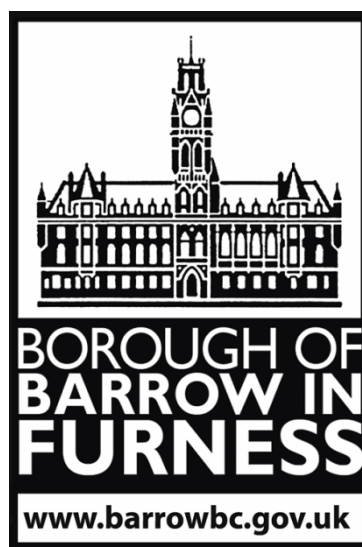


Statement of Accounts 2019/20



Statement of Accounts 2019/20

Contents:

	Page
Narrative Report	1-17
Statement of Responsibilities	18
Main Accounting Statements	
• Comprehensive Income and Expenditure Statement	19
• Movement in Reserves Statement	20-21
• Balance Sheet	22
• Cash Flow Statement	23
Index of Notes to the Main Accounting Statements	24
Notes to the Main Accounting Statements	25-82
Supplementary Statements	
• Housing Revenue Account and Notes	83-89
• Collection Fund and Notes	90-93
Independent Auditor's Report to Members	94-99
Cost Centres by Division	100
Glossary	101-107

1. Introduction

The Statement of Accounts summarises the authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 km² but is the most densely populated with 886 people per km² at the 2011 Census.

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

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

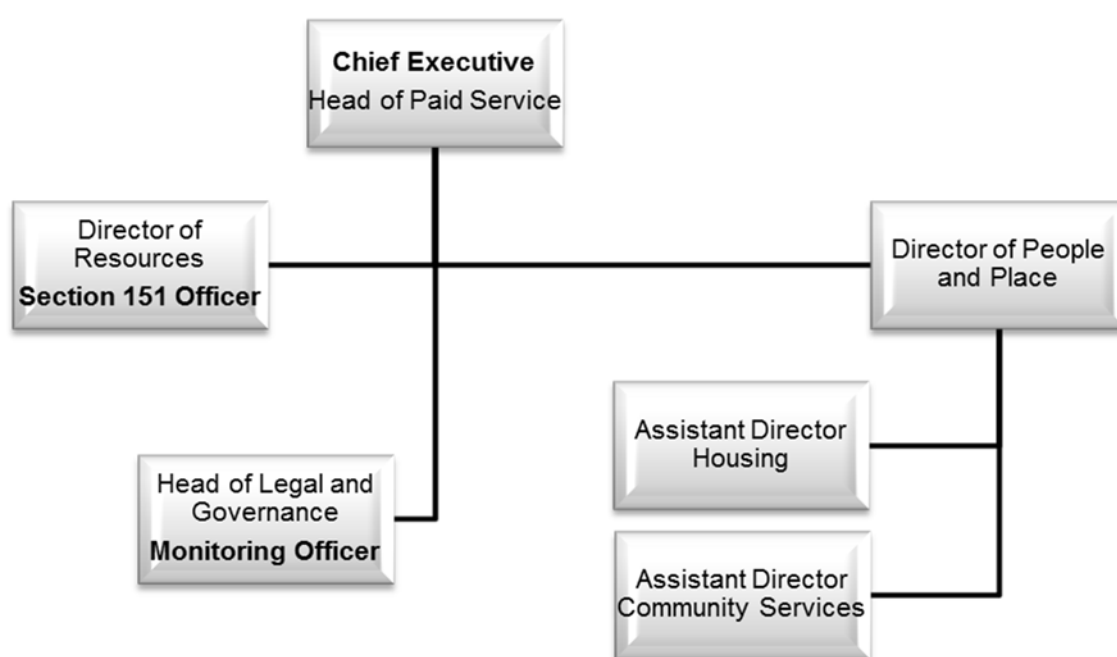
Urban regeneration has been a major project in Barrow since the 1980s with developments on various former industrial sites in the centre of Barrow, including the dry dock, the Barrow Jute Works and Barrow Steel Works. Barrow's most popular free-entry tourist attraction is the Dock Museum, built upon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

The Borough and surrounding Furness area is on the verge of a sustained period of economic growth from BAE 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 governance, and finance and policy (executive) 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, corporate, legal and other central support functions.

The current management structure of the authority comprises the Chief Executive, 2 Directors, Head of Legal and Governance and 2 Assistant Directors who are responsible for delivery of local services; these officers are collectively the authority's Management Team:



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 that are being implemented:

- financial resilience and financial stability;
- strong procurement and effective contract management;
- organisational development;
- customer focus; and
- consistent and professional project management.

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 is for our Borough to be a great place to live, work and visit.

The priorities that will deliver tangible long term benefits to the community are focussed on the following themes; the Council Plan for 2020/24 can be viewed in full on the Council's website.

Priority 1: People

Enabling residents to live happy, healthy productive lives.

Putting people at the centre of all that we do is a key priority for the Council. We will do this by helping them to have the best start in life, enjoy healthy and active lifestyles, and have opportunities to improve their well-being by building strong communities. We will actively encourage people to work with us to design activities that meet their needs. We will work with our communities so that people can enjoy good health and live in a safe environment where they can be happy and reach their full potential.

Priority 2: Place

Creating a vibrant, safe & welcoming place where people want to live.

Our Borough is a great place to live, work and have fun. There is an abundance of natural beauty and heritage but there is also an opportunity to offer people more. We want a varied housing offer to retain our residents and attract new people to settle here. We want to build on existing strengths and encourage more people to visit the town centres in Barrow and Dalton by making them more vibrant so that residents and visitors enjoy a positive and memorable experience. We want to protect our natural environment.

Priority 3: Prosperity

Supporting our economy to thrive and benefit all our residents.

Barrow's manufacturing heritage and its pivotal role in the defence industry is a source of local pride and tradition. Our world-class manufacturing expertise is recognised worldwide, however to enable inclusive growth we will seek to diversify our economy to secure opportunities for our residents by supporting other key industries including the growing renewable energy sector. In particular, we have the opportunity to secure continued investment in the Borough and ensure our residents have the skills and services to allow them to benefit from the growing economy. We will deliver our ambitions through effective joint working with public and private sector partners, by offering a clear policy framework, proactive steps to promote the role and opportunities within the Borough and by securing additional public and private investment.

Council Plan 2020/24 targets includes:

- stronger links established with the community, third sector, health and police authorities;
- greater engagement with public health;
- commitment to support the Leisure Centre for the wellbeing of our residents;
- continued support for the welfare benefits advice available to residents;
- continued support for low income households through council tax support and discretionary housing payments;
- established Town Deal Board, Brilliant Barrow, and submitted the Town Investment Plan;
- Future High Streets Fund bid submitted;
- successful bids in respect of Low Carbon Barrow, Heritage Action Zone and National Heritage Lottery Fund;
- agreed recruitment of the Community Safety Partnership Coordinator;
- Local Plan approved;
- Council dwellings continue to meet the Decent Homes Standard;
- Climate Change Action Plan established;
- continued economic growth work with Lancaster City Council and South Lakeland District Council;
- Waterfront Gateway Managed Business Centre build completed;
- commenced a programme of work to prepare the Marina Village site for remediation and development;
- review of governance arrangements and peer review by the Local Government Association;
- key roles created and recruited – Director of People and Place, Head of Legal and Governance, Policy and Engagement Officer.

4. Service Performance

The Council received the majority of its funding from taxation - Council Tax of £4.7m and Business Rates of £4.2m. 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 2019/20 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 follows with commentary provided where there is a significant variance.

This non-financial 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.

Where there is no national or contracted performance level or target, local targets are set which consider recent year's outturn, known constraints and desired improvements.

2018/19	Description	2019/20	Target
76.50%	Planning decisions determined within set timescale: <ul style="list-style-type: none"> major applications other applications 	69.20%	60%
87.20%		77.40%	70%
297	Food safety inspections	248	289
63,149	Forum theatre attendance	60,785	63,149
100%	Playground maintenance inspections	100%	100%
50%	Waste containers delivered within 7 working days	93%	100%
0.01%	Assisted list waste collections missed	0.45%	0%
33%	Fly tips collected within 1 working day of being reported	74%	100%
150	Number of disabled facilities grants awarded	137	121
16.3 days	Average time to process new housing benefit claims	26.5 days	20 days
4.1 days	Average time to process housing benefit claims changes	5.6 days	6 days
0%	Percentage of missed waste or recycling collections	0.07%	0%
27.90%	Percentage of household waste sent for recycling	24.30%	27.90%
90%	Corporate complaints dealt with within timescale	73%	90%
96.43%	Council tax collected	96.10%	96.40%
98.34%	Business rates collected	97.20%	98.30%
7.36 days	Long term sickness averaged per employee	8.57 days	7.36 days
2.26 days	Short term sickness averaged per employee	2.49 days	2.26 days

The significant variances for 2019/20 are:

- The food safety standard inspections are 14% below target - officers were unable to undertake those inspections scheduled for March 2020. The team focussed on inspecting the higher risk businesses as a priority.
- Forum attendance figures are 4% below the target due to cancelled admissions for late March 2020; attendance was anticipated to be over 66,000 for the year prior to COVID-19.
- Container delivery within 7 working days improved steadily throughout the year but was still short of 100%. A small part of this was attributable to the lockdown situation when the service was suspended but it is mainly due to an increase in the number of requests at 3,300.
- There was a marginal increase in the number of missed bins from properties on the assisted list which is attributable to updates to the list not being communicated in a timely manner. The total number of missed bins from people on the assisted list in 2019/20 was 178.
- The removal of fly-tips removed within 1 working day continued to improve to 74%. This is attributable to an increase in the number of fly-tips and more reports in the harder to reach rural areas.
- The Disabled Facilities Grant process was amended by the Council to increase take-up, the changes have proved effective.
- The housing benefit claims that remain with the local authority are complex and include supported accommodation and temporary accommodation as well as those in receipt of other legacy benefits; specific training for these complex claims was delivered in 2019/20. COVID-19 adversely impacted service performance in March 2020.
- There was an increase in the number of missed waste or recycling collections for 2019/20.

- There were 52 corporate complaints and 14 missed the deadline in 2019/20; there were 62 corporate complaints received in 2018/19 with 6 missing the deadline.
- For council tax in-year collection is marginally less than it was for 2018/19 and recovery of the 2019/20 bills continues in 2020/21.
- For business rates in-year collection is lower than anticipated due to variations in payment patterns by larger ratepayers which recovered in 2020/21.

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 £537k; see paragraph 7.
- The Housing Revenue Account is balanced with a net contribution to reserves of £527k; see paragraph 8.
- The authority's share of the Collection Fund for 2019/20 is a deficit of £38k for council tax and a deficit of £55k for business rates; these are distributed in 2020/21 and 2021/22 along with the preceptors proportions; see paragraph 12.
- The authority's net worth has increased from £114.9m to £117.6m; see paragraph 6.
- Usable reserves have increased by £0.89m; see paragraphs 9 and 10 and the Movement in Reserves Statement page 21.
- Capital investment of £5.626m was delivered through the capital programme for 2019/20; see paragraph 10.

6. Net Assets of the Authority

The authority has net assets of £117.6m; this is the difference between its assets and liabilities. This shows the cash balance that would have been left if the Council was to have realised its assets (selling its land and buildings and other assets) and settled its liabilities (paid its creditors and repaid its borrowing).

This increase in the net assets of the authority from £114.9m to £117.6m is attributable to the reduction in the value of property, plant and equipment -£0.3m, the change in the value of other long term pension liabilities of +£0.9m; the increase in short term investments and cash of +£1.6m; the decrease in long term borrowing of +£1m; and the change in debtors and creditors of -£0.5m.

7. General Fund Outturn

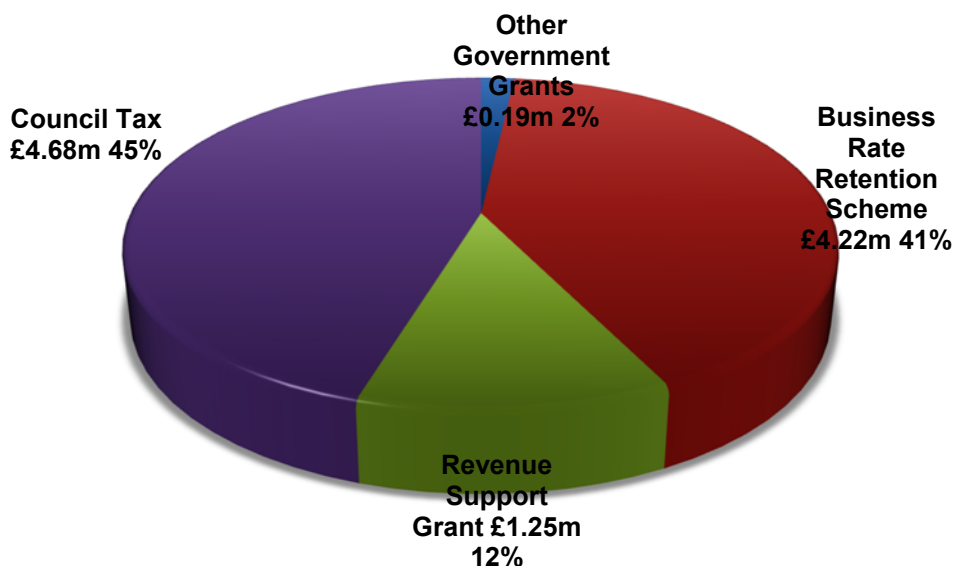
The General Fund budget for 2019/20 was originally approved by Full Council on the 28 February 2019 as £10.34m. The estimated movement in reserves within the budget for 2019/20 was £24k at the time the budget was set.

The budget for 2019/20 incorporated the cumulative savings and reductions that had been achieved between 2011 and 2020. These savings total £8.9m:

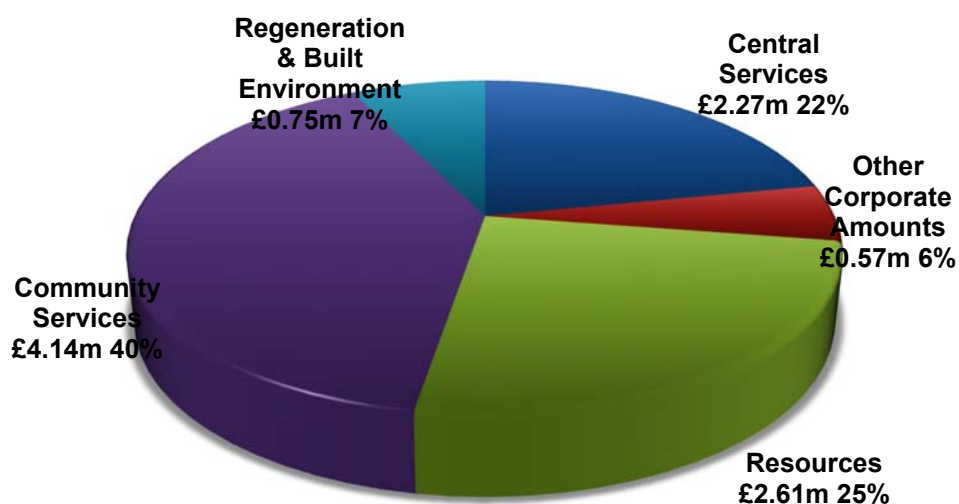
- £1.2m from the 2011-2012 budget setting process
- £5.0m from the 2012-2016 Budget Strategy
- £2.7m from the 2016-2020 Budget Strategy

The 2019/20 budget balanced to the revenue and grants available because the £8.9m reduction was sustained and proved to be resilient.

The budgeted total financing came from:



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



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

The actual outturn for 2019/20 had no impact on the General Fund balance. The outturn before movements in earmarked reserves was £0.537m, with the £0.537m being drawn from reserves, net of contributions, for the year. The use of reserves changes during the financial year and is reported as part of the quarterly financial monitoring reports. The authority operates its financial reserves in accordance with the Reserves and Balances Policy.

A net £0.683m of reserves were used as planned and in accordance with matters reported to the Executive Committee for 2019/20 and year-end transactions. An unplanned £0.146m was added to reserves as the net of service expenditure and income for 2019/20.

Details of the movements in earmarked reserves were presented to the authority's Executive Committee on the 16 September 2020. 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 2020/21. The 2020/21 General Fund budget was prepared in December 2019 and has incorporated some of the savings and reductions identified as part of the outturn comparison, however, key areas of the outturn comparison for 2019/20 will be reassessed against the 2020/21 budget.

The Expenditure and Funding Analysis in the Notes to the Accounts shows the outturn expenditure and how it has been funded.

In order to analyse the unplanned addition to reserves the deficit on the General Fund, shown in the Expenditure and Funding analysis, of £1.069m is reduced by the HRA element of £0.891m and the General Fund is then compared to the budget in the following table.

The table identifies the net of under and over spends by division. Some items do not recur such as employee costs where posts have been subsequently recruited or deleted, but all variances are reviewed.

Division	Employee costs	Supplies and Services	External Income	Other Items	Total
	£000	£000	£000	£000	£000
Resources	(129)	(14)	(59)	(14)	(216)
Community Services	2	(5)	149	(56)	90
Regeneration and Built Environment	(162)	56	152	(38)	8
Central Services	54	(109)	1	(1)	(55)
Corporate Amounts	-	-	-	27	27
Earmarked Reserves	-	-	-	146	146
Total	(235)	(72)	243	64	0

A detailed analysis of the variances within these headings were presented to the authority's Executive Committee on the 16 September 2020.

8. Housing Revenue Account Outturn

The original Housing Revenue Account budget was approved by Full Council on the 28 February 2019 as a balanced budget; the income matching the expenditure forecast including a contribution to reserves of £0.38m. The actual outturn for the Housing Revenue Account resulted in a balanced account after a contribution to reserves of £0.527m; £0.147m more than originally estimated. The funds reserved relate to maintenance and repairs £0.301m and £0.226m from additional income and reduced costs.

9. Revenue Reserves and Balances

The authority held the following General Fund financial reserves during 2019/20:

1 April 2019 £000		31 March 2020 £000
2,300	General Fund balance	2,300
1,458	Medium Term Financial Plan support	-
390	Transformation reserve	1,517
2,008	Renewals reserve	726
101	Insurance reserve	101
862	Losses reserve	862
1,950	Budget contingency reserve	2,851
35	Apprentices reserve	35
382	Welfare support reserve	668
698	Earmarked revenue grants	587
10,184		9,647

Details of the movements in earmarked reserves were presented to the authority's Executive Committee on the 16 September 2020. The earmarked reserves are contained in Note 8. The Medium Term Financial Plan support reserve existed to cushion the timing impacts of the Budget Strategy implementation; the majority of the balance transferred to the Transformation reserve which contains the funding set aside for major projects.

The authority held the following Housing Revenue Account financial reserves during 2019/20:

1 April 2019 £000		31 March 2020 £000
1,000	Housing Revenue Account Balance	1,000
2,510	Major repairs reserve	2,843
2,241	General reserve	2,768
5,751		6,611

10. Capital Expenditure and Financing

During 2019/20 the authority's capital expenditure was £5.626m:

Investment	Expenditure	Source	Financing
	£000		£000
Public sector housing	1,760	Major repairs reserve	(1,760)
Private sector housing	757	Reserves/revenue	-
Public buildings/properties	-	Capital grants	(2,575)
Other public assets	3,109	Capital receipts	(1,291)
Programme	5,626	Financing	(5,626)

The movement in capital receipts and grants held and unapplied at the 31 March 2020 are:

- Capital receipts
 - At 1 April 2019 £2.67m
 - Plus usable receipts of £1.79m from:
 - Solway Drive site
 - 76 Duke Street
 - Repaid Cluster of Empty Homes loans
 - 20 dwellings under the Right to Buy
 - Less receipts used in financing and payments to the Pool in 2019/20 £1.71m
 - At 31 March 2020 £2.75m
- Capital grants
 - At 1 April 2019 £2.65m
 - Plus grants of £0.5m from:
 - Disabled Facilities Grant
 - Less grants used in financing in 2019/20 of £0.02m
 - At 31 March 2020 £3.13m

11. Treasury Management

The authority managed its cash and investments in-house during 2019/20. As at 31 March 2020, £19m of investments and cash of £2.34m were managed in-house. The authority has 21 Public Works Loan Board (PWLb) loans outstanding at 31 March 2020; 16 of these, £14.1m, relate to the Housing Revenue Account self-financing settlement. The balance outstanding is £36.5m; in total, £23.1m belonging to the Housing Revenue Account and £13.4m to the General Fund. One loan is repayable in 2020/21; £1m. The authorised limit for borrowing in 2019/20 was £55m and this was not breached. These items complied with the authority's Treasury Management Strategy for 2019/20, which was approved by Full Council on 19 March 2019.

12. Collection Fund

The Collection Fund showed a net deficit for 2019/20 of £0.435m, made up of a deficit on council tax of £0.298m and a deficit on NNDR of £0.137m. The council tax deficit is recoverable across 2020/21 and 2021/22 to Cumbria County Council, the Police and Crime Commissioner for Cumbria and the General Fund £38k; split against their 2020/21 precepts. The NNDR deficit will be recovered from central government, Cumbria County Council and the General Fund £55k in 2020/21 and 2021/22. This is dealt with by precepting arrangements.

The accumulated amounts held at the 31 March 2020 for the authority are:

- £1k for council tax; and
- £28k 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 was 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 2019/20 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 2020, the actuarial valuation showed a net liability of £29.2m (2018/19 £30.1m). 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 2020 was £29.2m, a reduction of £0.9m during 2019/20.

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 2019/20 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 25 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 2020.

20. Material Events After the Accounting Date

The Statement of Accounts was authorised for issue by the Director of Resources on the 28 August 2020 and is now authorised for issue on 24 March 2021 after incorporating revisions from the audit. Events taking place after this date are not reflected in the accounting statements or notes. Where events taking place before this date regarding conditions at 31 March 2020 have occurred their impact should be shown in the Statement. 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 and then Efficiency Support Grant. The Transition Grant was 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:

- Between 2011 and 2020 the authority made budget reductions and implemented the Budget Strategy in order to achieve a balanced budget and eliminate the core deficit of £8.9m.
- Balanced the medium term Housing Revenue Account finances and reviewed future maintenance requirements.
- Refreshed the Council Plan and priorities with support from the Local Government Association.
- Initiated an organisational development programme with the Local Government Association to ensure the effective use of staffing resources.
- 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 continues working with South Lakeland District Council and Lancaster City Council to progress the shared vision of economic growth for the Morecambe Bay region.
- The development of Marina Village continues to be a priority and external funding opportunities are being pursued.
- The authority is involved in a number of major funding opportunities including, Town Deal, Future High Street Fund, Heritage Action Zone, Heritage Lottery Fund and European Structural and Investment Fund.
- The Council has provided information regarding the financial impacts of COVID-19 to the government in order to obtain emergency funding. The impacts of COVID-19 are expanded in paragraph 23.

At the end of 2019/20 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 in addition to incorporating the external major funding when it is secured.

The capital programme was last approved by Full Council on the 27 February 2020. For the financial years 2020/21 to 2022/23, the programme contains:

Investment	Expenditure	Source	Financing
Public sector housing	£6.1m	Major repairs reserve	£6.1 m
Private sector housing	£4.1m	Reserves/revenue	£0.3m
Public buildings/properties	£1.5m	Capital grants	£3.1m
Other public assets	£0.6m	Capital receipts	£2.8m
Programme	£12.3m	Financing	£12.3m

In terms of treasury management and cash flow, the interest payable on external borrowing in 2020/21 is £1.4m; there are small annual reductions in this amount for loans that are maturing. The cash flow has increased by £0.5m to £3.5m at the 31 March 2020; the cash flow is split between investing (capital and treasury), financing and operating activities on page 23. There is no indication that any new borrowing will be required in the medium term.

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 of significant changes arising from legislative changes.
- The risk of not having effective workforce planning.
- The risk of an Information Technology security breach.
- The risk if H&S arrangements are not effective and maintained.
- The risks of a major incident affecting service delivery, including the risk of a second wave of COVID-19.
- The risk of ineffective project management.
- The risk of a change in political priorities.
- The risk of not having effective internal and external communications.
- The risk of failing to achieve efficiency savings, maximising income or performance targets.
- The impact of the UK exiting the European Union without a Withdrawal Agreement.
- The risk of failing to deliver the objectives of the Council Plan.

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

23. Impacts of COVID-19

As lockdown measures were introduced across the country, the authority adjusted to the significant disruption to staffing across services and functions. The business continuity plans were implemented to ensure that essential services continued to be delivered to our residents. A number of measures were quickly introduced to ensure the safety of staff, Members and customers, whilst maintaining service delivery; buildings were closed to the public, agile and flexible ways of working were introduced, virtual meetings were established, and social distancing and health and safety measures were established.

In order to deliver the local authority elements of the national COVID-19 support package of business grants, business rate reliefs, hardship relief and self-isolation payments, it was necessary to temporarily reassign resources and defer other priorities to ensure an effective response was achieved. More details of the authority's response can be found in the Growing Forward report presented to the Executive Committee on the 8 July 2020.

The financial impacts of COVID-19 for 2020/21 are significant but not for 2019/20, however the Local Government Financial Settlement included a COVID-19 package; support for additional expenditure pressures, compensation for irrecoverable sales, fees and charges, local Council Tax support grant to reflect the impact of an increased caseload, compensation for irrecoverable losses in Council Tax and Business Rates and the spreading of their exceptional deficits for 2020/21.

During 2020/21 the authority has incurred additional expenditure as a result of COVID-19 and will have significant losses in income; This is supported by emergency and new burdens funding from Government. The Medium Term Financial Plan and the impacts from COVID-19 (as estimated in November 2020) are shown in the following table.

	2021/22	2022/23	2023/24
	£m	£m	£m
Medium Term Financial Plan			
Total Revenue Financing	(9.910)	(10.160)	(10.414)
Net Revenue Budget - last reported	10.028	10.423	10.843
Increased pay award	0.056	0.057	0.057
	10.084	10.480	10.900
Additional COVID-19 expenditure	0.095	0.000	0.000
Loss of service income as a result of COVID-19	0.122	0.000	0.000
	10.301	10.480	10.900
Reduce in-year contribution to volatility reserves	(0.391)	(0.320)	(0.486)
Revised Net Revenue Budget	9.910	10.160	10.414
<i>Projected budget balanced</i>	<i>0.000</i>	<i>0.000</i>	<i>0.000</i>
<i>Revised contribution to volatility reserves</i>	<i>0.194</i>	<i>0.264</i>	<i>0.097</i>

The projections within the Medium Term Financial Plan identify a balanced budget position with a contribution to volatility reserves; the contribution to reserves is reduced to cover the impacts of COVID-19 and the element of the national pay award above the estimate.

In terms of cash flow the authority has less income coming in from services and collections/recovery. In recognition of this the Government deferred some payments due from authorities and paid some revenue grants in a single instalment rather than instalments spread across the year. The authority has sufficient liquidity from treasury activities and cash flow management and regularly monitors this position.

During 2020/21 the Council will have received more than £38.6m in COVID-19 funding. £36.1m is attributable to business support grant schemes, Council Tax hardship relief, self-isolation payments and Business Rates relief; these are all subject to reconciliation with central Government. £2.5m is retained by the authority to fund additional expenditure pressures and irrecoverable losses in income.

To ensure service delivery continued, temporary working arrangements were introduced to create flexibility and agility for officers across various services. The authority has realised the benefits that flexible working can provide for its staff and in the effective delivery of services and permanent arrangements are currently being introduced. The corporate IT provision has also been enhanced to facilitate the new ways of working and a programme of further works is currently underway.

As part of the COVID-19 measures the date of signing off the accounts was deferred from the 31 July 2020 and whilst this allowed the authority to deliver the initial business support grant schemes it has been difficult to recover from the impact that has had on the services that were involved. This has meant that the budgets for 2021/22 have been proposed prior to the Statement of Accounts for 2019/20 being signed off.

The 2021/22 budget recognises £486k of expenditure pressures which are funded by Government grant, £449k of potential irrecoverable income losses, net of the Government's sales, fees and charges compensation scheme, and £457k for potential Business Rate losses. A new Medium Term Financial Plan for 2022/23 to 2024/25 will be submitted to the Executive Committee and Council for approval in March 2021.

24. 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.

25. Workforce

The authority's establishment consists of 272 posts; 222 in the General Fund and 50 in the Housing Revenue Account. The posts are worked by 237.27 full time equivalent (FTE) staff; 191.79 FTE in the General Fund and 45.48 FTE in the Housing Revenue Account:

	Headcount	FTE
Resources	62	53.54
Community Services	50	39.94
Regeneration and the Built Environment	52	48.66
Housing Revenue Account	50	45.48
Central Services	58	49.65

The authority recognises the value and importance of the workforce and is working with the Local Government Association to establish a programme of organisational development to include, 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.

26. Key Sections in the Statement of Accounts

The 2019/20 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 18) 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 19) – 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 20 and 21) – 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 22) - 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 23) – this shows the changes in the authority’s cash and cash equivalents during the year. It shows how the authority generates and uses cash and cash equivalents by classifying the cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the authority are funded by way of local taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (borrowing) to the authority.
- **Notes to the Main Accounting Statements** (pages 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%).

27. 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.

28. 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, financial stability and financial resilience for the General Fund and the Housing Revenue Account remains 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 major projects, in particular Town Deal and Future High Streets Fund, will ensure the effective delivery and development of key aspects of the Council Plan. The authority aims to deliver the priorities within the Council Plan whilst continuing to deliver the day to day services for residents, businesses and visitors.

The challenges of 2019/20 have included work to ensure the sustainability of the changes in service delivery from the Budget Strategy and the beginning of lockdown under COVID-19. Financially the main impacts of COVID-19 will appear from the 2020/2021 financial statements onwards. The non-financial impacts began with lockdown in March 2020 and as a small authority resource allocation, goodwill and team work were key factors in our response. It has been a privilege to see the commitment of our staff in supporting the wider community during the pandemic. The positives learnt from the work with the wider community as well as the ways of working that were deployed at pace, will be reviewed and retained where possible as part of the organisational development programme.

I would particularly like to thank the staff of the Finance Department in achieving the closedown of 2019/20 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 2019/20 and of its expenditure and income for the year ended 31 March 2020.

S M Roberts CPFA, ACMA
Director of Resources
Section 151 Officer
27 August 2020
Revised 24 March 2021

Councillor Mrs A Burns
Audit Committee Chair
24 March 2021

Comprehensive Income and Expenditure Statement

2018/19					2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
21,558	(18,576)	2,982	Resources		20,727	(16,675)	4,052
8,572	(3,792)	4,780	Community Services		8,876	(3,592)	5,284
4,622	(3,255)	1,367	Regeneration and the built environment		4,571	(3,211)	1,360
8,208	(11,577)	(3,369)	Housing Revenue Account		9,713	(11,669)	(1,956)
2,367	(6)	2,361	Central Services		2,601	(5)	2,596
45,327	(37,206)	8,121	Cost of Services		46,488	(35,152)	11,336
3,632	(32)	3,600	Other operating expenditure	9	1,264	(414)	850
4,418	(2,553)	1,865	Financing and Investment Income and Expenditure	10	4,344	(2,504)	1,840
5,601	(17,320)	(11,719)	Taxation and Non-Specific Grant Income	11	5,631	(18,588)	(12,957)
58,978	(57,111)	1,867	(Surplus) or Deficit on Provision of Services		57,727	(56,658)	1,069
(3,187)	-	(3,187)	(Surplus) or Deficit on revaluation of Non-Current Assets		(1,177)	-	(1,177)
2,584	-	2,584	Remeasurements of the net defined benefit liability/(asset)		(2,534)	-	(2,534)
(603)	0	(603)	Other Comprehensive (Income) and Expenditure		(3,711)	0	(3,711)
58,375	(57,111)	1,264	Total Comprehensive (Income) and Expenditure		54,016	(56,658)	(2,642)

Movement in Reserves Statement 2018/19

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

At the 31 March 2019, the General Fund 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 these were £1.274m and £1.0m respectively

Movement in Reserves Statement 2019/20

	Reserves held for revenue purposes		Reserves held for capital purposes					
2019/20	General Fund	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2019 brought forward	(10,184)	(3,241)	(2,511)	(2,672)	(2,645)	(21,253)	(93,684)	(114,937)
Movement in Reserves during 2019/20								
(Surplus) or deficit on the provision of services	1,960	(891)	-	-	-	1,069	-	1,069
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(3,711)	(3,711)
Total Comprehensive Income and Expenditure	1,960	(891)	0	0	0	1,069	(3,711)	(2,642)
Adjustments between accounting basis & funding basis under regulations (Note 7)	(1,423)	364	(332)	(81)	(489)	(1,961)	1,961	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	537	(527)	(332)	(81)	(489)	(892)	(1,750)	(2,642)
Transfers to/(from) Earmarked Reserves (Note 8)	-	-	-	-	-	0	-	0
(Increase) / Decrease in 2019/20	537	(527)	(332)	(81)	(489)	(892)	(1,750)	(2,642)
Balance at 31 March 2020 carried forward	(9,647)	(3,768)	(2,842)	(2,753)	(3,134)	(22,144)	(95,435)	(117,579)

At the 31 March 2020, the General Fund comprises earmarked reserves of £7.347m and a Fund balance of £2.3m; at 31 March 2019 these were £7.884m and £2.3m respectively. As at 31 March 2020 the HRA Fund Balance comprises earmarked reserves of £2.768m and a Fund balance of £1.0m; at 31 March 2019 these were £2.241m and £1.0m respectively.

31 March 2019		Notes	31 March 2020
£000			£000
162,162	Property, Plant and Equipment	13	161,832
694	Heritage Assets	14	700
1,139	Long Term Debtors	26	984
163,995	Long Term Assets		163,516
18,040	Short Term Investments	17	19,063
32	Inventories		30
4,741	Short Term Debtors	18	6,569
2,958	Cash and Cash Equivalents	19	3,494
25,771	Current Assets		29,156
(1,494)	Short Term Borrowing	17	(1,494)
(5,144)	Short Term Creditors	20	(7,415)
(6,638)	Current Liabilities		(8,909)
(585)	Provisions	21	(512)
(36,479)	Long Term Borrowing	17	(35,478)
(31,127)	Other Long Term Liabilities	23	(30,194)
(68,191)	Long Term Liabilities		(66,184)
114,937	Net Assets		117,579
(21,253)	Usable Reserves	Page 21	(22,144)
(93,684)	Unusable Reserves	22	(95,435)
(114,937)	Total Reserves		(117,579)

These accounts were originally authorised for issue on the 31 August 2020 and have been subsequently re-authorised for issue on 24 March 2021

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

Cash Flow Statement

2018/19		Notes	2019/20
£000			£000
1,867	Net (surplus) or deficit on the provision of services		1,069
(6,854)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	27	(8,606)
1,161	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	28	2,082
(3,826)	Net Cash Flow from Operating Activities		(5,455)
2,155	Investing Activities	30	3,853
1,767	Financing Activities	31	1,066
96	Net (increase) or decrease in cash and cash equivalents		(536)
3,054	Cash and cash equivalents at start of the reporting period	19	2,958
2,958	Cash and cash equivalents at end of the reporting period	19	3,494
96	Net (increase) or decrease in cash and cash equivalents		(536)

Note	Name	Page
1	Accounting Policies	25
2	Accounting Standards that have been issued but have not yet been adopted	38
3	Critical Judgements in applying Accounting Policies	38
4	Assumptions made about the future and other major Sources of Estimation Uncertainty	39
5	Events after the Balance Sheet Date	41
6	Expenditure and funding analysis	42
7	Adjustments between accounting basis and funding basis under regulations	46
8	Transfer (to) / from earmarked reserves	49
9	Other Operating Expenditure	50
10	Financing and Investment Income and Expenditure	50
11	Taxation and Non Specific Grant Income	50
12	Grant Income	51
13	Property, Plant, Equipment and Vehicles	52
14	Heritage Assets	58
15	Capital Expenditure and Capital Financing	61
16	Leases	61
17	Financial Instruments	63
18	Short Term Debtors	67
19	Cash and Cash Equivalents	68
20	Short Term Creditors	68
21	Provisions	68
22	Unusable Reserves	69
23	Other Long Term Liabilities	72
24	Contingent Liabilities	73
25	Contingent Assets	73
26	Long Term Debtors	73
27	Cash Flow Statement – Adjustments to the net (surplus) or deficit on the provision of services for non-cash movements	74
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	74
29	Cash Flow Statement – Operating Activities	74
30	Cash Flow Statement – Investing Activities	75
31	Cash Flow Statement – Financing Activities	75
32	Related Parties	75
33	Members Allowances	76
34	Officers Remuneration	76
35	Defined Benefit Pension Scheme	78
36	External Audit Costs	82
37	Trust Funds	82

Note 1. ACCOUNTING POLICIES

a. General Principles

The Statement of Accounts summarises the authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20 and the Service Reporting Code of Practice 2019/20, 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.

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 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 Transactions

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

l. Government Grants and Contributions

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

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

Amounts recognised as due to the authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have 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 service segments in accordance with the Council's arrangements for accountability and financial performance. In accordance with the Code of Practice they are excluded from the Comprehensive Income and Expenditure Statement and associated notes, with the exception of a charge to the Housing Revenue Account.

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 2019/20 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 2019 for 2019/20. (i.e. on or before 1 January 2020 for 2020/21). For this disclosure the standards introduced by the 2020/21 Code include:

- Amendments to IAS 28 Investment in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures; this will have no impact as the Council has no interests in Associates or Joint Ventures
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement: This requires the re-measurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after a change to the plan. This only applies to changes from 1 April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact
- 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 now been deferred to 1 April 2021. Due to the effect of dealing with COVID-19 on the workload of the Council it has not been possible to identify and estimate the impact of this change.

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 authority's assets 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, as lessor and lessee, as either operating or finance. 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 used.

The items in the authority's Balance Sheet at the 31 March 2020 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 2019/20, 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 £7.03m and the depreciation charged to the HRA for 2019/20 would be overstated by £234k. The valuer has recommended that valuations are kept under frequent review in the light of COVID-19. In reality the majority of assets are revalued every year and this issue will be addressed as part of this annual process.

The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.

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 2019/20 would be £2.29m rather than £1.92m.

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 2020 figures are:

- +0.1% per annum increase in the discount rate assumption would result in a decrease in the net pensions liability of £1.812m; or,
- +0.1% per annum increase in the inflation assumption would result in an increase in the net pensions liability of £1.841m; or,
- +0.1% per annum increase in the pay growth assumption would result in an increase in the net pensions liability of £0.197m; or,
- 1 year increase in the member's life expectancy assumption would result in an increase in the net pensions liability of £3.239m; or,
- +/- 0.1% change in the investment returns would result in a decrease or increase in the net pensions liability of £0.892m.

Included within the Council's share of the assets of the pension fund are investments in UK property and property funds totalling £7.7m, the valuation of which is subject to a 'material uncertainty' clause as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. As at the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19.

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 £5.26m. 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 authorised for issue by the Director of Resources on the 28 August 2020 and is now authorised for issue on the 24 March 2021, after incorporating revisions from the audit. Where any other events taking place before this date provided information about conditions existing at the 31 March 2020 the figures in the accounting statements and notes should be 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.

2018/19	As reported for resource allocation	Adjustments to arrive at the net amount chargeable to the General fund & HRA	Net Expenditure Chargeable to the General Fund & HRA	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Resources	3,205	(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
Net cost of Services	5,750	232	5,982	2,139	8,121
Other income and expenditure	(5,750)	(413)	(6,163)	(91)	(6,254)
(Surplus) or Deficit on Provision of Services	0	(181)	(181)	2,048	1,867

2019/20	As reported for resource allocation	Adjustments to arrive at the net amount chargeable to the General fund & HRA	Net Expenditure Chargeable to the General Fund & HRA	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Resources	2,459	465	2,924	1,128	4,052
Community Services	2,618	968	3,586	1,698	5,284
Regeneration and the Built Environment	238	441	679	681	1,360
Housing Revenue Account	(1,988)	(527)	(2,515)	559	(1,956)
Central Services	2,018	116	2,134	462	2,596
Net cost of Services	5,345	1,463	6,808	4,528	11,336
Other income and expenditure	(5,345)	(1,453)	(6,798)	(3,469)	(10,267)
(Surplus) or Deficit on Provision of Services	0	10	10	1,059	1,069

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

2018/19					2019/20			
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
101	(295)	7	(187)	Resources	(9)	1,126	11	1,128
1,381	162	(3)	1,540	Community Services	1,526	166	6	1,698
442	201	2	645	Regeneration and the Built Environment	438	231	12	681
(424)	153	(2)	(273)	Housing Revenue Account	114	429	16	559
200	212	2	414	Central Services	171	272	19	462
1,700	433	6	2,139	Net Cost of Service	2,240	2,224	64	4,528
995	(674)	(412)	(91)	Other income and expenditure from the Expenditure and Funding Analysis	(3,026)	(625)	182	(3,469)
2,695	(241)	(406)	2,048	Difference between General Fund Surplus or Deficit & Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(786)	1,599	246	1,059

Note 6b. Expenditure and Income Analysed by Nature

2018/19						2019/20				
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
					Expenditure					
7,218	-	-	-	7,218	Employee expenses	9,747	-	-	-	9,747
34,332	31	-	-	34,363	Other service expenses	32,189	48	-	-	32,393
-	-	-	-	0	Support service recharges	-	-	-	-	0
5,096	-	-	-	5,096	Depreciation, amortisation, impairment & revaluation	4,552	-	-	-	4,396
-	-	4,417	-	4,417	Interest payments	-	-	4,344	-	4,344
-	445	-	5,601	6,046	Precepts and levies	-	546	-	5,631	6,177
-	3,156	-	-	3,156	Derecognised non current assets	-	670	-	-	670
46,646	3,632	4,417	5,601	60,296	Total Expenditure	46,488	1,264	4,344	5,631	57,727
					Income					
(19,412)	-	-	-	(19,412)	Fees, charges and other service income	(18,302)	-	-	-	(18,302)
-	-	(2,552)	-	(2,552)	Interest and investment income	-	-	(2,504)	-	(2,504)
-	-	-	(13,831)	(13,831)	Income from council tax and NDR	-	-	-	(13,457)	(13,457)
(19,113)	-	-	(3,489)	(22,602)	Government grants and contributions	(16,850)	-	-	(5,131)	(21,981)
-	(32)	-	-	(32)	Gain on disposal of Fixed Assets	-	(414)	-	-	(414)
(38,525)	(32)	(2,552)	(17,320)	(58,429)	Total Income	(35,152)	(414)	(2,504)	(18,588)	(56,658)
8,121	3,600	1,865	(11,719)	1,867	(Surplus) / Deficit on Provision of Services	11,336	850	1,840	(12,957)	1,069

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 (HRA) 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						
Adjustments between accounting basis and funding basis under regulations 2018/19	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
Adjustments primarily involving:	£000	£000	£000	£000	£000	£000	£000
Capital Adjustment Account:							
Reversal of items debited or credited in the CIES							
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 funded from Capital under Statute (REFCUS)	(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
Insertion of items not debited or credited to the CIES							
Statutory provision for the financing of capital expenditure	747	-	-	-	-	747	(747)
Voluntary revenue provision for financing of capital expenditure	0	817	-	-	-	817	(817)
Capital expenditure charged against the General Fund and HRA balances	331	-	-	-	-	331	(331)
Capital Grants Unapplied Account:							
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	0	-	-	-	8	8	(8)
Capital Receipts Reserve:							
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
Major Repairs Reserve:							
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)
Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	67	-	-	-	-	67	(67)
Pensions Reserve:							
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)
Collection Fund Adjustment Account:							
Amount by which council tax and NNDR income credited to the CIES is different from that calculated for the year in accordance with statutory requirements	413	-	-	-	-	413	(413)
Accumulated Absences Account:							
Amount by which officer remuneration charged to the CIES is different from remuneration chargeable in the year in accordance with statutory requirements	(9)	2	-	-	-	(7)	7
Total Adjustments	(3,254)	1,206	(518)	(260)	(502)	(3,328)	3,328

Notes to the Main Accounting Statements

Adjustments between accounting basis and funding basis under regulations 2019/20	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving:							
Capital Adjustment Account:							
Reversal of items debited or credited in the CIES							
Charges for depreciation and impairment of non-current assets	(1,964)	(2,092)	-	-	-	(4,056)	4,056
Revaluation losses on Property, Plant and Equipment	(144)	(342)	-	-	-	(486)	486
Capital grants and contributions applied	2,555	-	-	-	-	2,555	(2,555)
Revenue funded from Capital under Statute (REFCUS)	(757)	-	-	-	-	(757)	757
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(1,104)	(725)	-	-	-	(1,829)	1,829
Insertion of items not debited or credited to the CIES							
Statutory provision for the financing of capital expenditure	731	-	-	-	-	731	(731)
Voluntary revenue provision for financing of capital expenditure	-	817	-	-	-	817	(817)
Capital expenditure charged against the General Fund and HRA balances	-	-	-	-	-	0	0
Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the CIES	509	-	-	-	(509)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	20	20	(20)
Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	620	953	-	(1,573)	-	0	0
Cluster of Empty Homes loan repayment	-	-	-	(221)	-	(221)	221
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	1,291	-	1,291	(1,291)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(422)	-	-	422	-	0	0
Major Repairs Reserve:							
Reversal of Major Repairs Reserve credited to the HRA	-	2,092	(2,092)	-	-	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	1,760	-	-	1,760	(1,760)
Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	59	-	-	-	-	59	(59)
Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	(3,169)	(752)	-	-	-	(3,921)	3,921
Employer's pension contributions and direct payments to pensioners payable in the year	1,893	429	-	-	-	2,322	(2,322)
Collection Fund Adjustment Account:							
Amount by which council tax and NNDR income credited to the CIES is different from that calculated for the year in accordance with statutory requirements	(182)	-	-	-	-	(182)	182
Accumulated Absences Account:							
Amount by which officer remuneration charged to the CIES is different from remuneration chargeable in the year in accordance with statutory requirements	(48)	(16)	-	-	-	(64)	64
Total Adjustments	(1,423)	364	(332)	(81)	(489)	(1,961)	1,961

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 2019/20. Grants and contributions for revenue purposes are recognised as income immediately and carried forward as earmarked grants (reserves) where they are unspent at the year-end date.

	Balance at 1 April 2018	Transfers out 2018/19	Transfers in 2018/19	Balance at 31 March 2019	Transfers out 2019/20	Transfers in 2019/20	Balance at 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
MTFP reserve	(1,537)	369	(290)	(1,458)	1,612	(154)	0
Transformation reserve	(649)	416	(157)	(390)	136	(1,263)	(1,517)
Renewals reserve	(1,596)	673	(1,085)	(2,008)	1,432	(150)	(726)
Insurance reserve	(90)	10	(21)	(101)	23	(23)	(101)
Losses reserve	(866)	4	-	(862)	-	-	(862)
Budget contingency reserve	(2,966)	1,908	(892)	(1,950)	1,077	(1,978)	(2,851)
Apprentices reserve	(76)	41	-	(35)	-	-	(35)
Welfare support reserve	(211)	57	(228)	(382)	57	(343)	(668)
Earmarked revenue grants	(679)	218	(237)	(698)	322	(211)	(587)
Total General Fund earmarked reserves	(8,670)	3,696	(2,910)	(7,884)	4,659	(4,122)	(7,347)
HRA earmarked reserves	(1,274)	-	(967)	(2,241)	-	(527)	(2,768)
Total earmarked reserves	(9,944)	3,696	(3,877)	(10,125)	4,659	(4,649)	(10,115)

The Council has the following general fund earmarked reserves:

MTFP reserve – this reserve has now been closed with the majority of the balance transferring to the Transformation reserve.

Transformation reserve - this reserve holds the funds set aside for service transformation and major projects

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:

2018/19		2019/20
£000		£000
104	Parish Council precepts	124
341	Payments to the Government Housing Capital Receipts Pool	422
31	Pension administration expenses	48
3,156	Derecognised non-current assets	670
1,129	Carrying value of disposed non-current assets	1,159
(1,161)	Sale proceeds from the disposal of non-current asset	(1,573)
3,600	Total	850

The gain on the disposal of non-current assets for 2019/20 is £614k; for 2018/19 this was £31k.

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:

2018/19		2019/20
£000		£000
1,466	Interest Payable and similar charges	1,443
2,952	Interest on pension liabilities	2,901
(2,288)	Interest on plan assets	(2,191)
(265)	Interest receivable and similar income	(313)
1,865	Total	1,840

Note 11. TAXATION AND NON SPECIFIC GRANT INCOME

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:

2018/19		2019/20
£000		£000
(4,552)	Council Tax Income	(4,682)
(8,852)	Business rate retention	(8,474)
4,920	Business rate tariff	5,142
681	Business rate levy	489
(427)	Business rate pool	(301)
(1,688)	Revenue Support Grant	(1,252)
(1,189)	Non-ring fenced grants	(1,553)
(612)	Capital grants and contributions	(2,326)
(11,719)	Total	(12,957)

Note 12. GRANT INCOME

The authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

2018/19		2019/20
£000		£000
	Credited to Taxation and Non Specific Grant Income	
(1,688)	Revenue Support Grant	(1,252)
(95)	New Homes Bonus Grant	(3)
(84)	New Burdens Grants	(68)
(510)	MHCLG Grants	(509)
(802)	MHCLG Business Rates	(960)
(164)	MHCLG Coastal Communities Fund Grant	(106)
-	MHCLG Covid support	(55)
(102)	ERDF Grant	(1,817)
(44)	Other contributions	(361)
(3,489)	Total	(5,131)
	Credited to Services	
(17,692)	Housing benefits subsidy	(15,484)
(340)	Benefits administration	(336)
(773)	Disabled Facilities Grant	(738)
(23)	Cabinet Office	(97)
(37)	Cumbria County Council	(37)
(25)	Other local authorities	(6)
(58)	MHCLG Other Grants	0
(121)	MHCLG Homelessness	(135)
(44)	Other grants	(17)
(19,113)	Total	(16,850)

Note 13. PROPERTY, PLANT, EQUIPMENT AND VEHICLES

Movement on Balances in 2018/19	Council Dwellings	Other Land and Buildings	HRA Other Land and Buildings	Vehicle, Plant, Furniture & Equipment	HRA Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2018	70,788	60,514	3,147	3,827	175	5,154	10,210	3,904	10,869	168,588
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)
At 31 March 2019	71,503	60,072	3,115	3,936	175	1,604	10,366	4,040	10,919	165,730
Accumulated Depreciation and Revaluation										
At 1 April 2018	0	(1,184)	(23)	(1,647)	(57)	(945)	(376)	0	0	(4,232)
depreciation charge	(1,896)	(1,532)	(136)	(314)	(39)	(160)	(48)	(2)	0	(4,127)
eliminate depreciation on transfer	-	4	-	-	-	-	-	-	-	4
eliminate depreciation on revaluation	1,896	2,368	101	-	-	-	-	2	-	4,367
eliminate depreciation on derecognition / scrapped	-	2	2	-	-	416	-	-	-	420
At 31 March 2019	0	(342)	(56)	(1,961)	(96)	(689)	(424)	0	0	(3,568)
Net Book Value at 31 March 2019	71,503	59,730	3,059	1,975	79	915	9,942	4,040	10,919	162,162

Notes to the Main Accounting Statements

Movement on Balances in 2019/20	Council Dwellings	Other Land and Buildings	HRA Other Land and Buildings	Vehicle, Plant, Furniture & Equipment	HRA Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2019	71,503	60,072	3,115	3,936	175	1,604	10,366	4,040	10,919	165,730
additions and enhancements	1,760	(21)	-	96	-	-	-	-	3,034	4,869
reclassification start of year	-	(1)	-	-	-	-	1	-	-	0
revaluation increases/(decreases) recognised in the Revaluation Reserve	(11)	862	184	-	-	-	-	142	-	1,177
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(341)	(154)	-	-	-	-	-	-	-	(495)
eliminate depreciation on revaluation	(1,917)	(1,593)	(193)	-	-	-	-	(2)	-	(3,705)
de-recognitions / scrapped	-	(671)	-	-	-	-	-	-	-	(671)
eliminate depreciation on derecognitions / scrapped	-	(14)	-	(235)	-	-	-	-	-	(249)
disposals	(725)	(59)	-	-	-	-	-	(375)	-	(1,159)
eliminate depreciation on disposals	-	(1)	-	-	-	-	-	-	-	(1)
At 31 March 2020	70,269	58,420	3,106	3,797	175	1,604	10,367	3,805	13,953	165,496
Accumulated Depreciation and Revaluation										
At 1 April 2019	0	(342)	(56)	(1,961)	(96)	(689)	(424)	0	0	(3,568)
depreciation charge	(1,917)	(1,550)	(137)	(304)	(39)	(56)	(47)	(2)	-	(4,052)
eliminate depreciation on revaluation	1,917	1,593	193	-	-	-	-	2	-	3,705
eliminate depreciation on derecognition / scrapped	-	14	-	235	-	-	-	-	-	249
eliminate depreciation on disposals	-	1	-	-	-	-	-	-	-	1
At 31 March 2020	0	(284)	0	(2,030)	(135)	(745)	(471)	0	0	(3,665)
Net Book Value at 31 March 2020	70,269	58,136	3,106	1,767	40	859	9,896	3,805	13,953	161,832

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 2020, the authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years budgeted to cost £443k similar commitments at the 31 March 2019 were £3.477k. The major commitments are:

31 March 2019		31 March 2020
£000		£000
3,436	Industrial & commercial properties	402
41	IT Equipment & Development	41
3,477	Total	443

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 four years. Valuations were carried out externally by the authority's valuer Lambert Smith Hampton Group Limited, Mr M Messenger BSocSc (Hons) DipVal MRICS. and Mr T Tawn. 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 31 March (moved from 1 April for the first time in 2019/20) 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 2019/20. 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.

HRA dwellings, garages and any HRA or General Fund assets using the DRC method are revalued/reviewed for revaluation each year.

The valuation for 2019/20 was performed by Lambert Smith Hampton Group Limited and produced a net book value at 31 March 2020 of £125.559m. The valuations took place just at the time Covid19 began to impact on the UK. The valuers have been asked for their opinion on if and how this might affect the valuations at 31 March 2020 and have continued to say they would not change those valuations. However they have also said the following:

“Our valuations are reported on the basis of ‘material valuation uncertainty’ as per Valuation Professional Standard 3 and Valuation Practice Guidance Application 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuations under frequent review.”

The latest valuations are shown in the following table.

Financial Year & Valuer	Council Dwellings	Other Land and Buildings	HRA Other Land and Buildings	Plant, Equipment and Vehicles	HRA Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2016/17; - NPS North West Limited	-	3	-	-	-	-	-	-	-	3
2017/18; - Lambert Smith Hampton	-	582	-	-	-	-	-	-	-	582
2018/19; - Lambert Smith Hampton	-	9,172	-	-	-	-	-	-	-	9,172
2019/20; - Lambert Smith Hampton	70,269	48,379	3,106	-	-	-	-	3,805	-	125,559
Asset carried at current value (MV-EUV and FV)										135,316
Assets carried at historical cost	-	-	-	845	40	859	9,896	-	13,953	25,593
Finance Leases	-	-	-	922	-	-	-	-	-	922
Net Book Value as at 31 March 2020										161,832

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 transactions with viability assessment leading to residual value / Professional judgement	2,635	815	3,450
Land & property	Professional judgement	-	30	30
	Fair value as at 31 March 2019	2,965	1,075	4,040

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	390	120	510
Land & property	Market comparison / Gross Development Appraisal i.e. market comparison of GDV (Gross Development Value) & site transactions with viability assessment leading to residual value / Professional judgement	2,450	815	3,265
Land & property	Professional judgement	0	30	30
	Fair value as at 31 March 2020	2,840	965	3,805

Highest and best use of surplus assets

These surplus assets are made up of 12 areas of land and 1 property (2018/19 - 12 areas of land and 1 property) 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 2020	£0.965m (£1.075m as at 31 March 2019)
Valuation technique used to measure fair value	Market comparison / gross development appraisal (GDV) 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	£5.29 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.

Surplus Land & Properties	Reason for movement	£000
Opening Balance - 1 April 2019		1,075
Sales/disposals	Land disposal	0
Transfers in to level 3	Property vacant and reclassified as surplus	0
Transfers out of level 3	Land comparable valuation, now observable inputs	0
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		(110)
Closing Balance as at 31 March 2020		965

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 and 2019/20 were nil 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 history of Barrow-in-Furness, the surrounding district and beyond. Collections include furniture, silverware, civic regalia, artwork, sculptures, 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 assets are held with the objective 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 Bohnams International Auctioneers & Valuers with additional assets acquired being valued by the Treasury Valuation Committee or the Authority's Museum Curator; who also reports no items held, as at 31 March 2020, 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 de minimus 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.

Due to the nature of these assets it is unlikely that Covid 19 will impact on their values .

2018/19						2019/20				
Historic Collection	New Statues	Herbert-Leigh-Boat	War Memorials	Total	Movement on Heritage Assets Balances	Historic Collection	New Statues	Herbert-Leigh-Boat	War Memorials	Total
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
					Cost or Valuation					
0	0	0	14	14	Cost at 1 April	0	0	0	14	14
615	79	20	0	714	Valuation at 1 April	616	79	20	0	715
615	79	20	14	728	At 1 April	616	79	20	14	729
1	-	-	-	1	Additions	11	-	-	-	11
616	79	20	14	729	At 31 March	627	79	20	14	740
					Accumulated Depreciation and Revaluation					
0	0	0	(7)	(7)	Cost at 1 April	0	0	0	(8)	(8)
-	(19)	(4)	0	(23)	Valuation at 1 April	-	(22)	(5)	0	(27)
0	(19)	(4)	(7)	(30)	At 1 April	0	(22)	(5)	(8)	(35)
-	(3)	(1)	(1)	(5)	depreciation charge	-	(3)	(1)	(1)	(5)
0	(22)	(5)	(8)	(35)	At 31 March	0	(25)	(6)	(9)	(40)
0	0	0	6	6	Net Book Value 31 March - Cost	0	0	0	5	5
616	57	15	0	688	Net Book Value 31 March - Valuation	627	54	14	0	695
616	57	15	6	694	Total Net Book Value at 31 March	627	54	14	5	700

Depreciation

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

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

Revaluations

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

Financial year	Valuer	Value £000	Total £000
Carried at Valuation			
2011/12	Bonhams International Auctioneers & Valuers		612
2012/13	Treasure Valuation Committee	49	
	Authority's Museum Curator	2	
Total value of assets valued in 2012/13			51
2013/14	Authority's Museum Curator		7
Total value of assets valued in 2014/15			0
2015/16	Treasure Valuation Committee		1
Total value of assets valued in 2016/17			0
2017/18	Bonhams International Auctioneers & Valuers	8	
	Authority's Museum Curator	4	
Total value of assets valued in 2017/18			12
2018/19	Authority's Museum Curator		1
2019/20			11
Assets carried at historical cost			5
Net Book Value at 31 March 2020			700

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

	2018/19 £000	2019/20 £000
Opening Gross Book Value at 1 April	728	729
Value of Heritage Assets Acquired/Donation/Valuation		
Historic Collection	1	11
Total at 31 March	729	740
Accumulated Depreciation and Revaluation		
Opening balance at 1 April	(30)	(35)
New Statues and Herbert Leigh	(5)	(4)
War Memorials (Cost)	-	(1)
Total Accumulated Depreciation & Revaluation 31 March	(35)	(40)
Net Book Value at 31 March - Valuation	688	695
Net Book Value at 31 March - Cost	6	5
Total Net Book Value 31 March	694	700

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.

2018/19		2019/20
£000		£000
40,345	Opening Capital Financing Requirement	39,002
	Capital Investment:	
2,737	Property, Plant and Equipment	4,869
811	Revenue Expenditure Funded from Capital under Statute	757
	Sources of finance:	
(781)	Capital receipts reserve	(1,291)
(883)	Government grants and other contributions	(2,575)
(1,553)	Use of Major Repairs Reserve	(1,760)
(331)	Contributions for earmarked reserves	-
-	Revenue contribution to capital outlay	-
(526)	Minimum Revenue Provision from General fund	(506)
(817)	Voluntary Revenue Provision from the Housing Revenue Account	(817)
	Cluster of Empty Homes	
221	Cluster of Empty Homes loan repayment	221
	Finance lease	
(221)	Finance lease embedded in waste management contract (Note 16)	(225)
39,002	Closing Capital Financing Requirement	37,675
	Explanation of movements in year:	
(526)	Decrease in underlying General Fund need to borrow	(506)
(817)	Decrease in underlying Housing Revenue Account need to borrow	(817)
221	Cluster of Empty Homes loan	221
(221)	Finance lease embedded in waste management contract (Note 16)	(225)
(1,343)	Increase/(decrease) in Capital Financing Requirement	(1,327)

Note 16. LEASESAuthority 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 2019				As at 31 March 2020		
Minimum lease payment	Finance charges	Present Value		Minimum lease payment	Finance charges	Present Value
£000	£000	£000		£000	£000	£000
251	26	225	Not more than one year	251	21	230
1,004	53	951	Later than one year and not later than five years	754	32	722
-	-	-	Later than five years	-	-	-
1,255	79	1,176		1,005	53	952

Authority as Lessee - Operating Leases

The authority has leases in allotments and other land and buildings.

The authority has 4 non-specialist vehicles and 24 photocopiers on short term agreements utilised across a number of departments. These are considered deminimus and are not included in the following lease figures.

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

As at 31 March 2019		As at 31 March 2020
£000		£000
54	Not more than one year	94
-	Later than one year and not later than five years	67
-	Later than five years	-
54	Total	161

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 2019		As at 31 March 2020
£000		£000
4	Minimum lease payments	6
(23)	Sublease receipts	(23)
(19)	Total	(17)

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:

As at 31 March 2019		As at 31 March 2020
£000		£000
(959)	Not more than one year	(974)
(1,394)	Later than one year and not later than five years	(1,878)
(471)	Later than five years	(360)
(2,824)	Total	(3,212)

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 2019/20 £12k of contingent rents were receivable by the authority (£37k in 2018/19).

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 2019	Current 31 March 2019	Amortised Cost	Non-Current 31 March 2020	Current 31 March 2020
£000	£000		£000	£000
		Investments		
-	20,997	Cash, cash equivalents and investments	-	22,557
		Debtors		
1,015	1,349	Loans and receivables	845	1,867
1,015	22,346	Financial Assets	845	24,424
		Borrowings:		
(36,479)	(1,494)	Financial liabilities at amortised cost	(35,478)	(1,494)
		Other liabilities:		
(952)	(225)	Finance lease liabilities	(722)	(230)
		Creditors:		
-	(1,299)	Financial liabilities carried at contract amount	-	(1,422)
(37,431)	(3,018)	Financial Liabilities	(36,200)	(3,146)

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 2020 as:

31 March 2019	Cluster of Empty Home loans	31 March 2020
£000		£000
1,016	Long term debtor for principal due beyond the next 12 months	845
162	Short term debtor for repayments due in the next 12 months	171
229	Financial Instrument Adjustment Account for the interest on remaining payments	170
805	Usable Capital receipts	1,026
2,212	Total advance	2,212

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

2018/19				2019/20		
Measured at amortised cost				Measured at amortised cost		
Financial liabilities	Financial assets	Total		Financial liabilities	Financial assets	Total
£000	£000	£000		£000	£000	£000
		0	Total expense in (Surplus) or deficit in the Provision of Services:			
1,466	-	1,466	Interest expense	1,443	-	1,443
-	(264)	(264)	Interest income	-	(313)	(313)
1,466	(264)	1,202	Net (gain)/loss for the year	1,443	(313)	1,130

Fair Values of Assets and Liabilities

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

- The fair value of Public Works Loan Board (PWLB) loans of £44.155m 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 £35.479m would be valued at £57.999m. 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 £22m.
- 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 2019			31 March 2020	
Carrying amount	Fair Value		Carrying amount	Fair Value
£000	£000		£000	£000
1,015	1,015	Loans and receivables long-term	845	845
22,346	22,346	Loans and receivables short-term	24,423	24,423
(36,479)	(46,977)	Borrowings long-term	(35,478)	(44,155)
(1,494)	(1,497)	Borrowings short-term	(1,494)	(1,497)
(952)	(952)	Other long-term liabilities	(722)	(722)
(225)	(225)	Other short-term liabilities	(230)	(230)
(1,299)	(1,299)	Creditors	(1,422)	(1,422)
(17,088)	(27,589)	Total	(14,078)	(22,758)

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 2020) 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 £19m 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 2020 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 2020 has been estimated as £8k; 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 2020:

31 March 2019		31 March 2020
£000		£000
175	Less than three months	305
29	Three to six months	421
42	Six months to one year	141
72	More than one year	111
318	Outstanding debt	978
124	Provision for expected credit loss	516
39%	Percentage of provision	53%

At 31 March 2020 the provision includes a higher expected credit loss for some particular debts. At this stage there is no evidence that Covid 19 is adversely affecting payments and no additional loss allowance has been made. This situation is being monitored but until the economy returns to a firmer footing it is difficult to predict what impact there might be.

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 Loan 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 2019		31 March 2020
£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
6,850	Between 10 and 15 years	5,850
8,239	Between 15 and 20 years	8,239
-	Between 20 and 25 years	-
-	Between 25 and 30 years	-
12,390	Between 30 and 35 years	12,390
-	Between 35 and 40 years	-
37,479		36,479

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 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 2019		31 March 2020
£000		£000
(5,798)	Decrease in fair value of fixed rate borrowings liability	(5,257)

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

Price Risk

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

Foreign Exchange Risk

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

Note 18. SHORT TERM DEBTORS

The short term debtors held by the authority consist of:

31 March 2019		31 March 2020
£000		£000
1,086	Central Government bodies	2,217
1,418	Other Local Authorities	1,833
2,237	Other entities and individuals	2,519
4,741	Total	6,569

Within the debtors amounts are provisions for credit losses. These are re-assessed each year and adjustments made where necessary. At this stage there is no evidence that Covid 19 is adversely affecting payments and no additional loss allowance has been made. This situation is being monitored but until the economy returns to a firmer footing it is difficult to predict what impact there might be.

Note 19. CASH AND CASH EQUIVALENTS

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

31 March 2019		31 March 2020
£000		£000
1	Cash held by the Authority	1
2,956	Bank current accounts	3,493
1	Interest income bank current accounts	-
2,958	Total Cash and Cash Equivalents	3,494

Note 20. SHORT TERM CREDITORS

The short term creditors held by the authority consist of:

31 March 2019		31 March 2020
£000		£000
(1,635)	Central Government bodies	(1,750)
(1,049)	Other Local Authorities	(1,533)
(2,460)	Other entities and individuals	(4,132)
(5,144)	Total	(7,415)

Note 21. PROVISIONS

The provisions held by the authority consist of:

	Business Rate Appeals Provision	MMI Provision	Early Retirement Provision	Total
	£000	£000	£000	£000
Balance at 31 March 2019	(579)	(4)	(2)	(585)
Increase in provision in 2019/20	-	-	-	0
Amounts used in 2019/20	39	-	2	41
Reduction in provision in 2019/20	29	3	-	32
Balance at 31 March 2020	(511)	(1)	0	(512)

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 that have increased. There is currently no evidence that Covid 19 will impact on the level of appeals but this provision will need to be kept under constant review to identify if trading losses lead to increased appeals.

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

The early retirement provision was established in 2005/06 and provided for the payment of annual amounts due to be paid for discretionary pension benefits from enhanced early retirements in 2005/06 onwards. This provision has now been exhausted and is no longer required.

Note 22. UNUSABLE RESERVES

31 March 2019		31 March 2020
£000		£000
(46,760)	i Revaluation Reserve	(45,442)
(77,092)	ii Capital Adjustment Account	(79,413)
229	iii Financial Instruments Adjustment Account	170
30,099	iv Pensions Reserve	29,163
(212)	v Collection Fund Adjustment Account	(29)
52	vi Accumulated Absences Account	116
(93,684)	Total Unusable Reserves	(95,435)

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.

2018/19		2019/20
£000		£000
(45,041)	Balance at 1 April	(46,760)
(6,403)	Upward revaluation of assets	(4,747)
3,216	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	3,570
(3,187)	(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services	(1,177)
1,274	Difference between fair value depreciation and historical cost depreciation	1,278
194	Accumulated gains on assets sold & derecognised	1,217
1,468	Amount written off to the Capital Adjustment Account	2,495
(46,760)	Balance at 31 March	(45,442)

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.

2018/19		2019/20
£000		£000
(79,667)	Balance at 1 April	(77,092)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):	
4,132	▪ Charges for depreciation and impairment of non-current assets	4,056
(368)	▪ Revaluation (gains) and losses on Property, Plant and Equipment	486
811	▪ Revenue expenditure funded from capital under statute	757
4,359	▪ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,829
(1,468)	Adjusting amounts written out of the Revaluation Reserve	(2,495)
7,466	Net written out amount of the cost of non-current assets consumed in the year	4,633
	Capital financing applied in the year:	
(781)	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(1,291)
(1,553)	▪ Use of the Major Repairs Reserve to finance capital expenditure	(1,760)
(875)	▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,555)
(8)	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	(20)
221	▪ Unapplied grants released to Capital Receipts Reserve	221
(747)	▪ Statutory provision for the financing of capital investment charged against the General Fund balance	(731)
(817)	▪ Voluntary provision for the financing of capital investment charged against the HRA Fund balance	(817)
(331)	▪ Use of earmarked reserves to finance new capital expenditure	-
(4,891)	Total financing	(6,953)
(77,092)	Balance at 31 March	(79,413)

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.

2018/19		2019/20
£000		£000
296	Balance at 1 April	229
(67)	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	(59)
229	Balance at 31 March	170

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.

2018/19		2019/20
£000		£000
27,756	Balance at 1 April	30,099
2,584	Actuarial (gains) or losses on pensions assets and liabilities	(2,535)
1,949	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	3,921
(2,190)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,322)
30,099	Balance at 31 March	29,163

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 2020, the actuarial valuation showed a net liability of £29.163m (2018/19 £30.099m). 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 2020 was £29.163m, a reduction of £0.936m during 2019/20.

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.

2018/19				2019/20		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000		£000	£000	£000
(158)	359	201	Balance at 1 April	(1)	(211)	(212)
157	(570)	(413)	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	-	183	183
(1)	(211)	(212)	Balance at 31 March	(1)	(28)	(29)

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.

2018/19		2019/20
£000		£000
45	Balance at 1 April	52
7	Amount by which officer remuneration charged to Comprehensive Income and Expenditure on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	64
52	Balance at 31 March	116

Note 23. OTHER LONG TERM LIABILITIES

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

2018/19		2019/20
£000		£000
(30,099)	Pension scheme liabilities	(29,163)
(77)	Compulsory purchase proceeds	(309)
(951)	Finance lease liability	(722)
(31,127)	Total	(30,194)

Three properties, that the Council acquired by compulsory purchase order during 2007/08, were sold during 2009/10 and 2010/11. A fourth property has been sold in 2019/20. In all cases 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 2020:

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 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. Covid 19 may also impact on the level of appeals and is also reflected in Note 21 on Provisions.

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:

2018/19		2019/20
£000		£000
123	Property rents	139
1,016	Cluster of Empty Homes loan principal	845
1,139	Total	984

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:

2018/19		2019/20
£000		£000
(4,132)	Depreciation	(4,056)
369	Revaluation losses and gains on previous losses	(485)
90	(Increase)/decrease in impairment for bad debts	(494)
(25)	(Increase)/decrease in provisions	73
155	(Increase)/decrease in creditors	(2,571)
732	Increase/(decrease) in debtors	2,298
7	Increase/(decrease) in inventories	(2)
241	Movement in pension liability	(1,599)
(4,358)	Carrying amount of non-current assets sold or derecognised	(1,830)
67	Clusters of Empty Homes soft loan interest	59
(6,854)	Total	(8,606)

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:

2018/19		2019/20
£000		£000
1,161	Proceeds from the sale of property, plant and equipment	1,573
-	Other receipts from investing activities	509
1,161	Total	2,082

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:

2018/19		2019/20
£000		£000
(188)	Interest received	(232)
1,435	Interest paid	1,417

Note 30. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The investing activities consist of:

2018/19		2019/20
£000		£000
2,537	Purchase of property, plant and equipment	5,156
40,000	Purchase of short-term investments	38,000
(1,161)	Proceeds from the sale of property, plant and equipment	(1,573)
(39,000)	Proceeds from short-term investments	(37,000)
-	Other receipts from investing activities	(509)
(221)	Cluster of Empty Homes loan repayments	(221)
2,155	Net cash flows from investing activities	3,853

Note 31. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The financing activities consist of:

2018/19		2019/20
£000		£000
542	Agency transactions relating to business rates and council tax (billing authority)	(164)
225	Principal transactions relating to finance lease	230
1,000	Loan repayment - PWLB	1,000
1,767	Net cash flows from financing activities	1,066

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 2020 are disclosed in Note 18 and grant income for 2019/20 is disclosed in Note 12.

Members

Members of the Council have direct control over the authority's financial and operating policies. One member is the treasurer for Barrow & District Disability Association, one member is the Chairman of Thrift Charitable Trust and Vice Chairman of Shopmobility Furness and one member is employed as a counsellor of Women's Community Matters. Barrow Borough Council awarded grants of £15k to Barrow & District Disability Association and £21k was spent on services provided by Women's Community Matters. The members were not involved in the decisions that led to the grants being awarded or services procured.

The total of members' allowances paid in 2019/20 is shown in Note 33. There are no balances outstanding at the 31 March 2020. 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 2020.

Note 33. MEMBERS' ALLOWANCES

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

2018/19		2019/20
£000		£000
91	Basic allowances	92
29	Extra responsibility allowance	33
8	Expenses	7
128	Total	132

The Mayor of the Borough also receives an honorarium for their year of office to cover mayoral duties and civic receptions. The honorarium for 2019/20 was £4k (£5k for 2018/19).

Note 34. OFFICERS' REMUNERATION

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

		Salary & car allowance	Pension Contribution	Total
		£000	£000	£000
Executive Director/Chief Executive *	2018/19	95	15	110
	2019/20	91	14	105
Director of Resources	2018/19	78	12	90
	2019/20	80	13	93

* The Authority's previous Executive Director retired on 15th March 2019 and was not replaced in 2018/19. A new Executive Director was appointed with effect from 6th May 2019 and the position was retitled Chief Executive at Council on 12th November 2019.

The Authority appointed a Director of People and Place with effect from 10th March 2020 but remuneration for this post was below £50,000 in 2019/20.

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:

2018/19		Remuneration Band	2019/20	
Number of Employees	Number leaving in the year		Number of Employees	Number leaving in the year
2	-	£50,000 - £54,999	3	-
-	-	£55,000 - £59,999	-	-
-	-	£60,000 - £64,999	-	-
-	-	£65,000 - £69,999	-	-
-	-	£70,000 - £74,999	-	-
-	-	£75,000 - £79,999	1	-
-	-	£80,000 - £84,999	-	-

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.

The Council's Director of Regeneration and the Built Environment resigned from the Authority on 22 September 2019 and the post was not directly replaced. Remuneration for this employee was over £50,000 in 2018/19 but less than £50,000 in 2019/20.

The Council appointed a Director of People and Places with effect from 10 March 2020. The annual salary for this post is in the £75,000 to £79,999 band. Actual remuneration received in 2019/20 was less than £50,000.

Exit Packages

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

2018/19		Exit package cost band	2019/20	
Number	Cost		Number	Cost
	£000			£000
1	5	£0 - £20,000	2	4
-	-	£20,001 - £40,000	-	-
-	-	£40,001 - £60,000	-	-
-	-	£60,001 - £80,000	-	-
-	-	£80,001 - £100,000	-	-
1	5	Total	2	4

Termination Benefits

The authority agreed the departure of 2 employees in 2019/20, incurring liabilities of £4k (1 employee in 2018/19 incurring liabilities of £5k).

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 ruling made regarding age discrimination, that was last year included as a contingent liability, is now included as a past service cost in the accounts, due to the potential amount involved and the remedy accepted by the Government.

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:

2018/19		2019/20
£000		£000
	Comprehensive Income and Expenditure Statement (CIES):	
	<i>Cost of Services:</i>	
1,685	▪ current service cost	2,045
56	▪ curtailments	-
(487)	▪ settlements	-
-	▪ past service costs	1,118
	<i>Financing and Investment Income and Expenditure</i>	
2,952	▪ interest on pension liabilities	2,901
(2,288)	▪ interest on plan assets	(2,191)
	<i>Other operating expenses</i>	
31	▪ administration expenses	48
1,949	Total Post-Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	3,921
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
2,584	▪ re-measurements (liabilities and assets)	(2,534)
4,533	Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Account	1,387

	Movement in reserves statement:	
(1,949)	▪ reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(3,921)
	<i>Actual amounts charged against the General Fund balance for pensions in the year</i>	
2,190	▪ Employers' contributions payable to the scheme	2,322

Pensions Assets and Liabilities Recognised in the Balance Sheet

2018/19		2019/20
£000		£000
(121,910)	Present value of the defined benefit obligation	(118,160)
91,811	Fair value of plan assets	88,997
(30,099)	Net liability arising from defined benefit obligation	(29,163)

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

2018/19		2019/20
£000		£000
89,564	Opening fair value of scheme assets	91,811
2,288	Interest on plan assets	2,191
3,057	Re-measurements (assets)	(3,886)
(31)	Administration expenses	(48)
(1,107)	Settlements	-
2,190	Employer contributions	2,322
337	Member contributions	384
(4,487)	Benefits/transfers paid	(3,777)
91,811	Closing fair value of scheme assets	88,997

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

2018/19		2019/20
£000		£000
(117,320)	Benefit obligation at the beginning of the period	(121,910)
(1,685)	Current service cost	(2,045)
(2,952)	Interest on pension liabilities	(2,901)
(337)	Member contributions	(384)
	Re-measurements (liabilities):	
-	▪ Experience gain/(loss)	61
(5,641)	▪ Gain/(loss) on financial assumptions	1,834
-	▪ Gain/(loss) on demographic assumptions	4,526
(56)	Curtailments	-
1,594	Settlements	-
-	Past service costs	(1,118)
4,487	Benefits/transfers paid	3,777
(121,910)	Benefit obligation at the end of the period	(118,160)

Pension scheme assets comprised:

Period Ended 31 March 2019					Period Ended 31 March 2020			
Quoted prices in active market	Quoted prices not in active markets	Total	Percent of total assets	Asset category	Quoted prices in active markets	Quoted prices not in active markets	Total	Percent of total assets
£000	£000	£000			£000	£000	£000	
				Equities				
8,631	-	8,631	9.4%	UK quoted	8,899	-	8,899	10.0%
19,831	-	19,831	21.6%	Global quoted	17,799	-	17,799	20.0%
918	-	918	1.0%	UK equity pooled	-	-	0	0.0%
-	12,945	12,945	14.1%	Overseas equity pooled	-	6,230	6,230	7.0%
	1,194	1,194	1.3%	Equity protection	-	-	0	0.0%
				Bonds				
5,600	-	5,600	6.1%	UK corporate bonds	-	-	0	0.0%
184	-	184	0.2%	Overseas corporate bonds	-	-	0	0.0%
-	16,434	16,434	17.9%	UK Government indexed pooled	-	20,469	20,469	23.0%
				Property				
-	5,784	5,784	6.3%	UK	-	5,251	5,251	5.9%
-	2,754	2,754	3.0%	Property funds	-	2,492	2,492	2.8%
				Alternatives				
-	2,663	2,663	2.9%	Private equity funds	-	3,293	3,293	3.7%
-	7,161	7,161	7.8%	Infrastructure funds	-	6,586	6,586	7.4%
-	459	459	0.5%	Real Estate debt funds	-	356	356	0.4%
-	2,203	2,203	2.4%	Private debt funds	-	2,848	2,848	3.2%
-	551	551	0.6%	Healthcare Royalties	-	623	623	0.7%
-	-	0				10,680	10,680	12.0%
				Cash				
4,407	-	4,407	4.8%	Cash accounts	3,382	-	3,382	3.8%
-	92	92	0.1%	Net current assets	-	89	89	0.1%
39,571	52,240	91,811	100%	Total	30,080	58,917	88,997	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 2020. The actuary has given recent advice regarding the impact of Covid 19 on the investments return in the 31 March 2020 assessment. This has resulted in a reduction in the assets of the Fund and this has been reflected in the accounts. The on-going impact of Covid 19 is an area of particular concern and, as with other areas of the accounts, the impact on pensions and future contribution rates needs to be closely monitored.

The significant assumptions used by the actuary have been:

2018/19		2019/20
	Mortality assumptions:	
	Longevity at 65 for future pensioners:	
25.6	▪ Men	24.2
28.6	▪ Women	27.1
	Longevity at 65 for current pensioners:	
23.3	▪ Men	22.6
25.9	▪ Women	25.2

2018/19		2019/20
	Other Assumptions:	
2.2%	Rate of CPI inflation	2.1%
3.7%	Rate of increase in salaries	3.6%
2.3%	Rate of increase in pensions	2.2%
2.4%	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 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%)	-	1,812
Rate of inflation (increase by 0.1%)	1,841	-
Rate of increase in salaries (increase by 0.1%)	197	-
Longevity (increase by 1 year)	3,239	-
Investment returns (change of 1%)	885	885

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 2022.

The authority is expected to pay £1.468m in contributions to the scheme in 2020/21

The weighted average duration of the defined benefit obligation for scheme members is 15 years, 2019/20 (16 years 2018/19).

Note 36. EXTERNAL AUDIT COSTS

The authority has incurred the following costs in relation to the annual audit.

2018/19		2019/20
£000		£000
39	Fees payable to external audit with regard to external audit services carried out by the appointed auditor for the year	39
9	Fees payable to external audit for additional agreed works	10
48	Total	49

The appointed auditor also performs the certification of grant claims and returns.

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:

2018/19		2019/20
£000		£000
79	Assets	79
(3)	Gross Income	(2)
2	Gross Expenditure	4
(1)	Net (surplus) or deficit for the year	2

Housing Revenue Account Income and Expenditure Statement

2018/19			2019/20
£000		Note	£000
	Expenditure		
3,083	Repairs and maintenance		3,488
3,219	Supervision and management		3,565
6	Rents, rates, taxes and other charges		12
1,503	Depreciation, impairment and revaluation of dwellings	5	2,259
248	Depreciation and revaluation of other HRA property	6	176
12	Debt management costs		12
137	Movement in the allowance for bad debts		201
8,208	Total Expenditure		9,713
	Income		
(9,843)	Dwelling rents		(9,858)
(387)	Non-dwelling rents		(391)
(1,347)	Charges for services and facilities		(1,420)
(11,577)	Total Income		(11,669)
(3,369)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(1,956)
230	HRA services' share of Corporate and DRC		219
(1)	HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services		(1)
(3,140)	Net (Income)/Expenditure for HRA Services		(1,738)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(104)	Gain or (loss) on sale of HRA non-current assets	9	(228)
7	Pension administration expenses	11	10
919	Interest payable and similar charges		910
145	Pensions interest cost and expected return on pension assets	11	155
(2,173)	(Surplus) or deficit for the year on HRA services		(891)

Movement on the HRA Statement

2018/19		2019/20
£000		£000
(1,000)	Balance on the HRA at the end of the previous year	(1,000)
(2,173)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(891)
1,206	Adjustments between accounting basis and funding basis under statute	364
(967)	(Increase) or decrease in the year on the HRA	(527)
967	Transfer to or (from) earmarked reserves	527
(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 2019	Movements	31 March 2020
1 bed house	142	-	142
2 bed house	366	(6)	360
3+ bed house	836	(12)	824
Total houses	1,344	(18)	1,326
1 bed flat	934	(1)	933
2 bed flat	303	(1)	302
3+ bed flat	6	-	6
Total flats	1,243	(2)	1,241
Dwelling stock	2,587	(20)	2,567

3. HRA Non-Current Assets

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

31 March 2019		31 March 2020
£000		£000
71,503	Council dwellings	70,269
3,059	Land and buildings	3,107
79	Equipment	39
74,641	HRA assets	73,415

4. Vacant Possession of Dwellings

In accordance with Government guidance, the valuation of Council dwellings has been reduced by a regional adjustment factor in recognition of their status as social housing. The regional adjustment factor for the North West was changed in 2016/17 to 40%, an increase from 35% which was set in 2010/11. As a consequence the Council recognises dwellings at a value of £70.269m on the Balance Sheet. At vacant possession the same dwellings would have a value of £175.673m with the difference of £105.404m 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 2019		31 March 2020
£000		£000
71,503	Balance Sheet value EUV-SH	70,269
107,255	Difference of EUV-SH and EUV-VP	105,404
178,758	Value of dwelling stock at EUV-VP	175,673

5. Depreciation and Revaluation of Dwellings

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

2018/19		2019/20
£000		£000
217	Revaluation loss	1,253
(610)	Reversal of previous revaluation loss	(911)
1,896	Depreciation for current year	1,917
1,503		2,259

6. Depreciation and Revaluation of Other HRA Property

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

2018/19		2019/20
£000		£000
73	De-recognition of non-current asset	-
175	Depreciation for current year	176
248		176

7. HRA Capital Financing Requirement

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

2018/19		2019/20
£000		£000
19,655	Opening Capital Financing Requirement	18,838
	Capital investment:	
1,553	Council dwellings	1,760
	Source of finance:	
(1,553)	Major Repairs Reserve	(1,760)
(817)	Voluntary Revenue Provision – towards the repayment of HRA Debt	(817)
18,838	Closing Capital Financing Requirement	18,021
	Explanation of movements in year	
817	Decrease in underlying need to borrow (unsupported by Government financial assistance)	817
817	Increase/(decrease) in Capital Financing Requirement	817

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 2019/20 is set out in the following table:

2018/19		2019/20	
£000		£000	£000
	Item 8 Credit		
(1)	Discounts for early repayment of debt	-	
(610)	Reversal of previous year revaluation loss - dwellings	(912)	
-	Reversal of previous year revaluation loss – non dwellings	-	(912)
	Item 8 Debit		
851	Interest payable on external loans	833	
1,896	Depreciation of dwellings	1,917	
175	Depreciation of non-dwellings	176	
68	Interest payable on notional cash balances	77	
12	Debt management expenses	12	
1	Premium charges for early repayment of debt	-	
73	De-recognition on non-current assets	-	
217	Revaluation loss - dwellings	1,253	
-	Revaluation loss – non dwellings	-	4,268
2,682	Item 8 Credit and Item 8 Debit		3,356

9. HRA Non-Current Asset Disposals

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

31 March 2019		31 March 2020
£000		£000
725	Carrying value of dwellings sold	725
(829)	Sale proceeds from dwellings	(953)
(104)	Net gain on disposals	(228)

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.

31 March 2019		31 March 2020
£000		£000
	MRR transfers in year	
(1,896)	From HRA for dwellings depreciation	(1,917)
-	Difference between MRA and dwellings depreciation	-
(1,896)	MRA for the year	(1,917)
(175)	Increase for depreciation of non-dwelling assets	(176)
1,553	Capital expenditure financed by MRR	1,760
(1,992)	Balance brought forward	(2,510)
(2,510)	Balance carried forward	(2,843)

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. Covid 19 has had no impact on the HRA in 2019/20 although the on-going impact is an area of particular concern and, as with other areas of the accounts, the impact on pensions and future contribution rates needs to be closely monitored.

The following transactions have been made in the HRA Income and Expenditure Statement and the Movement on the HRA Statement during the year:

2018/19		2019/20	
£000		£000	£000
	HRA		
	<i>Cost of Services:</i>		
298	▪ current service cost	343	
-	▪ Past service cost	244	587
	<i>Financing and Investment Income and Expenditure</i>		
643	▪ interest cost	632	
(498)	▪ expected return on scheme assets	(477)	155
	<i>Other operating expenditure</i>		
7	▪ pension administration expenses		10
450	Total Post Employment Benefit Charged to the HRA Income and Expenditure Account		752

Movement in Reserves Statement		
(450)	• reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(752)
	<i>Actual amounts charged against the HRA balance for pensions in the year</i>	
414	• employers' contributions payable to scheme	429

12. Rent Arrears

At 31 March 2020 the HRA rent arrears and the provision in respect of credit losses was:

31 March 2019		31 March 2020
£000		£000
867	Arrears at year end	969
644	Allowance for impairment	727
74%	Percentage of provision	75%

The amounts for credit losses are re-assessed each year and adjustments made where necessary. At this stage there is no evidence that Covid 19 is adversely affecting payments and no additional loss for this has therefore been made. This situation is being monitored but until the economy returns to a firmer footing it is difficult to predict what impact there might be.

13. HRA Balance

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

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

31 March 2019		31 March 2020
£000		£000
(1,000)	HRA fund balance	(1,000)
(2,241)	HRA earmarked reserves	(2,768)

2018/19				2019/20		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000		£000	£000	£000
			Income			
(34,987)	-	(34,987)	Income from Council Tax	(37,002)	-	(37,002)
-	(24,418)	(24,418)	Income collectable from business ratepayers	-	(21,631)	(21,631)
-	2,330	2,330	Transitional Protection Payment	-	761	761
(34,987)	(22,088)	(57,075)	Total Income	(37,002)	(20,870)	(57,872)
			Expenditure			
			<i>Precepts demand & shares:</i>			
-	10,359	10,359	- Central Government	-	10,514	10,514
25,697	2,072	27,769	- Cumbria County Council	27,041	2,102	29,143
4,513	8,445	12,958	- Barrow Borough Council	4,719	8,528	13,247
4,490	-	4,490	- Cumbria Police & Crime Commissioner	5,010	-	5,010
			<i>Charged to the Collection Fund</i>			
(150)	(90)	(240)	- Write off of uncollectable amounts	(187)	(63)	(250)
133	108	241	- Impairment of debts	717	7	724
-	83	83	- Impairment of appeals	-	(172)	(172)
-	93	93	- Costs of collection	-	91	91
34,683	21,070	55,753	Total Expenditure	37,300	21,007	58,307
(304)	(1,018)	(1,322)	(Surplus)/Deficit for the year	298	137	435

Council Tax	Business Rates	Total	Collection Fund balances	Council Tax	Business Rates	Total
£000	£000	£000		£000	£000	£000
(1,206)	897	(309)	Balance brought forward at 1 April	(14)	(527)	(541)
1,496	(406)	1,090	Distribution of previous years (surplus)/deficit	(291)	319	28
(304)	(1,018)	(1,322)	(Surplus)/Deficit for the year (as above)	298	137	435
(14)	(527)	(541)	Balance carried forward at 31 March	(7)	(71)	(78)
			<i>Allocated to</i>			
(1)	(211)	(212)	- Barrow Borough Council	(1)	(28)	(29)
(8)	(53)	(61)	- Cumbria County Council	(3)	(7)	(10)
-	(263)	(263)	- Central Government		(36)	(36)
(5)	-	(5)	- Cumbria Police & Crime Commissioner	(3)	-	(3)
(14)	(527)	(541)	Balance carried forward at 31 March	(7)	(71)	(78)

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.

The amounts for credit losses shown in the following notes are re-assessed each year and adjustments made where necessary. At this stage there is no evidence that Covid 19 is adversely affecting payments and no additional loss for this has therefore been made. This situation is being monitored but until the economy returns to a firmer footing it is difficult to predict what impact there might be.

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 2019/20 were estimated before the start of the financial year as £10.514m to Central Government, £2.102m to Cumbria County Council and £8.528m to this authority. These sums have been paid in 2019/20 and charged to the collection fund in year. Barrow Borough Council also received £118k 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 2020. 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 2019/20 has been calculated at £172k

The total non-domestic rateable value at the 31 March 2020 was £54.47m (£53.85m at the 31 March 2019); 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 2019/20 was 50.4 pence in the pound (49.3 pence in the pound for 2018/19).

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 49.1 pence in the pound (48.0 pence in the pound for 2018/19) and can also qualify for rate relief.

3. Bad and Doubtful Debts

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

31 March 2019		31 March 2020
£000		£000
	Council Tax	
4,120	Arrears	4,464
1,940	Provision for bad and doubtful debts	2,283
47%	Percentage of provision	51%
	Business ratepayers	
1,495	Arrears	1,794
1,238	Provision for bad and doubtful debts	1,119
83%	Percentage of provision	62%

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. See the General Note above for commentary on the impact of Covid 19.

The Council's share of the balances are:

31 March 2019		31 March 2020
£000		£000
	Council Tax	
529	Arrears	566
249	Provision for bad and doubtful debts	290
47%	Percentage of provision	51%
	Business ratepayers	
598	Arrears	718
495	Provision for bad and doubtful debts	447
83%	Percentage of provision	62%

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 2019/20 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 2019/20 is £6m. The retained levy for the authority paid into the pool was £489k and the distribution of the retained levy to the authority was £294k, these are shown within the Comprehensive Income and Expenditure Statement.

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 2019/20 was 19,520 (19,290 for 2018/19). The tax base for 2019/20 was approved by Council on 28 February 2019. The collection rate was assumed to be 99% for 2019/20 (99% in 2018/19).

The Council Tax base for the year was set as:

2018/19 Band D equivalent number of chargeable dwellings	Band	Standard factor	2019/20 Band D equivalent number of chargeable dwellings
21	Disabled reductions		20
8,520	A	6/9	8,664
3,573	B	7/9	3,596
3,701	C	8/9	3,728
2,113	D	9/9	2,133
1,125	E	11/9	1,148
319	F	13/9	316
107	G	15/9	106
6	H	18/9	6
19,485	Equivalent chargeable dwellings		19,717
19,290	Collection rate of 99% which gives the Council Tax base		19,520

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 2019/20.

2018/19 Council Tax £	Band	Property value	2019/20 Council Tax £
1,195.64	A	Up to £39,999	1,251.58
1,394.90	B	£40,000 to £51,999	1,460.18
1,594.17	C	£52,000 to £67,999	1,668.77
1,793.45	D	£68,000 to £87,999	1,877.37
2,192.00	E	£88,000 to £119,999	2,294.56
2,590.54	F	£120,000 to £159,999	2,711.76
2,989.09	G	£160,000 to £319,999	3,128.95
3,586.90	H	£320,000 and over	3,754.74

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Barrow-in-Furness Borough Council (the 'Authority') for the year ended 31 March 2020 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 HRA Statement, the Collection Fund and notes to the financial statements, including a summary of significant 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

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.

In our evaluation of the Director of Resources conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020. As disclosed in note 4 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. Valuations of land and buildings and the pension fund's property investments are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Our opinion is not modified in respect of this matter.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the 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 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

- we 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 18, 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 2019/20, 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 and Governance 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. 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 specified criterion issued by the Comptroller & Auditor General in April 2020, except for the effects of the matter described in the basis for qualified conclusion section of our report, we are satisfied that, in all significant respects, the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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 Head of Internal Audit Opinion for 2019/20 provided only restricted assurance in respect of the Authority's procurement arrangements. Internal Audit has identified clear breaches of the Authority's purchasing and contract standing orders, with the most significant instances of non-compliance being:

- contracts being allowed to 'roll over' rather than extensions being formally authorised
- failure to complete the Authority's pre-contract checklist in a timely manner
- failure to conduct purchases over £100,000 in accordance with the Authority's contract standing orders
- inadequate market testing to inform procurement decision
- insufficient evidence being retained to support the judgements made in assessing tenders.

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 April 2020, 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 2020.

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

24 March 2021

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
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
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
Footpath lighting
Housing renewal administration
Housing market renewal team
Cluster Empty Homes

Accounting Policies

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

Accruals Basis

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

Actuarial Gains and Losses (Pensions)

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

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

Amortisation

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

Asset

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

Asset register

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

Audit of Financial Statements

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

Balance Sheet

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

Budget

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

Capital Adjustment Account

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

Capital contributions

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

Capital expenditure

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

Capital Financing Requirement

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

Capital programme

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

Capital receipt

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

Capital Receipts Reserve

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

Capital resources

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

Cash Flow Statement

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

Collection Fund

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

Collection Fund Adjustment Account

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

Community Asset

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

Comprehensive Income and Expenditure Account

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

Contingent Asset

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

Contingent Liability

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

Corporate and Democratic Core

The corporate and democratic core comprises costs relating to member representation and associated governance activities together with the costs of corporate management that provide the infrastructure

that allows services to be provided. The costs of these activities are thus over and above those which would be incurred by a service of independent, single purpose, nominated bodies managing the same services.

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 all services except those covered by the Housing Revenue Account. 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 Statue (REFFCUS)

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

Risk

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

Risk management

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

Statement of Accounts

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

Tangible Asset

A tangible asset is one that has physical structure.

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 and Unusable Reserves

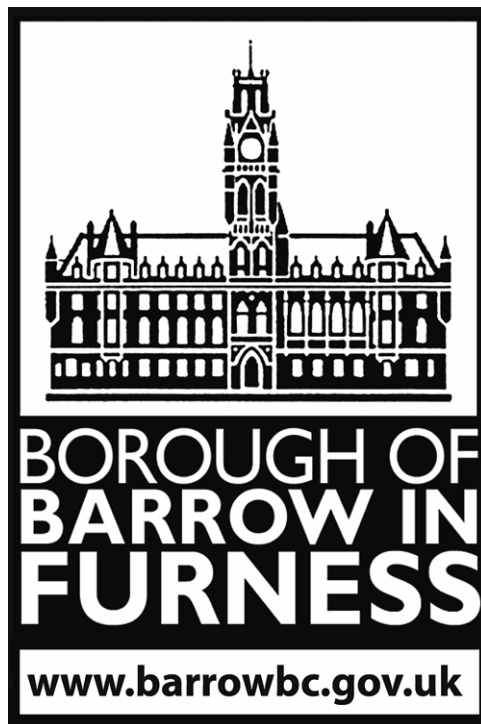
Usable reserves are those reserves that can be applied to fund expenditure or reduce local taxation. Unusable reserves are those that are maintained for statutory accounting purposes.

Voluntary Revenue Provision (VRP)

VRP is the amount by which the authority makes voluntary provision for the repayment of loans and other amounts borrowed by the authority.

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.



Version Control:	
Document Name:	Annual Governance Statement 2020
Version:	Version 1
Author:	Corporate Support Manager
Approved by:	Audit and Governance Committee
Date Approved:	March 2021
Review Date:	May 2021

Annual Governance Statement – 2019-2020

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. The Council has approved a Code of Corporate Governance which is consistent with this framework and is published on the Council's website.

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

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.

- The Council's constitution defines the roles and responsibilities of the Council's decision making, regulatory, Audit and Governance and Overview and Scrutiny committees. It also defines the roles of the statutory officers and includes the delegations that officers hold.
- Members and officers have an induction which set includes the behaviours that are expected.
- The Council's values and behaviours will be rolled out to all staff and Members during 2020-21.
- The Council has recently appointed a new post of Head of Legal and Governance.
- A fraud hotline is in place to allow confidential reporting so that anonymous complaints can be investigated.
- A process for regular staff appraisals is in place.

B. Ensuring openness and comprehensive stakeholder engagement.

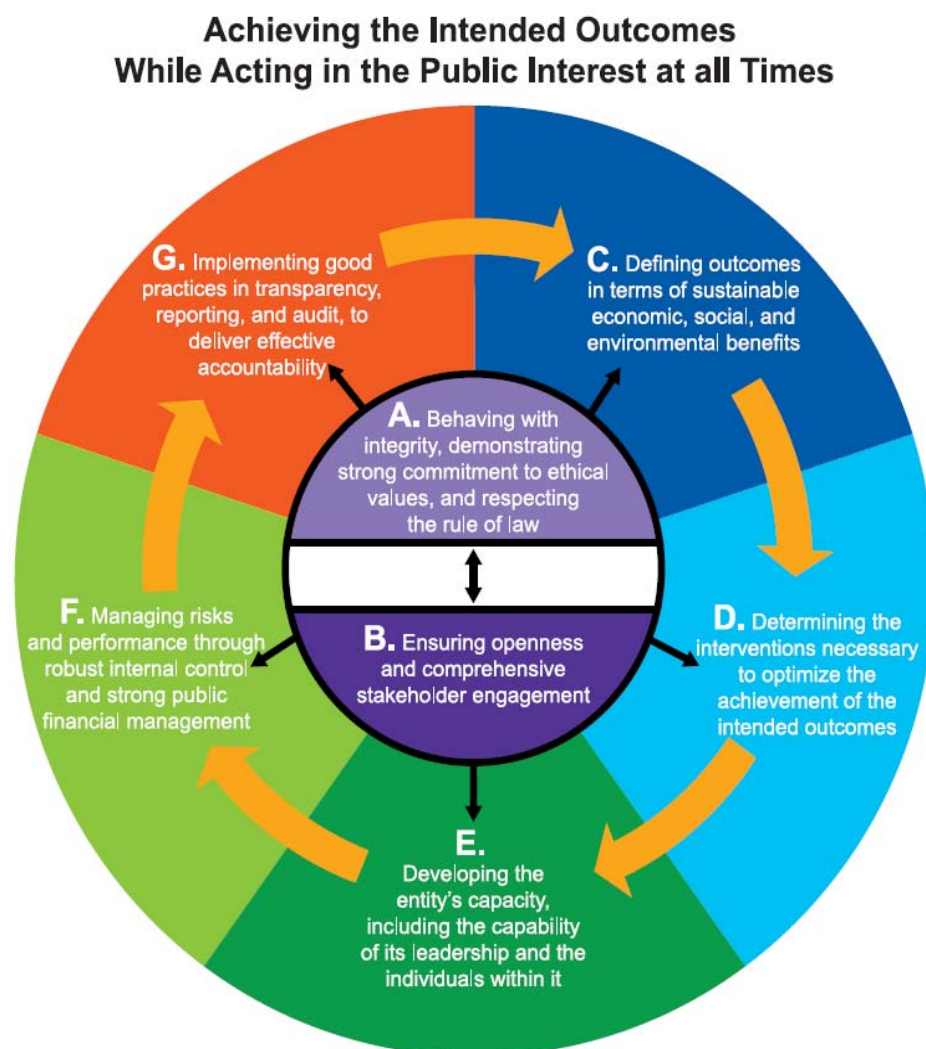
- There is a process for consultation in place through the Future High Streets Fund, the Town Deal Board and the Major Projects Board.
- The Council has engaged a Social Media and Public Relations provider to positively project the Barrow Borough Council brand and attain a stronger reach to customers. This will be developed through a revised Communications Strategy
- The Council is developing its website to provide a key means of communication in an open and transparent way.

- We provide clear recommendations to the decision making committees, this is by supported reasoning and evidence. We assess the financial, legal and equalities risks relating to those decisions and provide Members with the outputs from those assessments.
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
- The Council published its plan for 2020- 2024 and has identified three priority areas.
 - We are developing service plans to ensure we deliver the priorities agreed in the Council Plan
 - The Council has submitted a business case for Future High Street Fund which could bring £21m of funding into the Town Centre
 - The Council is developing an investment plan for Town Deal funding which could draw up to £29m of funding for regeneration
 - The Council successfully applied for £1m of heritage lottery funding to improve the Dock Museum
 - The Council successfully applied for £1.1m heritage grant to improve Duke Street.
- D. Determining the interventions necessary to optimise the achievement of intended outcomes.
- The Medium Term Financial Strategy is reviewed annually
 - The council is developing service plans to ensure we deliver the priorities agreed in the Council Plan
 - The Council has an effective overview and Scrutiny function.
- E. Developing the entity's capacity including the capability of its leadership and the individuals within it.
- The Council supports and encourages staff to undertake professional training.
 - The Council has an effective Member training programme in place
 - Staff have biannual briefings with senior management.
- F. Managing risks and performance through robust internal control and strong public financial management.
- The Council has a risk policy which reviewed regularly by Management Team and is approved by the Executive Committee.
 - The Council has corporate and operational risk registers which are reviewed regularly by Management team and the Audit and Governance Committee.

G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

- The Audit and Governance Committee has defined roles which are set out in the Council's Constitution.
- External auditors routinely attend Audit Committee meetings.
- The Head of Internal Audit has access to the Chair of the Audit and Governance Committee.
- Members are required to register interests at the beginning of every committee meeting.

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



Review of Effectiveness

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

A Management Team consisting of the following Officers were involved in reviewing this draft Annual Governance Statement

- Chief Executive - Head of Paid Services
- Director of Resources - S151 Officer
- Director of People and Place
- Assistant Director - Housing
- Head of Legal and Governance - 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 undertake 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.

In 2019 the Council invited the Local Government Association to undertake a Governance review and has developed plans to deliver the recommendations from the review.

In 2020 the Council invited the Local Government Association to undertake a Corporate Peer review and has developed plans to deliver the recommendations from the review.

The Constitution

The Borough of Barrow-in-Furness has updated and 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 most recent review was in 2020, which considered delegation and procedural arrangements and also has regard to the recommendations of the Local Government Association Governance Review. Changes have also been made to address the implications brought about by the Coronavirus Pandemic, e.g. virtual meetings, when decision making was further reviewed and a Virtual Meetings Rules and Protocol was adopted

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

We have reviewed and adopted formal codes of conduct defining standards of personal behaviour for Members and Officers. The Monitoring Officer monitors compliance with the Member's code of conduct. The Members code was reviewed in September 2020 taking account of best practice recommendations arising from the Committee on Standards in Public Life following their report on Local Government Ethical Standards which was published in January 2019.

The Chief Executive (Head of Paid Services) has overall responsibility for ensuring compliance with the officer's code of conduct.

We have put in place effective systems to protect the rights of staff. We ensure that policies for whistle-blowing 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 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 2020 - 2024. The plan details how the Council will achieve the priorities. The Council plan will be supported by service plans which reflect the Council's priorities.

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 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](#)

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.

Barrow Borough Council welcomes and encourages attendance and contributions by the public at its meetings. Public participation guidelines were agreed by Council in June 2020 as part of the Council's commitment to community governance and openness.

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

Partnership working

The Council participates in formal and informal partnerships to allow for resources to be used more efficiently and outcomes to be achieved more effectively. The Council is actively involved in partnership boards that delivering key improvements to the Borough.

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.

Managing performance

The Council has a performance management framework which was agreed by the Executive Committee and performance data is reported to Management Team 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 and Governance Committee

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

Additional corporate assurance arrangements for 2019/20 include:

An external Governance Review which was facilitated by the Local Government Association.

A review of the terms of reference of the Audit Committee was undertaken early in 2020 following which the name of the Committee was changed to Audit and Governance Committee to reflect the incorporation of the standards and governance arrangements and the terms of reference amended to reflect these and the delegations to the Monitoring Officer.

The Council publishes an Annual Governance Statement, signed by the Chief Executive 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 and Governance Committee. The audit plan provides a structured 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 Annual Opinion Statement

This opinion statement is provided 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. The Plan for 2019/20 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the internal control environment.

The PSIAS state that the internal control environment comprises three key areas: internal control, governance and risk management processes. My opinion on the effectiveness of the internal control environment is based on an assessment of each of these key areas.

As referred to above, there is a requirement for the "system of Internal Control" to include an assessment of sources of assurance, beyond just that of Internal Audit itself. As the Council is required to produce an Annual Governance Statement, sources of assurance are reflected and reviewed within this process, which Internal Audit are a part of; therefore the control environment is reviewed more fully in this way.

Head of internal Audit Opinion Statement for 2019/20.

This report provides reasonable assurance that the organisation's framework of governance, risk management and control predominantly operated satisfactorily during 2019/20.

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, leases, procurement 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, five areas where only Restricted Assurance can be provided, which relate to the following final reports:

- Maritime Streets Landscaping Design;
- Procurement;
- Cavendish Park Changing Rooms;
- Refuse Collection, Recycling and Street Cleaning 2017-2024; and

- Maritime Streets Landscaping Works.

There are, two areas where No Assurance can be provided, which relate to the following final reports:

- Phoenix Business Centre; and
- Lawson St

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.

Head of internal Audit's opinion statement for 2019/20 identified a number of weaknesses in internal control. The Council has produced an action plan to address these issues raised in the table below

Maritime Streets Landscaping Design.

The Council accepts the Contract Management Checklist did not deliver the desired outcome for this project. Remedial action will not resolve this position but will improve future contract management. The Council has sort an alternative method for tendering and awarding contracts.

Action	Responsible officer	Completion Date
The Contract Management Checklist will be replaced by a Project management approach to ensuring the all documentation is place at each stage of future contract processes. The Council has engaged external support from another Local Authority and the private sector to deliver training and provide guidance to ensure this is delivered effectively	Management Team	This will begin in February 2021
The project Management approach will involve robust cost analysis prior to the start of the contract. There will be regular update meetings with the project team to address significant deviation from the	Project Team	On-going throughout the project

initial costs.		
----------------	--	--

Procurement

Payments without contract, there is an historic contract from 2001 which has been rolled over. The Council accepts that the contract should have been renewed.

Action	Responsible officer	Completion Date
A new contract is being prepared but was not completed by the December 31 st implementation date because the resource was diverted to other activities. This has been extended for another season to allow planting for the spring/summer baskets and summer barrier baskets until the end of Sept. This was approved by the Executive Committee in November 2020.	Grounds Maintenance Contract Manager	October 2021
Grounds Maintenance -this has been extended and now includes playgrounds. the extension was signed in 2019 until 31 st May 2024.	Grounds Maintenance Contract Manager	Complete
The Public Conveniences and Stairwell cleansing was retendered in 2020 and awarded for two years.	Director of People and Place	Complete
The catering contract has been subject to a number of reviews, partly because the impact of Covid on the hospitality industry. A new contract is with the Council's solicitor for final checking	Director of People and Place	31 st March 2021

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	This was established but will be subsumed into a wider initiative to improve the contract process. The Head of Legal and Governance will have some oversight of this process.
--	---------------------	---

Cavendish Park changing rooms.

The Council accepts that there were a number of Contract related issues associated with this project. The project was completed in 2017/18 so remedial action will not resolve this position. The Council will improve future contract management and has sort an alternative method for tendering and awarding contracts.

Action	Responsible officer	Completion Date
The Contract Management Checklist will be replaced by a Project management approach to ensuring the all documentation is place at each stage of future contract processes. The Council has engaged external support from another Local Authority and the private sector to deliver training and provide guidance to ensure this is delivered effectively	Management Team	This will begin in February 2021
The project Management approach will involve robust cost analysis prior to the start of the contract. There will be regular update meetings with the project team to address significant deviation from the initial costs.	Project Team	On-going throughout the project

Refuse Collection, Recycling and Street Cleaning 2017-2024.

The Council accepts that there were a number of Contract related issues. Remedial action will not resolve this position but will improve future contract

management. The Council will improve future contract management and has sort an alternative method for tendering and awarding contracts.

Action	Responsible officer	Completion Date
The Contract Management Checklist will be replaced by a Project management approach to ensuring the all documentation is place at each stage of future contract processes. The Council has engaged external support from another Local Authority and the private sector to deliver training and provide guidance to ensure this is delivered effectively	Management Team	This will begin in February 2021
The project Management approach will involve robust cost analysis prior to the start of the contract. There will be regular update meetings with the project team to address significant deviation from the initial costs.	Project Team	On-going throughout the project

Maritime Streets Landscaping Works.

The Council accepts that there were a number of Contract related issues. Remedial action will not resolve this position but will improve future contract management. The Council will improve future contract management and has sort an alternative method for tendering and awarding contracts.

Action	Responsible officer	Completion Date
The Contract Management Checklist will be replaced by a Project management approach to ensuring the all documentation is place at each stage of future contract processes. The Council has engaged external support from another Local Authority and the private sector to deliver training and provide guidance to ensure this is delivered effectively	Management Team	This will begin in February 2021

The project Management approach will involve robust cost analysis prior to the start of the contract. There will be regular update meetings with the project team to address significant deviation from the initial costs.	Project Team	On-going throughout the project
--	--------------	---------------------------------

The No Assurance reports relate to existing leases.

Action	Responsible officer	Completion Date
A new contract is being drawn up for Pheonix Business Centre which will include appropriate clause for auditing purposes	Estates Manager	End of March 2021
The lease on the Lawson St property is currently being renewed on a full rental basis rather than shared income. It is deemed that the new lease does not require an auditing clause.	Estates Manager	End of March 2021

Head of internal Audit's opinion statement for 2018/19 identified a number of weakness in internal control. The Council produced an action plan to address the issues raised in 2018/19 and progress against these actions is in the table below

Action	Responsible officer	Update
Improve the administration and management of stalls and leasing in Barrow Market.	Market Supervisor	<p>Most recommendations have been implemented and this is substantially complete.</p> <p>Updates on the recommendations relating to the important issues are detailed below:</p> <p>Overtime levels are managed and monitored by Finance.</p> <p>Traders are regularly</p>

		<p>reminded and insurance certificates are checked where possible.</p> <p>Tenancy agreements are signed.</p> <p>Arrears: Arrears over £500 are challenged</p> <p>Cash: Storage arrangements have been improved.</p> <p>H&S: The Market Supervisor is responsible and is supported by the Council's H&S adviser.</p> <p>The minor issues have been resolved including:</p> <p>Website being is updated regularly.</p> <p>Arrangements in place for petty cash.</p> <p>Procedures and trader pack are updated as required.</p> <p>Fire alarms and lighting are tested routinely.</p> <p>Arrangements for casual stall holders and guidelines in place for trading space.</p>
Review recruitment policy and ensure interviews are held in compliance with the policy. Review current grading structure.	HR Manager / Management Team	<p>Updates on the recommendations relating to the major issues are detailed below:</p> <p>The review of the recruitment policy is complete and new arrangements are in place. The policy is</p>

		<p>being updated for publication.</p> <p>New arrangements are in place for high level posts.</p> <p>Arrangements are in place for assessing qualifications and grades and;</p> <p>consistent shortlisting consistently. Training as been provided to support this.</p> <p>Updates on the recommendations relating to the important issues are detailed below:</p> <p>Appropriate arrangements are in place to ensure:</p> <p>Post approval pre recruitment,</p> <p>number of officers for selection and interviews,</p> <p>use of a formal checklist</p> <p>Retention of interview scoresheets,</p> <p>Redeployment,</p> <p>Appropriate criteria identified in the person specification,</p> <p>Monitoring of Interview questions</p> <p>The recommendations</p>
--	--	--

		relating to the minor issues have been addressed.
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	This was established and is ongoing. As part of a wider initiative to improve the contract process the Head of Legal and Governance will have some oversight of this process.
Review arrangements for maintaining playing fields	Assistant Director – Community Services	This review is complete and appointment of alternative service provision is in progress.

Impacts of COVID-19

As lockdown measures were introduced across the country, the authority adjusted to the significant disruption to staffing across services and functions. The business continuity plans were implemented and reviewed to ensure that essential services continued to be delivered to our residents. A number of measures were quickly introduced to ensure the safety of staff, Members and customers, whilst maintaining service delivery; buildings were closed to the public, agile and flexible ways of working were introduced, virtual meetings were set up and social distancing and health and safety measures were established.

The Local Authority and Police and Crimes Commissioner elections were postponed under the Coronavirus Act 2020.

Following regulations made under the Coronavirus Act 2020 the May 2020 Annual Council meeting was cancelled and appointments carried forward until the next Annual Meeting. Arrangements were put in place for all committee meetings to be held remotely and live streamed.

The CEO has delegated powers to take such action on behalf of the Council as appears to them necessary in circumstances that prevent obtaining the necessary authority from an appropriate committee following consultation with the Leader of the Council, as set out in the Council's constitution.

In order to deliver the local authority elements of the national COVID-19 support package of business grants, business rate reliefs and hardship relief, it was necessary to temporarily reassign resources and defer other priorities to ensure an effective response was achieved. The new powers from Coronavirus legislation were implemented by the Council. More details of the authority's response can be found in the Growing Forward report presented to the Executive Committee on the 8 July 2020.

The majority of Council services have continued throughout although some services were suspended for a short period e.g. green waste collection and bulky waste collection. Additional waste collections were provided to minimise fly tipping while the Household Waste Recycling Centres were closed.

Car parking enforcement, leisure and cultural services were affected resulting in additional expenditure and a loss of income to be met from the COVID-19 emergency funding and sales, fees and charges compensation.

Governance and Assurance Summary

The Council uses its Annual Governance Statement to demonstrate that it has sound decision making processes in place and governance arrangements that are fit for purpose.

The assurance reports received from the Heads of internal provide a useful indicator of the effectiveness of the Council's governance arrangements.

His opinion is that the Council has basically sound systems of control in place, although there are weaknesses which put some of the system objectives at risk.

The Council accepts this opinion and has put additional arrangements in place to further improve and enhance our governance arrangements.

These include a comprehensive review of the Council's constitution which clarified and affirmed the extent of officer delegation. We have strengthened the senior Management Team by appointing a Director of People and Place and a Head of Legal and Governance. We have appointed external consultants to support the Council in delivering major projects and service improvements.

We are engaging with other Local Authorities and the private sector to deliver a project management approach to contract tendering.

Certification Statement

The review of the governance arrangements for the financial year 2019/20 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
Chair of Audit and Governance Committee

S Plum
Chief Executive