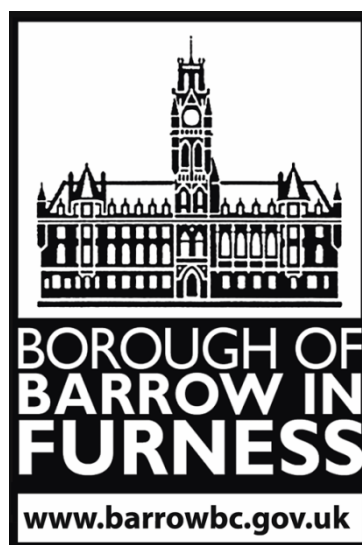


# **Statement of Accounts 2018/19**



## Statement of Accounts 2018/19

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### 1. Introduction

The Statement of Accounts summarises the authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. Figures for the previous year are included to assist in the interpretation of the accounting statements.

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

The Narrative Report aims to provide a concise and understandable guide for readers of the accounts of the most significant aspects of the authority's financial performance, year-end position and economy, efficiency and effectiveness in its use of resources over the year.

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

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

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

### 2. About the Authority

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

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

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

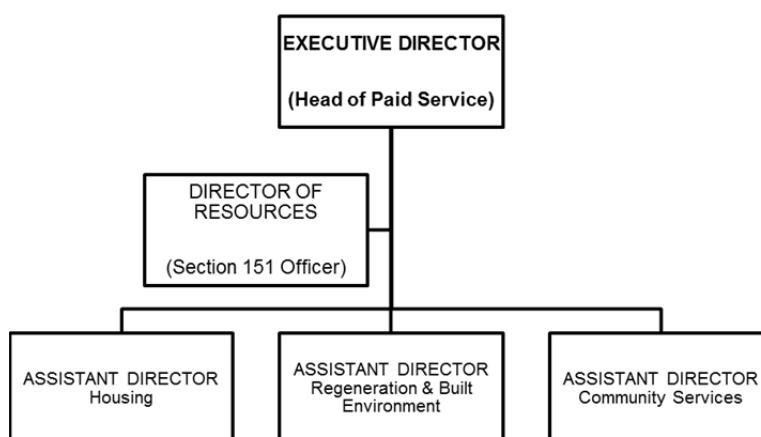
Urban regeneration has been a major project in Barrow since the 1980s with developments on various former industrial sites in the centre of Barrow, including the dry dock, the Barrow Jute Works and Barrow Steel Works. Barrow's most popular free-entry tourist attraction is the Dock Museum, built upon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

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

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

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

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



### 3. Corporate Aims and Achievements

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

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

In order to effectively implement corporate priorities and meet legal obligations, the authority must maintain a financially stable position, be able to demonstrate value for money, good governance, transparency and must establish values and behaviours. The authority has identified the following cross-cutting objectives:

- financial stability - Budget Strategy proposals implemented and Medium Term Financial Plan produced;
- measuring customer satisfaction to identify service delivery improvements - external review of Customer Services (insourced 1 October 2018) completed and internal review of social media begun;
- better procurement and the use of purchasing frameworks, contracting and tendering best practice, and consideration of alternative service delivery models – Park Leisure Centre outsourced 1 August 2018 and Revenues and Benefits Service insourced 1 October 2018;
- income generation - discretionary income policy refreshed;

- structured support for innovation and best practice; and
- continued implementation of the workforce strategy - introduction of the values and behaviours framework.

Our values are set out below and our behaviours have been identified in terms of what our colleagues would see, hear and feel when those values were being displayed:

- community focus – provide excellent service for all customers and colleagues;
- honesty and integrity – do the right thing; we are open and confident to challenge and be challenged;
- our team – all work together to achieve our shared vision and goals;
- aim high – encourage creativity and embrace change; and
- proud – celebrate who we are and our achievements.

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

The priorities that will deliver tangible long term benefits to the community are focussed on the following themes, shown together with achievements for 2018/19:

- **Developing the local economy to secure a long term economic future for all our community**
  - Production of the Lancaster and South Cumbria Economic Region prospectus;
  - Public inspection of the Local Plan and major modifications completed;
  - Supported joint Cumbria CVS grant for community leaders and activists;
  - Accountable body for Art Gene Coastal Communities Fund – Linking the Landscapes and Communities of Barrow and Sandy Gap projects funding;
  - Delivery of Furness Economic Development Forum and supply chain project – funded by Coastal Communities Fund;
  - Support for welfare benefits delivered in partnership with Barrow Citizens Advice Bureau and Barrow and District Disability Association;
  - Completion of the entrance to Marina Village – funded by Cumbria Local Enterprise Partnership; and
  - Start on-site of Harding Rise £3.5m construction project (new building with around 28 business units), Barrow Island Growth Zone, partly funded by European Regional Development Funding.
- **A strong and vibrant town centre community**
  - Support for Barrow Business Improvement District;
  - Review of the use of the forum as a theatre, conference facility and office accommodation;
  - Review of the forum as a cafe – catering services externally appraised and to be retendered;
  - Masterplan for the town centre in development;
  - Town centre planting and hanging baskets enhancing the streetscape;
  - Town centre car parking provision;
  - Main shoppers car parks free after 3pm; and
  - Town centre street cleansing maintained in new waste management contract.
- **Closing the gap on health inequalities**
  - Appointment of Life Leisure as the operator of the Park Leisure Centre;
  - Review of means testing and maximum award for Disabled Facility Grants;
  - Participation in the Locality Health and Wellbeing Forum and support for the Cumbria Healthy Weight Declaration;
  - Maintain the decent homes standard across Council owned dwellings;

- Support for low income households delivered through council tax support and discretionary housing payments;
  - Dock Museum playground redesigned and installed;
  - Adoption of the Cumbria Joint Public Health Strategy which sets out the aspirations for tackling the wider determinants of health and wellbeing; and
  - Agreed criteria for 10% of the eligible households to benefit from the Energy Company Obligation - a Government energy efficiency scheme to help reduce carbon emissions and tackle fuel poverty.
- **Providing a greater choice of good quality housing and regenerating the oldest and poorest quality housing in the Borough**
    - Public inspection of the Local Plan and major modifications completed;
    - Sale of five areas of Council owned land for residential development agreed;
    - Ongoing completion of refurbishment of 300+ privately owned Barrow Island flats supported through Cluster of Empty Homes grant;
    - Participation in the Syrian refugee re-settlement programme;
    - Funding from Government grant to support Women's Community Matters to prevent domestic abuse and support domestic abuse victims;
    - Accountable body support to The Well for recovery facilities and accommodation continues – funded by Public Health England;
    - Agreed criteria for 10% of the eligible households to benefit from the Energy Company Obligation - a Government energy efficiency scheme to help reduce carbon emissions and tackle fuel poverty; and
    - Established landlord incentive scheme to provide 6-12 month assured tenancies as part of the authority's homeless prevention work.

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

#### 4. Service Performance

The Council received the majority of its funding from taxation - Council Tax of £4.7m levied on residents and Business Rates of £3.7m levied on businesses. It also received funding from Central Government in the form of Specific Grants such as Revenue Support Grant, Section 31 Grants (for specific uses) and Housing Benefit Administration Grant.

As well as core funding sources, the Council also relies heavily on income from fees and charges and rental income from its commercial asset portfolio. These provide a valuable source of funding that can be used to supplement the service delivery for the residents of the Borough.

In the light of reducing support from central government the Council has over the past few years become increasingly efficient in the way it deploys the resources it has to ensure that it can maintain an acceptable level of service delivery. It has a good history of achieving the transformational savings it requires and as such has managed to continue to set a balanced budget.

In 2018/19 the Council was able to utilise all resources (financial and non-financial) to deliver the services it provides. The non-financial performance of service delivery is outlined below with commentary provided where there is a significant variance. This performance together with the delivery of the routine services within the approved budget means that the Council has delivered the outcomes and value planned when the budget was set in line with the Council Plan priorities.

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

performance in the previous financial year with the target of maintaining or improving upon that performance; previous year comparisons are not available for all of those indicators (where 2017/18 is shaded out):

2017/18	Description	2018/19	Target
35.7% 63.4%	Planning decisions determined within set timescale: <ul style="list-style-type: none"> <li>major applications</li> <li>other applications</li> </ul>	76.5% 87.2%	60% 70%
348	Food safety inspections	297	348
60,075	Forum theatre attendance	63,149	60,075
	Playground maintenance inspections	100%	100%
	Waste containers delivered within 7 working days	50%	100%
	Assisted list waste collections missed	0.01%	0%
	Fly tips collected within 1 working day of being reported	33%	100%
91	Number of disabled facilities grants awarded	150	91
10.3 days	Average time to process new housing benefit claims	16.3 days	14 days
3.6 days	Average time to process housing benefit claims changes	4.1 days	6 days
0.001%	Percentage of missed waste or recycling collections	0%	0%
28.7%	Percentage of household waste sent for recycling	27.9%	28.7%
81%	Corporate complaints dealt with within timescale	90%	100%
96.74%	Council tax collected	96.43%	96.8%
98.01%	Business rates collected	98.34%	98.6%
8.18 days	Long term sickness averaged per employee	7.36 days	8.18 days
3.14 days	Short term sickness averaged per employee	2.26 days	3.14 days

The service performance indicators and targets are scheduled for review during 2019/20. The significant variances for 2018/19 are:

- The food safety standard inspections are 15% below target due to delays in the on-going staff recruitment exercise. The Public Protection team have focussed on inspecting the higher risk businesses during this period.
- Forum attendance figures are 5% above the target. The forum's programme continues to grow and develop, attracting some of the largest touring shows and comedians in the country.
- The waste container delivery annual figure is 50%, however in quarter 4 performance was 86% within 7 working days, compared to 43% in quarters 1-3. This is attributable to improvements in data reporting and a targeted approach by the Streetcare Team and the waste contractor.
- The fly tips annual figure is 33%, however in quarter 4 65% of fly tips were responded to within 1 working day, compared to 27% in quarters 1-3. This is attributable to improvements in data reporting and a targeted approach by the Streetcare Team and the waste contractor.
- The Disabled Facilities Grant process was amended by the Council to increase take-up, the changes have proved effective.
- The Housing Benefit claims processing times were impacted by the service insourcing as anticipated when the service delivery changes were risk assessed.
- There were 1,452 missed waste or recycling collections for 2018/19 out of a total 2,652,000 collections; 3,258 were missed in 2017/18.
- There were 62 corporate complaints and 6 missed the deadline in 2018/19; there were 110 corporate complaints received in 2017/18 with 21 missing the deadline.



## **5. The Financial Headlines**

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

- The General Fund is balanced with a net contribution from reserves of £786k; see paragraph 7.
- The Housing Revenue Account is balanced with a net movement in financial reserves of £967k; see paragraph 8.
- The authority's share of the Collection Fund for 2018/19 is a surplus of £39k for council tax and a surplus of £407k for business rates; these are distributed in 2019/20 and 2020/21 along with the preceptors proportions; see paragraph 12.
- The authority's net worth has decreased from £116.2m to £114.6m; see paragraph 6.
- Usable reserves have increased by £1.46m; see paragraphs 9 and 10 and the Movement in Reserves Statement page 19.
- Capital investment of £3.548m was delivered through the capital programme for 2018/19; see paragraph 10.

## **6. Net Assets of the Authority**

The authority has net assets of £114.9m; this is the difference between its assets and liabilities. This shows the cash balance that would have been left if the Council was to have realised its assets (selling its land and buildings and other assets) and settled its liabilities (paid its creditors and repaid its borrowing). This decrease in the net assets of the authority from £116.2m to £114.9m is attributable to the reduction in the value of long term assets -£2.4m, the change in the value of other long term liabilities of -£2.1m; the increase in short term investments and cash of +£0.9m; the decrease in long term borrowing of +£1m; and the change in debtors and creditors of +£1.3m.

## **7. General Fund Outturn**

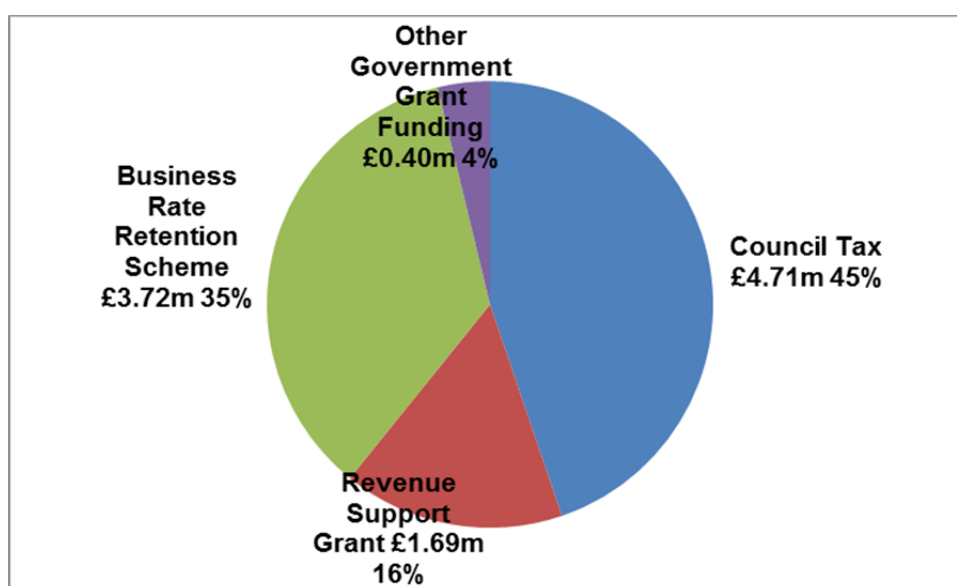
The General Fund budget for 2018/19 was originally approved by Full Council on the 1 March 2018 as £10.52m including a contribution to reserves of £0.17m. The total estimated movement in reserves was the use of £1.06m, including the contribution of £0.17m from the General Fund for the year.

The General Fund budget included £0.54m of Budget Strategy savings from key decisions that the authority was required to achieve in order to continue the overall Budget Strategy aim of eliminating the deficit in the core budget by 2020. The £0.54m savings were estimated as the 2018/19 impact from the implementation of service delivery changes:

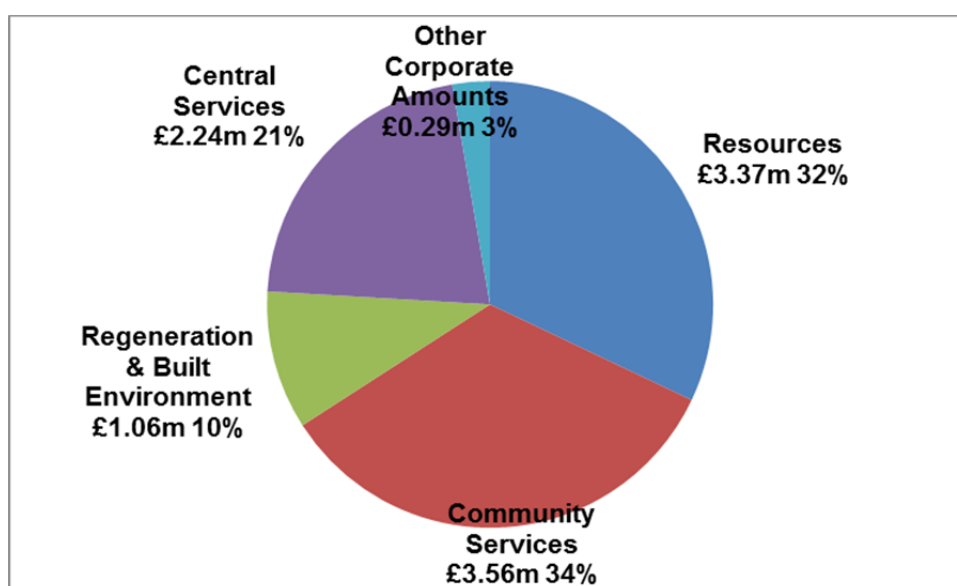
- the Park Leisure Centre is now operated by Life Leisure; from the 1 August 2018; and
- the Revenues and Benefits Service is now operated by the authority as a direct service; from the 1 October 2018.

At the 31 March 2019 £1.9m of the £2.7m saving required has been achieved. The General Fund budget set for 2019/20 incorporated the cumulative £2.7m Budget Strategy reduction and these projections will be reviewed against the outturn position, including the unplanned savings and reductions achieved during 2018/19. The bulk of the continued savings of £0.8m in 2019/20 flow from policy decisions already made with the adoption of the Budget Strategy.

The budgeted total financing came from:



The net expenditure was split between the reporting divisions as follows:



Other corporate amounts include treasury, pension funding, technical accounting and reserves.

The actual outturn for 2018/19 had no impact on the General Fund balance. The outturn before movements in earmarked reserves was £0.786m, with the net £0.786m being drawn from reserves for the year. The use of reserves changes during the financial year and is reported as part of the quarterly financial monitoring report. The authority operates its financial reserves in accordance with the Reserves and Balances Policy.

A net £1.85m of reserves were used as planned and in accordance with matters reported to the Executive Committee for 2018/19, this reduction in reserves is lessened by £1.064m that has been added to reserves as follows:

- £0.667m has been added to reserves in line with previous practice and is held against specific services;

- £0.107m has been added to the contingency reserve from additional external interest earned on temporary deposits;
- £0.171m has been added to the Medium Term Financial Support reserve as agreed when setting the 2018/19 budget; and
- an unplanned £0.119m has been added to the Medium Term Financial Support reserve as the net of service underspends and additional income for 2018/19.

Details of the movements in earmarked reserves was presented to the authority's Executive Committee on the 26 June 2019. The earmarked reserves are contained in Note 8.

Recurring savings and reductions are taken into account when setting the budget for future years and for review in the current year 2019/20. The 2019/20 General Fund budget was prepared in December 2018 and will have incorporated some of the savings and reductions identified as part of the outturn comparison, however, key areas of the outturn comparison for 2018/19 will be reassessed against the 2019/20 budget.

In order to analyse the unplanned addition to reserves of £0.119m it is necessary to present the General Fund divisions without the Housing Revenue Account (HRA) consolidation:

Division	(Surplus) or Deficit on Provision of Services	Eliminate HRA	General Fund	Statutory Adjustments	Reserves	Net by Division
	Page 41	Page 83		Page 46	Page 48	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Resources	2,982	(229)	2,753	187	36	2,976
Community Services	4,780	-	4,780	(1,540)	(612)	2,628
Regeneration and Built Environment	1,367	-	1,367	(645)	(575)	147
HRA	(3,369)	3,369	0	-	-	0
Central Services	2,361	-	2,361	(414)	(48)	1,899
Corporate Amounts	(6,254)	(967)	(7,221)	(842)	413	(7,650)
<b>Total</b>	<b>1,867</b>	<b>2,173</b>	<b>4,040</b>	<b>(3,254)</b>	<b>(786)</b>	<b>0</b>

The net outturn can then be compared to the budget when presented in the same format, i.e. excluding statutory adjustments and reserves; there are some items that cross divisions and these are eliminated for comparison purposes:

Division	Net by Division	Cross Division Items	Total	Net Budget	Variance
	<b>£000</b>	<b>£000)</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Resources	2,976	(47)	2,929	3,008	79
Community Services	2,628	231	2,859	2,773	(86)
Regeneration and Built Environment	147	(31)	116	148	32
Central Services	1,899	6	1,905	2,017	112
Corporate Amounts	(7,650)	(159)	(7,809)	(7,946)	(137)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The following table identifies the unplanned savings and reductions by division; some items do not recur such as employee costs where posts have been subsequently recruited or deleted, but all variance will be reviewed:

Division	Employee Costs	Supplies and Services	External Income	Other Items	Total
	£000	£000	£000	£000	£000
Resources	25	28	-	26	79
Community Services	-	17	(221)	118	(86)
Regeneration and Built Environment	56	58	(153)	71	32
Central Services	66	30	-	16	112
Corporate Amounts	-	-	-	(18)	(18)
<b>Total</b>	<b>147</b>	<b>133</b>	<b>(374)</b>	<b>213</b>	<b>119</b>

A detailed analysis of the variances within these headings was presented to the authority's Executive Committee on the 26 June 2019.

## 8. Housing Revenue Account Outturn

The original Housing Revenue Account budget was approved by Full Council on the 1 March 2018 as a balanced budget; the income matching the expenditure forecast including a contribution to reserves of £0.2m. The actual outturn for the Housing Revenue Account resulted in a balanced account after a contribution to reserves of £0.967m; £0.767m more than originally estimated. The additional funds reserved relate to maintenance and repairs £0.47m and £0.297m from reduced costs, additional income and one-off items.

## 9. Revenue Reserves and Balances

The authority held the following General Fund financial reserves during 2018/19:

1 April 2018 £000		31 March 2019 £000
2,300	General Fund balance	2,300
1,537	Medium Term Financial Plan support	1,458
649	Transformation reserve	390
1,596	Renewals reserve	2,008
90	Insurance reserve	101
866	Losses reserve	862
2,966	Budget contingency reserve	1,950
76	Apprentices reserve	35
211	Welfare support reserve	382
679	Earmarked revenue grants	698
<b>10,970</b>		<b>10,184</b>

Details of the movements in earmarked reserves was presented to the authority's Executive Committee on the 26 June 2019. The earmarked reserves are contained in Note 8.

The authority held the following Housing Revenue Account financial reserves during 2018/19:

<b>1 April 2018 £000</b>		<b>31 March 2019 £000</b>
1,000	Housing Revenue Account balance	1,000
1,992	Major repairs reserve	2,510
1,274	General reserve	2,241
<b>4,266</b>		<b>5,751</b>

## 10. Capital Expenditure and Financing

During 2018/19 the authority's capital expenditure was £3.54m:

<b>Investment</b>	<b>Expenditure</b>	<b>Source</b>	<b>Financing</b>
Public sector housing	£1.553m	Major repairs reserve	£1.553m
Private sector housing	£0.811m	Reserves/revenue	£0.331m
Public buildings/properties	£1.144m	Capital grants	£0.883m
Other public assets	£0.040m	Capital receipts	£0.781m
<b>Programme</b>	<b>£3.548m</b>	<b>Financing</b>	<b>£3.548m</b>

The capital receipts and grants received in the year and unapplied at the 31 March 2019 are:

- Capital receipts
  - At 1 April 2018 £2.41m
  - Plus usable receipts of £1.04m from:
    - Arthur Street site
    - Other small land sites
    - Repaid Cluster of Empty Homes loans
    - 21 dwellings under the Right to Buy
  - Less receipts used in financing in 2018/19 £0.78m
  - At 31 March 2019 £2.67m
- Capital grants
  - At 1 April 2018 £2.14m
  - Plus grants of £0.51m from:
    - Disabled Facilities Grant
  - At 31 March 2018 £2.65m

## 11. Treasury Management

The authority managed its cash and investments in-house during 2018/19. As at 31 March 2019, £18m of investments and cash of £2.26m were managed in-house. The authority has 22 Public Works Loan Board (PWLB) loans outstanding at 31 March 2019; 17 of these, £15.1m, relate to the Housing Revenue Account self-financing settlement. The balance outstanding is £37.5m; in total, £24.1m belonging to the Housing Revenue Account and £13.4m to the General Fund. One loan is repayable in 2019/20; £1m. The authorised limit for borrowing in 2018/19 was £55m and this was not breached. These items complied with the authority's Treasury Management Strategy for 2018/19, which was approved by Full Council on 20 March 2018.

## 12. Collection Fund

The Collection Fund balance was a net surplus of £1.322m at 31 March 2019, made up of a surplus on council tax of £0.304m and a surplus on NNDR of £1.018m. The council tax surplus is payable

across 2019/20 and 2020/21 to Cumbria County Council, the Police and Crime Commissioner for Cumbria and the General Fund £39k; split against their 2019/20 precepts. The NNDR surplus will be distributed to central government, Cumbria County Council and the General Fund £407k in 2019/20 and 2020/21. This is dealt with by precepting arrangements.

The accumulated amounts held at the 31 March 2019 for the authority are:

- deminimus for council tax; and
- £211k deficit for the business rate retention scheme.

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

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

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

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

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

During 2018/19 the authority has not acquired any material assets or incurred any material liabilities.

### **16. Pensions Reserve**

International Accounting Standard (IAS) 19 requires the authority to account for its liability under the pension (defined benefits) scheme as it arises. The authority is a member of the Cumbria Local Government Pension Scheme Fund. At 31 March 2019, the actuarial valuation showed a net liability of £30.1m (2017/18 £27.8m). This is explained in detail in Note 35 to the accounting statements. Part of the authority's employer contributions to the Fund is to recover this deficit. The deficit on the pension scheme has varied substantially in recent years and reflects the volatile nature of financial markets. The deficit at 31 March 2019 was £30.1m, an increase of £2.3m during 2018/19.

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

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

During 2018/19 the authority had no material or unusual charges and credits.

## **18. Accounting Policies**

The authority's accounting policies are explained fully in the first note to the main accounting statements (pages 24 to 37).

## **19. Provisions and Contingencies**

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

The authority established a provision for business rate appeals in 2013/14 with the introduction of the Business Rate Retention Scheme. The provision reflects the authority's share of the estimated settlement of appeals lodged at the 31 March 2019.

The authority is responsible for any exit debt from the Life Leisure local government pension scheme which protects the pensions of the leisure staff that transferred as part of the Park Leisure Centre operation. This is recognised as a contingent liability and reserves have been identified. There may also be a liability for major buildings maintenance in particular circumstances. Although the potential for this is limited within the leisure operating contract, reserves have been identified.

As a member of the local government pension scheme a recent ruling based on age discrimination and transitional arrangements may increase pension costs; the impact will come from the pension fund once the actuary valuations are available.

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

The Statement of Accounts was originally authorised for issue by the Director of Resources on the 31 May 2019 and is now authorised for issue on the 19 September 2019, after incorporating revisions from the audit. Events taking place after this date are not reflected in the accounting statements or notes. No such events have been identified.

## **21. Key Opportunities and Financial Resilience**

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

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

- The authority achieved the aim of the Budget Strategy 2011/12 to 2015/16, reducing the General Fund revenue budget by over £5m.
- The authority experienced reductions in funding beyond the original Budget Strategy forecasts and implemented the following actions:
  - Budget Strategy for the period 2016/17 to 2019/20 agreed with its aim being to produce a balanced and sustainable budget by 2019/20: reducing the core budget by a further £2.7m.
  - Balanced the medium term Housing Revenue Account finances and awaits the 2019 stock condition survey to review housing maintenance requirements.

- Refreshed the Council Plan and Council Objectives that flow from the Council Priorities; this review was undertaken with support from the Local Government Association.
  - Refreshed the Workforce Strategy to include the new integrated HR and Payroll system which will provide workforce and resource planning information to managers; this review was undertaken with service managers.
  - Implemented major changes following the review of service delivery models; the Park Leisure Centre operation was contracted to Life Leisure from the 1 August 2018, and the Revenues and Benefits Service and Customer Service was insourced from the 1 October 2018.
- The authority has participated in the Government consultation on the fairer funding review and business rate retention review.
- The authority is part of the Cumbria Local Enterprise Partnership and is linked with projects included in the Strategic Economic Plan which sets out how Local Growth Funding will be spent to boost the local economy in the County. The economic impacts of the Strategic Economic Plan are beneficial to the longer term finances of the authority.
- The authority has chosen to react positively to the financial challenges by taking the opportunity to do things differently. The broad strategy is to concentrate on three issues; generating income, transforming services to make them more efficient and cost effective, and supporting economic growth and development. The authority has an established Business Improvement Team to continue the Budget Strategy policy themes.
- The authority secured £0.865m for the delivery of the Coastal Communities Fund Supply Chain Strengthening Project; receivable across 2015/16 and 2016/17. The authority acted as the accountable body and the Furness Economic Development Forum oversaw project delivery. The project outputs of jobs secured and support to local businesses are beneficial to the Borough and the authority in the medium and long term.
- The authority is working with South Lakeland District Council and Lancaster City Council to develop a shared vision to drive growth together across the Morecambe Bay area. External consultants have produced a report setting out the case for the area to be recognised as an economic region. The Prospectus for the area was launched at an event at Lancaster University in June 2019 to talk through the key points for the area which sets out the strengths in collaboration and identifies some major development opportunities.
- The development of the Marina Village is under discussion with Homes England.

At the end of 2018/19 the authority held the minimum General Fund balance of £2.3m and reserve of £0.9m for losses; these core reserves are important in the financial resilience of the authority and required to address any unexpected spending pressures and to cushion any cash flow impacts. The authority's ability to replenish its reserves is very limited, with any service surpluses in the revenue account being carried to meet known liabilities such as the business rate retention scheme income volatility, the local plan process and the crematorium rebuild.

The authority has continued to deliver a capital programme, funded from grants and asset sale receipts as well as the use of reserves. The programme is much reduced from previous years and is financed to limit the on-going costs of borrowing on the General Fund revenue account. During 2019/20 the authority will consider the future capital projects it wishes to deliver and the resources available to achieve its agreed priorities.

The capital programme was last approved by Full Council on the 1 March 2018. For the financial years 2019/20 to 2021/22, the programme contains:



<b>Investment</b>	<b>Expenditure</b>	<b>Source</b>	<b>Financing</b>
Public sector housing	£6.9m	Major repairs reserve	£6.9m
Private sector housing	£4.1m	Reserves/revenue	£0.6m
Public buildings/properties	£5.0m	Capital grants	£5.3m
Other public assets	£0.8m	Capital receipts	£4.0m
<b>Programme</b>	<b>£16.8m</b>	<b>Financing</b>	<b>£16.8m</b>

In terms of treasury management and cash flow, the interest payable on external borrowing in 2019/20 is £1.42m; there are small annual reductions in this amount for loans that are maturing. The cash flow has reduced by £0.1m to £3m at the 31 March 2019; the cash flow is split between investing (capital and treasury), financing and operating activities on page 22. There is no indication that in the medium term borrowing will be required.

## **22. Key Risks**

The Council maintains a Corporate Risk Register which is reported to members on a quarterly basis. The key risks currently on the register are as follows:

- The risk to the future financial stability and sustainability of the authority.
- The risk that legislative changes and the authority's policy on stock retention will impact on the Housing Revenue Account income.
- The risk that the number of low income households does not reduce.
- The risks to the delivery of the Water Front Regeneration Programme.
- The risk of not having effective workforce planning.
- The risk of an Information Technology security breach.
- The risk that levels of sickness impact on service delivery.
- The risk if H&S arrangements are not effective and maintained.
- The risk of the failure of an external partner, service providers or contractors.
- The risk of incidents of fraud, bribery or corruption.
- The risks of a major incident affecting service delivery.

These risks are monitored to ensure they are mitigated and managed as far as possible.

## **23. Value for Money**

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

## **24. Workforce**

The authority's establishment consists of 270 posts; 221 in the General Fund and 49 in the Housing Revenue Account. The posts are worked by 230.19 full time equivalent (FTE) staff; 185.33 FTE in the General Fund and 44.86 FTE in the Housing Revenue Account:

	<b>Headcount</b>	<b>FTE</b>
Resources	67	57.93
Community Services	58	41.40
Regeneration and the Built Environment	56	52.32
Housing Revenue Account	49	44.86
Central Services	40	33.68

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

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

The 2018/19 accounting statements have been prepared in compliance with the CIPFA Code of Practice on Local Authority Accounts in the United Kingdom which is based on International Financial Reporting Standards (the Code) and consist of:

- **Statement of Responsibilities** (page 17) this precedes the accounting statements and sets out the responsibilities of the authority and of the Director of Resources in respect of the Statement of Accounts. The purpose of the Statement of Responsibilities is to confirm that the Statement of Accounts has been prepared in accordance with proper practices.
- **Comprehensive Income and Expenditure Statement** (page 18) – this shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation. Authorities raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The local taxation position is shown in the Movement in Reserves Statement.
- **Movement in Reserves Statement** (pages 19 and 20) – this shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting and the Housing Revenue Account for dwelling rent setting purposes. The Net (Increase)/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the authority.
- **Balance Sheet** (page 21) - this shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and the reserves that hold the timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **Cash Flow Statement** (page 22) – this shows the changes in the authority's cash and cash equivalents during the year. This Statement shows how the authority generates and uses cash and cash equivalents by classifying the cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the authority are funded by way of local taxation and grant income or from the recipients of the services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from

financing activities are useful in predicting claims on future cash flows by providers of capital (borrowing) to the authority.

- **Notes to the Main Accounting Statements** (pages 24 to 82) – these include a summary of the significant accounting policies and other explanatory information.
- **Housing Revenue Account and Notes** (pages 83 to 89) – this reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989. It essentially contains income from house rents and expenditure related to managing and maintaining council dwellings. The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.
- **Collection Fund and Notes** (pages 90 to 93) – this is an agent's statement that reflects the statutory obligation for the authority, as a billing authority, to maintain a separate Collection Fund. The Statement shows the transactions for council tax and non-domestic rates and the way these have been distributed; the council tax preceptors being Cumbria County Council, the Police and Crime Commissioner for Cumbria and the General Fund; the non-domestic rates being shared proportionately between central government (50% share), Cumbria County Council (10%) and the General Fund (40%).

## **26. Level of Reserves and Balances**

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

## **27. Acknowledgement and Influences**

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

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

There have been a number of challenges during 2018/19 including the changes in service delivery for the Park Leisure Centre, the Revenues and Benefits Service, and Customer Services; implementing the new Council Plan and associated policies and strategies; finally, IT system changes both corporately and within specific services. Resources have been managed, plans have been made and these challenges have been programmed against day to day workloads.

I am pleased to report that the Finance Department closedown programme has operated effectively and has allowed the production of the Statement of Accounts to be achieved professionally and efficiently.

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

### The Authority's Responsibilities

The authority is required to:

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

### The Director of Resources' Responsibilities

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

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

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

The Director of Resources has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the authority for 2018/19 and of its expenditure and income for the year ended 31 March 2019.

**S M Roberts CPFA, ACMA**  
**Director of Resources**  
**Section 151 Officer**  
**31 May 2019**  
**Revised 19 September 2019**

**Councillor Mrs A Burns**  
**Audit Committee Chairman**  
**19 September 2019**

## Comprehensive Income and Expenditure Statement

2017/18					2018/19		
Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000					
23,351	(19,391)	3,960	Resources		21,558	(18,576)	2,982
8,476	(4,501)	3,975	Community services		8,572	(3,792)	4,780
5,295	(2,946)	2,349	Regeneration and the built environment		4,622	(3,255)	1,367
9,579	(11,629)	(2,050)	Housing Revenue Account		8,208	(11,577)	(3,369)
2,383	(5)	2,378	Central services		2,367	(6)	2,361
<b>49,084</b>	<b>(38,472)</b>	<b>10,612</b>	<b>Cost of Services</b>		<b>45,327</b>	<b>(37,206)</b>	<b>8,121</b>
1,367	(950)	417	Other operating expenditure	9	4,761	(1,161)	3,600
4,444	(2,373)	2,071	Financing and investment income and expenditure	10	4,418	(2,553)	1,865
5,192	(17,161)	(11,969)	Taxation and non-specific grant income	11	5,601	(17,320)	(11,719)
<b>60,087</b>	<b>(58,956)</b>	<b>1,131</b>	<b>(Surplus) or Deficit on Provision of Services</b>		<b>60,107</b>	<b>(58,240)</b>	<b>1,867</b>
(4,186)	-	(4,186)	(Surplus) or deficit on revaluation of non-current assets		(3,187)	-	(3,187)
(5,259)	-	(5,259)	Re-measurements of the net defined benefit liability / (asset)		2,584	-	2,584
<b>(9,445)</b>	<b>0</b>	<b>(9,445)</b>	<b>Other Comprehensive Income and Expenditure</b>		<b>(603)</b>	<b>-</b>	<b>(603)</b>
<b>50,642</b>	<b>(58,956)</b>	<b>(8,314)</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>59,504</b>	<b>(58,240)</b>	<b>1,264</b>

# Movement in Reserves Statement 2018/19

2018/19	Reserves held for revenue purposes		Reserves held for capital purposes			Total Usable Reserves	Unusable Reserves	Total Council Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserves	Capital Receipts Reserve	Capital Grants Unapplied			
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2018 brought forward</b>	<b>(10,970)</b>	<b>(2,274)</b>	<b>(1,992)</b>	<b>(2,412)</b>	<b>(2,143)</b>	<b>(19,791)</b>	<b>(96,410)</b>	<b>(116,201)</b>
<b>Movement in Reserves during 2018/19</b>								
(Surplus) or deficit on the provision of services	4,040	(2,173)	-	-	-	1,867	-	1,867
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(603)	(603)
<b>Total Comprehensive Income and Expenditure</b>	<b>4,040</b>	<b>(2,173)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,867</b>	<b>(603)</b>	<b>1,264</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(3,254)	1,206	(519)	(260)	(502)	(3,329)	3,329	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>786</b>	<b>(967)</b>	<b>(519)</b>	<b>(260)</b>	<b>(502)</b>	<b>(1,462)</b>	<b>2,726</b>	<b>1,264</b>
Transfers to/(from) Earmarked Reserves (Note 8)	-	-	-	-	-	0	-	0
<b>(Increase)/Decrease in 2018/19</b>	<b>786</b>	<b>(967)</b>	<b>(519)</b>	<b>(260)</b>	<b>(502)</b>	<b>(1,462)</b>	<b>2,726</b>	<b>1,264</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>(10,184)</b>	<b>(3,241)</b>	<b>(2,511)</b>	<b>(2,672)</b>	<b>(2,645)</b>	<b>(21,253)</b>	<b>(93,684)</b>	<b>(114,937)</b>

At the 31 March 2019, the General Fund Balance comprises earmarked reserves of £7.884m and a Fund balance of £2.3m; at 31 March 2018 these were £8.67m and £2.3m respectively. As at 31 March 2019 the HRA Fund Balance comprises earmarked reserves of £2.241m and a Fund balance of £1.0m; at 31 March 2018 the Fund these were £1.274m and £1.0m respectively.

# Movement in Reserves Statement 2017/18

2017/18	Reserves held for revenue purposes		Reserves held for capital purposes			Total Usable Reserves	Unusable Reserves	Total Council Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserves	Capital Receipts Reserve	Capital Grants Unapplied			
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2017 brought forward</b>	(11,325)	(1,443)	(1,194)	(1,941)	(2,503)	(18,406)	(89,481)	(107,887)
<b>Movement in Reserves during 2017/18</b>								
(Surplus) or deficit on the provision of services	1,874	(743)	-	-	-	1,131	-	1,131
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(9,445)	(9,445)
<b>Total Comprehensive Income and Expenditure</b>	<b>1,874</b>	<b>(743)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,131</b>	<b>(9,445)</b>	<b>(8,314)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(1,519)	(88)	(798)	(471)	360	(2,516)	2,516	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>355</b>	<b>(831)</b>	<b>(798)</b>	<b>(471)</b>	<b>360</b>	<b>(1,385)</b>	<b>(6,929)</b>	<b>(8,314)</b>
Transfers to/(from) Earmarked Reserves (Note 8)	-	-	-	-	-	0	-	0
<b>(Increase)/Decrease in 2017/18</b>	<b>355</b>	<b>(831)</b>	<b>(798)</b>	<b>(471)</b>	<b>360</b>	<b>(1,385)</b>	<b>(6,929)</b>	<b>(8,314)</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>(10,970)</b>	<b>(2,274)</b>	<b>(1,992)</b>	<b>(2,412)</b>	<b>(2,143)</b>	<b>(19,791)</b>	<b>(96,410)</b>	<b>(116,201)</b>

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

## Balance Sheet

31 March 2018		Notes	31 March 2019
£000			£000
164,356	Property, Plant & Equipment	13	162,162
698	Heritage Assets	14	694
1,338	Long Term Debtors	26	1,139
<b>166,392</b>	<b>Long Term Assets</b>		<b>163,995</b>
17,031	Short Term Investments	17	18,040
26	Inventories		32
3,089	Short Term Debtors	18	4,741
3,054	Cash and Cash Equivalents	19	2,958
<b>23,200</b>	<b>Current Assets</b>		<b>25,771</b>
(1,494)	Short Term Borrowing	17	(1,494)
(4,847)	Short Term Creditors	20	(5,144)
<b>(6,341)</b>	<b>Current Liabilities</b>		<b>(6,638)</b>
(560)	Provisions	21	(585)
(37,479)	Long Term Borrowing	17	(36,479)
(29,011)	Other Long Term Liabilities	23	(31,127)
<b>(67,050)</b>	<b>Long Term Liabilities</b>		<b>(68,191)</b>
<b>116,201</b>	<b>Net Assets</b>		<b>114,937</b>
(19,791)	Usable Reserves	Page 19	(21,253)
(96,410)	Unusable Reserves	22	(93,684)
<b>(116,201)</b>	<b>Total Reserves</b>		<b>(114,937)</b>

These accounts were originally authorised for issue on the 31 May 2019 and have been subsequently re-authorised for issue on 19 September 2019.

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



## Cash Flow Statement

2017/18		Notes	2018/19
£000			£000
1,131	<b>Net (surplus) or deficit on the provision of services</b>		<b>1,867</b>
(5,030)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	27	(6,854)
1,742	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	28	1,161
<b>(2,157)</b>	<b>Net cash flows from Operating Activities</b>		<b>(3,826)</b>
2,064	Investing Activities	30	2,155
841	Financing Activities	31	1,767
<b>748</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>96</b>
3,802	Cash and cash equivalents at the beginning of the reporting period	19	3,054
3,054	Cash and cash equivalents at the end of the reporting period	19	2,958
<b>748</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>96</b>

<b>Note</b>	<b>Name</b>	<b>Page</b>
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## **Note 1. ACCOUNTING POLICIES**

### **a. General Principles**

The Statement of Accounts summarises the authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. The Regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards and Financial Reporting Standards.

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

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

### **b. Accruals of Income and Expenditure**

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

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

### **c. Cash and Cash Equivalents**

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

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

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

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

**e. Exceptional Items**

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

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

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

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

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

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

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

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

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

**h. Employee Benefits****Benefits Payable During Employment**

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

**Termination Benefits**

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account balance to be charged with the amount payable by the authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The authority's redundancy policy was amended by Council on the 16 March 2011 to introduce an enhanced redundancy payment, this ended on 30 June 2015. A subsequent variation was agreed by the Council with the 2016-2020 Budget Strategy, for the Borough Kennels and Playgrounds Team to access the enhanced scheme from the 7 September 2016 until the 30 June 2017.

**Post-Employment Benefits**

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

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

**The Local Government Pension Scheme**

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

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

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

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

### 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**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 (CIES) 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

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 CIES.

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the authority. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Where credit risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where credit risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

In accordance with the Treasury Strategy, the authority does not trade in stocks, shares or gilts.

### **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.



## **I. Government Grants and Contributions**

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

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

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

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

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

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

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

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

## **n. Leases**

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

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

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

### The Authority as Lessee

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the

obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### Operating Leases

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

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

### The Authority as Lessor

#### Operating Leases

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

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

#### **o. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2018/19. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in the Service Reporting Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement: these now form part of the Corporate and Democratic Services heading which remains part of Net Expenditure on Continuing Services.

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

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

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

#### Recognition

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

#### Measurement

Assets are initially measured at cost, comprising:

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

The authority does not capitalise borrowing costs.

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years: in addition the valuations of major assets may be considered against property valuation indices to give additional assurance that the carrying value of any major assets, not revalued in year, are not materially different to their current value. 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, Equipment and Vehicle assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (such as freehold land and certain Community Assets) and assets that are not yet available for use (assets under construction).

Depreciation is calculated on the following bases:

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

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

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

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

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

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

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

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

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

the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

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

#### Provisions

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

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

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

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

#### Contingent Liabilities

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

#### Contingent Assets

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

**r. Fair value measurement**

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

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

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

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

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability

**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.

## **v. Rounding**

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

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

The Code requires the authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The authority shall provide known or reasonably estimable information relevant to assessing the possible impact that application of the new standard will have on the authority's financial statements in the period of initial application. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question, i.e. on or before 1 January 2018 for 2018/19. (i.e. on or before 1 January 2019 for 2019/20). For this disclosure the standards introduced by the 2019/20 Code include:

- IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the authority as it does not hold investment property;
- Annual Improvements to IFRS Standards 2014-2016 Cycle are not expected to have a material impact on the financial statements.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The authority does not have foreign currency transactions within the scope of the amendment.
- IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the financial statements.
- IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation amends IFRS 9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The authority has no loans this will apply to.
- IFRS16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). Implementation of IFRS16 for local government has been deferred to 1 April 2020.

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

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision. The authority has prepared the accounting statements on a going concern basis which assumes continued operation for the foreseeable future.
- The authority has considered the classification of its leases, both as lessor and lessee, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements.



- The authority is deemed to control assets that fall within contractual and other arrangements which involve the provision of a service using specific underlying assets and which therefore are considered to contain a lease. The accounting treatment for leases has been applied to these arrangements to determine whether the lease contained within them is a finance lease or an operating lease. The vehicles within the waste management contract are included in the accounting statements as an embedded lease.
- The authority has considered whether any property should be classed as an investment property or property, plant and equipment. The authority does not hold any assets for capital appreciation but does hold some assets let to commercial tenants that were specifically funded by Government urban regeneration programmes; The authority holds a number of assets acquired to enhance the built environment, support the local economy and provide the type of property needed for business development in the Borough. Collectively, these are regeneration assets and are accounted for as Property, Plant and Equipment.
- The authority has considered which of its assets should be classified as heritage assets.

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

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

The items in the authority's Balance Sheet at the 31 March 2019 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 2018/19, but it was subsequently determined that the impairment to the value should have been 10%, their value in the Balance Sheet would be overstated by £7.15m and the depreciation charged to the HRA for 2018/19 would be overstated by £238k.

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

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

increased or if there was a reversal of the previous loss, the value of the asset and the related depreciation would be over or under stated. For instance if the useful life of the council dwellings was determined to be 25 years, rather than the current 30 years, the depreciation charge to the HRA for 2017/18 would be £2.27m rather than £1.89m.

### Fair Value Estimations

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

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

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

Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Information about the valuation techniques and inputs used in determining the fair value of these assets is set out in Note 13.

### 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 2019 figures are:

- +0.1% per annum increase in the discount rate assumption would result in a decrease in the net pensions liability of £1.915m; or,
- +0.1% per annum increase in the inflation assumption would result in an increase in the net pensions liability of £1.946m; or,
- +0.1% per annum increase in the pay growth assumption would result in an increase in the net pensions liability of £0.234m; or,
- 1 year increase in the member's life expectancy assumption would result in an increase in the net pensions liability of £2.444m.

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

### **Financial instruments**

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

If interest rates had been 1% higher with all other variables held constant, the financial effect would be to decrease the fair value of fixed rate borrowing liabilities by £5.8m. A 1% fall would increase the fair value by the same amount. Borrowings are not carried at fair value, so nominal gains and losses on fixed borrowings would not impact on the (Surplus) or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

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

The Statement of Accounts was originally authorised for issue by the Director of Resources on the 31 May 2019 and is now authorised for issue on the 19 September 2019, after incorporating revisions from the audit. Events taking place after this date are not reflected in the accounting statements or notes. Where any other events taking place before this date provided information about conditions existing at the 31 March 2019 the figures in the accounting statements and notes have been adjusted in all material respects to reflect the impact of this information. No events have been identified.

**Note 6. EXPENDITURE AND FUNDING ANALYSIS – adjustments between funding and accounting basis**

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

<b>2018/19</b>	<b>As reported for resource allocation</b>	<b>Adjustments to arrive at the net amount chargeable to the General Fund &amp; HRA balances</b>	<b>Net Expenditure Chargeable to the General Fund &amp; HRA</b>	<b>Adjustments between the Funding and Accounting Basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Resources	3,205	(36)	3,169	(187)	2,982
Community Services	2,628	612	3,240	1,540	4,780
Regeneration and the Built Environment	147	575	722	645	1,367
Housing Revenue Account	(2,129)	(967)	(3,096)	(273)	(3,369)
Central Services	1,899	48	1,947	414	2,361
<b>Net Cost of Service</b>	<b>5,750</b>	<b>232</b>	<b>5,982</b>	<b>2,139</b>	<b>8,121</b>
Other income and expenditure	(5,750)	(413)	(6,163)	(91)	(6,254)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>0</b>	<b>(181)</b>	<b>(181)</b>	<b>2,048</b>	<b>1,867</b>

<b>2017/18</b>	<b>As reported for resource allocation</b>	<b>Adjustments to arrive at the net amount chargeable to the General Fund &amp; HRA balances</b>	<b>Net Expenditure Chargeable to the General Fund &amp; HRA</b>	<b>Adjustments between the Funding and Accounting Basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Resources	3,237	164	3,401	559	3,960
Community Services	2,661	38	2,699	1,276	3,975
Regeneration and the Built Environment	123	268	391	1,958	2,349
Housing Revenue Account	(2,261)	(831)	(3,092)	1,042	(2,050)
Central Services	1,856	145	2,001	377	2,378
<b>Net Cost of Service</b>	<b>5,616</b>	<b>(216)</b>	<b>5,400</b>	<b>5,212</b>	<b>10,612</b>
Other income and expenditure	(5,616)	(260)	(5,876)	(3,605)	(9,481)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>0</b>	<b>(476)</b>	<b>(476)</b>	<b>1,607</b>	<b>1,131</b>

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

2017/18					2018/19			
Adjustments for capital purposes	Net changes for the Pensions Adjustments	Other Differences	Total Adjustments between funding and Accounting Basis		Adjustments for capital purposes	Net changes for the Pensions Adjustments	Other Differences	Total Adjustments between funding and Accounting Basis
£000	£000	£000	£000		£000	£000	£000	£000
418	144	(3)	559	Resources	101	(295)	7	(187)
1,057	217	2	1,276	Community Services	1,381	162	(3)	1,540
1,751	219	(12)	1,958	Regeneration and the Built Environment	442	201	2	645
856	189	(3)	1,042	Housing Revenue Account	(424)	153	(2)	(273)
164	222	(9)	377	Central Services	200	212	2	414
<b>4,246</b>	<b>991</b>	<b>(25)</b>	<b>5,212</b>	<b>Net Cost of Service</b>	<b>1,700</b>	<b>433</b>	<b>6</b>	<b>2,139</b>
(2,720)	(531)	(354)	(3,605)	Other income and expenditure from the Expenditure and Funding Analysis	995	(674)	(412)	(91)
<b>1,526</b>	<b>460</b>	<b>(379)</b>	<b>1,607</b>	<b>Difference between General Fund Surplus or Deficit &amp; Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>2,695</b>	<b>(241)</b>	<b>(406)</b>	<b>2,048</b>

## Note 6b. Expenditure and Income Analysed by Nature

2017/18						2018/19				
Cost of service	Other Operating Expenditure (Note 9)	Financing and Investment Income and Expenditure (Note 10)	Taxation and Non Specific Grant income (Note 11)	Surplus or Deficit on Provision of Services		Cost of service	Other Operating Expenditure (Note 9)	Financing and Investment Income and Expenditure (Note 10)	Taxation and Non Specific Grant income (Note 11)	Surplus or Deficit on Provision of Services
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
					<b>Expenditure</b>					
7,451	-	-	-	7,451	Employee expenses	7,218	-	-	-	7,218
36,274	29	-	-	36,303	Other service expenses	34,332	31	-	-	34,363
-	-	-	-	0	Support service recharges	-	-	-	-	0
5,666	-	-	-	5,666	Depreciation, amortisation, impairment & revaluation	5,096	-	-	-	5,096
-	-	4,444	-	4,444	Interest payments	-	-	4,417	-	4,417
-	462	-	-	462	Precepts and levies	-	445	-	-	445
-	-	-	-	0	Derecognised non current assets	-	3,156	-	-	3,156
<b>49,391</b>	<b>491</b>	<b>4,444</b>	<b>0</b>	<b>54,326</b>	<b>Total Expenditure</b>	<b>46,646</b>	<b>3,632</b>	<b>4,417</b>	<b>0</b>	<b>54,695</b>
					<b>Income</b>					
(38,779)	-	-	-	(38,779)	Fees, charges and other service income	(38,525)	-	-	-	(38,525)
-	-	(2,373)	-	(2,373)	Interest and investment income	-	-	(2,552)	-	(2,552)
-	-	-	(7,480)	(7,480)	Income from council tax and NDR	-	-	-	(8,230)	(8,230)
-	-	-	(4,489)	(4,489)	Government grants and contributions	-	-	-	(3,489)	(3,489)
-	(74)	-	-	(74)	Gain on disposal of fixed assets	-	(32)	-	-	(32)
<b>(38,779)</b>	<b>(74)</b>	<b>(2,373)</b>	<b>(11,969)</b>	<b>(53,195)</b>	<b>Total Income</b>	<b>(38,525)</b>	<b>(32)</b>	<b>(2,552)</b>	<b>(11,719)</b>	<b>(52,828)</b>
<b>10,612</b>	<b>417</b>	<b>2,071</b>	<b>(11,969)</b>	<b>1,131</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>8,121</b>	<b>3,600</b>	<b>1,865</b>	<b>(11,719)</b>	<b>1,867</b>

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

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

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

### General Fund Balance

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

### Housing Revenue Account Balance

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

### Major Repairs Reserve

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

### Capital Receipts Reserve

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

### Capital Grants Unapplied

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



## Notes to the Main Accounting Statements

	Usable Reserves						Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000	
Adjustments between accounting basis and funding basis under regulations							
2018/19							
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<b>Reversal of items debited or credited to the CIES:</b>							
Charges for depreciation and impairment of non-current assets	(2,061)	(2,071)	-	-	-	(4,132)	4,132
Revaluation losses on Property, Plant and Equipment	(25)	393	-	-	-	368	(368)
Capital grants and contributions applied	875	-	-	-	-	875	(875)
Revenue expenditure funded from capital under statute	(811)	-	-	-	-	(811)	811
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(3,559)	(799)	-	-	-	(4,358)	4,358
<b>Insertion of items not debited or credited to the CIES</b>							
Statutory provision for the financing of capital investment	747	-	-	-	-	747	(747)
Voluntary provision for the financing of capital investment	-	817	-	-	-	817	(817)
Capital expenditure charged against the General Fund and HRA balances	331	-	-	-	-	331	(331)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the CIES	510	-	-	-	(510)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	8	8	(8)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	332	829	-	(1,161)	-	0	0
Cluster of Empty Homes loan repayment	-	-	-	(221)	-	(221)	221
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	781	-	781	(781)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(341)	-	-	341	-	0	0
<b>Adjustment primarily involving the Major Repairs Reserve:</b>							
Reversal of Major Repairs Reserve credited to the HRA	-	2,071	(2,071)	-	-	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	1,553	-	-	1,553	(1,553)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	67	-	-	-	-	67	(67)
<b>Adjustments primarily involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,499)	(450)	-	-	-	(1,949)	1,949
Employer's pension contributions and direct payments to pensioners payable in the year	1,776	414	-	-	-	2,190	(2,190)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax & NNDR income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	413	-	-	-	-	413	(413)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>							
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(9)	2	-	-	-	(7)	7
<b>Total Adjustments</b>	<b>(3,254)</b>	<b>1,206</b>	<b>(518)</b>	<b>(260)</b>	<b>(502)</b>	<b>(3,328)</b>	<b>3,328</b>

## Notes to the Main Accounting Statements

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

**Note 8. TRANSFERS (TO)/FROM EARMARKED RESERVES**

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19. 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 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
MTFP reserve	(1,535)	379	(381)	(1,537)	369	(290)	(1,458)
Transformation reserve	(733)	208	(124)	(649)	416	(157)	(390)
Renewals reserve	(1,832)	511	(275)	(1,596)	673	(1,085)	(2,008)
Insurance reserve	(91)	1	-	(90)	10	(21)	(101)
Losses reserve	(866)	-	-	(866)	4	-	(862)
Budget contingency reserve	(2,792)	956	(1,130)	(2,966)	1,908	(892)	(1,950)
Apprentices reserve	(106)	30	-	(76)	41	-	(35)
Welfare support reserve	(260)	57	(8)	(211)	57	(228)	(382)
Earmarked revenue grants	(810)	286	(155)	(679)	218	(237)	(698)
<b>Total General Fund earmarked reserves</b>	<b>(9,025)</b>	<b>2,428</b>	<b>(2,073)</b>	<b>(8,670)</b>	<b>3,696</b>	<b>(2,910)</b>	<b>(7,884)</b>
HRA earmarked reserves	0	-	(1,274)	(1,274)	-	(967)	(2,241)
<b>Total earmarked reserves</b>	<b>(9,025)</b>	<b>2,428</b>	<b>(3,347)</b>	<b>(9,944)</b>	<b>3,696</b>	<b>(3,877)</b>	<b>(10,125)</b>

The Council has the following general fund earmarked reserves:

**MTFP reserve** – this reserve holds the budget support identified in the Medium Term Financial Plan.

**Transformation reserve** - this reserve holds the funds set aside for service transformation.

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

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

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

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

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

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

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

**Note 9. OTHER OPERATING EXPENDITURE**

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

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
100	Parish council precepts	104
362	Payments to the Government Housing Capital Receipts Pool	341
29	Pension administration expenses	31
-	Derecognised non current assets	3,156
876	Carrying value of disposed non-current assets	1,129
(950)	Sale proceeds from the disposal of non-current assets	(1,161)
<b>417</b>	<b>Total</b>	<b>3,600</b>

The gain on the disposal of non-current assets for 2018/19 is £31k; for 2017/18 this was £74k.

**Note 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

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

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
1,485	Interest payable and similar charges	1,466
2,959	Interest on pension liabilities	2,952
(2,173)	Interest on plan assets	(2,288)
(200)	Interest receivable and similar income	(265)
<b>2,071</b>	<b>Total</b>	<b>1,865</b>

**Note 11. TAXATION AND NON SPECIFIC GRANT INCOMES**

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

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
(4,299)	Council tax income	(4,552)
(8,129)	Business rate retention	(8,852)
4,829	Business rate tariff	4,920
364	Business rate levy	681
(245)	Business rate pool	(427)
(2,079)	Revenue Support Grant	(1,688)
(1,014)	Non-ring fenced government grants	(1,189)
(1,396)	Capital grants and contributions	(612)
<b>(11,969)</b>	<b>Total</b>	<b>(11,719)</b>

**Note 12. GRANT INCOME**

The authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2018/19:

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
	<b>Credited to Taxation and Non Specific Grant Income</b>	
(2,079)	Revenue Support Grant	(1,688)
(299)	New Homes Bonus Grant	(95)
(99)	New Burdens Grants	(84)
(630)	MHCLG Grants	(510)
(615)	MHCLG Business Rates	(802)
(12)	MHCLG Coastal Communities Fund Grant	(164)
-	ERDF Grant	(102)
(107)	Environment Agency	-
(567)	Lottery Big Local Trust	-
(81)	Other contributions	(44)
<b>(4,489)</b>	<b>Total</b>	<b>(3,489)</b>
	<b>Credited to Services</b>	
(17,958)	Housing benefits subsidy	(17,692)
(378)	Benefits administration	(340)
(538)	Disabled Facilities Grant	(773)
(23)	Cabinet Office	(23)
(160)	Cumbria County Council	(37)
(50)	Other local authorities	(25)
-	MHCLG Other Grants	(58)
(163)	MHCLG Coastal Communities	-
(105)	MHCLG Homelessness	(121)
(26)	Other grants	(44)
<b>(19,401)</b>	<b>Total</b>	<b>(19,113)</b>

**Note 13. PROPERTY, PLANT, EQUIPMENT AND VEHICLES**

<b>Movement on Balances</b>	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>HRA Other Land and Buildings £000</b>	<b>Plant, Equipment &amp; Vehicles £000</b>	<b>HRA Plant and Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant, Equipment &amp; Vehicles £000</b>
<b>Movements in 2018/19</b>										
<b>Cost or Valuation</b>										
<b>At 1 April 2018</b>	<b>70,788</b>	<b>60,514</b>	<b>3,147</b>	<b>3,827</b>	<b>175</b>	<b>5,154</b>	<b>10,210</b>	<b>3,904</b>	<b>10,869</b>	<b>168,588</b>
additions and enhancements	1,553	873	-	109	-	-	-	-	202	2,737
reclassification start of year	-	(125)	(1)	-	-	-	156	122	(152)	0
eliminate depreciation on transfer	-	(4)	-	-	-	-	-	-	-	(4)
revaluation increases/(decreases) recognised in the Revaluation Reserve	1,391	1,131	144	-	-	-	-	521	-	3,187
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	393	75	-	-	-	-	-	(101)	-	367
eliminate depreciation on revaluation	(1,896)	(2,368)	(101)	-	-	-	-	(2)	-	(4,367)
de-recognitions / scrapped	-	(22)	(72)	-	-	(3,134)	-	-	-	(3,228)
eliminate depreciation on derecognitions/scrapped	-	(2)	(2)	-	-	(416)	-	-	-	(420)
disposals	(726)	-	-	-	-	-	-	(404)	-	(1,130)
<b>At 31 March 2019</b>	<b>71,503</b>	<b>60,072</b>	<b>3,115</b>	<b>3,936</b>	<b>175</b>	<b>1,604</b>	<b>10,366</b>	<b>4,040</b>	<b>10,919</b>	<b>165,730</b>
<b>Accumulated Depreciation and Revaluation</b>										
<b>At 1 April 2018</b>	<b>0</b>	<b>(1,184)</b>	<b>(23)</b>	<b>(1,647)</b>	<b>(57)</b>	<b>(945)</b>	<b>(376)</b>	<b>0</b>	<b>0</b>	<b>(4,232)</b>
depreciation charge	(1,896)	(1,532)	(136)	(314)	(39)	(160)	(48)	(2)	-	(4,127)
eliminate depreciation on transfer	-	4	-	-	-	-	-	-	-	4
eliminate depreciation on revaluation	1,896	2,368	101	-	-	-	-	2	-	4,367
eliminate depreciation on derocognition / scrapped	-	2	2	-	-	416	-	-	-	420
<b>At 31 March 2019</b>	<b>0</b>	<b>(342)</b>	<b>(56)</b>	<b>(1,961)</b>	<b>(96)</b>	<b>(689)</b>	<b>(424)</b>	<b>0</b>	<b>0</b>	<b>(3,568)</b>
<b>Net Book Value at 31 March 2019</b>	<b>71,503</b>	<b>59,730</b>	<b>3,059</b>	<b>1,975</b>	<b>79</b>	<b>915</b>	<b>9,942</b>	<b>4,040</b>	<b>10,919</b>	<b>162,162</b>

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

### Depreciation

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

- Council Dwellings: the buildings are depreciated on a straight line basis over 30 years
- Other Buildings: the buildings are depreciated on a straight line basis over various lives between 3 to 75 years
- Plant, Equipment and Vehicles: 3-25 years straight line depreciation
- Infrastructure: 3-50 years straight line depreciation depending on the asset type, infrastructure land is not depreciated

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

### Capital Commitments

At the 31 March 2019, the authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years budgeted to cost £3,477k similar commitments at the 31 March 2018 were £86k. The major commitments are:

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
45	Retentions	-
-	Industrial & commercial properties	3,436
41	IT Equipment & Development	41
<b>86</b>	<b>Total</b>	<b>3,477</b>

### Revaluations

The authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Valuations were carried out externally by the authority's valuer Lambert Smith Hampton Group Limited, Mr M Messenger BSocSc (Hons) DipVal MRICS. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in professional standards of the Royal Institution of Chartered Surveyors (RICS). Assumptions and methods are specifically considered for each individual asset valuation: with general agreed assumptions and bases of valuation being adopted overall. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list-prices adjusted for the condition of the asset. The effective date of the Authority's asset revaluations is 1 April unless a specific circumstance, such as a Code of Practice requirement or an economic or environmental reason is deemed evident.

Not all assets were revalued in 2018/19. Each year the Authority's initial asset valuation list is reviewed. At this stage assets not due to be revalued are added where there is evidence of a recent material change. A subsequent review of valuation changes is also undertaken: this includes those changes arising from environmental, impairment or asset related expenditure factors.

The authority's HRA dwellings and garages are valued on an annual basis and are carried at current value. The valuation for 2018/19 was performed by Lambert Smith Hampton Group Limited and produced a net book value at 31 March 2019 of £72.851m.



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

Financial Year & Valuer	Other Land and Buildings	HRA Other Land and Buildings	Plant Equipment & Vehicles	HRA Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	AUCN	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2014/15; - NPS North West Limited	524	0	0	0	0	0	0	0	524
2015/16 - NPS North West Limited	532	45	0	0	0	0	0	0	577
2016/17 - NPS North West Limited	4,145	733	0	0	0	0	0	0	4,878
2017/18 - Lambert Smith Hampton	2,166	452	0	0	0	0	0	0	2,618
2018/19 - Lambert Smith Hampton	52,363	482	0	0	0	0	4,040	0	56,885
<b>Asset carried at current value (MV-EUV and FV)</b>									<b>65,482</b>
Assets carried at historical cost	0	0	822	79	915	9,942	0	10,919	22,677
Finance Leases	0	0	1,153	0	0	0	0	0	1,153
<b>Net Book Value as at 31 March 2019</b>									<b>89,312</b>

#### Surplus Assets

#### Valuation techniques

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

The following table shows the fair value measurements of surplus assets

Asset type	Valuation techniques used to measure fair value	Level 2 – significant other observable inputs	Level 3 – significant unobservable inputs	Total
		£000	£000	£000
Land & property	Market comparison	330	230	560
Land & property	Market comparison / Gross Development Appraisal i.e. market comparison of GDV (Gross Development Value) & site	2,635	815	3,450

	transactions with viability assessment leading to residual value / Professional judgement			
Land & property	Professional judgement	-	30	30
	<b>Fair value as at 31 March 2019</b>	<b>2,965</b>	<b>1,075</b>	<b>4,040</b>

Asset type	Valuation techniques used to measure fair value	Level 2 – significant other observable inputs	Level 3 – significant unobservable inputs	Total
		£000	£000	£000
Land	Market comparison	350	250	600
Land	Market comparison / Gross Development Appraisal i.e. market comparison of GDV (Gross Development Value) & site transactions with viability assessment leading to residual value / Professional judgement	2,684	565	3,249
Land	Professional judgement	-	55	55
	<b>Fair value as at 31 March 2018</b>	<b>3,034</b>	<b>870</b>	<b>3,904</b>

#### Highest and best use of surplus assets

These surplus assets are made up of 12 areas of land and 1 property (2017/18 - 17 areas of land and 1 properties) which are presently in the process of being reviewed or being developed for their highest and best use. Some sites are held because of the lack of being able to accommodate them at their highest and best use i.e. due to the present national economy, public sector funding reductions or local market conditions; others because of pending decisions or resources and others subject to contract/planning decisions.

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

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

Property type	Surplus assets – property and land
As at 31 March 2019	£1,075k (£870k as at 31 March 2018)
Valuation technique used to measure fair value	Market comparison / gross development appraisal i.e. market comparison to GDV (gross development value) and site transactions with viability assessment leading to residual value / professional judgement
Unobservable inputs	Adjustment for size and/or type of specific land area; professional judgement
Range of unobservable inputs	£1.11 to £131.58 per square metre
Sensitivity	Significant changes to adjustments made to comparable evidence or professional judgement will result in a significantly lower or higher fair value. This will be variable by site according to circumstances i.e. residential/brownfield/amenity site location and condition.

#### Transfer between levels of the fair value hierarchy

Within the period there has been no level transfers. Where an event or change in circumstance are significant in relation to the specific asset, resulting in a change in level, the date of any such transfer will be deemed to be at the end of the reporting period.

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

<b>Surplus Land &amp; Properties</b>	<b>Reason for movement</b>	<b>£000</b>
Opening Balance - 1 April 2018		870
Sales/disposals	Land disposal	(15)
Transfers in to level 3	Property vacant and reclassified as surplus	0
Transfers out of level 3	Land comparable valuation, now observable inputs	(30)
Total gains/losses recognised in revaluation of property within other comprehensive income	CIES Line - Resources	0
Total gains/losses recognised in revaluation of property within the revaluation reserve		250
<b>Closing Balance as at 31 March 2019</b>		<b>1,075</b>

The effect of the fair value measurements using significant unobservable inputs on the surplus or deficit on the provision of services or other comprehensive income and expenditure for 2018/19 is a total of zero (2017/18 £42k) of revaluation gain. The surplus or deficits are directly affected by the assumptions used in the unobservable inputs and therefore influenced by any variations to the assumptions. For example, if the unobservable input valuation is too prudent the revaluation gain will be overstated.

#### **Note 14. HERITAGE ASSETS**

The authority's Dock Museum, Town Hall and Town area have a variety of collections that relate to the natural man-made history of Barrow-in-Furness, the surrounding district and beyond. There are several categories of assets within these collections; including furniture, silverware, civic regalia, arts and sculpture, social and industrial history, and more specific assets relating to Barrow's history, such as several ship models, boats and historic statues. Further information detailing the authority's heritage assets can be found on the Council's website.

All heritage sssets are held to support the objectives of increasing knowledge, understanding, culture and appreciation of our heritage; with the Dock Museum's heritage policies and comprehensive asset database facilitating the management, recording, preservation and conservation (exhibition led rolling programme) of assets.

With the introduction of Heritage assets being included in the Balance Sheet, asset valuations were obtained in March 2012, on the measurement basis of market value with depreciation being charged in line with the Authority's property, plant and equipment policies. These initial valuations were completed by Bohnam's International Auctioneers & Valuers with additional assets acquired being valued by the Treasure Valuation Committee or the Authority's Museum Curator; who also reports no items held, as at 31 March 2019, need to be impaired and no acquisitions or disposals have been made within the period. The only items that are not reported within the Balance Sheet are items of a deminimus level plus the Graving Dock, Cenotaph and Stone Fountain where, following advice, it is deemed impracticable, due to their diverse nature, to obtain purchase costs or valuations. One further class of asset is reported at cost.

2017/18						2018/19				
Historic Collection	New Statues	Herbert Leigh – Boat	War Memorials	Total	Movement on Balances	Historic Collection	New Statues	Herbert Leigh – Boat	War Memorials	Total
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
					<b>Cost or Valuation</b>					
-	-	-	14	14	<b>Heritage Asset – Cost at 1 April</b>	-	-	-	14	14
603	79	20	-	702	Heritage Asset – Valuation at 1 April	615	79	20	-	714
<b>603</b>	<b>79</b>	<b>20</b>	<b>14</b>	<b>716</b>	<b>At 1 April</b>	<b>615</b>	<b>79</b>	<b>20</b>	<b>14</b>	<b>728</b>
12	-	-	-	12	Additions	1	-	-	-	1
<b>615</b>	<b>79</b>	<b>20</b>	<b>14</b>	<b>728</b>	<b>At 31 March</b>	<b>616</b>	<b>79</b>	<b>20</b>	<b>14</b>	<b>729</b>
					Accumulated Depreciation and Revaluation					
-	-	-	(7)	(7)	Heritage Asset – Cost at 1 April	-	-	-	(7)	(7)
-	(15)	(4)	-	(19)	Heritage Asset – Valuation at 1 April	-	(19)	(4)	-	(23)
<b>0</b>	<b>(15)</b>	<b>(4)</b>	<b>(7)</b>	<b>(26)</b>	<b>At 1 April</b>	<b>0</b>	<b>(19)</b>	<b>(4)</b>	<b>(7)</b>	<b>(30)</b>
-	(4)	-	-	(4)	depreciation charge	-	(3)	(1)	(1)	(5)
<b>0</b>	<b>(19)</b>	<b>(4)</b>	<b>(7)</b>	<b>(30)</b>	<b>At 31 March</b>	<b>0</b>	<b>(22)</b>	<b>(5)</b>	<b>(8)</b>	<b>(35)</b>
-	-	-	7	7	Net Book Value at 31 March – Cost	-	-	-	6	-
615	60	16	-	691	Net Book Value at 31 March - Valuation	616	57	15	-	688
<b>615</b>	<b>60</b>	<b>16</b>	<b>7</b>	<b>698</b>	<b>Total Net Book Value at 31 March</b>	<b>616</b>	<b>57</b>	<b>15</b>	<b>6</b>	<b>694</b>

## Depreciation

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

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

## Revaluations

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

Financial Year	Valuer	Value £000	Total £000
<b>Carried at Valuation:</b>			
2011/12	Bonhams International Auctioneers & Valuers		616
2012/13	Treasure Valuation Committee	49	
	Authority's Museum Curator	2	
<b>Total value of assets valued in 2012/13</b>			51
2013/14	Authority's Museum Curator		7
<b>Total value of assets valued in 2014/15</b>			0
2015-16	Treasure Valuation Committee		1
<b>Total value of assets valued in 2016/17</b>			0
2017/18	Bonhams International Auctioneers & Valuers	8	
	Authority's Museum Curator	4	
<b>Total value of assets valued in 2017/18</b>			12
2018/19	Authority's Museum Curator	1	
<b>Total value of assets valued in 2018/19</b>			1
<b>Assets carried at historical cost</b>			6
<b>Net Book Value at 31 March 2019</b>			<b>694</b>

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

## Heritage Assets – Summary of transactions

	2017/18	2018/19
	£000	£000
<b>Opening GBV at 1<sup>st</sup> April</b>	716	728
<b>Value of Heritage Assets Acquired/Donation/Valuation</b>		
Historic Collection	12	1
<b>Total at 31 March</b>	<b>728</b>	<b>729</b>
<b>Accumulated Depreciation and Revaluation</b>		
Opening balance at 1 April	(26)	(30)
New Statues and Herbert Leigh	(4)	(5)
War Memorials (Cost)	-	-
<b>Total Accumulated Depreciation &amp; Revaluation 31 March</b>	<b>(30)</b>	<b>(35)</b>
Net Book Value at 31 March – Valuation	691	688
Net Book Value at 31 March - Cost	7	6
<b>Total Net Book Value 31 March</b>	<b>698</b>	<b>694</b>

**Note 15. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

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

2017/18		2018/19
£000		£000
40,122	<b>Opening Capital Financing Requirement</b>	40,345
	<b>Capital investment</b>	
2,042	Property, Plant and Equipment	2,737
2,119	Revenue Expenditure Funded from Capital under Statute	811
	<b>Sources of finance</b>	
(338)	Capital receipts reserve	(782)
(2,368)	Government grants and other contributions	(882)
(1,320)	Use of Major Repairs Reserve	(1,553)
(127)	Contributions from earmarked reserves	(331)
(8)	Revenue contribution to capital outlay	-
(521)	Minimum Revenue Provision from General Fund	(526)
(870)	Voluntary Revenue Provision from the Housing Revenue Account	(817)
	<b>Cluster of Empty Homes</b>	
221	Cluster of Empty Homes loan repayment	221
	<b>Finance lease</b>	
1,393	Finance lease embedded in waste management contract (Note 16)	(221)
40,345	<b>Closing Capital Financing Requirement</b>	39,002
	<b>Explanation of movements in year</b>	
(521)	Decrease in underlying General Fund need to borrow	(526)
(870)	Decrease in underlying Housing Revenue Account need to borrow	(817)
221	Cluster of Empty Homes loan	221
1,393	Finance lease embedded in waste management contract (Note 16)	(221)
223	<b>Increase/(decrease) in Capital Financing Requirement</b>	(1,343)

**Note 16. LEASES**Authority as Lessee - Finance Leases

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

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

As at 31 March 2018				As at 31 March 2019		
Minimum lease payment	Finance charges	Present value		Minimum lease payment	Finance charges	Present value
£000	£000	£000		£000	£000	£000
251	31	220	Not more than one year	251	26	225
1,005	73	932	Later than one year and not later than five years	1,004	53	951
251	5	246	Later than five years	-	-	-
<b>1,507</b>	<b>109</b>	<b>1,398</b>		<b>1,255</b>	<b>79</b>	<b>1,176</b>

#### Authority as Lessee - Operating Leases

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

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

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

As at 31 March 2018		As at 31 March 2019
£000		£000
99	Not more than one year	54
53	Later than one year and not later than five years	-
-	Later than five years	-
<b>152</b>		<b>54</b>

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

As at 31 March 2018		As at 31 March 2019
£000		£000
6	Minimum lease payments	4
(24)	Sublease receipts	(23)
<b>(18)</b>		<b>(19)</b>

### Authority as Lessor - Operating Leases

The authority leases out property under operating leases for the provision of community services and for economic regeneration purposes to provide suitable affordable premises for local businesses. From August 2018 the Park Leisure Centre was leased to Life Leisure as the new operator of the facility on a 15 year peppercorn lease.

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

31 March 2018		31 March 2019
£000		£000
(992)	Not more than one year	(959)
(1,454)	Later than one year and not later than five years	(1,394)
(566)	Later than five years	(471)
<b>(3,012)</b>		<b>(2,824)</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018/19 £37k of contingent rents were receivable by the authority (£57k in 2017/18).

### Note 17. FINANCIAL INSTRUMENTS

#### Categories of Financial Instruments

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

Non-Current 31 March 2018	Current 31 March 2018	Amortised Cost	Non-Current 31 March 2019	Current 31 March 2019
£000	£000		£000	£000
		<b>Investments</b>		
-	20,083	Cash, cash equivalents and investments	-	20,997
		<b>Debtors</b>		
1,178	1,246	Loans and receivables	1,015	1,349
<b>1,332</b>	<b>21,329</b>	<b>Financial Assets</b>	<b>1,015</b>	<b>22,346</b>
		<b>Borrowings</b>		
(37,479)	(1,494)	Financial liabilities at amortised cost	(36,479)	(1,494)
		<b>Other Liabilities</b>		
(1,178)	(220)	Finance lease liabilities	(952)	(225)
		<b>Creditors</b>		
-	(1,623)	Financial liabilities carried at contract amount	-	(1,299)
<b>(38,657)</b>	<b>(3,337)</b>	<b>Financial Liabilities</b>	<b>(37,431)</b>	<b>(3,018)</b>



### Material Soft Loans Made by the Authority

The long term debtor relates to two interest free loans advanced from the Cluster of Empty Homes funding for the purpose of bringing empty homes back into use. A loan of £312k was advanced in 2013/14 and £1.9m in 2015/16 and both are repayable over 10 years; these are represented on the Balance Sheet at the 31 March 2019 as:

31 March 2018	Cluster of Empty Homes loans	31 March 2019
£000		£000
1,178	Long term debtor for principal due beyond the next 12 months	1,016
154	Short term debtor for repayments due in the next 12 months	162
296	Financial Instrument Adjustment Account for the interest on remaining repayments	229
584	Usable Capital Receipts	805
<b>2,212</b>	<b>Total advance</b>	<b>2,212</b>

The interest rate at which the fair value of these soft loans has been made is arrived at by assessing that an unsubsidised interest rate would have been 5%.

### Income, Expense, Gains and Losses

2017/18				2018/19		
Financial liabilities measured at amortised cost	Financial assets measured at amortised cost	Total		Financial liabilities measured at amortised cost	Financial assets measured at amortised cost	Total
£000	£000	£000		£000	£000	£000
1,486	-	1,486	Total expense in (Surplus) or Deficit on the Provision of Services: interest expense	1,466	-	1,466
-	(200)	(200)	Total income in (Surplus) or Deficit on the Provision of Services: interest income	-	(264)	(264)
<b>1,486</b>	<b>(200)</b>	<b>1286</b>	<b>Net (gain)/loss for the year</b>	<b>1,466</b>	<b>(264)</b>	<b>1,202</b>

### Fair Values of Assets and Liabilities

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

- The fair value of Public Works Loan Board (PWL) loans of £46.977m is based on new borrowing rates from the PWLB as the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets.

A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare with the premature redemption borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £36.479m would be valued at £53.591m. If the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for

early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £10m.

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

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

31 March 2018			31 March 2019	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
21,329	21,329	Loans and receivables short-term	22,346	22,346
1,178	1,178	Loans and receivables long-term	1,015	1,015
(37,479)	(46,991)	Borrowings long-term	(36,479)	(46,977)
(1,494)	(1,497)	Borrowings short-term	(1,494)	(1,497)
(1,178)	(1,178)	Other long-term liabilities	(952)	(952)
(220)	(220)	Other short-term liabilities	(225)	(225)
(1,623)	(1,623)	Creditors	(1,299)	(1,299)
<b>(19,487)</b>	<b>(29,002)</b>	<b>Total</b>	<b>(17,088)</b>	<b>(27,589)</b>

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 2019) arising from a commitment to pay interest to lenders below current market rates.

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

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

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

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

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

#### Credit Risk

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

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by

Fitch and Moody's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

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

- Minimum credit rating of F1 short-term (Fitch or equivalent)
- UK institutions provided with support from the UK Government
- Building societies limited by value based on their asset size.

The authority's maximum exposure to credit risk in relation to its investments in building societies of £18m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the authority's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

No credit limits were exceeded during the reporting period. The potential expected credit loss for the authority's investments held at the 31 March 2019 has been estimated as £12k; this is de minimus and is not included in the authority financial statements. There is no history of default from the Cluster of Empty Homes loans and these loans are secured; no credit loss has been recognised in the financial statements.

The authority does not generally allow credit for customers, but some of the current balance is past its due date for payment. The past due amount can be analysed by age as follows and is predominantly short term at 31 March 2019:

31 March 2018		31 March 2019
£000		£000
186	Less than three months	175
85	Three to six months	29
19	Six months to one year	42
65	More than one year	72
<b>355</b>	<b>Outstanding debt</b>	<b>318</b>
123	Provision for expected credit loss	124
35%	Percentage of provision	39%

#### 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 2018		31 March 2019
£000		£000
1,000	Less than 1 year	1,000
1,000	Between 1 and 2 years	1,000
3,000	Between 2 and 5 years	3,000
5,000	Between 5 and 10 years	5,000
7,350	Between 10 and 15 years	6,850
8,500	Between 15 and 20 years	8,239
239	Between 20 and 25 years	-
-	Between 25 and 30 years	-
8,795	Between 30 and 35 years	12,390
3,595	Between 35 and 40 years	-
<b>38,479</b>		<b>37,479</b>

This maturity analysis includes the long and short term PWLB debt outstanding at the Balance Sheet dates.

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

#### Market Risk

##### Interest Rate Risk

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

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

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

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

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

31 March 2018		31 March 2019
£000		£000
(5,869)	Decrease in fair value of fixed rate borrowings liability	(5,798)

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

*Price Risk*

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

*Foreign Exchange Risk*

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

**Note 18. SHORT TERM DEBTORS**

The short term debtors held by the authority consist of:

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
779	Central government bodies	1,086
531	Other local authorities	1,418
1,779	Other entities and individuals	2,237
<b>3,089</b>	<b>Total</b>	<b>4,741</b>

**Note 19. CASH AND CASH EQUIVALENTS**

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

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
2	Cash held by the authority	1
3,051	Bank current accounts	2,956
1	Interest income bank current accounts	1
<b>3,054</b>	<b>Total Cash and Cash Equivalents</b>	<b>2,958</b>

**Note 20. SHORT TERM CREDITORS**

The short term creditors held by the authority consist of:

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
(1,225)	Central government bodies	(1,635)
(994)	Other local authorities	(1,049)
(2,628)	Other entities and individuals	(2,460)
<b>(4,847)</b>	<b>Total</b>	<b>(5,144)</b>

**Note 21. PROVISIONS**

The provisions held by the authority consist of:

	<b>Business Rate Appeals Provision</b>	<b>MMI Provision</b>	<b>Early Retirement Provision</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2018</b>	<b>(546)</b>	<b>(10)</b>	<b>(4)</b>	<b>(560)</b>
Increase in provision in 2018/19	(41)	-	-	(41)
Amounts used in 2018/19	8	-	2	10
Reduction in provision in 2018/19	-	6	-	6
<b>Balance at 31 March 2019</b>	<b>(579)</b>	<b>(4)</b>	<b>(2)</b>	<b>(585)</b>

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

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

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

**Note 22. UNUSABLE RESERVES**

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
(45,041)	i. Revaluation Reserve	(46,760)
(79,667)	ii. Capital Adjustment Account	(77,092)
296	iii. Financial Instruments Adjustment Account	229
27,756	iv. Pensions Reserve	30,099
201	v. Collection Fund Adjustment Account	(212)
45	vi. Accumulated Absences Account	52
<b>(96,410)</b>	<b>Total Unusable Reserves</b>	<b>(93,684)</b>

**i. Revaluation Reserve**

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

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

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

2017/18		2018/19	
£000		£000	£000
<b>(42,010)</b>	<b>Balance at 1 April</b>		<b>(45,041)</b>
(7,066)	Upward revaluation of assets	(6,403)	
2,880	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	3,216	
<b>(4,186)</b>	<b>(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services</b>		<b>(3,187)</b>
957	Difference between fair value depreciation and historical cost depreciation	1,274	
198	Accumulated gains on assets sold & derecognised	194	
<b>1,155</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>1,468</b>
<b>(45,041)</b>	<b>Balance at 31 March</b>		<b>(46,760)</b>

## ii. Capital Adjustment Account

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

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

2017/18		2018/19	
£000		£000	£000
(81,020)	<b>Balance at 1 April</b>		<b>(79,667)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
3,943	▪ Charges for depreciation and impairment of non-current assets	4,132	
-	▪ Increase in Major Repairs Reserve for depreciation on non-dwelling assets	-	
1,120	▪ Revaluation (gains) and losses on Property, Plant and Equipment	(368)	
2,119	▪ Revenue expenditure funded from capital under statute	811	
878	▪ 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	4,359	
(1,155)	Adjusting amounts written out of the Revaluation Reserve	(1,468)	
<b>6,905</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>7,466</b>
	Capital financing applied in the year:		
(338)	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(782)	
(1,320)	▪ Use of the Major Repairs Reserve to finance capital expenditure	(1,553)	
(1,217)	▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(874)	
(1,151)	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	(8)	
-	▪ Application of grants to capital financing from the Capital Grants Unapplied Account – Cluster of Empty Homes advance	-	
221	▪ Unapplied grants released to Capital Receipts Reserve	221	
(742)	▪ Statutory provision for the financing of capital investment charged against the General Fund balance	(747)	
(870)	▪ Voluntary provision for the financing of capital investment charged against the HRA Fund balance	(817)	
(127)	▪ Use of earmarked reserves to finance new capital expenditure	(331)	
(8)	▪ Capital expenditure charged against the General Fund balance		<b>(4,891)</b>
<b>(79,667)</b>	<b>Balance at 31 March</b>		<b>(77,092)</b>

### 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.

2017/18		2018/19
£000		£000
<b>369</b>	<b>Balance at 1 April</b>	<b>296</b>
(73)	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	(67)
<b>296</b>	<b>Balance at 31 March</b>	<b>229</b>



#### iv. Pensions Reserve

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

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

2017/18		2018/19
£000		£000
<b>32,555</b>	<b>Balance at 1 April</b>	<b>27,756</b>
(5,259)	Actuarial (gains) or losses on pensions assets and liabilities	2,584
2,617	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	1,949
(2,157)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,190)
<b>27,756</b>	<b>Balance 31 March</b>	<b>30,099</b>

International Accounting Standard (IAS) 19 requires the authority to account for its liability under the pension (defined benefits) scheme as it arises. The authority is a member of the Cumbria Local Government Pension Scheme Fund. At 31 March 2019, the actuarial valuation showed a net liability of £30.099m (2017/18 £27.756m). This is explained in detail in Note 35 to the accounting statements. Part of the authority's employer contributions to the Fund is to recover this deficit. The deficit on the pension scheme has varied substantially in recent years and reflects the volatile nature of financial markets. The deficit at 31 March 2019 was £30.099m, an increase of £2.343m during 2018/19.

#### v. Collection Fund Adjustment Account

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

2017/18				2018/19		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000		£000	£000	£000
(251)	806	555	<b>Balance at 1 April</b>	(158)	359	201
93	(447)	(354)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	157	(570)	(413)
(158)	359	201	<b>Balance at 31 March</b>	(1)	(211)	(212)

#### vi. Accumulated Absences Account

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

2017/18		2018/19
£000		£000
70	<b>Balance at 1 April</b>	45
(25)	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.	7
45	<b>Balance at 31 March</b>	52

#### Note 23. OTHER LONG TERM LIABILITIES

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

2017/18		2018/19
£000		£000
(27,756)	Pension scheme liabilities	(30,099)
(77)	Compulsory purchase proceeds	(77)
(1,178)	Finance lease liability	(951)
(29,011)	<b>Total</b>	(31,127)

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

## Note 24. CONTINGENT LIABILITIES

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The authority has identified the following contingent liabilities as at 31 March 2019:

### MMI Scheme of Arrangement

The Scheme of Arrangement was enacted in 2012/13. The liability upon the authority as a scheme creditor cannot be fully estimated at this stage for unknown claims incurred but not reported between 1974 and 1992. Whilst the authority has considered the financial impact in producing its Statement of Accounts there is a risk that the authority's financial liability could increase from this level. The Council has set aside £0.44m in reserves against potential future claims and the potential increase in the 25% levy set by the Scheme administrators; the levy is set to achieve a solvent run off for MMI.

### Business Rate Appeals

The authority has made a provision for Business Rate Appeals based upon its best estimates of the actual liability as at the year-end in known appeals against the 2005 and 2010 Rating Lists. The authority has added a prudent provision for appeals against the 2017 Rating List; no appeals are currently lodged. It is not possible to quantify appeals that have not been yet been lodged with the Valuation Office Agency and the 2017 Rating List brought a new process for lodging appeals; there is little experience of this in operation. There is a risk to the authority that national and local appeals may have a future impact on the accounts.

### Park Leisure Centre

From the 1 August 2018, the Park Leisure Centre has been operated by Stockport Sports Trust trading as Life Leisure. The staff that worked at the Centre were transferred to Life Leisure under the Transfer of Undertakings (Protection of Employment) regulations and the tender specified Local Government Pension Scheme (LGPS) admitted body status (closed scheme). In respect of the LGPS, the contractors ongoing contributions are subject to a cap and collar to deal with fluctuations in the employer pension costs. The authority is responsible for any exit debt at the end of the contract term and has identified reserves in 2018/19 and 2019/20 for that potential. The next triennial valuation will inform a review of the reserve as this is currently based on the original valuation by the actuaries performed in November 2017 and the actuarial statement for the authority at the 31 March 2019.

The authority leases the Park Leisure Centre facility to Life Leisure and this includes repairs and maintenance apart from costs related to the roof and structure of the facility that are not otherwise identified in the planned maintenance schedule provided with the tender. The authority has identified reserves in 2018/19 and 2019/20 to mitigate any potential liabilities during the 15 year leisure operating contract.

### Local Government Pension Scheme

A ruling has been made regarding age discrimination arising from public sector pension scheme transition arrangements. Court of Appeal judgements were made in cases affecting judges' pensions and firefighter pensions which had previously been considered by employment tribunals. The rulings have implications for the LGPS, Police and Fire schemes since similar reforms were implemented.

The pension fund actuary has estimated the potential impact for the authority as £477k; essentially this assumes the impact would apply to actives who were members of the Fund at 1 April 2012 however the number of members who will ultimately be affected will depend on the remedy agreed by the Government and the individual member's circumstances.

**Note 25. CONTINGENT ASSETS**

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

**Note 26. LONG TERM DEBTORS**

The long term debtors held by the authority consist of:

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
160	Property rents	123
1,178	Cluster of Empty Homes loan principal	1,016
<b>1,338</b>	<b>Total</b>	<b>1,139</b>

**Note 27. CASH FLOW STATEMENT – ADJUSTMENTS TO THE NET (SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS**

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

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
(3,943)	Depreciation	(4,132)
(1,120)	Revaluation losses and gains on previous losses	369
107	(Increase)/decrease in impairment for bad debts	90
(15)	(Increase)/decrease in provisions	(25)
923	(Increase)/decrease in creditors	155
288	Increase/(decrease) in debtors	732
(6)	Increase/(decrease) in inventories	7
(460)	Movement in pension liability	241
(878)	Carrying amount of non-current assets sold or derecognised	(4,358)
74	Clusters of Empty Homes soft loan interest	67
<b>(5,030)</b>		<b>(6,854)</b>

**Note 28. CASH FLOW STATEMENT – ADJUSTMENTS FOR ITEMS INCLUDED IN THE NET (SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES THAT ARE INVESTING AND FINANCING ACTIVITIES**

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

2017/18		2018/19
£000	Investing	£000
950	Proceeds from the sale of property, plant and equipment	1,161
792	Other receipts from investing activities	-
<b>1,742</b>		<b>1,161</b>

**Note 29. CASH FLOW STATEMENT – OPERATING ACTIVITIES**

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

2017/18		2018/19
£000		£000
(114)	Interest received	(188)
1,450	Interest paid	1,435

**Note 30. CASH FLOW STATEMENT – INVESTING ACTIVITIES**

The investing activities consist of:

2017/18		2018/19
£000		£000
2,027	Purchase of property, plant and equipment	2,537
37,000	Purchase of short-term investments	40,000
(950)	Proceeds from the sale of property, plant and equipment	(1,161)
(35,000)	Proceeds from short-term investments	(39,000)
(792)	Other receipts from investing activities	-
(221)	Cluster of Empty Homes loan repayments	(221)
<b>2,064</b>	<b>Net cash flows from investing activities</b>	<b>2,155</b>

**Note 31. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

The financing activities consist of:

2017/18		2018/19
£000		£000
(375)	Agency transactions relating to business rates and council tax (billing authority)	542
216	Principal transactions relating to finance lease	225
1,000	Loan repayment - PWLB	1,000
<b>841</b>	<b>Net cash flows from financing activities</b>	<b>1,767</b>

**Note 32. RELATED PARTIES**

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

Central Government

Central government has effective control over the general operations of the authority – it is responsible for providing the statutory framework within which the authority operates and provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (such as council tax bills and housing benefits). Grant receipts outstanding at 31 March 2019 are disclosed in Note 18 and grant income for 2018/19 is disclosed in Note 12.

Members

Members of the Council have direct control over the authority's financial and operating policies. One member is on the Trust Board of Citizens Advice Bureau, one member is the Treasurer and one member a member at Barrow & District Disability Association and one member is a trustee and one member the chair of Women's Community Matters. Barrow Borough Council awarded grants of £99k to Citizens Advice Bureau, £15k to Barrow & District Disability Association and £41k to Women's Community Matters. The members were not involved in the decisions that led to the grants being awarded.

The total of members' allowances paid in 2018/19 is shown in Note 33. There are no balances outstanding at the 31 March 2019. Details of the entities that members are involved with are recorded in the Register of Members Interests which can be found on the Council's website listed under each member.

Officers

Officers of the Council have direct control over the authority's finances and operational decisions. There are no balances outstanding at the 31 March 2019.

**Note 33. MEMBERS' ALLOWANCES**

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

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
86	Basic allowances	91
29	Extra responsibility allowance	29
8	Expenses	8
<b>123</b>	<b>Total</b>	<b>128</b>

The Mayor of the Borough also receives an honorarium for their year of office to cover mayoral duties and civic receptions. The honorarium for 2018/19 was £5k (£4k for 2017/18).

**Note 34. OFFICERS' REMUNERATION**

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

		<b>Salary &amp; car allowance</b>	<b>Pension Contribution</b>	<b>Total</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
Executive Director*	2018/19	95	15	110
	2017/18	97	15	112
Director of Resources	2018/19	78	12	90
	2017/18	77	12	89

\*The Executive Director retired with effect from 15 March 2019 and was not replaced in 2018/19 financial year. The figures shown are the actual amounts paid in the year.

**Remuneration Bands**

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

<b>2017/18</b>		<b>Remuneration Band</b>	<b>2018/19</b>	
<b>Number of Employees</b>	<b>Number leaving in the year</b>		<b>Number of Employees</b>	<b>Number leaving in the year</b>
3	-	£50,000 - £54,999	2	-
1	1	£55,000 - £59,999	-	-
-	-	£60,000 - £64,999	-	-
-	-	£65,000 - £69,999	-	-
-	-	£70,000 - £75,999	-	-
-	-	£76,000 - £79,999	-	-
-	-	£80,000 - £85,999	-	-

The Assistant Director Housing retired with effect from 31 July 2018 and their replacement was appointed with effect from 1 July 2018. Neither post holder received more than £50,000 in remuneration in 2018/19.

Exit Packages

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

2017/18		Exit package cost band	2018/19	
Number	Cost		Number	Cost
	£000			£000
-	-	£0 - £20,000	1	5
1	35	£20,001 - £40,000	-	-
-	-	£40,001 - £60,000	-	-
-	-	£60,001 - £80,000	-	-
-	-	£80,001 - £100,000	-	-
1	35	<b>Total</b>	1	5

Termination Benefits

The authority agreed the departure of 1 employee in 2018/19, incurring liabilities of £5k (1 employee in 2017/18 incurring liabilities of £37k).

**Note 35. DEFINED BENEFIT PENSION SCHEMES****Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pensions Scheme, run by Cumbria County Council – this is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liability with investment assets. The benefits payable in respect of service from 1 April 2014 are based on career average revalued earnings and the number of years of eligible service.

**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:

2017/18		2018/19	
£000		£000	£000
	<b>Comprehensive Income and Expenditure Statement</b>		
	<i>Cost of Services:</i>		
1,699	▪ current service cost	1,685	
103	▪ curtailments	56	
-	▪ settlements	(487)	
-	▪ past service costs	-	
	<i>Financing and Investment Income and Expenditure</i>		
2,959	▪ interest on pension liabilities	2,952	
(2,173)	▪ interest on plan assets	(2,288)	
	<i>Other operating expenses</i>		
29	▪ administration expenses	31	
<b>2,617</b>	<b>Total Post-Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services</b>		<b>1,949</b>
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
(5,259)	▪ re-measurements (liabilities and assets)		2,584
<b>(2,642)</b>	<b>Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Account</b>		<b>4,533</b>

	<b>Movement in Reserves Statement:</b>	
(2,617)	▪ reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(1,949)
	<i>Actual amounts charged against the General Fund balance for pensions in the year</i>	
2,157	▪ Employers' contributions payable to the scheme	2,190

Pensions Assets and Liabilities Recognised in the Balance Sheet

2017/18		2018/19
£000		£000
(117,320)	Present value of the defined benefit obligation	(121,910)
89,564	Fair value of plan assets	91,811
<b>(27,756)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(30,099)</b>

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

2017/18		2018/19
£000		£000
87,641	Opening fair value of scheme assets	89,564
2,173	Interest on plan assets	2,288
1,238	Re-measurements (assets)	3,057
(29)	Administration expenses	(31)
-	Settlements	(1,107)
2,157	Employer contributions	2,190
316	Member contributions	337
(3,932)	Benefits/transfers paid	(4,487)
<b>89,564</b>	<b>Closing fair value of scheme assets</b>	<b>91,811</b>

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

2017/18		2018/19
£000		£000
(120,196)	Benefit obligation at the beginning of the period	(117,320)
(1,699)	Current service cost	(1,685)
(2,959)	Interest on pension liabilities	(2,952)
(316)	Member contributions	(337)
0	Re-measurements (liabilities):	0
4,021	▪ Experience gain/(loss)	(5,641)
0	▪ Gain/(loss) on financial assumptions	0
0	▪ Gain/(loss) on demographic assumptions	0
(103)	Curtailments	(56)
0	Settlements	1,594
0	Past service costs	0
3,932	Benefits/transfers paid	4,487
<b>(117,320)</b>	<b>Benefit obligation at the end of the period</b>	<b>(121,910)</b>

Pension scheme assets comprised:

Period Ended 31 March 2018					Period Ended 31 March 2019			
Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total assets	Asset category	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total assets
£000	£000	£000			£000	£000	£000	
				Equities				
11,375	-	11,375	12.7%	UK quoted	8,631	-	8,631	9.4%
-	-	0	0.0%	UK unquoted	-	-	0	0.0%
19,167	-	19,167	21.4%	Global quoted	19,831	-	19,831	21.6%
-	985	985	1.1%	UK equity pooled	918	-	918	1.0%
-	12,987	12,987	14.5%	Overseas equity pooled	-	12,945	12,945	14.1%
-	-	0	0.0%	Equity protection		1,194	1,194	1.3%
				Bonds				
5,284	-	5,284	5.9%	UK corporate bonds	5,600	-	5,600	6.1%
269	-	269	0.3%	Overseas corporate bonds	184	-	184	0.2%
-	-	0	0.0%	UK corporate bonds pooled	-	-	0	0.0%
-	15,674	15,674	17.5%	UK Government indexed pooled	-	16,434	16,434	17.9%
				Property				
5,732	-	5,732	6.4%	UK	-	5,784	5,784	6.3%
-	2,597	2,597	2.9%	Property funds	-	2,754	2,754	3.0%
				Alternatives				
-	2,150	2,150	2.4%	Hedge funds	-	-	0	0.0%
-	5,732	5,732	6.4%	Private equity funds	-	2,663	2,663	2.9%
-	537	537	0.6%	Infrastructure funds	-	7,161	7,161	7.8%
-	1,970	1,970	2.2%	Real Estate debt funds	-	459	459	0.5%
-	-	0	0.0%	Private debt funds	-	2,203	2,203	2.4%
-	358	358	0.4%	Healthcare Royalties	-	551	551	0.6%
				Cash				
-	-	0	0.0%	Cash instruments	-	-	0	0.0%
4,747	-	4,747	5.3%	Cash accounts	4,407	-	4,407	4.8%
-	-	0	0.0%	Net current assets	-	92	92	0.1%
46,574	42,990	89,564	100%	Total	39,571	52,240	91,811	100%

#### Basis for Estimating Assets and Liabilities

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

The Local Government Pension Scheme has been assessed by Mercer Limited an independent firm of actuaries, estimates for the County Council Fund being based on the latest actuarial valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary have been:

2017/18		2018/19
	<b>Mortality assumptions:</b>	
	Longevity at 65 for future pensioners:	
25.5	▪ Men	25.6
28.5	▪ Women	28.6
	Longevity at 65 for current pensioners:	
23.2	▪ Men	23.3
25.8	▪ Women	25.9

2017/18		2018/19
	<b>Financial assumptions:</b>	
2.1%	Rate of CPI inflation	2.2%
3.6%	Rate of increase in salaries	3.7%
2.2%	Rate of increase in pensions	2.3%
2.6%	Rate for discounting scheme liabilities	2.4%

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

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

	Increase in Assumption	Decrease in Assumption
	£000	£000
Rate for discounting scheme liabilities (increase by 0.1%)	-	1,915
Rate of inflation (increase by 0.1%)	1,946	-
Rate of increase in salaries (increase by 0.1%)	234	-
Longevity (increase by 1 year)	2,444	-

#### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2019.

The authority is expected to pay £2.213m in contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 16 years, 2018/19 (16 years 2017/18).

**Note 36. EXTERNAL AUDIT COSTS**

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

2017/18		2018/19
£000		£000
51	Fees payable to external audit with regard to external audit services carried out by the appointed auditor for the year	39
16	Fees payable to external audit for the certification of grant claims and returns for the year	9
<b>67</b>	<b>Total</b>	<b>48</b>

**Note 37. TRUST FUNDS**

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

2017/18		2018/19
£000		£000
79	Assets	79
(7)	Gross Income	(3)
8	Gross Expenditure	2
<b>1</b>	<b>Net (surplus) or deficit for the year</b>	<b>(1)</b>

## Housing Revenue Account Income and Expenditure Statement

2017/18			2018/19
£000		Note	£000
	<b>Expenditure</b>		
3,060	Repairs and maintenance		3,083
3,304	Supervision and management		3,219
4	Rents, rates, taxes and other charges		6
2,897	Depreciation, impairment and revaluation of dwellings	5	1,503
158	Depreciation and revaluation of other HRA property	6	248
13	Debt management costs		12
143	Movement in the allowance for bad debts		137
<b>9,579</b>	<b>Total Expenditure</b>		<b>8,208</b>
	<b>Income</b>		
(10,053)	Dwelling rents		(9,843)
(378)	Non-dwelling rents		(387)
(1,198)	Charges for services and facilities		(1,347)
<b>(11,629)</b>	<b>Total Income</b>		<b>(11,577)</b>
<b>(2,050)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(3,369)</b>
240	HRA services' share of Corporate and DRC		230
(1)	HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services		(1)
<b>(1,811)</b>	<b>Net (Income)/Expenditure for HRA Services</b>		<b>(3,140)</b>
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(74)	Gain or (loss) on sale of HRA non-current assets		(104)
6	Pension administration expenses	11	7
964	Interest payable and similar charges		919
172	Pensions interest cost and expected return on pension assets	11	145
<b>(743)</b>	<b>(Surplus) or deficit for the year on HRA services</b>		<b>(2,173)</b>

### Movement on the HRA Statement

2017/18		2018/19
£000		£000
(1,443)	Balance on the HRA at the end of the previous year	(1,000)
(743)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(2,173)
(96)	Adjustments between accounting basis and funding basis under statute	1,206
8	Capital expenditure funded by the HRA	-
<b>(831)</b>	<b>(Increase) or decrease in the year on the HRA</b>	<b>(967)</b>
1,274	Transfer to or (from) earmarked reserves	967
(1,000)	Balance on the HRA at the end of the current year	(1,000)

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

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

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

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

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

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

Under self-financing the principles of the MRR are retained, but the MRA had been replaced with a locally derived amount. A five year transition period had finished at the end of the 2016-17 financial year whereby the authority has been able to:

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

From 2017/18 depreciation continues to be charged to the HRA as a proper accounting practice. However, the authority will no longer have the ability to charge any difference between the depreciation charge and the notional major repairs allowance to the major repairs reserve. This rule applies to all depreciation not just housing stock. Impairment and valuation gains and losses not covered by revaluation reserve in relation to HRA non-dwellings can now be reversed which follows the same rules as the housing stock.

## 2. Dwelling Stock

The dwelling stock held by the authority consists of:

	31 March 2018	Movements	31 March 2019
1 bed house	142	-	142
2 bed house	368	(2)	366
3+ bed house	851	(15)	836
<b>Total houses</b>	<b>1,361</b>	<b>(17)</b>	<b>1,344</b>
1 bed flat	935	(1)	934
2 bed flat	304	(1)	303
3+ bed flat	6	-	6
<b>Total flats</b>	<b>1,245</b>	<b>(2)</b>	<b>1,243</b>
<b>Dwelling stock</b>	<b>2,606</b>	<b>(19)</b>	<b>2,587</b>

## 3. HRA Non-Current Assets

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

31 March 2018		31 March 2019
£000		£000
70,788	Council dwellings	71,503
3,124	Land and buildings	3,059
118	Equipment	79
<b>74,030</b>	<b>HRA assets</b>	<b>74,641</b>

## 4. Vacant Possession of Dwellings

In accordance with Government guidance, the valuation of Council dwellings has been reduced by a regional adjustment factor in recognition of their status as social housing. The regional adjustment factor for the North West was changed in 2016/17 to 40%, an increase from 35% which was set in 2010/11. As a consequence the Council recognises dwellings at a value of £71.503m on the Balance Sheet. At vacant possession the same dwellings would have a value of £178.758m with the difference of £107.255m being the cost of providing Council housing at less than open market rents. The reduced Balance Sheet value for Council dwellings also reflects the secure tenancy rights which differ from other tenancies, including the Right to Buy and the right to assign the property or apply for a transfer.

31 March 2018		31 March 2019
£000		£000
70,788	Balance Sheet value EUV-SH	71,503
106,181	Difference of EUV-SH and EUV-VP	107,255
<b>176,969</b>	<b>Value of dwelling stock at EUV-VP</b>	<b>178,758</b>



## 5. Depreciation and Revaluation of Dwellings

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

2017/18		2018/19	
£000		£000	£000
1,465	Revaluation loss	217	
(517)	Reversal of previous revaluation loss	(610)	(393)
1,949	Depreciation for current year		1,896
<b>2,897</b>			<b>1,503</b>

## 6. Depreciation and Revaluation of Other HRA Property

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

2017/18		2018/19	
£000		£000	£000
(13)	Reversal of previous revaluation loss	-	
2	De-recognition of non-current asset	73	73
169	Depreciation for current year		175
<b>158</b>			<b>248</b>

## 7. HRA Capital Financing Requirement

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

2017/18		2018/19
£000		£000
<b>20,525</b>	<b>Opening Capital Financing Requirement</b>	<b>19,655</b>
	<b>Capital investment:</b>	
1,949	Council dwellings	1,553
	<b>Source of finance:</b>	
(1,949)	Major Repairs Reserve	(1,553)
(870)	Voluntary Revenue Provision – towards the repayment of HRA Debt	(817)
<b>19,655</b>	<b>Closing Capital Financing Requirement</b>	<b>18,838</b>
	<b>Explanation of movements in year</b>	
(870)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	(817)
<b>(870)</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(817)</b>

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

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

Although the calculation was originally performed to arrive at the subsidy charges for capital, the determination remains in force and the calculation for 2018/19 is set out in the following table:

2017/18		2018/19	
£000		£000	£000
	<b>Item 8 Credit</b>		
(2)	Discounts for early repayment of debt	(1)	
(516)	Reversal of previous year revaluation loss - dwellings	(610)	
(13)	Reversal of previous year revaluation loss – non dwellings	-	(611)
	<b>Item 8 Debit</b>		
866	Interest payable on external loans	851	
1,949	Depreciation of dwellings	1,896	
169	Depreciation of non-dwellings	175	
98	Interest payable on notional cash balances	68	
13	Debt management expenses	12	
1	Premium charges for early repayment of debt	1	
-	Transfers to the Major Repairs Reserve	-	
2	De-recognition on non-current assets	73	
1,465	Revaluation loss - dwellings	217	
-	Revaluation loss – non dwellings	-	3,293
<b>4,032</b>	<b>Item 8 Credit and Item 8 Debit</b>		<b>2,682</b>

## 9. HRA Non-Current Asset Disposals

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

2017/18		2018/19
£000		£000
753	Carrying value of dwellings sold	725
(827)	Sale proceeds from dwellings	(829)
<b>(74)</b>	<b>Net gain on disposals</b>	<b>(104)</b>

## 10. Major Repairs Reserve

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

The Major Repairs Reserve (MRR) represents balances carried forward.

2017/18		2018/19
£000		£000
	<b>MRR transfers in the year:</b>	
(1,949)	From HRA for dwellings depreciation	(1,896)
-	Difference between MRA and dwellings depreciation	-
<b>(1,949)</b>	<b>MRA for the year</b>	<b>(1,896)</b>
(169)	Increase for depreciation of non-dwelling assets	(175)
1,320	Capital expenditure financed by MRR	1,553
<b>(1,194)</b>	<b>Balance brought forward</b>	<b>(1,992)</b>
(1,992)	Balance carried forward	(2,510)

## 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:

2017/18		2018/19	
£000		£000	£000
	<b>HRA</b>		
	<i>Cost of Services:</i>		
344	▪ current service cost	298	
-	▪ curtailment costs	-	298
	<i>Financing and Investment Income and Expenditure</i>		
645	▪ interest cost	643	
(473)	▪ expected return on scheme assets	(498)	145
	<i>Other operating expenditure</i>		
6	▪ pension administration expenses		7
<b>522</b>	<b>Total Post Employment Benefit Charged to the HRA Income and Expenditure Account</b>		<b>450</b>

	<b>Movement in Reserves Statement</b>	
(522)	• reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(450)
	<i>Actual amounts charged against the HRA balance for pensions in the year</i>	
418	• employers' contributions payable to scheme	414

**12. Rent Arrears**

At 31 March 2019 the HRA rent arrears and the provision in respect of uncollectable debts was:

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
826	Arrears at year end	867
626	Allowance for impairment	644
<b>76%</b>	<b>Percentage of provision</b>	<b>74%</b>

**13. HRA Balance**

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

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

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
(1,000)	HRA fund balance	(1,000)
(1,274)	HRA earmarked reserves	(2,241)

2017/18				2018/19		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000		£000	£000	£000
			<b>Income</b>			
(32,831)	-	(32,831)	Income from Council Tax	(34,987)	-	(34,987)
-	(23,368)	(23,368)	Income collectable from business ratepayers	-	(24,418)	(24,418)
-	3,056	3,056	Transitional Protection Payment	-	2,330	2,330
<b>(32,831)</b>	<b>(20,312)</b>	<b>(53,143)</b>	<b>Total Income</b>	<b>(34,987)</b>	<b>(22,088)</b>	<b>(57,075)</b>
			<b>Expenditure</b>			
			<i>Precepts demand &amp; shares:</i>			
-	9,945	9,945	- Central Government	-	10,359	10,359
23,952	1,989	25,941	- Cumbria County Council	25,697	2,072	27,769
4,250	8,163	12,413	- Barrow Borough Council	4,513	8,445	12,958
4,128	-	4,128	- Cumbria Police & Crime Commissioner	4,490	-	4,490
			<i>Charged to the Collection Fund</i>			
(146)	(89)	(235)	- Write off of uncollectable amounts	(150)	(90)	(240)
273	245	518	- Impairment of debts	133	108	241
-	51	51	- Impairment of appeals	-	83	83
-	93	93	- Costs of collection	-	93	93
<b>32,457</b>	<b>20,397</b>	<b>52,854</b>	<b>Total Expenditure</b>	<b>34,683</b>	<b>21,070</b>	<b>55,753</b>
<b>(374)</b>	<b>85</b>	<b>(289)</b>	<b>(Surplus)/Deficit for the year</b>	<b>(304)</b>	<b>(1,018)</b>	<b>(1,322)</b>

Council Tax	Business Rates	Total	<i>Collection Fund balances</i>	Council Tax	Business Rates	Total
(1,463)	2,015	552	Balance brought forward at 1 April	(1,206)	897	(309)
631	(1,203)	(572)	Distribution of previous years (surplus)/deficit	1,496	(406)	1,090
<b>(374)</b>	<b>85</b>	<b>(289)</b>	<b>(Surplus)/Deficit for the year (as above)</b>	<b>(304)</b>	<b>(1,018)</b>	<b>(1,322)</b>
(1,206)	897	(309)	Balance carried forward at 31 March	(14)	(527)	(541)
			<i>Allocated to</i>			
(158)	359	201	- Barrow Borough Council	(1)	(211)	(212)
(893)	90	(803)	- Cumbria County Council	(8)	(53)	(61)
-	448	448	- Central Government	-	(263)	(263)
(155)	-	(155)	- Cumbria Police & Crime Commissioner	(5)	-	(5)
<b>(1,206)</b>	<b>897</b>	<b>(309)</b>	<b>Balance carried forward at 31 March</b>	<b>(14)</b>	<b>(527)</b>	<b>(541)</b>

## **Notes to the Collection Fund**

### **1. Collection Fund General Note**

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

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

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

### **2. Income from Business Ratepayers**

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

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

The business rates payable for 2018/19 were estimated before the start of the financial year as £10.359m to Central Government, £2.072m to Cumbria County Council and £8.288m to this authority. These sums have been paid in 2018/19 and charged to the collection fund in year. Barrow Borough Council also received £157k renewable energy scheme retained by the billing authority.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2019. As such authorities are required to make a provision for these amounts. Appeals are charged and provided for in the proportion of the precepting shares. The total net decrease of the provision charged to the collection fund for 2018/19 has been calculated at £186k

The total non-domestic rateable value at the 31 March 2019 was £53.85m (£53.59m at the 31 March 2018); the 2017 Rating List came into effect on 1 April 2017 and the authority's total non-domestic rateable value decreased as a result.

The national non-domestic rate multiplier for 2017/18 was 49.3 pence in the pound (47.9 pence in the pound for 2017/18).

A small business rate relief scheme was also introduced on the 1 April 2005 whereby, providing certain conditions are met, occupiers of properties with a rateable value of less than £15k pay a reduced rate of 48.0 pence in the pound (46.6 pence in the pound for 2017/18) and can also qualify for rate relief.

### **3. Bad and Doubtful Debts**

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

31 March 2018		31 March 2019
£000	Council Tax	£000
3,829	Arrears	4,120
2,108	Provision for bad and doubtful debts	1,940
55%	Percentage of provision	47%
	<b>Business ratepayers</b>	
1,445	Arrears	1,495
1,310	Provision for bad and doubtful debts	1,238
91%	Percentage of provision	83%

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

The Council's share of the balances are:

31 March 2018		31 March 2019
£000	Council Tax	£000
498	Arrears	529
274	Provision for bad and doubtful debts	249
55%	Percentage of provision	47%
	<b>Business ratepayers</b>	
578	Arrears	598
524	Provision for bad and doubtful debts	495
91%	Percentage of provision	83%

#### 4. Cumbria Business Rates Pool

From 1 April 2014, the authority participated in the Cumbria Business Rates Pool. The pool consists of Barrow Borough Council, Cumbria County Council, Carlisle City Council, Allerdale Borough Council, Copeland Borough Council, Eden District Council and South Lakeland District Council. The levy for 2018/19 is paid into the Cumbria Business Rates Pool and together the members share the levy and it is redistributed. Without the Pool the levy would be paid to DCLG and not retained in the area.

The total amount of retained growth kept by the Pool in 2018/19 is £6.246m. The retained levy for the authority paid into the pool was £680k and the distribution of the retained levy to the authority was £345k, these are shown within the Comprehensive Income and Expenditure Statement. The authority's share of the pool volatility reserve, £86k, is held in the Balance Sheet as an earmarked reserve.

#### 5. Council Tax Base

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

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

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

The Council Tax base for 2018/19 was 19,290 (18,698 for 2017/18). The tax base for 2018/19 was approved by Council on 1 March 2018. The collection rate was assumed to be 99% for 2018/19 (97% in 2017/18).

The Council Tax base for the year was set as:

2017/18 Band D equivalent number of chargeable dwellings	Band	Standard factor	2018/19 Band D equivalent number of chargeable dwellings
23	Disabled reductions		21
8,438	A	6/9	8,520
3,541	B	7/9	3,573
3,642	C	8/9	3,701
2,086	D	9/9	2,113
1,113	E	11/9	1,125
321	F	13/9	319
110	G	15/9	107
2	H	18/9	6
19,276	Equivalent chargeable dwellings		19,485
<b>18,698</b>	<b>2017/18 97% 2018/19 99% of which gives the Council Tax base</b>		<b>19,290</b>

The total of the precepts and demands on the collection fund is divided by the tax base to arrive at the band D Council Tax, and by applying the standard factor to each band the tax figures are calculated. The following table contains the council tax bandings for the main preceptors for 2018/19.

2017/18 Council Tax	Band	Property value	2018/19 Council Tax
£			£
1,149.15	A	Up to £39,999	1,195.64
1,340.68	B	£40,000 to £51,999	1,394.90
1,532.20	C	£52,000 to £67,999	1,594.17
<b>1,723.73</b>	<b>D</b>	<b>£68,000 to £87,999</b>	<b>1,793.45</b>
2,106.78	E	£88,000 to £119,999	2,192.00
2,489.83	F	£120,000 to £159,999	2,590.54
2,872.88	G	£160,000 to £319,999	2,989.09
3,447.46	H	£320,000 and over	3,586.90



## Independent auditor's report to the members of Barrow-in-Furness Borough Council

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Barrow-in-Furness Borough Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Income and Expenditure Statement and notes to the financial statements, including a summary of accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

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

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Resources use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

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

We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

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

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

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

### **Responsibilities of the Authority, the Director of Resources and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities set out on page 17, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources. The Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

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

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

## **Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Qualified conclusion**

On the basis of our work, having regard to the guidance issued by the Comptroller & Auditor General in November 2017, except for the effects of the matter described in the basis for qualified conclusion section of our report, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### **Basis for qualified conclusion**

Our review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources identified the following matter:

The work of Internal Audit has identified clear breaches of the Council's purchasing and contract standing orders. The most significant areas of non-compliance were:

- Contracts being allowed to 'roll over' rather than extensions being formally authorised.
- Failure to complete the Council's pre-contract checklist in a timely manner.
- Failure to conduct purchases over £100,000 in accordance with the Council's contract standing orders.
- Inadequate market testing to inform the procurement decision.

The Authority acknowledges that it needs to improve the robustness of its overarching procurement arrangements.

This matter is evidence of weaknesses in proper arrangements for informed decision making and working with partners and third parties, with a failure to demonstrate and apply the principles and values of sound governance in procurement decisions and ineffective procurement of supplies and services to support the delivery of strategic priorities.

### **Responsibilities of the Authority**

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

### **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

## Report on other legal and regulatory requirements - Certificate

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

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

***Gareth Kelly***

Gareth Kelly, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Glasgow

**19 September 2019**

**Resources Division**

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

**Housing Revenue Account**

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

**Central Services**

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

**Community Services Division**

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

**Regeneration & the Built Environment**

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

### **Accounting Policies**

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

### **Accruals Basis**

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

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

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

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

### **Amortisation**

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

### **Asset**

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

### **Asset register**

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

### **Audit of Financial Statements**

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

### **Balance Sheet**

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

### **Budget**

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

### **Capital Adjustment Account**

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

### **Capital contributions**

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

### **Capital expenditure**

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

**Capital Financing Requirement**

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

**Capital programme**

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

**Capital receipt**

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

**Capital Receipts Reserve**

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

**Capital resources**

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

**Cash Flow Statement**

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

**Collection Fund**

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

**Collection Fund Adjustment Account**

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

**Community Asset**

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

**Comprehensive Income and Expenditure Account**

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

**Contingent Asset**

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

**Contingent Liability**

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



### **Corporate and Democratic Core**

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

### **Creditors**

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

### **Current Asset**

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

### **Debtors**

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

### **Deferred Liability**

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

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

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

### **Depreciation**

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

### **Donated Asset**

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

### **Earmarked Reserves**

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

### **Employee Benefits**

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

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

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

Two types of events can be identified

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

### **Exceptional Items**

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

### **Fair Value**

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

### **Finance Lease**

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

### **Financial Instruments Adjustment Account**

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

### **Financial Regulations**

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

### **General Fund**

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

### **Government Grants**

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

### **Grants and Contributions**

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

### **Heritage Asset**

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

### **Housing Benefits**

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

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

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

**Impairment Loss**

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

**Intangible Asset**

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

**International Accounting Standards (IAS)**

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

**International Financial Reporting Standards (IFRS)**

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

**Investing Activities**

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

**Inventory**

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

**Investment Strategy**

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

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

This refers to the actual charges for capital in the HRA. A general determination of the Item 8 debit and credit is issued for 2012/13 onwards and was revised with effect from 1 April 2017. It is based on notional debt and interest calculated in accordance with the requirement of the determination.

**Lease**

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

**Liability**

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

**Major Repairs Reserve**

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

**Material**

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature and size of the omission or misstatement judged in the surrounding

circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

### **Members' Allowances**

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

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

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

### **Ministry of Housing, Communities and Local Government (MHCLG)**

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

### **Movement in Reserves Statement**

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

### **Non Current Asset**

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

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

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

### **Operating Activities**

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

### **Pension Reserve**

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

### **Precept**

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

### **Provision**

A provision is a liability of uncertain timing or amount.

### **Prudential Indicators**

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

### **Related Party**

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

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

### **Reporting Period**

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

### **Reserves**

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

### **Revaluation Reserve**

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

### **Revenue Expenditure**

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

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

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

### **Risk**

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

### **Risk management**

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

### **Statement of Accounts**

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

### **Treasury Management**

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

### **Trust Funds**

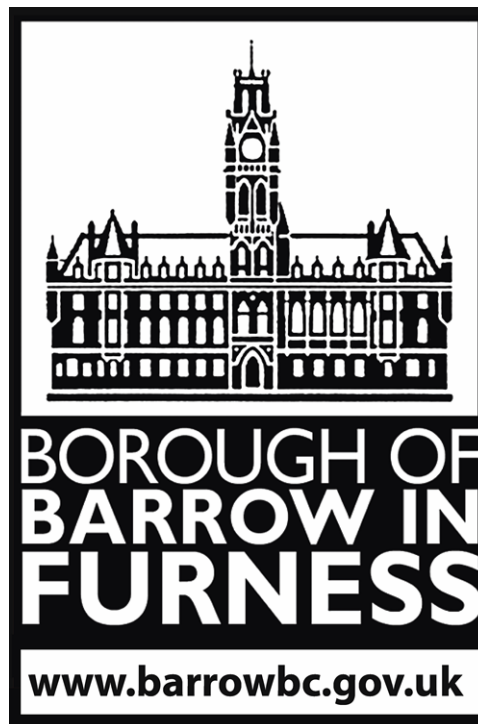
Trust Funds are funds administered by the authority on behalf of charitable organisations and/or specific organisations.

### **Usable Reserves**

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

**Write off**

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



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<b>Review Date:</b>	March 2020

## **Annual Governance Statement – 2018-2019**

### **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 and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

### **Governance**

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

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

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

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

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable and proportionate level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-



going process designed to identify and prioritise the risks to the achievement of Barrow Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

CIPFA has developed a framework for good governance in the public sector based on the 'International Framework: Good Governance in the Public Sector' which the Council works towards.

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

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

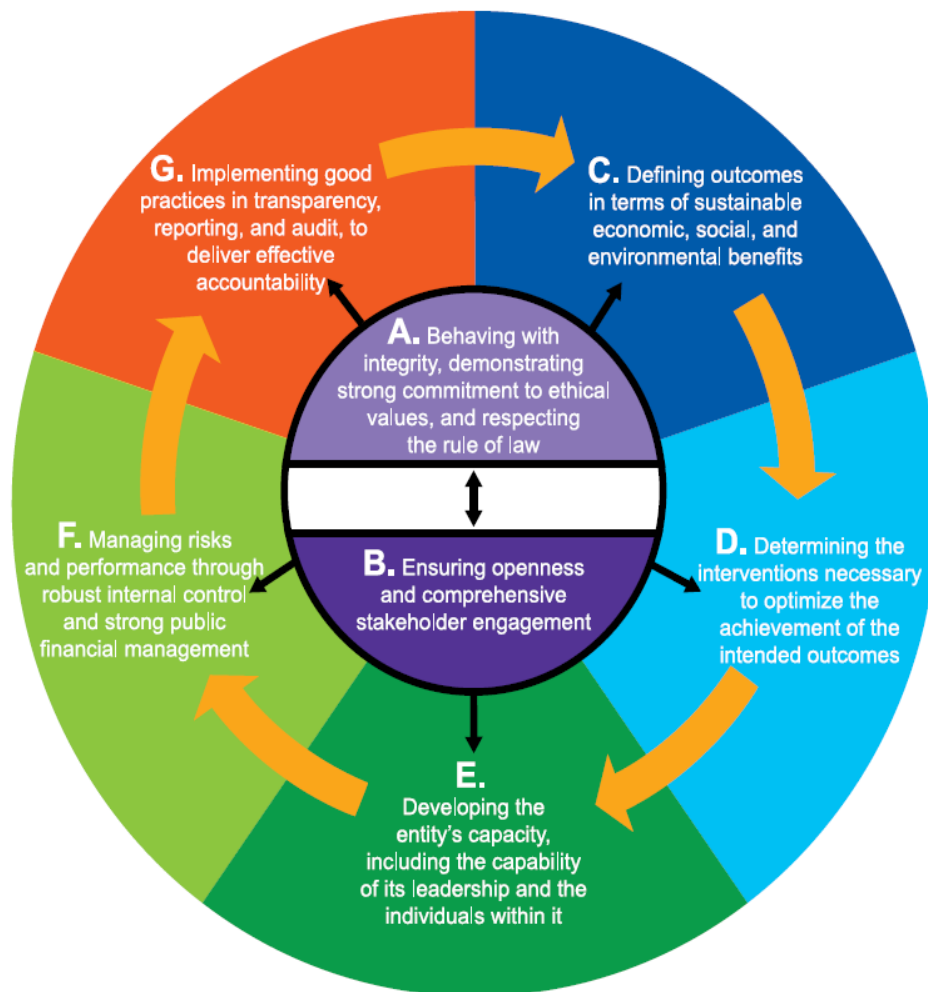
Our Local [Code of Corporate Governance](#) is the document that sets out the framework within which the Council conducts its business and affairs; it is based on seven principles of good governance.

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

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

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

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



## **Review of Effectiveness**

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

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

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

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

In order to demonstrate that the existing governance and control arrangements are fit for purpose and are complied with Corporate Support undertakes reviews of individual departments.

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

## **The Constitution**

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

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

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

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

We have adopted formal codes of conduct defining standards of personal behaviour for Members and Officers. The Democratic Services Manager (Monitoring Officer) monitors compliance with the Member's code of conduct. The Executive Director (Head of Paid Services) has overall responsibility for ensuring compliance with the officer's code of conduct. In March 2019 the Executive Director retired and the Director of Resource and an interim covered the role until the replacement started in May.

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

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

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

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

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

The Council will enable the Chief Financial Officer to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained. The Chief Financial Officer has responsibility for ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

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

## **Decision making process**

The Council Plan

The [Council Plan](#) is a strategic document under which the Council's other policy framework documents sit. It communicates the Council's Vision which specifies intended outcomes for the period from 2017 - 2020. The plan details how the Council will achieve the priorities which were identified by Elected Members in the interest of the public. The Council's Performance Plan

translates the vision into a course of action for the authority and its partnerships. The performance plan contains objectives for delivering the Council's priorities and indicators to monitor performance.

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

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

The Council will develop and retain a management structure that provides leadership and creates the opportunity for staff to work effectively and efficiently to achieve the Council objectives. We will provide training and support to enable staff to develop their skills so they can achieve their full potential. We will develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when external expert advice is needed. We will ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.

Members are provided with financial and performance reports on a regular basis which demonstrates how the Council achieves value for money.

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

During 2017/18 the Council made two significant decisions in relation to services and during 2018/19 the Park Leisure Centre was marketed and is now run by an external operator; and the Revenues and Benefits service was insourced after being operated by an external contractor for 20 years.

### Customer engagement

We strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes which meet the needs and expectations of the public. These arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands.

We have a customer service strategy which defines how we will engage with customers and other stakeholders and involve them in improving our services. An external review of customer engagement is planned for 2019/20 following insourcing of the Customer Services Department and the completion of an external review.

## Partnership working

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

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

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

## Managing risk

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

We ensure that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their job. The Council's risk register is agreed annually by the Executive Committee. The register is reviewed on a quarterly basis by Management Board and the output is reported to the Audit Committee. The responsibilities for managing risk are defined in the Council's Risk Policy.

## Managing performance

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

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

## Managing data

The Council undertook a review of data management in preparation for the implementation of the General Data Protection Regulation which has

delivered improvements to internal controls to facilitate compliance with the regulation.

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

## **Governance arrangements and internal control**

### **Audit Committee**

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

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

The assurance information gathering exercise from the Council's service divisions prior to 2018/19 provided a baseline reflecting the staff knowledge of governance arrangements. In 2018/19 the process changed to provide a more robust challenge by interviewing a sample of staff rather than service managers. The output from the exercise is summarised below:

More than 85% of staff are aware of key corporate documents including, Council Plan, Budget Strategy, code of conduct, with 100% being aware of H&S policy, internet acceptable usage and GDPR.

Less than 50 % of staff are of the Council's risk policy, workforce strategy and financial regulations.

95% of staff have annual appraisals and 83% attend team meetings on a regular basis.

Additional corporate assurance arrangements for 2018/19 include:

- Service Managers reviewed the outcomes of Internal Audit work and acted upon the recommendations made (which is subject to Internal Audit follow up). Where the conclusion of the audit resulted in restricted assurance, the reports were also considered by Management Board to ensure that the responses address the issues identified. The implementation of Priority 1 issues are monitored by Corporate Support and updates are provided to the Audit Committee.

- Performance management information is reported to the Executive Committee on a quarterly basis together with financial information. However the performance indicators were reviewed in 2018/19 and the first report was quarters 1-3 rather than individual quarters. Where necessary Managers provide an explanation of performance and Members also ask for further information when considering corrective action. The Executive Committee has referred matters of concern to the Overview and Scrutiny Committee regarding both performance and policy.
- Risk management information is reported to Management Board and the Audit Committee quarterly; Executive Committee annually. This is supplemented by a risk assessment of each report presented to the Executive Committee; reporting officers complete the risk assessments and these are considered by Management Board prior to presentation at the Executive Committee.
- External assessments are also a source of assurance, with the Public Sector Network (PSN) compliance being the most significant assessment besides the external auditors report. The Council complies with the PSN requirements and considers all matters raised by the external auditors.
- To support assurance in the Council's activities, external advice is brought in as needed. There is ongoing advice from insurers, treasury management advisors, VAT and tax advisors and others including service specific support. During 2018/19 there was also service specific legal advice and procurement advice obtained.
- The Council operates a performance appraisal system and during 2017/18 had also established a revised job template. This is a key part of governance as it cascades the scheme of delegation from the Constitution, through senior Managers, to service Managers and to Officers. The Council considers the assignment and clarity of responsibilities and duties to be fundamental to the system of assurance and the performance appraisal system operates to support this arrangement.
- The Council operates a robust induction process. For new staff this is performed by service Managers against a HR checklist for consistency. Induction is performed by Democratic Services for new Members.
- The Council has recently revised its Complaints, feedback and compliments policy and experiences a relatively low number of formal service complaints and few complaints progress to the final stages of that process. Where necessary corrective action from complaints is implemented to improve service delivery.
- The fraud whistleblowing hotline continues to be used with 37 calls received during 2018/19 the majority of which were related to revenues and benefits.

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



## **Overview and Scrutiny Committee**

We maintain an effective Overview and Scrutiny Committee to provide constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and any organisation for which delivers services on behalf of the Council. Members of the Scrutiny Committee are offered formal training by an external provider.

## **Internal Audit**

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

Based on the Plan, Internal Audit provides specific reports and recommendations. It also provides an Annual Report on the internal control arrangements which includes an audit opinion in support of the Council's Annual Governance Statement as required under the Accounts and Audit Regulations 2015. The opinion is derived from work carried out by Internal Audit during the year as part of the agreed Internal Audit Plan.

## **Head of Internal Audit Opinion**

The Head of Internal Audit has stated: my detailed opinion is that, for the systems reviewed, the Council has basically sound systems of control in place, although there are weaknesses which put some of the system objectives at risk, these mainly relate to areas of contract management and control and certain areas within Community Services. The profile of assurance is in our experience comparable to other local authorities, with the majority of Council systems receiving Substantial Assurance. There are however, seven areas where only Restricted Assurance can be provided, which relate to:

- Markets;
- Recycling Containers;
- Recruitment;
- Barrow Playing Fields User;
- Roa island Jetty;
- Maritime Streets Landscaping (Draft); and
- Procurement (Draft).

As a matter of concern, there are also three areas where No Assurance can be provided as follows:

- Lawson Street (Draft)
- Pheonix Business Centre (Draft); and
- Refuse, Recycling and Street Cleansing 2017-24 – Contract Audit.

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

### **Significant governance and internal control issues**

In 2017/18 seven audit reports identified significant weaknesses in internal control and the audit conclusion was: Restricted Assurance.

Five of these reports relate to on-going issues with completion of checklists etc. The other two of the reports relate to Procurement and Council Leased Vehicles.

The Council produced an action plan to address the procurement and contract checklist issues.

Action plan for 2018/19

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

These actions did not deliver the intended outcomes because we don't have a mechanism in place which highlights when new contracts are being prepared and tendered. We will consider how this can be achieved in 2019/20 and include it in the action plan.

There were five recommendations relating to the Annual Governance Statement in the 2017/18 Annual Audit Letter. These were addressed with the

exception of the contract checklist issues which continued in 2018/19. The progress made is detailed below.

Recommendation	Response
Review users with access to critical functions with a view to restricting such access to those that need it.	The Financial Services Manager has worked with our Oracle Financials support provider to address the issues raised. The effectiveness of the changes will be reviewed as part of the work performed by the IT Auditors.
Recommendation - Consider the use of property valuation indices to give additional assurance that the carrying value of any assets not revalued in year are not materially different to their current value.	The Assets Accountant and our external Valuer have reviewed all assets that have not been valued in 2018/19 taking into account the discussions and explanations previously provided (including the use of indices); the conclusion being that no material changes were evident and therefore no additional asset valuations, from planned, were required for 2018/19.
Recommendation - Management should ensure the Housing Rents system is reconciled to the General Ledger on a weekly basis.	The Service Accountant advises that weekly reconciliations are in place for the Housing Rents system which deal with any timing differences and additional resources within the Finance Department have been allocated to ensure that the reconciliation is maintained weekly.
Recommendation - Continue to plan and closely monitor the Council's finances through a combination of cost reduction, demand management and income generation measures, particularly as reserves will come under pressure, especially if the contract renewal savings are not realised as planned.	The Budget Strategy review is complete and the reduction of £2.7m has been achieved in budget terms; we must wait until the 2019-2020 outturn to be certain of the sustained reduction. There are some small savings to follow in 2020-2021. The General Fund future finances are forecast and await the outcome of the fairer funding review and business rate retention consultations. The Housing Revenue Account future finances are forecast and await the

	outcome of the stock condition survey.
Recommendation - Ensure the waste contract 'pre-contract checklist' is made available for audit to provide assurance on process and that the Council has achieved value for money to both Management and the Audit Committee. Ensure that the Council's policies and procedures, including completion of pre-contract checklist and robust contract monitoring compliance arrangements are in place for all significant contracts.	The waste management contract checklist has been completed by the Assistant Director Community Services and has been submitted to Internal Audit together with supporting documentation. Now that the Revenues and Benefits Service has been insourced, the Council's major external contracts reside within the Community Services division and a Contracts Lead position was established from the 1st August, 2018. It has not been possible to establish a corporate mechanism for identifying high value contracts at an early stage; this relies on services providing information consistently and it may be a better alternative to have a group of key service officers form a Contracts/Procurement Group to share best practice and progress checklists. A second Group looking at ongoing contract management may also prove effective; any such Groups should have clear terms of reference and a reporting responsibility to Management Board. The Council has recruited a Purchasing Officer to monitor and address compliance with the Council's Purchasing Procedure and Contract Standing Orders, and the Officer will also incorporate the use of frameworks and promote best practice in procurement.

The seven audit reports where the audit conclusion was restricted assurance and the three draft reports where no assurance can be provided have been reviewed and where appropriate actions have been assigned to address these issues.

Action	Responsible officer	Due date
Improve the administration and management of stalls and leasing in Barrow Market.	Market Supervisor	Most recommendations have been implemented and the remainder will be completed by December 2019
Review recruitment policy and ensure interviews are held in compliance with the policy. Review current grading structure.	Director of Resources	March 2020
Establish a service driven contract monitoring group to ensure contracts including formally extending contracts and retendering managed in line with the Council's Contract Standing orders.	Assistant Directors	September 2019
Review arrangements for maintaining playing fields	Assistant Director – Community Services	September 2019
Ensure that Council leases have appropriate clauses to access financial and other information for audit purposes	Assistant Director – Regeneration and Built Environment, Estates Manager	On-going

The Council considers that the continuing contracts and procurement issues to be significant and these are included in the action plan for 2019/20.

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

## **Certification Statement**

The review of the governance arrangements for the financial year 2018/19 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

Mrs S Plum

Chairman of the Audit Committee

Executive Director