,696)	(1,537)	(116)	(541)	(5)	(59)	(43)	-	-	(3,997)
eliminate depreciation on revaluation	1,696	727	136	29	-	-	-	-	-	2,588
At 31 March 2012	-	(3,391)	(15)	(2,893)	(85)	(357)	(95)	-	-	(6,836)
Net Book Value at 31 March 2012	61,713	52,894	2,302	1,500	12	5,301	9,586	1,708	18,504	153,520

** These assets have always belonged to the HRA, they are split out now to show clearly which assets belong to each Fund.

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2011/12

Comparative Movements in 2010/11 Restated	Council Dwellings £000	Other Land and Buildings £000	Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
at 1 April 2010	83,357	59,203	3,738	5,447	9,805	1,659	16,581	179,790
heritage asset reclassification	-	-	-	-	(429)	-	-	(429)
At 1 April 2010 reclassified	83,357	59,203	3,738	5,447	9,376	1,659	16,581	179,361
additions and enhancements	1,846	997	447	226	249	4	2,772	6,541
revaluation increases/(decreases) in the Revaluation Reserve	(1,302)	(67)	-	-	-	-	-	(1,369)
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(19,025)	(243)	-	-	-	-	-	(19,268)
eliminate depreciation on revaluation	(1,586)	(357)	-	-	-	-	-	(1,943)
derecognition – disposals	(144)	(70)	-	-	-	(177)	(160)	(551)
At 31 March 2011	63,146	59,463	4,185	5,673	9,625	1,486	19,193	162,771
Accumulated Depreciation and Revaluation								
at 1 April 2010	-	(1,316)	(1,906)	(232)	(88)	-	-	(3,542)
heritage asset reclassification	-	-	-	-	46	-	-	46
At 1 April 2010 reclassified	-	(1,316)	(1,906)	(232)	(42)	-	-	(3,496)
depreciation charge	(1,586)	(1,659)	(555)	(66)	(10)	-	-	(3,876)
eliminate prior year depreciation on revaluation	1,586	357	-	-	-	-	-	1,943
derecognition - disposals	-	2	-	-	-	-	-	2
At 31 March 2011	-	(2,616)	(2,461)	(298)	(52)	-	-	(5,427)
Net Book Value at 31 March 2011	63,146	56,847	1,724	5,375	9,573	1,486	19,193	157,344
Net Book Value at 1 April 2010	83,357	57,887	1,832	5,215	9,334	1,659	16,581	175,865

Depreciation

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

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

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

Capital Commitments

At the 31 March 2012, the authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £365k. Similar commitments at the 31 March 2011 were £1,213k. The major commitments are:

31 March 2011		31 March 2012
£000		£000
554	Building refurbishment	265
96	Retentions	49
236	Play areas	-
76	Regeneration	-
251	Housing market renewal	51
1,213	Total	365

Effects of Changes in Estimates

In January 2011, the Department for Communities and Local Government issued updated Stock Valuation for Resource Accounting guidance. This guidance applied from 2010/11 onwards and includes the adjustment factor to be applied to local authority housing valuations. Local authority housing is valued at Existing Use Value of Social Housing. The Value is obtained by taking the cost of buying a vacant dwelling and applying an adjustment factor according to the type of tenancy and regional factors to reflect that the property is used as Social Housing. The adjustment factor for the North West from 2010/11 is 35%, a decrease from 48% which was set in 2005. This led to the authority making a material change to its accounting estimate for Council Dwellings in the effect of the change being evident in these 2011/12 accounting statements due to the authority calculating depreciation on the opening value of non-current assets.

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

Revaluations

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

Not all assets were revalued in 2011/12 and some assets' last valuation was certified by either Mr R Bulger FRICS of the Valuation Office Agency or Mr S Adams FRICS of Peill and Company; both are external valuers.

Financial year	Valuer	Value £000	Total £000
Carried at fair value:			
2008/09	Norfolk Property Services	33,919	
	Peill & Company	6,773	
	Valuation Officer Agency	133	
Total fair value of assets valued in 2008/09			40,825
2009/10	Norfolk Property Services	1,433	
	Peill and Company	1,323	
Total fair value of assets valued in 2009/10			2,756
2010/11	Norfolk Property Services	4,660	
Total fair value of assets valued in 2010/11			4,660
2011/12	Norfolk Property Services	70,499	
Total fair value of assets valued in 2011/12			70,499
Assets carried at historical cost:			34,780
Net Book Value at 31 March 2012			153,520

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

13. HERITAGE ASSETS

The Council'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.

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 2009-2013, reiterates this commitment to a regional, national and international audience; this document also records the acquisition and disposal of assets. The Dock Museum Curator 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.

The Council has obtained valuations as at 1 April 2010 and 1 April 2011, for the majority of its heritage assets held; it is not practicable to undertake valuations prior to the 1 April 2010 and therefore the authority's financial summary presently covers two years, 2010/11 and 2011/12. The requirement to further report a five year summary is also not provided as it would give no additional information to the tables shown on pages 56 & 57.

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, 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.

Asset valuations were undertaken by the external valuer, Bonhams International Auctioneers and Valuers, on 12 March 2012, as directed within The Code 2011/12 and FRS 30: Heritage Assets; the measurement basis being market value, taking into account the expertise of Bonhams and any area specific objects. The authority's accounting policy on depreciation of non-historic collection assets, where the asset is deemed as being of infinite life, shall be applied; such assets within 2011/12 have been depreciated on a straight line basis over 25 years.

Bonhams also reports there would be no change in valuation of assets (impairment) as at 1 April 2010 or 1 April 2011, and that the historic collection items listed as additions for the said periods were not of a material nature and are therefore, not included in the Balance Sheet. One statue addition is reported within 2010/11. No disposals are reported within the periods.

HERITAGE ASSETS

Movement on Balances	Social History £000	Ship Models £000	Boat £000	Industrial History £000	Art & Sculpture £000	Ceramics & Glass £000	Furniture £000	Silverware £000	Regalia £000	Historic (Old) Statues £000	New Statues £000	War Memorials £000	Herbert Leigh – Boat £000	Total £000
Movements in 2011/12														
Cost or Valuation														
Heritage Asset – Cost at 1 April 2011	-	-	-	-	-	-	-	-	-	-	-	14	-	14
Heritage Asset – Valuation at 1 April 2011	29	297	16	13	72	10	72	22	34	30	91		23	709
At 1 April 2011	29	297	16	13	72	10	72	22	34	30	91	14	23	723
eliminate depreciation on revaluation	-	-	-	-	-	-	-	-	-	-	(12)	-	(3)	(15)
At 31 March 2012	29	297	16	13	72	10	72	22	34	30	79	14	20	708
Accumulated Depreciation and Revaluation														
Heritage Asset – Cost at 1 April 2011	-	-	-	-	-	-	-	-	-	-	-	(2)	-	(2)
At 1 April 2011	-	-	-	-	-	-	-	-	-	-	-	(2)	-	(2)
depreciation charge	-	-	-	-	-	-	-	-	-	-	(12)	(1)	(3)	(16)
eliminate depreciation on revaluation	-	-	-	-	-	-	-	-	-	-	12	-	3	15
At 31 March 2012	-	-	-	-	-	-	-	-	-	-	-	(3)	-	(3)
Net Book Value at 31 March 2012 – Cost	-	-	-	-	-	-	-	-	-	-	-	11	-	11
Net Book Value at 31 March 2012 - Valuation	29	297	16	13	72	10	72	22	34	30	79	-	20	694
Total Net Book Value at 31 March 2012	29	297	16	13	72	10	72	22	34	30	79	11	20	705

HERITAGE ASSETS

Movement on Balances	Social History £000	Ship Models £000	Boat £000	Industrial History £000	Art & Sculpture £000	Ceramics & Glass £000	Furniture £000	Silverware £000	Regalia £000	Historic (Old) Statues £000	New Statues £000	War Memorials £000	Herbert Leigh – Boat £000	Total £000
Comparative movements in 2010/11														
Cost or Valuation														
Heritage Asset – Cost at 1 April 2010	-	-	-	-	-	-	-	-	-	-	334	14	81	429
At 1 April 2010	-	-	-	-	-	-	-	-	-	-	334	14	81	429
additions and enhancements	-	-	-	-	-	-	-	-	-	-	19	-	-	19
Historic collection revaluation increases/(decreases) recognised in the Revaluation Reserve	29	297	16	13	72	10	72	22	34	30	-	-	-	595
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Service	-	-	-	-	-	-	-	-	-	-	(216)	-	(45)	(261)
eliminate depreciation on revaluation	-	-	-	-	-	-	-	-	-	-	(46)	-	(13)	(59)
At 31 March 2011	29	297	16	13	72	10	72	22	34	30	91	14	23	723
Accumulated Depreciation and Revaluation														
Heritage Asset – Cost at 1 April 2010	-	-	-	-	-	-	-	-	-	-	(34)	(2)	(10)	(46)
At 1 April 2010	-	-	-	-	-	-	-	-	-	-	(34)	(2)	(10)	(46)
depreciation charge	-	-	-	-	-	-	-	-	-	-	(12)	0	(3)	(15)
eliminate depreciation on revaluation	-	-	-	-	-	-	-	-	-	-	46	-	13	59
At 31 March 2011	-	-	-	-	-	-	-	-	-	-	0	(2)	0	(2)
Net Book Value at 31 March 2011- Cost	-	-	-	-	-	-	-	-	-	-	-	12	-	12
Net Book Value at 31 March 2011 – Valuation	29	297	16	13	72	10	72	22	34	30	91	-	23	709
Total Net Book Value at 31 March 2011	29	297	16	13	72	10	72	22	34	30	91	12	23	721
NBV at 1 April 2010 – Cost	-	-	-	-	-	-	-	-	-	-	-	12	-	12
NBV at 1 April 2010 – Valuation	29	297	16	13	72	10	72	22	34	30	300	-	71	966
Total Net Book Value at 1 April 2010	29	297	16	13	72	10	72	22	34	30	300	12	71	978

Depreciation

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

- Historic Collections (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.

Financial Year	Valuer	Value £000	Total £000
Carried at market value:			
2011/12	Bonhams International Auctioneers & Valuers	694	
Total fair value of assets valued in 2011/12			694
Assets carried at historical cost			11
Net Book Value at 31 March 2012			705

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.

14. ASSETS HELD FOR SALE

One asset has been reclassified as held for sale during 2011/12. This asset is a piece of surplus land and therefore does not attract depreciation.

Non-current 2010/11 £000		Non-current 2011/12 £000
-	Property, Plant and Equipment	30
-	Net Book Value at 31 March	30

Revaluations

Financial Year	Valuer	Value £000	Total £000
Carrying value:			
2011/12	Norfolk Property Services	30	
Total value of asset 2011/12			30
Net Book Value at 31 March 2012			30

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term			Current	
	31 March 2012	31 March 2011		31 March 2012	31 March 2011
	£000	£000		£000	£000
Debtors					
Loans and receivables	-	-		648	961
Borrowings					
Financial liabilities at amortised cost	(39,479)	(22,390)		(494)	(489)
Creditors					
Financial liabilities carried at contract amount	-	-		(2,217)	(4,114)

Income, Expense, Gains and Losses

	2011/12			2010/11		
	Financial liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Total £000	Financial liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Total £000
Total expense in (Surplus) or Deficit on the Provision of Services: interest expense	984	-	984	978	-	978
Total income in (Surplus) or Deficit on the Provision of Services: interest income	-	(24)	(24)	-	(20)	(20)
Net (gain)/loss for the year	984	(24)	960	978	(20)	958

Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates at 31 March 2012 of 1.07% to 3.26% for loans from the Public Works Loans Board (PWLB)
- no early repayment or impairment is recognised
- where an instrument matures in the next 12 months, carrying amount is assumed to approximate to fair value

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

The fair values calculated are as follows:

31 March 2011			31 March 2012	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
961	961	Loans and receivables	648	648
(22,390)	(23,776)	Borrowings long-term	(39,479)	(45,646)
(489)	(489)	Borrowings short-term	(494)	(494)
(4,114)	(4,114)	Creditors	(2,217)	(2,217)
(26,032)	(27,418)	Total	(41,542)	(47,709)

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 2012) arising from a commitment to pay interest to lenders below current market rates.

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

16. INVENTORIES

1 April 2010	31 March 2011		31 March 2012
£000	£000		£000
13	13	Tourist Information shop	-
11	13	Dock Museum shop	13
6	5	Other stocks held for internal issue	3
30	31	Total	16

The Tourist Information shop closed on 31 March 2012. The stock was not replaced during the latter half of 2011/12 and the remaining saleables have been transferred to the Dock Museum shop.

17. SHORT TERM DEBTORS

1 April 2010	31 March 2011		31 March 2012
£000	£000		£000
3,825	3,132	Central government bodies	340
1,565	1,014	Other local authorities	839
1,636	1,136	Other entities and individuals	1,203
7,026	5,282	Total	2,382

18. CASH AND CASH EQUIVALENTS

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

1 April 2010	31 March 2011		31 March 2012
£000	£000		£000
2	2	Cash held by the authority	2
1,123	3,849	Bank current accounts	5,587
1	1	Interest income	2
1,126	3,852	Total Cash and Cash Equivalents	5,591

19. SHORT TERM CREDITORS

1 April 2010	31 March 2011		31 March 2012
£000	£000		£000
(460)	(663)	Central government bodies	(1,390)
(448)	(602)	Other local authorities	(342)
(5,014)	(4,539)	Other entities and individuals	(2,584)
(5,922)	(5,804)	Total	(4,316)

20. PROVISIONS

	Insurance Provision	Early Retirement Provision	Total
	£000	£000	£000
Balance at 1 April 2010	(627)	(53)	(680)
Amounts used in 2010/11	-	6	6
Unused amounts reversed in 2010/11	627	-	627
Balance at 31 March 2011	-	(47)	(47)
Amounts used in 2011/12	-	6	6
Balance at 31 March 2012	-	(41)	(41)

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.

In 2010/11 the insurance provision was credited to revenue and accounted for with the authority's earmarked reserves.

21. USABLE RESERVES

Movements in the authority's usable reserves are set out in summary in the Movement in Reserves Statement and the detailed movements are set out in Note 7.

22. UNUSABLE RESERVES

1 April 2010 Restated	31 March 2011 Restated		31 March 2012
£000	£000		£000
(30,764)	(28,732)	i. Revaluation Reserve	(26,853)
(112,135)	(96,509)	ii. Capital Adjustment Account	(77,268)
424	182	iii. Financial Instruments Adjustment Account	63
(5)	(1)	iv. Deferred Capital Receipts Reserve	0
32,395	21,943	v. Pensions Reserve	24,854
46	35	vi. Collection Fund Adjustment Account	2
57	47	vii. Accumulated Absences Account	41
(109,982)	(103,035)	Total Unusable Reserves	(79,161)

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 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.

2009/10	2010/11 Restated		2011/12	
£000	£000		£000	£000
(29,268)	(30,169)	Balance at 1 April		(28,732)
-	(595)	(a) Recognition of historic collections*		-
-	(30,764)	Adjusted balance at 1 April		-
(2,210)	(2,797)	(b) Upward revaluation of assets*	(1,691)	
541	4,101	(c) Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services*	2,866	
(1,669)	709	(d) (Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services*		1,175
713	686	Difference between fair value depreciation and historical cost depreciation	624	
21	42	Accumulated gains on assets sold	80	
34	-	Accumulated gains on items removed from Non-Current Assets	-	
768	728	Amount written off to the Capital Adjustment Account		704
(30,169)	(28,732)	Balance at 31 March		(26,853)

*Items (a) + (b) + (c) = (d) in the Comprehensive Income and Expenditure Statement for 2010/11.

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.

2009/10	2010/11			2011/12
£000	Restated £000			£000
(108,848)	(112,135)	Balance at 1 April		(96,509)
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
4,128	4,012	▪ Charges for depreciation and impairment of non-current assets	4,013	
1,706	19,475	▪ Revaluation losses on Property, Plant and Equipment	3,504	
2,288	2,348	▪ Revenue expenditure funded from capital under statute	1,243	
931	549	▪ 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	546	
-	-	HRA Self Financing Settlement	17,089	
(768)	(728)	Adjusting amounts written out of the Revaluation Reserve	(704)	
8,285	25,656	Net written out amount of the cost of non-current assets consumed in the year		25,691
		Capital financing applied in the year:		
(300)	(529)	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(955)	
(1,791)	(1,846)	▪ Use of the Major Repairs Reserve to finance capital expenditure	(2,112)	
(5,859)	(3,632)	▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,114)	
(2,442)	(1,389)	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	(595)	
(1,105)	(1,121)	▪ Statutory provision for the financing of capital investment charged against the	(1,086)	

		General Fund balance		
(75)	(1,513)	▪ Capital expenditure charged against the General Fund balance	(588)	(6,450)
(112,135)	(96,509)	Balance at 31 March		(77,268)

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.

2009/10	2010/11		2011/12
£000	£000		£000
665	424	Balance at 1 April	183
(241)	(241)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(120)
424	183	Balance at 31 March	63

iv. Deferred Capital Receipts Reserve

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

2009/10	2010/11		2011/12
£000	£000		£000
(7)	(5)	Balance at 1 April	(1)
2	4	Transfer to the Capital Receipts Reserve upon receipt of cash	1
(5)	(1)	Balance at 31 March	0

v. 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.

2009/10	2010/11		2011/12
£000	£000		£000
22,199	32,395	Balance at 1 April	21,943
9,216	(6,364)	Actuarial (gains) or losses on pensions assets and liabilities	3,161
2,750	(2,252)	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	1,962
(1,770)	(1,836)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,212)
32,395	21,943	Balance 31 March	24,854

vi. Collection Fund Adjustment Account

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

2009/10	2010/11		2011/12
£000	£000		£000
52	46	Balance at 1 April	35
(6)	(11)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(33)
46	35	Balance at 31 March	2

vii. 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.

2009/10	2010/11		2011/12
£000	£000		£000
42	57	Balance at 1 April	46
15	(11)	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.	(5)
57	46	Balance at 31 March	41

23. OTHER LONG TERM LIABILITIES

2009/10	2010/11		2011/12
£000	£000		£000
(32,395)	(21,944)	Pension scheme liabilities	(24,854)
(38)	(77)	Compulsory purchase proceeds	(77)
(32,433)	(22,021)	Total	(24,931)

24. LONG TERM DEBTORS

2009/10	2010/11		2011/12
£000	£000		£000
5	1	RTB mortgage principal	-
5	5	Catering contract deposit	5
10	6	Total	5

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

2010/11 Restated		2011/12
£000		£000
(4,011)	Depreciation	(4,013)
(19,475)	Revaluation losses and gains on previous losses	(3,504)
(51)	(Increase)/decrease in provision for bad debts	323
633	(Increase)/decrease in provisions	6
1,264	(Increase)/decrease in creditors	2,381
(1,744)	Increase/(decrease) in debtors	(4,121)
1	Increase/(decrease) in inventories	(13)
4,088	Movement in pension liability	(2,911)
(549)	Carrying amount of non-current assets sold or derecognised	(546)
(154)	Other non-cash movements	-
(19,998)		(12,398)

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

2010/11		2011/12
£000	Investing	£000
-	HRA self-financing settlement payment	(17,089)
422	Proceeds from the sale of property, plant and equipment	505
2,844	Other receipts from investing activities	186
3,266		(16,398)

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2010/11		2011/12
£000		£000
(20)	Interest received	(24)
978	Interest paid	978

28. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2010/11		2011/12
£000		£000
1,533	Purchase of property, plant and equipment	1,170
4,872	Other payments for investing activities	4,091
-	HRA self-financing settlement payment	17,089
(422)	Proceeds from the sale of property, plant and equipment	(505)
(2,844)	Other receipts from investing activities	(187)
3,139	Net cash flows from investing activities	21,658

29. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2010/11		2011/12
£000		£000
-	Cash receipts of long-term borrowing	(17,089)
(729)	Agency transactions relating to NNDR and council tax (billing authority)	3,327
(729)	Net cash flows from financing activities	(13,762)

30. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2011/12

Directorate Income and Expenditure 2011/12	Chief Executive	Director of Regeneration and Community Services	Director of Corporate Services	Borough Treasurer	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	-	(14,441)	(1,553)	(705)	(16,699)
Government grants	-	(109)	-	(26,847)	(26,956)
Total Income	-	(14,550)	(1,553)	(27,552)	(43,655)
Staff pay	355	5,376	1,047	612	7,390
Other service expenses	344	11,054	2,077	30,841	44,316
Total Expenditure	699	16,430	3,124	31,453	51,706
Net Expenditure	699	1,880	1,571	3,901	8,051

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

The analysis includes 100% of services and 100% of direct costs. The Code requires that at least 75% of the gross expenditure is included, for 2011/12 excluding the HRA Self Financing Settlement (£17,089k) the gross expenditure included in the analysis is 87%.

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

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

	2011/12	2010/11
	£000	£000
Net expenditure in the Directorate Analysis	8,051	9,441
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	25,284	17,867
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(1,589)	(363)
Cost of Services in Comprehensive Income and Expenditure Statement	31,746	26,945

Reconciliation to Subjective Analysis

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

2011/12	Directorate Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(16,699)	-	(73)	(16,772)	-	(16,772)
Interest and investment income	-	-	-	-	(24)	(24)
Income from council tax	-	-	-	-	(4,477)	(4,477)
Government grants and contributions	(26,956)	-	-	(26,956)	(10,188)	(37,144)
Total Income	(43,655)	-	(73)	(43,728)	(14,689)	(58,417)
Staff pay	7,390	459	(1,574)	6,275	-	6,275
Pensions valuation adjustment	-	-	-	-	(3,377)	(3,377)
HRA Self Financing Settlement	-	17,089	-	17,089	-	17,089
Other service expenses	44,316	-	58	44,374	-	44,374
Support Service recharges*	-	(29)	-	(29)	-	(29)
Depreciation, revaluation & impairment	-	7,765	-	7,765	-	7,765
Interest Payments	-	-	-	-	5,214	5,214
Precepts	-	-	-	-	103	103
Payments to Housing Capital Receipts Pool	-	-	-	-	129	129
(Gain) or Loss on Disposal of Non-Current Assets	-	-	-	-	35	35
Total Expenditure	51,706	25,284	(1,516)	58,385	2,104	77,578
(Surplus) or deficit on the Provision of Services	8,051	25,284	(1,589)	31,746	(12,585)	19,161

* The gross value of support services recharged to and between front line services is £3,702k, with £29k being recharged to capital projects.

2010/11 comparative figures	Directorate Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(16,579)	-	(147)	(16,726)	-	(16,726)
Interest and investment income	-	-	-	-	(3,372)	(3,372)
Income from council tax	-	-	-	-	(4,428)	(4,428)
Government grants and contributions	(27,544)	-	123	(27,421)	(14,003)	(41,424)
Total Income	(44,123)	-	(24)	(44,147)	(21,803)	(65,950)
Staff pay	8,160	(321)	(461)	7,378	-	7,378
Pensions valuation adjustment	-	(4,827)	-	(4,827)	-	(4,827)
Other service expenses	45,404	(627)	122	44,899	-	44,899
Support Service recharges*	-	(90)	-	(90)	-	(90)
Depreciation, revaluation & impairment	-	23,993	-	23,993	-	23,993
Interest Payments	-	-	-	-	5,835	5,835
Precepts	-	-	-	-	103	103
Payments to Housing Capital Receipts Pool	-	-	-	-	194	194
(Gain) or Loss on Disposal of Non-Current Assets	-	-	-	-	61	61
Total Expenditure	53,564	18,128	(339)	71,353	6,193	77,546
(Surplus) or deficit on the Provision of Services	9,441	18,128	(363)	27,206	(15,610)	11,596

* The gross value of support services recharged to and between front line services is £3,665k, with £90k being recharged to capital projects.

31. MEMBERS' ALLOWANCES

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

2010/11 £000		2011/12 £000
84	Basic allowances	85
33	Extra responsibility allowance	31
19	Expenses	12
136	Total	128

The Mayor of the Borough also receives an honorarium for their year of office to cover mayoral duties and civic receptions. The honorarium for 2011/12 was £5k (£5k for 2010/11).

32. OFFICERS' REMUNERATION

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

	Chief Executive		Director of Regeneration & Community Services		Director of Corporate Services		Borough Treasurer	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	£000	£000	£000	£000	£000	£000	£000	£000
Salary and allowances	103	99	74	70	55	73	54	54
Benefits in kind	-	-	-	2	-	-	4	4
Compensation for Loss of Office	91	-	-	-	36	-	54	-
Total remuneration excluding pension contributions	194	99	74	72	91	73	112	58
Employers pension contribution	12	12	9	8	7	9	7	8
Total remuneration including pension contributions	206	111	83	80	98	82	119	66

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

The Director of Corporate Services left the authority on voluntary redundancy with effect from 31 December 2011; the annualised salary for 2011/12 was £68k. The previous Borough Treasurer left the Authority on voluntary redundancy with effect from 15 April 2012 and the Chief Executive left the Authority on voluntary redundancy with effect from 30 June 2012; these redundancy payments were made to officers on their departure.

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

Remuneration Band	2011/12		2010/11	
	Number of Employees	Number leaving in the year	Number of Employees	Number leaving in the year
£50,000 - £54,999	4	3	1	-
£55,000 - £59,999	1	1	-	-
£60,000 - £64,999	1	1	-	-
£65,000 - £69,999	-	-	-	-
£70,000 - £75,999	1	1	-	-
£76,000 - £79,999	-	-	-	-
£80,000 - £85,999	1	1	1	1

7 of these employees left the authority on voluntary redundancy during 2011/12. Remuneration includes redundancy payments.

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

Exit package cost band	Number of compulsory redundancies		Number of voluntary redundancies agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12 £000	2010/11 £000
£0 - £20,000	4	-	15	5	19	5	141	81
£20,001 - £40,000	1	-	13	3	14	3	374	104
£40,001 - £60,000	-	-	4	-	4	-	209	-
£60,001 - £80,000	-	-	2	-	2	-	135	-
£80,001 - £100,000	-	-	1	-	1	-	80	-
£100,001 - £120,000	-	-	-	-	-	-	-	-
£120,001 - £140,000	-	-	1	-	1	-	130	-
Total	5	-	36	8	41	8	1,069	185

33. 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.

2010/11		2011/12
£000		£000
131	Fees payable to Audit Commission with regard to external audit services carried out by the appointed auditor for the year	112
12	Fees payable to Audit Commission for the certification of grant claims and returns for the year	28
143	Total	140

34. GRANT INCOME

The authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2011/2012

2010/11 £000		2011/12 £000
	Credited to Taxation and Non Specific Grant Income	
(7,932)	Non-domestic rates redistribution	(5,360)
(1,152)	Revenue support grant	(1,657)
(2,940)	Area based grant	-
-	Local Services Support Grant	(2,658)
-	New Homes Bonus Grant	(172)
-	Council Tax Freeze Funding	(109)
(677)	Community assets fund	-
(311)	Cumbria County Council	(63)
(273)	North West development agency	-
(217)	Housing market renewal	-
(168)	Housing capital grant	-
(100)	Rural regeneration	-
0	Lottery	(168)
(231)	Other grants	-
(1)	Other contributions	(1)
(14,002)	Total	(10,188)
	Credited to Services	
(25,794)	Housing & council tax benefits subsidy	(26,142)
(1,175)	Housing capital grant	(71)
(733)	Benefits administration	(705)
(521)	Disabled facilities grant	(507)
(238)	Inspiring communities	-
(153)	Concessionary fares	-
(143)	Cumbria County Council	(81)
-	Other Local Authorities	(207)
(113)	Housing market renewal	-
(389)	Other grants	(622)
(29,259)	Total	(28,335)

35. 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).

Grants receipts outstanding at 31 March 2012 are disclosed in Note 17 and grant income for 2011/12 is disclosed in Note 30.

Members

Members of the council have direct control over the authority's financial and operating policies. During 2011/12, works and services to the value of £2k were commissioned from companies in which 2 members had an interest. These transactions were fully compliant with the authority's procurement policy. During 2011/12, housing benefit to the value of £171k was paid to 2 members in their capacity as private landlords; £152k and £19k. The total of members' allowances paid in 2011/12 is shown in Note 31. There are no balances outstanding at the 31 March 2012.

Officers

Officers of the council have direct control over the authority's finances and operational decisions. For 2011/12 there are no related party transactions to report for officers. There are no balances outstanding at the 31 March 2012.

36. 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.

2010/11		2011/12
£000		£000
33,943	<i>Opening Capital Financing Requirement</i>	32,822
	<i>Capital investment</i>	
6,560	Property, Plant and Equipment	5,428
2,348	Revenue Expenditure Funded from Capital under Statute	1,243
-	HRA self-financing settlement payment	17,089
	<i>Sources of finance</i>	
(529)	Capital receipts	(955)
(6,378)	Government grants and other contributions	(2,296)
(1,846)	Sums set aside from revenue	(2,112)
(155)	Direct revenue contributions	-
(1,121)	Minimum Revenue Provision	(1,086)
32,822	<i>Closing Capital Financing Requirement</i>	50,133
	<i>Explanation of movements in year</i>	
-	HRA self-financing settlement payment	17,089
(1,121)	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	222
(1,121)	<i>Increase/(decrease) in Capital Financing Requirement</i>	17,311

37. LEASES

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

Authority as Lessee

Operating Leases

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

The authority has 8 non-specialist vehicles and 23 photocopiers on short term agreements utilised across a number of departments. These are considered deminimus and are not included in the lease figures below.

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

As at 31 March 2011		As at 31 March 2012
£000		£000
576	Not more than one year	566
1,991	Later than one year and not later than five years	2,146
647	Later than five years	152
3,214		2,864

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 2011		As at 31 March 2012
£000		£000
157	Minimum lease payments	67
(35)	Sublease receipts	(24)
122		43

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 2011		31 March 2012
£000		£000
(782)	Not more than one year	(689)
(1,590)	Later than one year and not later than five years	(1,351)
(1,603)	Later than five years	(1,352)
(3,975)		(3,392)

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 2011/12 £55k contingent rents were receivable by the authority (£61k in 2010/11).

38. REVALUATION LOSSES

During 2011/12, the Authority brought 104 Abbey Road, Barrow-in-Furness, back into use in its original Grade II status using a variety of grant and lottery funding. The property was purchased and renovated as a state of the art dance studio, film & media facility and arts centre. The property complemented the regeneration of the area and is for the use of people of the Borough as an arts exemplar. The property has been valued in its current use which is a purpose built facility that the Authority has leased out; this means that the difference between the purchase and renovation costs and the current use value to the Authority has been charged as a revaluation loss of £2,317k to the Comprehensive Income and Expenditure Statement. Statutory provisions determine that this loss does not impact on the amount to be met from council tax, so this loss is removed through the Movement in Reserves Statement.

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

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

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

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

39. TERMINATION BENEFITS

The authority agreed the termination of the contract of a number of employees in 2011/12, incurring liabilities of £1,069k (£66k in 2010/11) – see Note 32 for the number of exit packages and total cost per band. Of this total, £91k is payable to the Chief Executive, £54k to the previous Borough Treasurer and £36k to the Director of Corporate Services in the form of compensation for loss of office, as disclosed in Note 32. No pension enhancements were paid. The remaining £888k is payable to 33 officers through voluntary redundancy and 5 officers whose posts have been made redundant as part of the authority's service reviews.

40. 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 pensions liability with investment assets.

Transactions Relating to Post-employment Benefits

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

2010/11		2011/12	
£000		£000	£000
	Comprehensive Income and Expenditure Statement		
	<i>Cost of Services:</i>		
1,048	▪ current service cost	848	
(4,804)	▪ past service costs	-	
-	▪ curtailment cost	260	
	<i>Financing and Investment Income and Expenditure</i>		
4,857	▪ interest cost	4,231	
(3,353)	▪ expected return on scheme assets	(3,377)	
(2,252)	Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services		1,962
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
(6,364)	▪ actuarial (gains) and losses		3,161
(8,616)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account		5,123

	<i>Movement in Reserves Statement</i>	
2,252	reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,962)

	<i>Actual amounts charged against the General Fund Balance for pensions in the year:</i>	
1,836	employers' contributions payable to scheme	2,213

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £9,715k (£6,554k for 2010/11).

Assets and Liabilities in Relation to Post-employment Benefits

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

2010/11		2011/12
£000		£000
(87,856)	Opening balance at 1 April	(78,315)
109	Prior year contributions to the scheme	79
(1,048)	Current service cost	(848)
(4,857)	Interest cost	(4,231)
(364)	Contributions by scheme participants	(333)
7,237	Actuarial gains and (losses)	(2,554)
3,660	Benefits paid	4,190
4,804	Past service costs	-
-	Curtailments	(260)
(78,315)	Closing balance at 31 March	(82,272)

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

2010/11		2011/12
£000		£000
55,461	Opening balance at 1 April	56,371
3,353	Expected return	3,377
(873)	Actuarial (gains) and losses	(607)
1,726	Employer contributions	2,134
364	Contributions by scheme participants	333
(3,660)	Benefits paid	(4,190)
56,371	Closing balance at 31 March	57,418

The assets at the 31 March 2012 consist of:

2010/11		2011/12
£000		£000
29,087	Equities	29,627
10,147	Government bonds	9,187
7,892	Other bonds	9,187
3,439	Property	3,675
902	Cash/liquidity	919
4,904	Other	4,823
56,371	Balance at 31 March	57,418

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

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

The actual return on scheme assets in the year was £2,770k (£4,232k in 2010/11).

Scheme History

	2007/08	2008/09	2009/10	2010/11	2011/12
	£000	£000	£000	£000	£000
Present value of liabilities	(79,108)	(66,650)	(87,856)	(78,315)	(82,272)
Fair value of assets	56,171	44,445	55,461	56,371	57,418
Scheme surplus/(deficit)	(22,937)	(22,205)	(32,395)	(21,944)	(24,854)

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £24,854k has a substantial impact on the Total Reserves of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy as it will be made good by contributions over the remaining working life of employees (this is, before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the authority in the year to 31 March 2013 is £1,951k.

Basis for Estimating Assets and Liabilities

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

The Local Government Pension Scheme has been assessed by Mercer Limited an independent firm of actuaries, estimates for the County Council Fund being based on the latest actuarial valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

2010/11		2011/12
	Long-term expected rate of return on assets in the scheme:	
7.5%	Equities	7.0%
4.4%	Government bonds	3.1%
5.1%	Other bonds	4.1%
6.5%	Property	6.0%
0.5%	Cash/liquidity	0.5%
7.5%	Other	7.0%

	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.8	▪ Men	21.8
24.4	▪ Women	24.5
	Longevity at 65 for future pensioners:	
23.2	▪ Men	23.2
26.0	▪ Women	26.0
2.9%	Rate of CPI inflation	2.5%
4.65%	Rate of increase in salaries	4.25%
2.9%	Rate increase in pensions	2.5%
5.5%	Rate for discounting scheme liabilities	4.9%
50%	Take-up of option to convert annual pension into retirement lump sum	50%

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Differences between the expected and actual return on assets	(5.6)	(30.7)	17.3	(1.5)	(1.1)
Experience (gains) and losses on liabilities	0.4	-	-	6.3	-

41. CONTINGENT LIABILITIES

The authority is a member of the Scheme of Arrangement with Municipal Mutual Insurance (MMI). A contingent Scheme of Arrangement under section 425 of the Companies Act 1985 became effective on 21 January 1994 but remains held in reserve because a surplus at the conclusion of the run-off period continues to be foreseen by the Directors. The reserve is held by MMI and their primary objective is to conclude the run-off of the MMI's business and pay Scheme creditors. In March 2012, the Supreme Court found against MMI in relation to mesothelioma claims. The judgment has significant implications for MMI and for the members of the Scheme of Arrangement and may affect the possibility of a solvent run-off. The authority's maximum liability would be £1,386k; the value of claims paid since the inception of the Scheme. However, based on the MMI accounts for the year to 30 June 2011 it is suggested that the claw-back may be 10% (£137k), but if MMI continue to receive a material number of new claims this could lead to a claw-back of up to 25% (£347k). In addition, there are existing outstanding claims for the authority, as at 31 March 2012 totalling £140k.

42. CONTINGENT ASSETS

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

43. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

Credit Risk

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

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

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

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

The authority had no exposure to credit risk during 2011/12 or 2010/11 as there were no authority funds invested in the market.

No credit limits were exceeded during the reporting period.

The authority does not generally allow credit for customers, such that £334k of the £648k balance owed by trade debtors is past its due date for payment. The past due amount can be analysed by age as follows:

31 March 2011		31 March 2012
£000		£000
314	Less than three months	99
23	Three to six months	49
68	Six months to one year	64
123	More than one year	122
528	Outstanding debt	334
365	Provision for bad and doubtful debts	272
69%	Percentage of provision	81%

Of the £334k debt at 31 March 2012, £193k is currently held in dispute or being paid by instalments which adds a risk to their eventual repayment.

Liquidity Risk

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

31 March 2011		31 March 2012
£000		£000
-	Between 5 and 10 years	5,000
-	Between 10 and 15 years	5,000
-	Between 15 and 20 years	7,350
10,000	Between 20 and 25 years	8,500
-	Between 25 and 30 years	1,239
-	Between 30 and 35 years	-
-	Between 35 and 40 years	4,000
12,390	Between 40 and 45 years	8,390
22,390		39,479

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

Market Risk

Interest Rate Risk

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

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

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

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

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

If interest rates had been 1% higher with all other variables held constant, the financial effect would be to decrease the fair value of fixed rate borrowing liabilities by £6,316k. A 1% fall would increase the fair value by the same amount.

Price Risk

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

Foreign Exchange Risk

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

44. HERITAGE ASSETS: CHANGE IN ACCOUNTING POLICY REQUIRED BY THE CODE

The 2011/12 Code introduced heritage assets into the authority's financial statements. Heritage assets are held for their contribution to knowledge and culture, they have historical, artistic, scientific, geophysical or environmental qualities.

In accordance with the Code, the authority's heritage assets have been recognised at the 1 April 2010. This includes the reclassification of civic statues and a boat at

the Dock Museum previously held as community assets and the recognition of the historic collections held within the Town Hall and the Dock Museum. Heritage assets have been valued by Bonhams, International Auctioneers and Valuers and the net book value at the 31 March 2012 is £705k.

The heritage assets already held within the authority's Balance Sheet have been reclassified as at the 1 April 2010 and the historic collections have been recognised on the Balance Sheet:

Balance Sheet

	2010/11 Published Accounts			2010/11 Restated
	31 March 2010	Reclassified community assets	Recognised historic collections	1 April 2010
	£000	£000	£000	£000
Property, Plant and Equipment	176,248	(383)	-	175,865
Heritage Assets	0	383	595	978
Unusable Reserves	(109,387)	-	(595)	(109,982)

The recognition of the heritage assets being brought onto the Balance Sheet of the authority is recognised in the Comprehensive Income and Expenditure Statement: (Surplus) or Deficit on revaluation of Property, Plant and Equipment in 2010/11.

The reclassified community assets were revalued in 2011/12 however the revaluation applied for 2010/11; when they became heritage assets. The revaluation has been restated into 2010/11 as the heritage assets as a whole were revalued at the 1 April 2010. This restatement impacts on the main accounting statements and this is set out in the following table 'Transactions restated into 2011/12'.

Before illustrating the restatements made for the heritage assets it is necessary to first highlight that the Code required the 'Cultural, environmental, regulatory and planning services' subjective line on the Comprehensive Income and Expenditure Statement, be separated as:

Comprehensive Income and Expenditure Statement

	2010/11 Published Accounts		
	2010/11 Figures		
	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000
Cultural, environmental, regulatory and planning services	15,750	(5,970)	9,780
	2010/11 Figures Restated		
Cultural and related services	5,554	(1,551)	4,003
Environmental and regulatory services	5,217	(2,278)	2,939
Planning services	4,979	(2,141)	2,838
Total	15,750	(5,970)	9,780

The restatements to the 2010/11 main accounting statements for heritage assets are shown in the following table; sub totals have also changed on the face of the statements:

Transactions restated into 2010/11

	2010/11 Published Accounts	Heritage asset revaluation loss	Heritage asset depreciation in year	Heritage asset addition in year	2010/11 Restated
	£000	£000	£000	£000	£000
Balance Sheet: Heritage Assets	978 as restated	(261)	(15)	19	721
Balance Sheet: Property, Plant and Equipment (£157,731k minus £383k heritage assets)	157,348	-	15	(19)	157,344
Comprehensive Income and Expenditure Statement: Cultural and related services – gross expenditure	5,554 as restated	261	-	-	5,815
Movement in Reserves Statement: Adjustments between accounting basis & funding basis under regulations – General Fund	4,737	(261)	-	-	4,476
Balance Sheet: Unusable Reserves (£102,701k plus £595k historic collections)	(103,296) as restated	261	-	-	(103,035)

45. TRUST FUNDS

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

2010/11 £000		2011/12 £000
33	Assets	35
(10)	Gross Income	(31)
13	Gross Expenditure	31
3	Net (surplus) or deficit for the year	0

HRA INCOME AND EXPENDITURE STATEMENT

2010/11		2011/12	
£000		£000	
	Expenditure		
2,904	Repairs and maintenance	2,657	
2,579	Supervision and management	2,430	
2	Rents, rates, taxes and other charges	2	
777	Negative HRA Subsidy payable (Note 6)	1,091	
-	Settlement Payment for Self Financing (Note 7)	17,089	
20,675	Depreciation and impairment of dwellings (Note 4)	2,712	
127	Depreciation and revaluation of other HRA property (Note 5)	202	
12	Debt management costs	18	
52	Movement in the allowance for bad debts	79	
27,128	Total Expenditure		26,280
	Income		
(8,423)	Dwelling rents	(8,903)	
(322)	Non-dwelling rents	(315)	
(298)	Charges for services and facilities	(310)	
(23)	Contributions from other Local Authorities	(26)	
(9,066)	Total Income		(9,554)
18,062	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		16,726
113	HRA services' share of Corporate and Democratic Core		133
(838)	HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services		5
17,337	Net (Income)/Expenditure for HRA Services		16,864
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(134)	Gain or (loss) on sale of HRA non-current assets		(105)
487	Interest payable and similar charges		467
-	Interest and investment income		0
261	Pensions interest cost and expected return on pension assets (Note 11)		158
17,951	(Surplus) or deficit for the year on HRA services		17,384

Movement on the HRA Statement

2010/11		2011/12	
£000		£000	
(823)	Balance on the HRA at the end of the previous year		(1,038)
17,951	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	17,384	
(18,128)	Adjustments between accounting basis and funding basis under statute	(17,868)	
(177)	Net (increase) or decrease before transfers to or from reserves	(484)	
(38)	Transfers to or (from) reserves	-	
(215)	(Increase) or decrease in the year on the HRA		(484)
(1,038)	Balance on the HRA at the end of the current year		(1,522)

Notes to the HRA

1. Dwelling stock

	31 March 2011	Movements	31 March 2012
1 bed house	143	-	143
2 bed house	385	(1)	384
3+ bed house	922	(2)	920
Total houses	1,450	(3)	1447
1 bed flat	946	(1)	945
2 bed flat	307	-	307
3+ bed flat	8	(2)	6
Total flats	1,261	(3)	1258
Dwelling stock	2,711	(6)	2705

2. HRA non-current assets

31 March 2011		31 March 2012
£000		£000
63,146	Council dwellings	61,712
2,294	Land and buildings	2,302
16	Equipment	10
65,456	HRA assets	64,024

3. Vacant possession of dwellings

Council dwellings are held in the Balance Sheet at their Existing Use Value of Social Housing. The valuation in the Balance Sheet for council dwellings would be higher without the adjustment that is made. The valuation in the Balance Sheet would be higher if the Existing Use Value in Vacant Possession was used. The adjustment factor for the North West is 35%.

31 March 2011		31 March 2012
£000		£000
63,146	Balance Sheet value EUV-SH	61,712
117,272	Difference of EUV-SH and EUV-VP	114,608
180,418	Value of dwelling stock at EUV-VP	176,320

4. Depreciation and Revaluation of Dwellings

2010/11		2011/12	
£000		£000	£000
19,862	Revaluation loss	1,086	
(837)	Reversal of previous revaluation loss	(71)	1,015
1,586	Depreciation for current year		1,697
110	Depreciation adjustments on loss reversal		-
(46)	Depreciation adjustments on loss reversal I&E adjustment		-
20,675			2,712

5. Depreciation and Revaluation of Other HRA Property

2010/11		2011/12	
£000		£000	£000
60	Revaluation loss	2	
(69)	Reversal of previous revaluation loss	(8)	(6)
134	Depreciation for current year		121
4	Depreciation adjustments on loss reversal		-
(2)	Depreciation adjustments on loss reversal I&E adjustment		-
0	De-recognition of non current assets		87
127			202

6. Negative HRA subsidy payable

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

2010/11		2011/12
£000		£000
(1,877)	Allowance for management	(1,884)
(3,069)	Allowance for maintenance	(3,062)
(1,633)	Major Repairs Allowance	(1,916)
(881)	Charges for capital	(798)
8,243	Rent receivable	8,756
783	Total current year HRA subsidy payable	1,096
(6)	Settlement of previous year claim	(5)
777	Total expenditure for the year	1,091

7. Settlement Payment for self-financing

April 2012 is the beginning of self-financing for the Housing Revenue Account. Self-financing marks the end the centralised subsidy system, fully devolves financing to the authority, provides greater transparency for tenants and encourages better long-term asset management. As a consequence of the subsidy system ending, the authority made a settlement payment of £17,089k to the Department for Communities and Local Government on 28 March 2012. The cost of that borrowing is built into the Housing Revenue Account business plan.

8. HRA Capital Financing Requirement

2010/11		2011/12
£000		£000
9,010	Opening Capital Financing Requirement	9,010
	Capital investment:	
1,846	Council dwellings	2,112
	Source of finance:	
(1,846)	Major Repairs Reserve	(2,112)
9,010	Closing Capital Financing Requirement	9,010

9. HRA Non-current Asset Disposals

2010/11		2011/12
£000		£000
192	Carrying value of dwellings sold	117
(323)	Sale proceeds from dwellings	(215)
(131)	Net gain on disposals	(98)

10. Major Repairs Reserve

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

2010/11		2011/12
£000		£000
	MRR transfers in the year:	
(1,696)	From HRA for dwellings depreciation	(1,697)
(138)	From HRA for other depreciation	(122)
63	Difference between MRA and dwellings depreciation	(218)
138	To HRA for depreciation of other assets	121
(1,633)	MRA receivable for the year	(1,916)
1,846	Capital expenditure financed by MRR	2112
(411)	Balance brought forward	(198)
(198)	Balance carried forward	(2)

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:

2010/11		2011/12	
£000		£000	£000
	HRA		
	<i>Cost of Services:</i>		
182	▪ current service cost	158	
(838)	▪ past service costs	-	
-	▪ curtailment costs	5	
	<i>Financing and Investment Income and Expenditure</i>		
843	▪ interest cost	785	
(582)	▪ expected return on scheme assets	(627)	
(395)	<i>Total Post Employment Benefit Charged to the HRA Income and Expenditure Account</i>		321
	<i>Movement in Reserves Statement</i>		
395	▪ reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code		(321)
	<i>Actual amounts charged against the HRA Balance for pensions in the year:</i>		
261	▪ employers' contributions payable to scheme		315

12. Rent arrears and provision

2010/11		2011/12
£000		£000
292	Arrears at year end	343
215	Provision for bad and doubtful debts	243
74%	Percentage of provision	71%

13. HRA Balance

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

31 March 2011		31 March 2012
(1,038)	Total HRA balance carried forward	(1,522)
(26)	Of which: committed to on-going housing maintenance	(371)

COLLECTION FUND

2010/11		2011/12	
£000		£000	£000
	Income		
(27,264)	Income from Council Tax	(27,422)	
	<i>Transfers from General Fund:</i>		
(6,474)	- Council Tax benefits	(6,332)	
(18,758)	Income collectable from business ratepayers	(21,625)	
(52,496)	Total Income		(55,379)
	Expenditure		
	<i>Precepts and demands:</i>		
25,026	- Cumbria County Council	25,039	
4,452	- Barrow Borough Council	4,454	
4,177	- Cumbria Police Authority	4,180	
	<i>Business rate:</i>		
18,657	- Payment to national pool	21,524	
101	- Costs of collection	101	
	<i>Bad and doubtful debts:</i>		
(324)	- Write offs	(264)	
592	- Provisions	180	
52,681	Total Expenditure		55,214
185	(Surplus)/Deficit for the year (Note 3)		(165)

Notes to the Collection Fund

1. Income from business ratepayers

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

The total non-domestic rateable value at the 31 March 2012 was £58,207k (£58,039k at the 31 March 2011).

The national non-domestic rate multiplier for 2011/12 was 43.3 pence in the pound (41.4 pence in the pound for 2010/11).

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 42.6 pence in the pound (40.7 pence in the pound for 2010/11) and can also qualify for rate relief.

2. Bad and doubtful debts

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

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

31 March 2011		31 March 2012
£000		£000
	Council Tax	
3,959	Arrears	3,869
2,520	Provision for bad and doubtful debts	2,172
64%	Percentage of provision	56%
	Business ratepayers	
1,291	Arrears	1,327
1,161	Provision for bad and doubtful debts	1,196
90%	Percentage of provision	90%

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

3. Collection Fund balance

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

Deficit for 2010/11 to be distributed in 2012/13		(Surplus) for 2011/12 to be distributed 2013/14
£000		£000
137	Cumbria County Council	(122)
23	Police Authority	(21)
25	Barrow Borough Council	(22)
185		(165)

4. Council Tax base

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

The collection rate was assumed to be 98% for 2011/12 as it was in 2010/2011

The Council Tax base for the year was set as:

2010/11 Band D equivalent number of chargeable dwellings	Band	Standard factor	2011/12 Band D equivalent number of chargeable dwellings
30	Disabled reductions		30
10,839	A	6/9	10,847
3,808	B	7/9	3,805
3,739	C	8/9	3,745
2,065	D	9/9	2,062
1,083	E	11/9	1,084
313	F	13/9	318
109	G	15/9	106
-	H	18/9	-
21,986	Equivalent chargeable dwellings		21,997
21,546	98% of which gives the Council Tax base		21,557

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.

2010/11 Council Tax	Band	Property value	2011/12 Council Tax
£			£
1,038.17	A	Up to £39,999	1,038.17
1,211.20	B	£40,000 to £51,999	1,211.20
1,384.23	C	£52,000 to £67,999	1,384.23
1,557.26	D	£68,000 to £87,999	1,557.26
1,903.32	E	£88,000 to £119,999	1,903.32
2,249.36	F	£120,000 to £159,999	2,249.36
2,595.42	G	£160,000 to £319,999	2,595.42
3,114.51	H	£320,000 and over	3,114.51

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

Opinion on the Council's financial statements

I have audited the financial statements of Barrow in Furness Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Barrow in Furness Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Borough Treasurer and auditor

As explained more fully in the Statement of the Borough Treasurer's Responsibilities, the Borough Treasurer is responsible for the preparation of the 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, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Borough Treasurer; and the overall presentation of the financial statements.

In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion, the financial statements:

- give a true and fair view of the financial position of Barrow in Furness Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to

consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Barrow in Furness Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Barrow in Furness Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Gina Martlew

Appointed Auditor

September 2012

Audit Commission, Aspinall House, Aspinall Close, Middlebrook, Bolton BL6 6QQ

GLOSSARY

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.

Budget

A statement expressing the authority's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and the capital programme and any authorised amendments to them. It does not however include the forward financial forecast, which is for financial planning purposes only.

Budget Book

The publication in which the authority sets out its budget for a particular financial year.

Budgetary control

The continual review of expenditure and income, both revenue and capital, against planned levels of expenditure and income to help ensure that service objectives are achieved and the overall resources of the authority are not over or under spent.

Budget provision

The amount approved by the authority for a particular cost centre.

Capital contributions

Sums contributed by external persons and bodies towards the cost of capital schemes to be carried out by the authority.

Capital expenditure

This generally relates to expenditure on the acquisition or enhancement of fixed assets which will be of use or benefit to the authority in providing its services for more than one year. It also includes grants to other persons and bodies for spending by them on similar purposes.

Capital programme

The authority's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also provides estimates of the capital resources available to finance the programme and a statement of any under or over programming.

Capital receipts

The proceeds from the disposal of land and other assets which are available to finance new capital expenditure after deducting any amount which is required by statute to be paid over to the Secretary of State. Statute prevents capital receipts being used to finance revenue 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.

CIPFA

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the leading professional body for accountants employed in the public sector. It issues Codes of Practice and other guidance as appropriate on matters which are addressed by these Regulations.

Codes of conduct

The protocols within which Members and officers will work as set out in the Constitution.

Codes of practice

Guidance issued normally by professional bodies in relation to standards which are not regulated by statute. For example, CIPFA have issued Codes of Practice giving detailed guidance on accounting standards, Internal Audit and treasury management.

Collection Fund

The fund into which Council Tax and business rates are paid, and out of which the precepts of Cumbria County Council, Cumbria Police Authority and Barrow Borough Council are met. Any surplus or deficit is shared between the various authorities on the basis of precepted amounts.

Computer systems

Commercially available software which might be acquired for use on authority computers, whether local PC or networks. For the purposes of these Regulations, the definition is not intended to cover applications to which such systems might be put.

Contracts Standing Orders

The authority's rules relating to the procurement of works, supplies and services as set out in the Constitution.

Corporate governance

The system by which local authorities direct and control their functions and relate to their communities.

Council Tax

A local tax based on the notional capital value of residential properties. The level set by an authority for a particular year will be broadly determined by its expenditure on General Fund services less other income, use of authority reserves and government grant.

Council Tax base

A figure calculated annually to represent the number of dwellings over which the Council Tax for the following financial year may be collected. All dwellings within the District are valued by the Valuation Office Agency and classified into one of eight bands (A to H), each of which is expressed as a proportion above or below the value of Band D. The Council Tax base is the number of dwellings expressed in terms of a Band D average, after making allowance for discounts, losses, exemptions and appeals. When the authority sets the level of Council Tax for that year, it is expressed as an amount due from Band D properties.

Creditors

A person or body to whom the authority owes money.

Debtors

A person or body who owes the authority money. The debt may derive from a number of sources such as Council Tax or rent arrears, rechargeable works or where an account has been rendered for a service provided by the authority.

DCLG

Department for Communities and Local Government.

Estimates

The amounts which are expected to be spent, or received as income, during an accounting period. The term is also used to describe detailed budgets which are being prepared for the following financial year or have been approved for the current year.

External Audit

An independent examination of the activities and accounts of local authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The external auditor for each authority is appointed by the Audit Commission.

Fees and charges

Charges made to the public for the authority's services and facilities.

Financial Regulations

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

Financial year

The period of twelve months commencing on the 1 April.

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.

Housing Revenue Account

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.

Internal Audit

An independent appraisal function for review of the internal control system of an organisation. It objectively examines, evaluates and reports on the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources.

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.

Leasing

A method of acquiring the use of capital assets which is similar to renting. Normally this kind of arrangement is only suitable for vehicles, plant and equipment. Ownership of the asset remains with the leasing company and the annual rental is charged directly to the authority's revenue accounts.

Medium Term Financial Plan

The estimated value of revenue budget heads for the three financial years immediately following the budget year. The forecast confers no authority to spend, and is made for financial planning purposes only.

Members' Allowances

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

Performance Indicators

Data collection designed to measure and compare the performance of all local authorities on a consistent basis.

Precept

The amount that 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.

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.

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.

Revenue

A term used to describe the day-to-day costs of running the authority's services and income deriving from those services. It also includes however charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.

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.

Risk Management Policy and Strategy

This is approved by the Audit Committee endorsing the commitment of the authority to have effective risk management and sets out the responsibility of Members, Heads of Service and all staff for the identification, control and reduction of risk and the containment of loss in all aspects of their activities.

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.

Supplementary estimate

The approval of an increase in the level of a particular budget head, or the establishment of a new budget head, under the procedure laid down in the Financial Regulations. Where an existing budget head is involved, a supplementary estimate would not normally be approved where an appropriate virement was available. Supplementary estimates above the level delegated to the Borough Treasurer may only be sanctioned by the Executive Committee.

Treasury Management

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.

Treasury Management Policy Statement

A statement approved by the Full Council setting out the parameters within which treasury activities are to be managed.

Treasury Management Strategy

The strategy for the treasury management activities to be adopted for a particular financial year as approved by the Executive Committee within the parameters set by the Treasury Management Policy Statement.

Virement

The transfer of budget provision from one budget head to another, under the procedure laid down in the Financial Regulations. Virement decisions apply to revenue expenditure budgets. Virements may not be approved between capital and revenue budget heads. Virements may be approved by officers up to an amount specified in the Regulations, by the Borough Treasurer, or by the Executive Committee.

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.

Part One

AUDIT COMMITTEE	(D) Agenda Item 10
Date of Meeting: 27th September, 2012	
Reporting Officer: Borough Treasurer	
Title: Annual Governance Report 2011/12	
Summary and Conclusions:	
The Annual Governance report is produced by the Audit Commission following the completion of their audit for each financial year.	
The Council's External Auditors will present the report to Members.	
Recommendations:	
Members are recommended to:	
1. Receive the Annual Governance Report for 2011/12;	
2. Raise any questions or concerns with the Appointed Auditor; and	
3. Approve the recommendations and action plan contained in the report.	

Report

The Annual Governance Report for 2011-2012 is attached at **Appendix 4** and will be presented to Members by the External Auditors.

Background Papers

Nil

Annual governance report

Barrow in Furness Borough Council

Audit 2011/12



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Key messages

This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

As at 28 September 2012, I expect to issue an unqualified audit opinion as shown at appendix 1. I am very pleased to report that no material errors were found on the primary statements and the overall completeness and accuracy of the accounts and disclosures notes was good.

The financial statements were prepared and submitted for audit on time and the working papers to support the accounts were of a good standard.

Value for money (VFM)

I conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources. I have found the Council has plans in place to achieve its deficit reduction strategy.

I note that the new contracting and tendering arrangements introduced back in December 2010 are still not fully embedded. The Council has still significant weaknesses in particular within Cultural and Related Services. The Council needs to address these weaknesses as it is currently exposed to additional risks.

I found that the Council's arrangements for managing its resources are adequate. The Council needs to closely monitor and manage the income generation element of the strategy given the ongoing depressed economy. I found there to be scope for the Council to develop a more detailed medium term Council Plan which is supported by an organisational improvement plan to assist delivery of its agreed key priorities 2012-2015.

Before I give my opinion and conclusion

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

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) – Integrity, Objectivity and Independence.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2011/12.

I ask the Audit Committee to:

- take note of my comments and adjustments to the financial statements;
- approve the letter of representation as shown in appendix 2, on behalf of the Council before I issue my opinion and conclusion; and
- agree your response to the proposed action plan as set out in appendix 4.

Financial statements

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

Opinion on the financial statements

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

Corrected errors

I am very pleased to report that no material errors were found on the primary statements and the overall completeness and accuracy of the accounts and disclosure notes was good.

The financial statements were prepared and submitted for audit on time and the working papers to support the accounts were of a good standard.

In terms of the key disclosure notes supporting the main primary statements I found some errors in the figures for prior years. For example on the face of Cash flow Statement the financing activities entry shows £729,000 for 2010/11, but the supporting Note 29 shows £8,159,000 which was the balance from 2009/10. The supporting notes have been amended.

Significant risks and my findings

I reported to you in my March 2012 Audit Plan the significant risks that I identified relevant to my audit of your financial statements. In table 1 I report to you my findings against each of these risks.

Table 1: **Risks and findings**

Risk	Findings
<p>Heritage Assets</p> <p>The 2011/12 Code adopts the requirements of FRS 30 Heritage Assets. A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for its contribution to knowledge and culture.</p> <p>In the Council's 2010/11 accounts heritage assets are estimated to be in the region of £2.3 million. There is a risk the Council may be unable to identify and account for all heritage assets due to the nature of these assets and artefacts, and the complexity of the valuations.</p>	<p>I have evaluated the management controls you have in place to recognise and value heritage assets.</p> <p>I have also undertaken testing to check that the Council has accounted for heritage assets in accordance with FRS 30 and the Code. The value of heritage assets was £721,000 as at 1 April 2011 and £705,000 as at 31 March 2012.</p> <p>My testing has not identified any significant issues with the exception of two additional disclosures. Firstly, to explain the difference between the estimated insurance value back in 2010/11 of £2.3 million and the actual market valuation of £0.7 million in 2011/12. Secondly, the information on valuation, useful lives and depreciation was not clear for each Heritage asset type. The Council has now included the required disclosures in the appropriate places in the explanatory foreword, the accounting policies and Heritage Assets Note 13</p>

Risk	Findings
<p>New payroll system</p> <p>The Council has changed the payroll system it uses during 2011/12, with a new service organisation providing the service from November 2011. Internal Audit has also raised a number of issues, which I assess to be key control weaknesses, in relation to the old payroll system as used up to October 2011.</p> <p>There is a risk that payroll figures in the 2011/2012 accounts could be misstated through a combination of the control issues on the old system and with the introduction of a new payroll system.</p> <p>Internal Audit is to carry out a review of the new payroll system and I will rely on their work where possible.</p>	<p>I worked closely with Internal Audit to assess the impact of the control weaknesses identified in the old and new payroll systems and the most efficient way of gaining assurance was through a substantive testing strategy for 2011/12.</p> <p>The detailed substantive payroll testing I carried out as part of the final opinion audit found consistency between the two payroll systems and the main financial statements. The payroll information was complete, accurate, properly classified, and led to accurate financial information within the statements. Notwithstanding Internal Audit's findings summarised below, I concluded that payroll expenditure was accurately and completely recorded in the Council's accounts.</p> <p>I have discussed with the Borough Treasurer the impact of Internal Audit's payroll system testing and it is important the control weaknesses identified are addressed such as:</p> <ul style="list-style-type: none"> ■ validating the standing establishment and personal data held on the payroll system; and ■ reviewing and documenting validation checks on monthly payroll processing.

Significant weaknesses in internal control

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Council only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control.

I have reviewed the Annual Governance Statement (AGS). As reported in my previous Annual Governance Report, the Council needs to develop its assurance gathering arrangements in place to support the AGS disclosures to ensure that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is fully consistent with other sources of assurance and information over and above internal and external audit identified issues.

The AGS has also been updated to reflect the requirements of Application Note 10 on financial management arrangements and some clarity on progress made on previous recommendations.

The following weaknesses in internal control are only those I have identified during the audit that are relevant to preparing the financial statements.

Table 2: **Internal control issues and my findings**

Description of weakness	Potential impact and Management action
Treasury Management I note that the Council is holding all of its cash with one banking institution in an instant access account. The balance on this account as at 31 March 2012 was £5.3m. The average daily bank balance during the 2011/12 year was around £7.8m.	I recommend the Council reviews its current treasury management arrangements on balancing risk and reward on how it invests deposits.
Risk registers I note the Council does not have any operational risk registers and relies on risks being managed through the strategic risk register.	It is important the Council maintains up to date strategic and operational risk registers to allow for risks to be managed and monitored at the appropriate level.

Recommendations

- R1** Introduce robust ongoing assurance gathering arrangements to support the Council's annual governance statement
- R2** Review treasury management policies in terms of risk and reward on current practice of all deposits held with one banking institution.
- R3** Introduce departmental/or key service risk registers to ensure risks are being monitored and managed at the appropriate level.

Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following.

- Qualitative aspects of your accounting practices including accounting policies, accounting estimates and financial statement disclosures. Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest.

I have some qualitative aspects I wish to report as shown in table 3. The Council has amended the accounts for all of these disclosures and a number of other minor inconsistencies and errors.

Table 3: **Accounting practices and financial disclosures**

Issue	Findings and outcome
Disclosures in the Explanatory foreword I found the explanatory foreword needed some amendments to assist the reader of the accounts to easily reconcile the net outturn and reserves position to the main statements.	<p>The net outturn and use of reserves were not easy to reconcile to the main statements.</p> <p>The Council has updated its explanatory foreword to illustrate a full reconciliation to the main statement disclosures on the net outturn and reserves position.</p> <p>The Council has updated the explanatory foreword and contingent liability Note 41 to reflect the recent Supreme Court judgement against MMI and the possible impact on a solvent run off for its members of the Scheme of arrangements. As a result the Council has reviewed its contingent liability and does not consider a provision is required at this stage as the timing and value of the liability is still uncertain. The estimated maximum clawback affecting the Council is estimated to be no more than £0.35 million.</p> <p>A number of other minor amendments to the explanatory foreword have been implemented.</p>

Issue	Findings and outcome
<p>Related Party Transaction (RPT) Note</p> <p>The RPT Note included a number of agency arrangements such as precepts and pension fund which are not related party transactions.</p>	<p>The Council has updated its RPT Note to remove the agency arrangements and has made a number of other minor amendments to ensure compliance with the IFRS Code and ISA+550.</p>
<p>MIRS and Capital Adjustment Account Notes consistency</p> <p>Revenue expenditure funded from capital under statute (REFCUS) and Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing are inconsistent between Note 7 (MIRS) and Note 22 (Capital Adjustment Account)</p>	<p>The Note 7 MIRS was corrected as follows.</p> <ul style="list-style-type: none"> ■ REFCUS from £0.18m to £1.23 million. ■ Capital grants from (£0.31m) to £1.114 million. <p>I acknowledge that this amendment was purely between the two notes and did not affect the MIRS primary statement.</p>
<p>Property Plant and Equipment (PPE) and Capital Adjustment Account consistency</p> <p>Revaluation losses on Property Plant and Equipment are inconsistent between Note 12 (PPE) and Note 22 (Capital Adjustment Account).</p> <p>Note this did not affect the Balance Sheet as it only affected Note 12 PPE disclosure note.</p>	<p>The PPE note was corrected as follows.</p> <ul style="list-style-type: none"> ■ Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services <ul style="list-style-type: none"> – Other Land and Buildings: from -£2,337,000 to -£2,386,000 – HRA Land and Buildings: from £6,000 to -£81,000 – Equipment: from nil to -£7,000 – Community: from nil to -£25,000 – Surplus: from £15,000 to -£40,000. ■ Derecognition Disposals <ul style="list-style-type: none"> – Other Land and Buildings: from -£49,000 to nil – HRA Land and Buildings: from -£89,000 to nil – Equipment: from -£36,000 to nil – Community: from -£25,000 to nil – Surplus: from -£55,000 to nil. ■ Depreciation charge <ul style="list-style-type: none"> – HRA Land and Buildings: from £134,000 to £136,000 – Equipment: from nil to £29,000.

Issue	Findings and outcome
	<ul style="list-style-type: none"> ■ Eliminate depreciation on revaluation <ul style="list-style-type: none"> – HRA Land and Buildings: Change from £2,000 to nil – Equipment: Change from £29,000 to nil.
<p>Financial Instruments note</p> <p>I found the maturity analysis of financial liabilities bandings as shown under liquidity risk was incorrect. The analysis did not affect the loan figures produced within the Balance Sheet.</p>	<p>The following bandings were wrong but have been corrected.</p> <ul style="list-style-type: none"> ■ Between 5 and 10 years from £0m to £5m ■ Between 15 and 20 years from £5m to £7.35m ■ Between 20 and 25 years from £7.35m to £8.5m ■ Between 25 and 30 years from £8.5 to £1.239m ■ Between 30 and 35 years from £1.239m to nil ■ Between 35 and 40 years from nil to £4m ■ Between 40 and 45 years from £12.39m to £8.39m.

Whole of Government Accounts

Alongside my work on the financial statements, I also review and report to the National Audit Office on your Whole of Government Accounts return. As at 14th September 2012 I have not completed the procedures specified by the National Audit Office. I expect to complete my report by 28 September 2012.

Value for money

I am required to conclude whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.

I assess your arrangements against the two criteria specified by the Commission. In my March 2012 Audit Plan I reported to you the two significant risks that were relevant to my conclusion. I have set out below my conclusion on the two criteria, including the findings of my work addressing these risks on achieving the Council's Deficit reduction strategy.

I will issue an unqualified conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in appendix 1.

I identified weaknesses in your tendering and contracting arrangements, to properly manage and govern procurement across the entire Council as set out below. I have raised issues on tendering and contracting back in 2009/10 leading to an except for VFM conclusion and I also had ongoing concerns as raised in the 2010/11 Annual Governance Report.

Table 4: **Value for money conclusion criteria and my findings**

Criteria	Risk	Findings
1. Financial resilience The organisation has proper arrangements in place to secure financial resilience. Focus for 2011/12: The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.	The Council's proposals for cost reduction do not progress as quickly as forecast and savings are not made which reduces the Council's financial resilience.	I found the Council has taken a proactive approach to achieving its deficit reduction strategy. The Council achieved staffing cost savings of £1.5 million, efficiency savings of £0.47 million and service reductions of £0.5 million from 2011/12 onwards. The Council is currently reducing costs through its deficit reduction strategy. In 2011/12 the Council achieved its entire £1.1m projected savings. I acknowledge the Council is managing the medium term financial strategy through a combination of the £2.5 million of savings already secured, income generation and use of transitional restructure grant reserves.

Criteria	Risk	Findings
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2011/12:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>The Council fails to maintain improvements made on its tendering and contracting arrangements during 2011/12.</p>	<p>It is vital the Council monitors the income generation element of its strategy given the ongoing depressed economy. There is scope for the Council to develop a longer term 10 year financial strategy.</p> <p>Clear plans for use of the reserves need to be agreed and monitored to help deliver the Medium Term Financial Strategy.</p> <p>Tendering and contracting arrangements</p> <p>I did identify a number of significant weaknesses in your procurement, tendering and contracting arrangements up to December 2010. These weaknesses were indicative of poor governance arrangements for tendering and contracting, and exposed the Council to potentially significant risks. I acknowledge improvements have been made to both the tendering and contracting arrangements since January 2011, but there remains scope for further improvement.</p> <p>It is clear from Internal Audit's related reviews and our additional audit work, that arrangements for tendering and contracting in Cultural and Related Services remain weak. It is critical that CHEST and the new contract and procurement policies and monitoring regime together with the updated financial regulations are fully adhered to across the Council.</p> <p>I have identified that further improvements can be made to create a central Contract Register of existing tendering and contracting monitoring arrangements across CHEST, Legal, Internal Audit and externally managed major procurement (such as housing procure plus).</p>

Criteria	Risk	Findings
		<p>VFM indicators</p> <p>I note the Council is continuing to prioritise its resources within tighter overall funding. The Council's spend per head at £448 for 2010/11 is below the nearest neighbour comparator median of £503, with a 4% decrease on equivalent spend in 2009/10.</p> <p>I acknowledged the Council needs to balance its key priorities 2012 to 2015 plan with the financial resources and capacity available. I found there to be scope for the Council to develop a more detailed medium term Council Plan which is supported by an organisational improvement plan to assist delivery of the agreed priorities.</p> <p>The Audit Commission's VFM profile (prepared from information supplied to central government each year by all Councils) of the Council's key indicators shows that:</p> <ul style="list-style-type: none"> ■ percentage of minor planning applications determined in 8 weeks for the 4th Quarter of 2010/11 was in the worst quartile of its nearest CIPFA neighbour group; ■ a key outlier was the spend on council tax benefits and housing benefits administration of £23 per head compared to an average of £17.66 per head; and ■ another key outlier was the net spend on non domestic rates (NDR) collection per non domestic property was in the highest 5% of its nearest CIPFA neighbour group. <p>The two outliers are indicative of a relatively expensive contract to manage revenue administration.</p>

Fees

I will complete the audit within the planned fee of £112,100 (£122,000 in 2010/11). The Audit Commission has also given the Council an 8 per cent rebate of £8,968.

Appendix 1 – Draft independent auditor's report

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

Opinion on the Council's financial statements

I have audited the financial statements of Barrow in Furness Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Barrow in Furness Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Borough Treasurer and auditor

As explained more fully in the Statement of the Borough Treasurer's Responsibilities, the Borough Treasurer is responsible for the preparation of the 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, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Borough Treasurer; and the overall presentation of the financial statements.

In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion, the financial statements:

- give a true and fair view of the financial position of Barrow in Furness Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Barrow in Furness Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Barrow in Furness Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Gina Martlew
Appointed Auditor

September 2012

Audit Commission, Aspinall House, Aspinall Close, Middlebrook Bolton, BL6 6QQ

Appendix 2 – Draft letter of management representation

Barrow in Furness Borough Council – Audit for the year ended 31 March 2012

Letter from Management to the Auditor

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other senior managers of Barrow in Furness Borough Council, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

Supporting records

I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of the Authority's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Barrow in Furness Borough Council

I confirm that this letter has been discussed and agreed by the Audit Committee on 27 September 2012

Signed

Name

Position

Date

Appendix 3 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

Appendix 4 – Action plan

Recommendations

Recommendation 1

Introduce robust ongoing assurance gathering arrangements to support the Council's annual governance statement

Responsibility	Monitoring Officer
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Priority	Medium
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Date	2012/13
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Comments	A governance group has been set up which will feed back to Management Board and Management Group.
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Recommendation 2

Review treasury management policies in terms of risk and reward on current practice of all deposits held with one banking institution. .

Responsibility	Borough Treasurer
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Priority	Medium
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Date	Ongoing
-------------	---------

Comments	The position with the Council's temporary surplus cash is under constant review. Security, liquidity and yield are always considered. The Council's deposit with its' own bank is secure and liquid. Higher yields that are available will continue to be monitored until such time as the Borough Treasurer is satisfied with the security and liquidity available.
-----------------	--

Recommendations

Recommendation 3

Introduce operational risk registers to ensure risks are being monitored and managed at the appropriate level.

Responsibility	Executive Director
Priority	Medium
Date	2012/13
Comments	Introduction of a rolling programme of operational risk assessment commencing with high risk services in 2012/13.

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0844 798 7070

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



AUDIT COMMITTEE		Part One (D) Agenda Item 11
Date of Meeting: 27th September, 2012		
Reporting Officer: Borough Treasurer		
Title: Letter of Representation 2011/12		
Summary and Conclusions:		
As part of annual process of finalising the Accounts, there is a requirement to provide assurance to the External Auditors on relevant and significant matters relating to the financial year. A Letter of Representation is issued to disclose material facts affecting the 2011/12 transactions of the Council.		
Recommendations:		
Members are recommended to:		
1. Approve the Letter of Representation for 2011/12; and		
2. Authorise the Chairman of this Committee and the Borough Treasurer to sign the Letter of Representation for 2011/12 on behalf of the Council.		

Report

The Letter of Representation is attached at **Appendix 5** to this report.

Background Papers

Nil

Gina Martlew
Appointed Auditor
Audit Commission
Aspinall House
Aspinall Close
Middlebrook
Bolton BL6 6QQ

Barrow Borough Council
Borough Treasurer's Department
TOWN HALL · DUKE STREET
BARROW-IN-FURNESS · CUMBRIA LA14 2LD
FAX: (01229) 876445
DX NO: DX 63917 BARROW-IN-FURNESS
Email: financialservices@barrowbc.gov.uk
www.barrowbc.gov.uk

Our Ref:

Your Ref:

Contact Name:

Susan Roberts

Tel No:

01229 876460

Date 27/09/2012

Dear Gina

Barrow-in-Furness Borough Council
Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other senior managers of Barrow-in-Furness Borough Council, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

Supporting records

I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of the Authority's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Barrow-in-Furness Borough Council

I confirm that this letter has been discussed and agreed by the Audit Committee on 27 September 2012

Signed:

Name: S M Roberts

Position: Borough Treasurer

Date: 27 September 2012

Signed:

Name: Councillor Mrs A Burns

Position: Audit Committee Chairman

Date: 27 September 2012

AUDIT COMMITTEE		Part One (D) Agenda Item 12
Date of Meeting: 27th September, 2012		
Reporting Officer: Policy Review Officer		
Title: Monitoring Priority 1 Recommendations		
Summary and Conclusions:		
Monitoring the implementation of all agreed Internal Audit, Priority 1 recommendations.		
Recommendations:		
Members are invited to consider the report and determine whether further action is required.		

Report

Internal Audit undertakes reviews of Council's systems as defined in the annual audit plan. The audit conclusion may include Priority 1 recommendations which relate to major issues that need to be brought to the attention of senior management. Senior managers consider the recommendations and determine whether to accept or reject them. If the recommendation is accepted the manager is agreeing to implement the recommendation.

To ensure all agreed Internal Audit Priority 1 recommendations are implemented in a timely manner they are now tracked by Management. Progress against the implementation of the Priority 1 recommendations that were agreed in 2011/12 are detailed at **Appendix 6**. There has not been any additions to this list in 2012/13 to date.

The business continuity arrangements are on the agenda for the next Management Board meeting in October and I will provide an update at the next meeting.

Regarding the Forum catering contract the Assistant Director of Community Services has written to Sodexo informing them that the contract will be going out to tender and he will be taking professional advice because of the complexity of the contract. The Assistant Director of Community Services will also consider the most cost effective arrangements and this may include disaggregating the catering and the cleaning elements of the contract.

Background Papers

Nil

Barrow Borough Council Priority 1 Recommendations 2011/12

Audit Report	Recommendation	Responsible Officer	Current position
PARTIAL DEMOLITION OF A 'DARLINGTON' STEEL PORTAL FRAMED WAREHOUSE & RE-ESTABLISHING STRUCTURE (CR 59)	The Council should ensure that the Final Account submitted by the contractor is fully scrutinised prior to approval for payment; and the additional sum claimed by the Contractor is acceptable.	Assistant Director Regeneration and the Built Environment	Implemented.
SUTHERLAND STREET – GROUP REPAIRS (CR 63)	The Council should ensure that where appropriate procurement arrangements are evidenced by the completion of specific contract documentation. This will formalise arrangements and provide the Council and relevant contractor with clear understanding and a basis for negotiation should the need arise.	Deputy Executive Director	Implemented More robust arrangements are now in place including contract management checklists.
RISK MANAGEMENT - BUSINESS CONTINUITY (11-08)	In order to strengthen its Business Continuity Management (BCM) arrangements, the Council should : a) designate a senior officer to be responsible for developing and maintaining its BCM procedures;	Executive Director	Not Implemented This action will be completed when the Council's new management structure is "bedded in" post June. <i>This is on the agenda for</i>

Audit Report	Recommendation	Responsible Officer	Current position
	<p>b) clearly define the roles and responsibilities of the Management Team and an Incident Management Team in respect of BCM;</p> <p>c) consider suitable training for all staff directly responsible for, or involved in, BCM at both corporate and departmental levels, to include scenario exercises;</p> <p>d) promote, where possible, an awareness of BCM amongst all staff with the aim of embedding its principles into their day to day activities.</p>		<p><i>Management Board in October and I will provide an update at the December meeting of this committee.</i></p>
<p>RISK MANAGEMENT - BUSINESS CONTINUITY (11-08)</p>	<p>The Council should produce a formally approved and up to date Business Continuity Plan, considering the following potential areas for inclusion:</p> <ul style="list-style-type: none"> • clearly defining the scope of its BCM coverage and its links with Emergency Planning and other relevant policies and procedures; • approving a formal BCM policy/strategy; 	<p>Chief Executive</p>	<p>Not Implemented</p> <p>This action has been postponed until the Council's new management structure is "bedded in" post June</p> <p><i>This is on the agenda for Management Board in October and I will provide an update at the December meeting of this committee.</i></p>

Audit Report	Recommendation	Responsible Officer	Current position
	<ul style="list-style-type: none"> • reviewing and documenting the Business Critical Activities (BCAs) for each of its services; • carrying out an impact analysis which assesses the risks of, and the effect of, disruption to BCAs and also identifies the period that the Council can function without each BCA and the requirements/resources to recover that BCA; • including a corporate incident management plan which designates a team to manage an incident, sets out procedures and resources to enable services to resume and identifies accommodation/communications for the team and key service staff; • formulating individual departmental plans to describe the processes needed to recover from an incident affecting their BCAs; • ensuring that the plans consider the costs, feasibility and 		

Audit Report	Recommendation	Responsible Officer	Current position
	<p>practicality of contingency measures; and</p> <ul style="list-style-type: none"> regularly testing and reviewing these arrangements. 		
IT General Controls – Liberata (IT 46)	<p>The Council should encourage Liberata to cooperate positively through the provision of information when required.</p> <p>Liberata should be required to provide complete client specific information where requested by the Council; preferably through a letter of authority clarifying the situation.</p> <p>Any relevant information should be provided in a complete and timely manner and the Council should pursue any information which is missing, incomplete or unsatisfactory.</p>	Deputy Executive Director	<p>Implemented</p> <p>We will monitor Liberata’s response to the next audit.</p>
CATERING CONTRACT – THE FORUM (10-24)	<p>The Council should endeavour to agree contractual terms with Sodexo that demonstrate value for money; or consider market testing the service provision in accordance with the Council’s Constitution.</p>	Chief Executive & Assistant Director Community Services	<p>Not Implemented</p> <p>The Council is currently undertaking preparation for the tendering process.</p>

Audit Report	Recommendation	Responsible Officer	Current position
CATERING CONTRACT – THE FORUM (10-24)	<p>The Council should:</p> <ul style="list-style-type: none"> a) be fully aware of, and be satisfied with, its potential obligations in respect of capital expenditure under the proposed contractual arrangements, including the conditions relating to un-depreciated expenditure, prior to agreeing those arrangements; b) ensure that it always agrees in advance the amount of any capital expenditure proposed by Sodexo; c) request Sodexo to provide evidence of its actual capital expenditure under the contract; d) ensure that investment is made early in the life of the new contract to avoid a large residual liability for undepreciated capital expenditure; and e) if the finalised contract states an amount of planned investment, clarify the liability for any amount expended in excess of that amount. 	Assistant Director Community Services	<p>Not Implemented</p> <p>The Council is currently undertaking preparation for the tendering process.</p>

AUDIT COMMITTEE		Part One (D) Agenda Item 13
Date of Meeting: 27th September, 2012		
Reporting Officer: Policy Review Officer		
Title: Risk Management		
Summary and Conclusions:		
Provide Members with the Council’s risk register.		
Recommendations:		
Members are invited to consider the report and determine whether further action is required.		

Report

The risk register for 2012/13 is attached as **Appendix 7**. It continues to focus on those business critical risks which are under the control of the Council.

The risk register was reviewed by management Board at their meeting on 7th September 2012 and the following changes were made:

Risk 2: The likelihood of the economy remaining depressed has been increased from three to five thereby increasing the risk score to 25.

Risk 7: Failure to deliver Waterfront Barrow regeneration programme: The mitigating action has been changed because the bid for Regional Growth Funding was unsuccessful so the reference to this bid has been removed.

Background Papers

Nil

	Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Contingency actions	Responsible Officer
1	The Council faces £5M budget deficit for the period up to 2015	5	5	25	The Council fails to address the budget deficit resulting in the Council having insufficient funds to deliver its statutory duties and contracted services	The Council has set a budget to achieve the savings for 2012/15 but some additional savings will need to be made if the price changes don't generate the expected income	The Council will use some of its reserve funds to reduce the impact on service delivery and the pace of change.	Executive Director and Borough Treasurer
2	The economy remains depressed	5	5	25	This will have a significant impact on the Council's revenue streams and may result in a larger than anticipated deficit	The Council will endeavour to maximise income streams and reduce costs	The Council monitors the budget on a regular basis and can review service delivery if required	Management Board
3	Impact of the Council's comprehensive spending review on delivery of services	5	4	20	The spending review will challenge all services and if it is not properly managed may result in a loss of staff morale and customer confidence. The Council tried to minimise compulsory redundancies	The service review has reflected the Council's updated key priorities. Some reduction in service is inevitable given the size of the budget deficit. The Council will give a clear statement on priorities and will establish effective internal and external consultation and communication processes.	The Council will use its reserves to control the pace of change to suit the needs of the organisation and the community	Executive Director and Borough Treasurer

4	Impact of redundancies and recruitment freeze on service delivery and staff.	5	4	20	Voluntary redundancies and vacancies may result in short-term pressure on service delivery with consequential impact on staff moral and customer satisfaction	Business critical posts will be exempt from the recruitment freeze. Any significant impact on service delivery will be communicated internally and externally pending the outcome of the spending review.	The Government has provided a transition grant to meet the costs the redesign of service delivery and any redundancy costs therefore it will not impact on Council Tax payers.	Executive Director and Borough Treasurer
5	Impact of changes to the benefit system on income for the housing Department	5	4	20	75% of the Services income is received through Housing Benefit. At 2012 rents this will equate to £7.1m. Of the 2700 tenancies 2039 receive help with their housing cost through Housing Benefit. The introduction of Universal Credit and changes to how tenants receive support with housing costs, including no direct payments to landlords, poses a risk to the Services income.	A six point plan will be progressed to mitigate the risk focusing on the introduction of Universal Credit, new under-occupation rules, changes to non-dependant deductions and a Communication Plan.	The Service has recently reviewed it's Income Strategy. It will operate a firm but fair approach to assist tenants during the changes whilst ensuring rents due are collected.	Housing Manager

6	Local Council Tax Reduction Scheme to be agreed by the 31st January 2013, financed by a direct grant reduced by at least 10%.	5	4	20	The Council has a statutory duty to adopt a local Council Tax Reduction Scheme by the 31st January 2013. There are statutory consultation requirements with the major preceptors and the public. The subsidy previously received is to be reduced nationally by 10% and become a direct grant split between the major preceptors. The Council may pass all or some of the 10% reduction onto claimants, or find savings and efficiencies internally. The grant will be determined by Central Government and will assume caseload and take up changes.	The Council has begun the consultation with Members as early as possible. Guidance was issued by the CLG on the 17th May 2012, but further guidance is expected. Consultation on an 'in principle' scheme will take place with the major preceptors in June/July. Members will be asked to consider the current discounts awarded for council tax liability as these would benefit all the major preceptors. It is necessary to consider the impact of caseload and take up changes locally in addition to potential collection costs.	The 'default' prescribed scheme will be applied to the Council should it fail to agree a local scheme. The funding of the 10% shortfall must be addressed as soon as possible. The local scheme applies for 2013-2014. Cumbria Chief Finance Officers group are working together to implement the Council Tax Reduction Scheme.	Executive Director and Borough Treasurer
7	Failure to deliver Waterfront Barrow regeneration programme	4	4	16	This will damage the profile of barrow as a place to live and work. There will be a loss of local confidence and ineffective use of private sector resources	The Council has allocated sufficient capital funding to complete the site assembly.	The project can progress in phases subject to the availability of funding.	Executive Director
8	Impact of pay review	4	4	16	Potential staff unrest. Increase in staff costs. Failure to agree the outcomes of the job evaluation process.	Following the implementation of the outcomes of the Council's spending review posts will be allocated salary scales based on the pay review.	An equal pay audit has been undertaken and no significant risks have been identified.	Director of Corporate Services

9	Reduction in recycling reward scheme payments from Cumbria County Council	5	4	20	Cumbria County Council are intending to reduce the value of recycling rewards to the statutory minimum which will reduce the Council's income by £250k per annum.	The Council is reviewing its waste collection and recycling service to reduce the cost of collections	The Council has applied for Weekly Collection Support Scheme funding to allow us to retain weekly waste collections	Assistant director of Community Services
10								
11	Failure of external partner, service providers or contractors	3	5	15	This is likely to result in the suspension of some service while alternative service providers are identified	The Council monitors the position of service providers through regular client meetings and will undertake company checks on our contractors	The Council retains the intellectual property and assets that will support continuity of services	Management Board
12	The Council incurs significant uninsured losses	3	4	12	This could have a detrimental impact on the Council's reserves and its reputation	The Council risk management arrangements will minimise uninsured losses.		Borough Treasurer
13	Level of sickness worsens	4	3	12	A significant increase may impact on the Council's capacity to deliver services.	The Council has put a number of measures in place to maintain the current relatively low levels. The impact of elevated levels would only be moderate.		Deputy Executive Director
14	Not having appropriate governance arrangements in place	2	5	10	The Council may lose focus on the purpose of the authority and the wider outcomes for the community	The Council continues to monitor and strengthen its governance arrangements. These include: Audit and scrutiny functions. Treasury management Asset management Resource management Performance management Risk management		Deputy Executive Director

15	Failure to maintain H&S arrangements	2	5	10	Members of the public and Council employees could be put at risk by Council operations	The establishment of the Technical Services Team and the Health & Safety Management Board has strengthened the Council's H&S arrangements.		Deputy Executive Director
16	Failure of ICT systems	1	4	4	Failure of ICT systems may adversely affect service delivery	The Council has a disaster recovery strategy in place.		Deputy Executive Director

AUDIT COMMITTEE		Part One (D) Agenda Item 14
Date of Meeting: 27th September, 2012		
Reporting Officer: Policy Review Officer		
Title: Performance Management		
Summary and Conclusions:		
To provide Members with the Council's performance management report.		
Recommendations:		
Members are invited to consider the report and determine whether further action is required.		

Report

The Council's Key Priorities for 2012/15 are:

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

The proposed actions for 2012/13 are listed below although some of the actions will take longer than one year to complete.

KP 1:

- Complete the all weather soccer centre.
- Renegotiate the Council's catering contract.
- Carry out a Survey of Tenants and Residents (STAR survey) to understand the expectations and aspirations of our tenants.

- Review recycling collections to maximise recycling income and mitigate the impact of a reduction in the value of recycling rewards.
- Actively encourage all Members to access the Modern Councillor online e-learning facility'

KP 2:

- A two year project to carry out Group Repair Work to 240 properties in sub areas A and E including:

Chimney stack repairs
Door and window replacement
Rendering and new rain water goods
Cavity wall insulation

- Identify appropriate sites in partnership with Accent Housing to build 27, 3-bedroom social houses.

KP 3:

- Transfer management of Waterside House to BAE Systems as part of the lease agreement. **Complete**
- Complete refurbishment at Phoenix Park Business Centre
- Agree local arrangements to mitigate the impact of the Council Tax reduction scheme, which replaces the current Council tax Benefits.

KP 4:




- Complete the external refurbishment of 102 Abbey Road
- Two year project to construct a roof on level C of the multi storey car park

Progress against these actions is recorded in the attached action plan none of the actions were due to be completed in quarter 1 (**Appendix 8**).

Key performance Indicators

Table 1 is a selection of existing indicators and table 2 shows income against budget

Local indicators

Indicator	Description	Q1 2011/12	Q1 2012/13	Change
9	Percentage of Council tax collected	29.54	29.23	
10	Percentage of NNDR collected	33.79	31.79	
12	Average number of days sick per member of staff	1.73	2.28	

NI 191	Residual waste per household	125	123	↑
N1192	% of waste recycled, composted	39.9	41.2	↑

The Council Tax and NNDR figures were low at the end of the quarter but have since recovered.

The sickness figure is typical for quarter 1 but last years figure was exceptionally good.

Income

Table 2 shows the income figures for quarter 1 against the current budget and provides a comparison with the quarter 1 figures for 2011/12.

Income quarter 1

		2011/12	2012/13
Service		£s	£s
Crematorium	Budget	88,200	161,350
	Actual	58,198	144,261
Cemetery	Budget	24808	22,520
	Actual	11539	19,707
Parking	Budget	223,000	240,000
	Actual	143,640	140,422
Recycling	Budget	246,500	212,000
	Actual	245,600	212,150
Bulky waste	Budget	9,000	19,500
	Actual	13,802	18,840
PLC 1	Budget	187,600	210,703
	Actual	141,532	134,324

The income is subject to seasonal variation which distorts the figures but despite this the income is lower than expected. The car parking income is a major area of concern and a separate review of car parking charges is on-going.

Background Papers

Nil

Barrow Borough Council's Key Priorities 2012-2015.

KP1 Provide good quality efficient and cost effective service while reducing overall expenditure.

The Executive Director has overall responsibility for this priority

Objective		Action required	Expected completion date	Responsible officer
1	Complete all weather soccer centre	Full Council to approve prudential borrowing following Executive Committee approval in April	December 2012	Assistant Director of Community Services
2	Renegotiate the Council's catering contract	Complete review of current provision with existing contractor. Renegotiate new contract or go out to tender	March 2013	Assistant Director of Community Services
3	Understand the expectation and aspirations of our tenants	Carry out survey of tenants and residents	March 2013	Housing Manager
4	Mitigate the impact of the reduction in recycling rewards.	Review collection methods to maximise recycling income and reduce collection costs	On-going process	Assistant Director of Community Services
5	Continue to develop Member's skills	Actively encourage all Members to access the Modern Councillor on-line e-learning facility	On-going process	Democratic Services Manager

KP2 Continue to support housing market renewal including an increase in the choice and quality of housing stock and the regeneration of our oldest and poorest housing.

The Executive Director has overall responsibility for this priority

Objective		Action required	Expected completion date	Responsible officer
1	Carry out group repair work to 240 properties in sub areas A and E of the North Central Renewal Area	Chimney stack repairs Door and window replacement Rendering and new rain water goods Cavity wall insulation	March 2014	Housing Renewal Manager
2	Build 27 three bedroom social houses	Identify appropriate sites in partnership with Accent Housing. Complete the houses	March 2015	Housing Manager

3	Improve low demand housing and bring 229 empty properties back into use	Target £3.442M allocated from the Cluster of Empty Homes Fund for the refurbishment of Barrow Island flats and associated public realm improvements	March 2014	Housing Renewal Manager
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KP3: Work to mitigate the effects of the recession and cuts in public expenditure and their impact on the local economy and secure a sustainable and long term economic recovery for our community

The Executive Director has overall responsibility for this priority

Objective		Action required	Expected completion date	Responsible officer
1	Provide modern office space to help attract businesses to the borough	Complete transfer of waterside house to BAE Systems. (Complete) Complete refurbishment of Phoenix Business Centre	August 2014	Housing Renewal Manager
2	Mitigate the impact of reduced central fund for the Council Tax Reduction Scheme	Agree local arrangements to mitigate the impact of the Council Tax Reduction Scheme	March 2015	Borough Treasurer

KP4: Continue to improve and enhance the built environment and public realm, working with key partners to secure regeneration of derelict and underused land and buildings in the borough.

The Executive Director has overall responsibility for this priority

Objective		Action required	Expected completion date	Responsible officer
1	Complete the external refurbishment of 102 Abbey Road	Complete building work Complete car park work	December 2012	Assistant Director of Regeneration and the Built Environment
2	Construct a roof on Level C of the multi storey car park	Complete design work Complete construction	March 2013	Technical Services Manager

AUDIT COMMITTEE		Part One (D) Agenda Item 15
Date of Meeting: 27th September, 2012		
Reporting Officer: Borough Treasurer		
Title: Audit Committee Work Plan		
Summary and Conclusions:		
This report contains the Work Plan for the Audit Committee. The items for this meeting are as indicated on the plan.		
Recommendations:		
Members are recommended to agree the Work Plan.		

Report

This report sets out the Audit Committee Work Plan which will be the basis for the agenda of the meetings throughout each year of business. The Work Plan was set out as a draft list at the Audit Committee of the 28th June 2012 and this has now been formed into a detailed plan which is attached at **Appendix 9**.

The items within the plan are not dated for a particular year so that the Work Plan can be used as an on-going document with updates brought to Members attention at each meeting.

The items listed within the plan are not exclusive as other items can be brought to Audit Committee as appropriate. Any recurring items will be built into the Work Plan.

The Work Plan is based on the Terms of Reference for the Audit Committee as set out in the Councils' Constitution. The reports are aligned to the relevant area, together with the reporting officer and the reporting cycle noted in the final columns.

All of the Work Plan items for September are on the agenda today apart from Internal Audit Final Reports as there are none to present this time.

The Audit Committee Work Plan is presented on the following pages and Members are recommended to agree the current plan.

Background Papers

Nil.

Audit Committee Work Plan

Terms of Reference	Reporting Officer	Report	Meeting			
			Jun	Sep	Dec	Mar
To approve the Internal Audit planned activity for the year.	Head of Internal Audit	Annual Plan				✓
To consider progress reports and summaries of Internal Audit reports and outstanding actions.	Head of Internal Audit	Final Reports	✓	✓	✓	✓
		Progress Report		✓	✓	✓
To consider the annual report and opinion of the Head of Internal Audit.	Head of Internal Audit	Annual Report	✓			
To consider the External Audit Annual Governance Report.	Appointed Auditor	Annual Governance Report		✓		
To consider External Audit reports.	Appointed Auditor	Audit Plan				✓
		Claims and Returns Annual Report				✓
		Annual Audit Letter			✓	
		Any other reports as they arise				
To review and approve the Statement of Accounts.	Borough Treasurer	Going Concern	✓			
		Statement of Accounts		✓		
		Letter of Representation		✓		
To maintain an overview of Financial Regulations and approve any changes.	Borough Treasurer	Annual Review				✓

Terms of Reference	Reporting Officer	Report	Meeting			
			Jun	Sep	Dec	Mar
To maintain an overview of Contract Standing Orders and approve any changes.	Borough Treasurer	Annual Review				✓
To review anti-fraud, bribery and corruption policies.	Borough Treasurer	Annual Review				✓
To consider reports on the Internal Audit function.	Borough Treasurer	Annual Review	✓			
To review any issue referred by Chief Officers or other Council body.	Borough Treasurer	As matters arise				
To review the effectiveness of the Audit Committee.	Borough Treasurer	Annual Review of Audit Committee Effectiveness	✓			
		Audit Committee Work Plan	✓	✓	✓	✓
		Audit Committee Terms of Reference	✓			
To consider and approve the Annual Governance Statement.	Policy Review Officer	Draft Annual Governance Statement	✓			
		Final Annual Governance Statement		✓		
To consider and monitor corporate governance arrangements.	Policy Review Officer	Monitoring Report (Governance)	✓	✓	✓	✓
		Code of Corporate Governance Annual Review				✓
		Monitoring Report (Priority 1 recommendations)	✓	✓	✓	✓

Terms of Reference	Reporting Officer	Report	Meeting			
			Jun	Sep	Dec	Mar
To monitor and review risk management arrangements.	Policy Review Officer	Monitoring Report	✓	✓	✓	✓
To monitor performance management arrangements.	Policy Review Officer	Monitoring Report	✓	✓	✓	✓
To promote and maintain high standards of conduct for Members.	Monitoring Officer	As matters arise				
To monitor the Councils' complaints process.	Monitoring Officer	Annual Report				

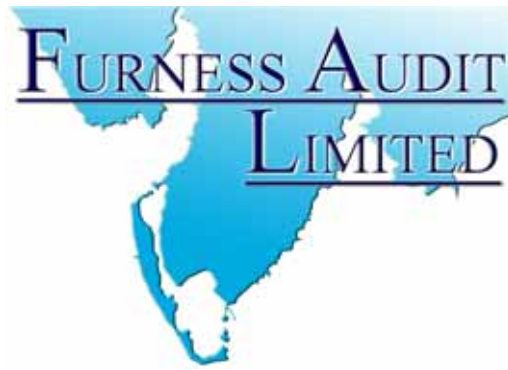
AUDIT COMMITTEE		Part One (D) Agenda Item 16
Date of Meeting: 27th September, 2012		
Reporting Officer: Borough Treasurer		
Title: Internal Audit Progress Report		
Summary and Conclusions:		
The Internal Audit Progress Report for the period 1 st April 2012 to 14 th September 2012 has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.		
Recommendations:		
Members are recommended to:		
1. Receive and consider the Internal Audit Progress Report; and		
2. Raise any concerns with the Head of Internal Audit.		

Report

The Internal Audit Progress Report for the period 1st April 2012 to 14th September 2012 is attached at **Appendix 10** and will be presented to Members by the Head of Internal Audit.

Background Papers

Nil



BARROW BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

April to September 2012

2012/13

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EXECUTIVE SUMMARY

Purpose

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

- Internal Audit work performed up to 14 September 2012, including final reports issued relating to a previous reporting period; and
- Significant issues that have arisen during this period as a result of our work.

Content

The information is presented in the following schedules:

1. *A Statistical Summary of Recommendations*

This schedule includes all audit recommendations to which Council management have responded between 1 April and 14 September 2012. The figures are analysed according to the 'priority' of the recommendations, and the extent to which each has been accepted by management for action.

2. *Accepted Priority 1 Recommendations*

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

3. *Rejected Recommendations*

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

4. *Audit Coverage*

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

5. *Classifications of Assurance and Recommendations*

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

1. STATISTICAL SUMMARY OF RECOMMENDATIONS

The following table summarises the number of audit recommendations we have made in our final reports issued up to 14 September 2012; analysed by their priority, including whether accepted by management.

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made	6	-	3	3
Fully Accepted	6	-	3	3
Partly Accepted	-	-	-	-
Not Accepted	-	-	-	-

2. ACCEPTED PRIORITY 1 RECOMMENDATIONS

No Priority One recommendations were made within the reporting period.

3. REJECTED RECOMMENDATIONS

3.1 PRIORITY ONE RECOMMENDATIONS

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

3.2 PRIORITY TWO RECOMMENDATIONS

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

4. INTERNAL AUDIT COVERAGE:

APRIL – SEPTEMBER 2012

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	ANNUAL AUDITS			
12-01	Income Collection	1	Findings agreed	
12-02	Housing and Council Tax Benefits	1	Commenced	
12-03	Council Tax	1	Initial fieldwork completed	
12-04	Performance Management	2		
12-05	Business Rates (NNDR)	1	Initial fieldwork completed	
12-06	Risk Management	1		
12-07	Financial Information System	1		
12-08	Budgetary Control	2		
12-09	Treasury Management	2		
12-10	Car Park Meter Income	2	Final	Substantial
12-11	Payroll (inc. Expenses)	2		
12-12	Accounts Receivable	2		
12-13	Corporate Control/Governance	2		
12-14	Periodic Checks	2	Commenced	
12-15	Procurement (inc. Ordering)	2		
12-16	Accounts Payable	2		
12-17	Housing Rents	2		
12-18	Standing Orders/Financial Regulations/Anti Fraud Policy	2	Findings produced	n/a
12-19	Housing Non-Routine Maintenance	2		
	RISK ASSESSED SYSTEMS			
12-20	Partnership Arrangements	2		
12-21	The Forum	3	Final	Substantial

Report Number	Audit Assignment	System Significance Band	Status	Assurance
12-22	Disbursed Homeless Accommodation	4		
12-23	Document Retention	4		
12-24	Cemeteries and Crematorium	4	Final	Substantial
12-25	Refuse and Recycling (Waste Container Stock)	4		
12-26	Allotments	5		
	DESIGNATED ANNUAL AUDIT ACTIVITY			
12-29	Receipt Book Checks			
	Community Organisations and Mayor's Account:	n/a		n/a
-	Hawcoat		Complete	
-	Abbotsvale		Complete	
-	Dalton Community Association		Complete	
-	Roosegate		Complete	
-	Barrow Playing Fields Users Association			
12-28	Mayor's Account		Complete	
-	Fraud Hotline	n/a	Ongoing	n/a
12-27	NFI Responsibilities	n/a	Ongoing	n/a
	IT ENVIRONMENT AUDITS	1		
-	Implementation Review		Ongoing	

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	CONTRACT AUDIT	1		
CR70	Dalton Multi Use Games Area		Initial Final	Restricted
CR77	Proposed Soccer Centre, Park Leisure Centre		Stage 1 review complete	
	<i>2011/15 CHP Housing Contracts:</i>			
CR71	Bathroom Improvements		In Progress	
CR72	Heating Improvements		In Progress	
CR73	Kitchen Improvements		In Progress	
CR74	Painting Improvements		In Progress	
CR75	Responsive Repairs		In Progress	
CR76	Rewire Improvements		In Progress	
CR78	Adaptations		In Progress	
	AUDIT MANAGEMENT			
	<i>Implementation Review:</i>	n/a		n/a
11-27	Cemeteries & Crematorium		Complete	
08-07	Performance Management		Complete	
09-01	Performance Management		Complete	
10-22	Licensing		Complete	
11-14	Payroll		Complete	
11-25	Insurance		Complete	
IT 25	Data Protection Act Implementation		Complete	

4. CLASSIFICATIONS

5.1 Classification of Assurance Levels

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

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

5.2 Priority of Recommendations

Our audit recommendations are categorised by three priority levels: -

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

APPENDIX 1 – DRAFT REPORTS ISSUED

Ref	Audit	Date issued
CR70	Dalton Multi Use Games Area	12 September 2012

APPENDIX 2 – RESTRICTED ASSURANCE AUDITS

No Final reports were issued in the period with Restricted Assurance.