BOROUGH OF BARROW IN FURNESS

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Statement of Accounts 2014/15

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Contents:

1. Introduction

The Statement of Accounts summarises the authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. Figures for the previous year are included to assist in the interpretation of the accounting statements.

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

The explanatory foreword aims to provide a concise and understandable guide for readers of the accounts of the most significant aspects of the authority's financial performance and year-end position.

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.

The 2014/15 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 11) – 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.

- **Movement in Reserves Statement** (pages 12 and 13) – 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.

- **Comprehensive Income and Expenditure Statement** (page 14) – this shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation. Authorities raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The local taxation position is shown in the Movement in Reserves Statement

- **Balance Sheet** (page 15) - 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 16) – this shows the changes in the authority’s cash and cash equivalents during the year. This Statement shows how the authority generates and uses cash and cash equivalents by classifying the cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the authority are funded by way of local taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (borrowing) to the authority.

- **Notes to the Main Accounting Statements** (pages 18 to 69) – these include a summary of the significant accounting policies and other explanatory information.

- **Housing Revenue Account and Notes** (pages 70 to 75) – 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 76 to 79) – 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%).

2. Net Assets of the Authority

The authority has net assets of £92.8m; this is the difference between its assets and liabilities. This shows the cash balance that would have been left if the Council was to have realised its assets (selling its land and buildings and other assets) and settled its liabilities (paid its creditors and repaid its borrowing). This decrease in the net assets of the authority from £94m to £92.8m is largely attributable to the increase in the pension liability from £24.7m to £30.5m, the increase in short term investments at the Balance Sheet date from £11m to £14m and the increase in the valuation of long term assets from £146.5m to £148.9m.

3. General Fund Outturn

The General Fund budget for 2014/15 was originally approved by Full Council on the 4 March 2014 as £10.638m. This original budget was prepared in December 2013 and included the use of £0.483m from the Restructuring Reserve; the General Fund financial reserves at the 31 March 2015 were estimated to be £9.106m.

In September 2014 the budget was revised to incorporate the recurring items from the 2013/14 final accounts. The net effect of the revisions removed the need to use the Restructuring Reserve and contribute £0.258m instead; to support future budget pressures. The revised budget was approved by Full Council on the 15 October 2014 as £12.057m. The financial reserves at the 31 March 2015 were estimated to be £8.671m.

On the 17 March 2015 a further revision of the budget, prepared in January 2015, was approved by Full Council as £12.059m. The financial reserves at the 31 March 2015 were estimated to be £9.058m.

The final budget for 2014/15 is £12.582m. The increases in the budget occurred due to additional revenue financing as shown in the following table:

Original budget	**£10.638m**
Efficiency Support Grant	£1.175m
Business Rate income and reliefs	£0.563m
Other grants and income	£0.206m
Final budget	**£12.582m**

The actual outturn for 2014/15 is an addition to the General Fund balance of £0.3m after an addition to the Restructuring Reserve of £74k. This addition was planned to bring the General Fund balance to the risk based minimum as per the Reserves and Balances policy; the General Fund balance at the 31 March 2015 is £2.3m. The revised budget expected a £0.258m contribution to the financial reserves.

Another significant movement is the contribution into reserves relating to the volatility of business rate income of £0.55m; this is funded by excess business rate income in 2014/15 and will be used to mitigate losses in future years.

The total variance from the original budget which had a deficit of £0.483m is £0.857m:

- £0.483m contribution from reserves in the original budget;
- plus £74k contribution to the Restructuring Reserve; and
- plus £0.3m contribution to the General Fund balance.

The net expenditure of £11.725m (excluding the financial reserves movements of £0.857m) has been compared to the final budget of £12.582m to show the reductions in expenditure and additional income for 2014/15.

The reductions in expenditure and increases in income for 2014/15 were:

Item	**£000**
Staff related costs	87
Office related costs	185
Contracted services	126
Commercial properties	203
Income	216
Treasury portfolio	90
Revenue contribution to capital	(50)
Business Rate Retention income	550
Less contribution to Business Rate income reserve	(550)
Sub-total of savings and reductions	**857**

Remove use of Restructuring Reserve	(483)
Total surplus for 2014/15	**374**
Less contribution to Restructuring Reserve	(74)
Result: contribution to General Fund balance	**300**

The savings and reductions within the General Fund revenue budget have, where appropriate, been built into the 2015/16 budget. The budget monitoring process will continue to identify potential reductions in expenditure or additional income.

A detailed analysis of the variances within these headings was presented to the authority's Executive Committee on 29 July 2015.

4. Housing Revenue Account Outturn

The original Housing Revenue Account budget was approved by full Council on the 4 March 2014 as a balanced budget; the income matching the expenditure forecast. The revised budget was approved by full Council on the 17 March 2015 with an estimated contribution from the fund balance of £176k; the expenditure being greater than the income forecast. The actual outturn for the Housing Revenue Account was an addition to the fund balance of £36k.

The difference between the expected deficit of £176k and the actual surplus of £36k totals £212k; the main reasons for this variance are shown below.

Savings and reductions of £837k:

- Planned maintenance rescheduled into the following year £291k
- Reduced bad debt provision contribution required £221k
- Office related costs £157k
- Staff turnover savings £99k
- Lower non-dwelling depreciation and impairment £54k
- Other items net £15k

Of which £625k used for:

- Additional voluntary revenue provision for the repayment of debt £400k
- Reduced income from water charges £115k
- Reduced income from leaseholders £110k

5. Revenue Reserves and Balances

The authority held the following General Fund financial reserves during 2014/15:

1 April 2014 £000		**31 March 2015 £000**
2,000	General Fund balance	2,300
1,548	General Fund reserve	1,548
5,329	Restructuring reserves	4,305
646	Ring-fenced reserves	606
1,888	Other earmarked reserves	2,371
786	Earmarked revenue grants	691
12,197		**11,821**

The financial reserves were reclassified in line with the adopted Reserves and Balances Policy during 2014/15, resulting in the following balances:

	31 March 2015 £000
General Fund balance	2,300
Restructuring: Medium Term Financial Plan support	2,870
Restructuring: service transformation	778
Renewals reserve	1,990
Insurance reserve	100
Losses reserve	631
Budget contingency reserve	1,371
Ring-fenced reserves	606
Other earmarked reserves	484
Earmarked revenue grants	691
	11,821

The revised budget approved on the 17 March 2015 estimated the financial reserves at the 31 March 2015 as £9.058m. The difference between this and the actual outturn is £2.763m; £1.2m of this is due to slippage on capital spend, £0.6m from on-going service transformation and £0.8m set aside from revenue in the year (business rate income volatility and funding for the local plan). The earmarked reserves are explained in Note 8.

The authority held the following Housing Revenue Account reserve and balance during 2014/15:

1 April 2014 £000		**31 March 2015 £000**
2,377	Housing Revenue Account balance	2,413
597	Major repairs reserve	761
2,974		**3,174**

A detailed note of the financial reserves was presented to the authority's Executive Committee on 29 July 2015.

6. Capital Expenditure and Financing

During 2014/15 the authority's capital expenditure was £5m:

- Investment in public buildings £0.3m
- Investment in private sector housing £0.5m
- Investment in public sector housing £1.9m
- Investment in industrial and commercial properties £1m
- Investment in other public assets £1.3m

This expenditure was financed by:

- Major repairs reserve £1.9m
- Revenue and reserves £1.6m
- Capital grants £1.5m

The capital receipts and grants received in the year and unapplied at the 31 March 2015 are:

- Capital receipts
    - At 1 April 2014 £0.2m
    - Plus usable receipts of £0.5m from:
        - Burlington House
        - Dundalk Street centre
        - 2 non-HRA residential properties
        - 1 small piece of land
        - 15 dwellings under the Right to Buy
    - At 31 March 2015 £0.7m

- Capital grants
    - At 1 April 2014 £4.1m
    - Plus grants of £0.2m from:
        - Disabled Facilities Grant
        - Environment Agency
    - Less grants used in financing in 2014/15 £0.8m
    - At 31 March 2015 £3.5m
        - £2.9m of this balance relates to Clusters of Empty Homes

The remaining Barrow Island Clusters of Empty Homes grant will be defrayed in 2015/16; the second interest free loan has been agreed with Barros Trading Limited who own 320 properties within the blocks of flats covered by the grant and they have commenced a programme of improvements; the landscaping scheme has been awarded and is expected to commence on-site during September 2015. Completion of the project will bring a significant number of empty properties back into use.

7. Treasury Management

The authority managed its cash and investments in-house during 2014/15. As at 31 March 2015, £14m of investments and cash of £3m were managed in-house. The authority has 24 loans outstanding at 31 March 2015; 19 of these, £17.1m, relate to the Housing Revenue Account self-financing settlement. The balance outstanding is £39.5m; in total, £26.1m belonging to the Housing Revenue Account and £13.4m to the General Fund. No loans are repayable in 2015/16. The authorised limit for borrowing in 2014/15 was £55m. These items complied with the authority's Treasury Management Strategy for 2014/15, which was approved by full Council on 4 March 2014.

8. Collection Fund

The Collection Fund balance was a surplus of £347k at 31 March 2015, made up of a surplus on council tax of £659k and a deficit on NNDR of £312k. The council tax surplus is payable in 2016/17 to Cumbria County Council, the Police and Crime Commissioner for Cumbria and the General Fund £90k; split against their 2015/16 precepts. The NNDR deficit will be recovered from central government, Cumbria County Council and the General Fund £125k in 2015/16 and 2016/17. This is dealt with by precepting arrangements.

9. Business Rates Retention Scheme

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

10. Local Council Tax Reduction Scheme

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

11. Material Assets and Liabilities

During 2014/15 the authority has not acquired any material assets or incurred any material liabilities.

12. 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 2015, the actuarial valuation showed a net liability of £30.5m (2013/14 £24.7m). This is explained in detail in Note 36 to the accounting statements (page 65). 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 2015 was £30.5m, an in year increase of £5.8m.

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.

13. Material and Unusual Charges and Credits

The authority established a provision in 2012/13 for the Municipal Mutual Insurance Scheme of Arrangement and this was reviewed and reduced by £766k in 2013/14; this appears on the face of the Comprehensive Income and Expenditure Account.

14. Accounting Policies

The authority's accounting policies are explained fully in the first note to the main accounting statements (pages 18 to 29).

15. Provisions and Contingencies

The provision established in 2012/13 for the Municipal Mutual Scheme of Arrangement reflects the 15% 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 2015.

16. Material Events After the Accounting Date

The Statement of Accounts was originally authorised for issue by the Director of Resources on the 30 June 2015 and is now authorised for issue on the 24 September 2015, after incorporating revisions from the audit. Events taking place after this date are not reflected in the accounting statements or notes. No events have been identified.

17. Financial Resilience

The authority has been subject to significant reductions in its financial settlement from the Government for the last four years. As the formula reductions resulted in a percentage drop greater than the cap set by the Government for 2011/12 and 2012/13, the authority was awarded Transition Grant each year; the grant stream then ended. The Transition Grant was to be used to reduce the authority's net revenue expenditure to the level of future Government financial settlements; a sustainable level based on projections of the future settlements.

For 2013/14 and 2014/15 the authority again experienced some of the highest reductions in its financial settlement, beyond the forecast made when the Transition Grant was awarded. As the formula reduction was greater than the cap set by the Government, the authority was eligible to apply for Efficiency Support Grant. Efficiency Support Grant, unlike the Transition Grant, was ring-fenced in its uses; there were four key themes and within those, expenditure incurred where a reduction in cost or increase in income could be achieved. The use of the Efficiency Support Grant was subject to reviews by the Government.

The authority has spent all of the Efficiency Support Grant received in 2013/14 and over half of the allocation for 2014/15 with commitments against the remaining balance. The authority successfully complied with the Government's grant review requirements and the Efficiency Support Grant was rolled into the Revenue Support Grant that the authority receives for 2015/16 onwards. This is beneficial to the authority as it removes the one-off grant with specific uses and provides general grant that the authority can use to support the General Fund in its medium and long term plans for financial resilience. The Medium Term Financial Plan incorporated the efficiency grant being rolled into the Revenue Support Grant, however the authority still faces increasing costs and inflationary pressures at a time when Government support is potentially still reducing.

The financial settlement for 2015/16 continued to reduce the authority's revenue spending power beyond the Government cap and a further allocation of Efficiency Support Grant has been awarded; £141k.

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

- The authority's four year Budget Strategy was approved on the 24 January 2012 and aimed to reduce the core budget deficit by over £5m by the end of 2015/16. The five key components identified to drive down the authority's funding requirement are the prudent use of balances, efficiency measure, reducing staff costs, increasing income and service cost reductions. The policies implemented through the Budget Strategy have generated the £5m required; the majority of changes were made in the initial year of the Strategy in order to strengthen reserves for future financial risks.

- There is a commitment from the Administration to establish a new four year Budget Strategy and Medium Term Financial Plan; 2016/17 to 2019/20.

- 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 joined a Business Rates Retention Scheme pool from 2014/15 with Cumbria County Council and four other Cumbrian districts. For 2014/15 this realised additional income of £0.2m.

- The authority has chosen to react positively to the financial challenges by taking the opportunity to do things differently. The broad strategy is to concentrate on three issues; generating income, transforming services to make them more efficient and cost effective, and supporting economic growth and development. The authority has established a Business Improvement Team to continue the Budget Strategy policy themes.

- The authority has secured £0.865m for the delivery of the Coastal Communities Fund Supply Chain Strengthening Project; receivable across 2015/16 and 2016/17. The authority is acting as the accountable body and the Furness Economic Development Forum will oversee project delivery. The project outputs of jobs secured and support to local businesses will be beneficial to the Borough and the authority in the medium and long term.

At the end of 2014/15 the authority held the minimum General Fund balance of £2.3m and reserve of £0.6m 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. Apart from the ring-fenced and revenue grant reserves £1.3m, the majority of the £7.6m of other General Fund reserves is currently planned to be used over the four year Budget Strategy period with £0.4m remaining at the 31 March 2020 in the current Medium Term Financial Plan.

The current Medium Term Financial Plan is broadly balanced for the period 2015/20; as far as current projections have been made. A revision of the Plan will be produced following the closure of the 2014/15 accounts and again with the Budget Strategy; updating all of the assumptions and projections it contains. The Plan does not currently include any increase in the demand for the authority's services which would come from population growth or changes in the local economy. The authority has taken the opportunity to establish a reserve for business rate income volatility but it is not known if that is sufficient in relation to the collection rate, hereditament changes or future appeals. There is no reserve identified for significant increases in the take-up of the local council tax reduction scheme.

The Medium Term Financial Strategy mirrors the Budget Strategy's aim of eliminating the deficit in the core budget in the longer term. This will require the continued use of reserves to set the pace of change and achieve long term financial resilience. Although the Medium Term Financial Plan is broadly balanced, it is currently projected to require the £2.87m of support from the restructuring reserve.

The financial settlement from the Government beyond 2015/16 is not yet known and is very likely to differ from the levels anticipated in the Medium Term Financial Plan.

The authority has continued to deliver a capital programme, funded from grants and asset sale receipts as well as a modest element of prudential borrowing. The programme is much reduced from previous years as the on-going costs of borrowing impact on the revenue savings that General Fund generates. During 2015/16 the authority will consider the current and future capital projects it wishes to deliver and the resources available to achieve its agreed priorities.

18. 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.

19. Acknowledgement

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

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

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 2014/15 and of its expenditure and income for the year ended 31 March 2015.

S M Roberts CPFA, ACMA
Director of Resources
Section 151 Officer
30 June 2015
Revised 24 September 2015

Councillor Mrs A Burns
Audit Committee Chairman
24 September 2015

2014/15	Reserves held for revenue purposes			Reserves held for capital purposes			Total Usable Reserves	Unusable Reserves	Total Council Reserves
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Major Repairs Reserves	Capital Receipts Reserve	Capital Grants Unapplied			
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2014 brought forward	**(2,000)**	**(10,197)**	**(2,377)**	**(598)**	**(214)**	**(4,132)**	**(19,518)**	**(74,514)**	**(94,032)**
Movement in Reserves during 2014/15									
(Surplus) or deficit on the provision of services	971	-	(2,620)	-	-	-	(1,649)	-	(1,649)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	0	2,910	2,910
Total Comprehensive Income and Expenditure	**971**	**0**	**(2,620)**	**0**	**0**	**0**	**(1,649)**	**2,910**	**1,261**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(595)	-	2,584	(163)	(540)	626	1,912	(1,912)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**376**	**0**	**(36)**	**(163)**	**(540)**	**626**	**263**	**998**	**1,261**
Transfers to/(from) Earmarked Reserves (Note 8)	(676)	676	-	-	-	-	0	-	0
(Increase)/Decrease in 2014/15	**(300)**	**676**	**(36)**	**(163)**	**(540)**	**626**	**263**	**998**	**1,261**
Balance at 31 March 2015 carried forward	**(2,300)**	**(9,521)**	**(2,413)**	**(761)**	**(754)**	**(3,506)**	**(19,255)**	**(73,516)**	**(92,771)**

Movement in Reserves Statement 2013/14

2013/14	Reserves held for revenue purposes			Reserves held for capital purposes			Total Usable Reserves	Unusable Reserves	Total Council Reserves
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Major Repairs Reserves	Capital Receipts Reserve	Capital Grants Unapplied			
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2013 brought forward	**(2,000)**	**(8,117)**	**(1,991)**	**(131)**	**(1,865)**	**(2,194)**	**(16,298)**	**(67,566)**	**(83,864)**
Movement in Reserves during 2013/14									
(Surplus) or deficit on the provision of services	(2,643)	-	(1,742)	-	-	-	(4,385)	-	(4,385)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(5,783)	(5,783)
Total Comprehensive Income and Expenditure	**(2,643)**	**-**	**(1,742)**	**-**	**-**	**-**	**(4,385)**	**(5,783)**	**(10,168)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	563	-	1,356	(467)	1,651	(1,938)	1,165	(1,165)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(2,080)**	**-**	**(386)**	**(467)**	**1,651**	**(1,938)**	**(3,220)**	**(6,948)**	**(10,168)**
Transfers to/(from) Earmarked Reserves (Note 8)	2,080	(2,080)	-	-	-	-	0	-	0
(Increase)/Decrease in 2013/14	**0**	**(2,080)**	**(386)**	**(467)**	**1,651**	**(1,938)**	**(3,220)**	**(6,948)**	**(10,168)**
Balance at 31 March 2014 carried forward	**(2,000)**	**(10,197)**	**(2,377)**	**(598)**	**(214)**	**(4,132)**	**(19,518)**	**(74,514)**	**(94,032)**

2013/14 Restated					2014/15		
Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	**£000**	**£000**			**£000**	**£000**	**£000**
2,599	(882)	1,717	Central services to the public		3,091	(640)	2,451
4,416	(1,253)	3,163	Cultural and related services		4,703	(1,343)	3,360
4,714	(1,932)	2,782	Environmental and regulatory services		4,865	(2,068)	2,797
2,064	(2,171)	(107)	Planning services		3,259	(2,448)	811
1,016	(984)	32	Highways and transport services		687	(996)	(309)
8,121	(11,256)	(3,135)	Local authority housing (HRA)		7,670	(11,561)	(3,891)
24,079	(21,626)	2,453	Other housing services		22,711	(21,691)	1,020
1,652	(34)	1,618	Corporate and democratic core		1,570	(23)	1,547
75	-	75	Non distributed costs – other		89	-	89
(766)	-	(766)	Exceptional item – MMI provision	21	(10)	-	(10)
47,970	**(40,138)**	**7,832**	**Cost of Services**		**48,635**	**(40,770)**	**7,865**
1,039	(454)	585	Other operating expenditure	9	1,766	(819)	947
5,238	(2,679)	2,559	Financing and investment income and expenditure	10	5,402	(3,028)	2,374
6,257	(21,618)	(15,361)	Taxation and non-specific grant income	11	6,513	(19,348)	(12,835)
60,504	**(64,889**	**(4,385)**	**(Surplus) or Deficit on Provision of Services**		**62,316**	**(63,965)**	**(1,649)**
(785)	-	(785)	(Surplus) or deficit on revaluation of non-current assets		(2,919)	-	(2,919)
-	(4,998)	(4,998)	Re-measurements of the net defined benefit liability		5,829	-	5,829
(785)	**(4,998)**	**(5,783)**	**Other Comprehensive Income and Expenditure**		**2,910**	**0**	**2,910**
59,719	**(69,887)**	**(10,168)**	**Total Comprehensive Income and Expenditure**		**65,226**	**(63,965)**	**1,261**

2013-2014 has been restated to recognise Corporate Management and Democratic Representation and Management recharges to HRA as a reduction in expenditure on non HRA cost centres rather than as gross income

31 March 2014		Notes	31 March 2015
£000			**£000**
145,500	Property, Plant & Equipment	13	147,861
703	Heritage Assets	14	699
286	Long Term Debtors	26	291
146,489	**Long Term Assets**		**148,851**
11,018	Short Term Investments	17	14,023
27	Inventories		27
2,782	Short Term Debtors	18	3,046
3,439	Cash and Cash Equivalents	19	3,062
17,266	**Current Assets**		**20,158**
(494)	Short Term Borrowing	17	(494)
(4,534)	Short Term Creditors	20	(5,211)
(5,028)	**Current Liabilities**		**(5,705)**
(473)	Provisions	21	(445)
(39,479)	Long Term Borrowing	17	(39,479)
(24,743)	Other Long Term Liabilities	23	(30,609)
(64,695)	**Long Term Liabilities**		**(70,533)**
94,032	**Net Assets**		**92,771**
(19,518)	Usable Reserves	Page 12	(19,255)
(74,514)	Unusable Reserves	22	(73,516)
(94,032)	**Total Reserves**		**(92,771)**

The unaudited accounts were issued on the 30 June 2015, and the audited accounts were authorised for issue on the 24 September 2015.

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

2013/14		Notes	2014/15
£000			**£000**
(4,385)	**Net (surplus) or deficit on the provision of services**		**(1,649)**
(4,230)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	27	(3,993)
2,150	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	28	1,038
(6,465)	**Net cash flows from Operating Activities**		**(4,604)**
7,741	Investing Activities	30	5,857
84	Financing Activities	31	(876)
1,360	**Net (increase) or decrease in cash and cash equivalents**		**377**
4,799	Cash and cash equivalents at the beginning of the reporting period	19	3,439
3,439	Cash and cash equivalents at the end of the reporting period	19	3,062
1,360	**Net (increase) or decrease in cash and cash equivalents**		**377**

Index of Notes to the Main Accounting Statements

Note 1. ACCOUNTING POLICIES

a. General Principles

The Statement of Accounts summarises the authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. The Regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, 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.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. For housing benefit overpayments a full provision is made for the possible non-collection of this debt. However, it is the authority's policy to pursue all debtors where possible, however as the amounts and timing of recovery are not certain, they are not recognised in the Comprehensive Income and Expenditure Statement.

c. Cash and Cash Equivalents

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

d. Council Tax and Business Rate Transactions

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

e. Exceptional Items

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

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

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

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

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

g. Charges to Revenue for Non-Current Assets

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

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

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

h. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

The Local Government Pension Scheme

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

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

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

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

<u>Discretionary Benefits</u>

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

i. Events after the Balance Sheet Date

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

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

j. Financial Instruments

<u>Financial Liabilities</u>

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.

<u>Financial Assets - Loans and Receivables</u>

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market. These are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are

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

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

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

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

k. Foreign Currency Translation

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

l. Government Grants and Contributions

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

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

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

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

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

m. Efficiency Support Grant

Efficiency Support Grant is a revenue grant paid by Central Government in 2013/14 and 2014/15. It is paid to authorities who would otherwise see a reduction in 'revenue spending power' of more than 8.8% in 2013/14 and 6.9% in 2014/15. The grant is the amount needed to ensure that no authority experiences a revenue spending power reduction of more than the cap. The definition of 'revenue spending power' used to calculate eligibility for the grant is the aggregate of Council Tax, Formula Grant and other Specific Grants. The grant is non-ring fenced and is credited to the Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

n. Inventories and Long Term Contracts

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

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

o. Leases

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

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

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

<u>The Authority as Lessee</u>

<u>Operating Leases</u>

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

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

The Authority as Lessor

Operating Leases

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

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

p. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in the Service Reporting Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

q. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

The authority does not capitalise borrowing costs.

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

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

r. Provisions, Contingent Liabilities and Contingent Assets

<u>Provisions</u>

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.
When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

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

Contingent Assets

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

s. Reserves

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

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

t. Revenue Expenditure Funded from Capital under Statute

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

u. VAT

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

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

The Code has introduced several changes in accounting policies which must be applied by the authority from 1 April 2015. The changes that will be applied in the Code from 1 April 2015 include:

- IFRS 13 Fair Value Measurement – This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.

- IFRIC 21 Levies - This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

- Annual Improvements to IFRSs (2011–2013 Cycle) - These improvements are minor, principally proving clarification and will not have a material impact on the Statement of Accounts.

Note 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- The authority has considered the classification of its leases, both as lessor and lessee, as either operating or finance leases. The accounting policy for leases has been applied to these arrangements.

- The authority is deemed to control assets that fall within contractual and other arrangements which involve the provision of a service using specific underlying assets and which therefore are considered to contain a lease. The accounting treatment for leases has been applied to these arrangements to determine whether the lease contained within them is a finance lease or an operating lease.

- The authority has considered whether any property should be classed as an investment property or property, plant and equipment.

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

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

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

The items in the authority's Balance Sheet at the 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Revaluation of Property, Plant and Equipment

Property, plant and equipment (with the exception of infrastructure, community assets, assets under construction and equipment) are revalued on a periodic basis and tested annually for indictors of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset. Advice has been provided by the authority's external valuers. If the actual results differ from the assumptions the value of the property, plant and equipment will be over or understated. This would be adjusted when the assets were next revalued. For instance if council dwellings were not impaired in 2014/15, but it was subsequently determined that the impairment to the value should have been 10%, their value in the Balance Sheet would be overstated by £6.269m and the depreciation charged to the HRA for 2014/15 would be overstated by £209k.

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 2014/15 would be £1.98m rather than £1.65m.

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 2015 figures are:

- +0.1% per annum increase in the discount rate assumption would result in a decrease in the net pensions liability of £1,474k; or,
- +0.1% per annum increase in the inflation assumption would result in an increase in the net pensions liability of £1,499k; or,

- +0.1% per annum increase in the pay growth assumption would result in an increase in the net pensions liability of £254k; or,
- 1 year increase in the member's life expectancy assumption would result in an increase in the net pensions liability of £1,805k.

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

Financial instruments

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

If interest rates had been 1% higher with all other variables held constant, the financial effect would be to decrease the fair value of fixed rate borrowing liabilities by £7.21m. 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. MATERIAL ITEMS OF EXPENSE AND INCOME

The Comprehensive Income and Expenditure Statement includes the following items:

<u>In Relation to 2013/14</u>

MMI Provision – The authority established a provision in 2012/13 for the Municipal Mutual Insurance Scheme of Arrangement and this was reviewed and reduced by £766k in 2013/14; this appears on the face of the Comprehensive Income & Expenditure Statement

Note 6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was originally authorised for issue by the Director of Resources on the 30 June 2015 and is now authorised for issue on the 24 September 2015, after incorporating revisions from the audit. Events taking place after this date are not reflected in the accounting statements or notes. Where any other events taking place before this date provided information about conditions existing at the 31 March 2015, the figures in the accounting statements and notes have been adjusted in all material respects to reflect the impact of this information. No events have been identified.

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

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Adjustments between accounting basis and funding basis under regulations 2014/15	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000	Movement in Unusable Reserves £000
	Usable Reserves						
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the CIES:							
Charges for depreciation and impairment of non-current assets	(1,455)	(1,650)	-	-	-	(3,105)	3,105
Revaluation losses on Property, Plant and Equipment	(537)	605	-	-	-	68	(68)
Capital grants and contributions applied	628	-	-	-	-	628	(628)
Revenue expenditure funded from capital under statute	(1,094)	-	-	-	-	(1,094)	1,094
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(941)	(398)	-	-	-	(1,339)	1,339
Insertion of items not debited or credited to the CIES							
Statutory provision for the financing of capital investment	927	-	-	-	-	927	(927)
Voluntary provision for the financing of capital investment	-	1,566	-	-	-	1,566	(1,566)
Capital expenditure charged against the General Fund and HRA balances	1,631	-	-	-		1,631	(1,631)
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the CIES	207	-	-	-	(207)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	833	833	(833)
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	216	603	-	(819)	-	0	0
Cluster of Empty Homes loan repayment	-	-	-	(31)	-	(31)	31
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	-	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(310)	-	-	310	-	0	0
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Reserve credited to the HRA	-	1,922	(1,922)	-	-	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	1,888	-	-	1,888	(1,888)
Increase in the Major Repairs Reserve for depreciation of non-dwelling assets	-	-	(129)	-	-	(129)	129
Adjustments primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	12	(1)	-	-	-	11	(11)
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,661)	(449)	-	-	-	(2,110)	2,110
Employer's pension contributions and direct payments to pensioners payable in the year	1,683	390	-	-	-	2,073	((2,073)
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax & NNDR income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	115	-	-	-	-	115	(115)
Adjustments primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(16)	(4)	-	-	-	(20)	20
Total Adjustments	**(595)**	**2,584**	**(163)**	**(540)**	**626**	**1,912**	**(1,912)**

Adjustments between accounting basis and funding basis under regulations 2013/14	Usable Reserves General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the CIES:							
Charges for depreciation and impairment of non-current assets	(1,495)	(1,661)	-		-	(3,156)	3,156
Revaluation losses on Property, Plant and Equipment	97	(288)	-	-	-	(191)	191
Capital grants and contributions applied	632	-	-	-	-	632	(632)
Revenue expenditure funded from capital under statute	(2,222)	-	-	-	-	(2,222)	2,222
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(385)	(308)	-	-	-	(693)	693
Insertion of items not debited or credited to the CIES							
Statutory provision for the financing of capital investment	903	-	-	-	-	903	(903)
Voluntary provision for the financing of capital investment	-	1,070	-	-	-	1,070	(1,070)
Capital expenditure charged against the General Fund and HRA balances	1,380	-	-	-	-	1,380	(1,380)
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the CIES	2,264	-	-	-	(2,264)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	326	326	(326)
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	70	384	-	(454)	-	0	0
Cluster of Empty Homes loan repayment	-	-	-	(8)	-	(8)	8
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	1,880	-	1,880	(1,880)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(233)	-	-	233	-	0	0
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Reserve credited to the HRA	-	2,266	(2,266)	-	-	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	1,931	-	-	1,931	(1,931)
Increase in the Major Repairs Reserve for depreciation of non-dwelling assets	-	-	(132)	-	-	(132)	132
Adjustments primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(68)	33	-	-	-	(35)	35
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,845)	(465)	-	-	-	(2,310)	2,310
Employer's pension contributions and direct payments to pensioners payable in the year	1,641	322	-	-	-	1,963	(1,963)
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax & NNDR income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(182)	-	-	-	-	(182)	182
Adjustments primarily involving the Accumulated Absences Account:							
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	6	3	-	-	-	9	(9)
Total Adjustments	**563**	**1,356**	**(467)**	**1,651**	**(1,938)**	**1,165**	**(1,165)**

Note 8. TRANSFERS (TO)/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15. Grants and contributions for revenue purposes are recognised as income immediately and carried forward as earmarked grants (reserves) where they are unspent at the year-end date.

	Balance at 31 March 2013	Reclassification	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014	Transfers Out 2014/15	Transfers In 2014/15	Reclassification	Balance at 31 March 2015
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
General reserve	(1,000)	-	-	(548)	(1,548)	-	-	1,548	0
Grants to external bodies	(241)	55	128	-	(58)	44	-	14	0
Restructuring Reserve	(1,456)	264	5	(2,532)	(3,719)	1,389	(482)	2,812	0
Restructure reserve - MTFP	-	-	-	-	0	-	-	(2,870)	(2,870)
Restructure reserve – service transformation	-	-	-	-	0	-	-	(778)	(778)
Budget setting support	(1,800)	-	600	-	(1,200)	-	-	1,200	0
Renewals reserve	-	-	-	-	0	-	-	(1,990)	(1,990)
Insurance reserve	(80)	-	12	(218)	(286)	8	-	178	(100)
Losses reserve	-	-	-	-	0	-	-	(631)	(631)
Other earmarked reserves									
Budget contingency reserve	-	-	-	-	0	-	(681)	(690)	(1,371)
VAT	(250)	-	-	-	(250)	-	-	250	0
Uninsured losses	(500)	-	-	-	(500)	-	-	500	0
Public buildings	(725)	-	259	-	(466)	116	-	350	0
Apprentices	(176)	(74)	-	-	(250)	45	-	-	(205)
Cremator reline	(46)	-	-	(34)	(80)	-	(27)	107	0
Festivals	(12)	-	12	-	0	-	-	-	0
Market Hall	(51)	-	51	-	0	-	-	-	0
Park Vale	(56)	-	-	-	(56)	56	-	-	0
CCTV	(137)	-	30	-	(107)	16	-	-	(91)
Welfare Support	-	(245)	-	-	(245)	57	-	-	(188)
Total of other earmarked reserves	**(1,953)**	**(319)**	**352**	**(34)**	**(1,954)**	**290**	**(708)**	**517**	**(1,855)**
Ring-fenced properties	(516)	-	53	(183)	(646)	221	(181)	-	(606)
Earmarked revenue grants	(1,071)	-	547	(262)	(786)	223	(128)	-	(691)
Total earmarked reserves	**(8,117)**	**-**	**1,697**	**(3,777)**	**(10,197)**	**2,175**	**(1,499)**	**0**	**(9,521)**

The Council has the following earmarked reserves:

Service restructuring – these reserves hold the budget support identified in the Medium Term Financial Plan and the funds set aside for efficiency changes.

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

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

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

Other earmarked reserves – these consist of:

- **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.
- **CCTV** – this reserve holds the funds set aside for the CCTV service; CCTV will be provided by the Police and Crime Commissioner during 2015/16.
- **Welfare support reserve** – this reserve holds the funds set aside to support discretionary housing payments and transitional assistance for supported welfare organisations.
- **Ring-fenced properties** – this reserve holds the excess income from operating industrial units funded by the North West Development Agency (now Homes and Communities Agency); the reserve is ring-fenced for expenditure or investment in these industrial units.
- **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 consists of:

2013/14		2014/15
£000		**£000**
91	Parish council precepts	93
233	Payments to the Government Housing Capital Receipts Pool	311
22	Pension administration expenses	24
240	Derecognised non-current assets	682
453	Carrying value of disposed non-current assets	656
(454)	Sale proceeds from the disposal of non-current assets	(819)
585	**Total**	**947**

The gain on the disposal of non-current assets for 2014/15 is £163k; for 2013/14 this was £1k.

Note 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

The authority's financing and investment income and expenditure consists of:

2013/14		2014/15
£000		**£000**
1,450	Interest payable and similar charges	1,450
3,788	Interest on pension liabilities	3,952
(2,599)	Interest on plan assets	(2,912)
(80)	Interest receivable and similar income	(116)
2,559	**Total**	**2,374**

Note 11. TAXATION AND NON SPECIFIC GRANT INCOMES

The authority's taxation and specific grant incomes consist of:

2013/14		2014/15
£000		**£000**
(3,938)	Council tax income	(4,062)
(8,948)	Business rate retention	(9,260)
6,045	Business rate tariff	6,163
212	Business rate levy	350
-	Business rate pool	(203)
(6,468)	Non-ring fenced government grants	(5,570)
(2,264)	Capital grants and contributions	(253)
(15,361)	**Total**	**(12,835)**

Note 12. GRANT INCOME

The authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2014/15:

2013/14		2014/15
£000		**£000**
	Credited to Taxation and Non Specific Grant Income	
(4,109)	Revenue support grant	(3,115)
(213)	New Homes Bonus Grant	(382)
(94)	New Burdens Grants	(108)
(1,351)	Efficiency Support Grant	(1,175)
(400)	Weekly Collection Support Grant	(250)
(21)	Council Tax Transition Grant	-
(327)	DCLG Grants	(172)
-	DCLG Business Rates	(446)
(1,599)	Cluster of Empty Homes Grant	-
(158)	Lottery	-
(460)	Cabinet Office	-
-	Environment Agency	(127)
-	Other contributions	(48)
(8,732)	**Total**	**(5,823)**
	Credited to Services	
(20,413)	Housing benefits subsidy	(20,429)
(540)	Benefits administration	(486)
(413)	Disabled Facilities Grant	(389)
(123)	Cluster of Empty Homes Grant	-
-	Cabinet Office	(109)
(204)	Cumbria County Council	(16)
(89)	Other local authorities	(3)
(308)	Other grants	(326)
(22,090)	**Total**	**(21,758)**

Note 13. PROPERTY, PLANT & EQUIPMENT

Movement on Balances Movements in 2014/15	Council Dwellings £000	Other Land and Buildings £000	HRA Other Land and Buildings £000	Plant, Furniture and Equipment £000	HRA Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation										
At 1 April 2014	**61,397**	**54,622**	**2,420**	**3,311**	**26**	**5,430**	**10,068**	**2,212**	**10,053**	**149,539**
additions and enhancements	1,886	626	2	269	-	45	144	-	914	3,886
reclassification in year	-	(100)	-	-	-	-	-	(35)	-	(135)
revaluation increases/(decreases) recognised in the Revaluation Reserve	853	1,678	353	-	-	-	-	35	-	2,919
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	605	(537)	57	-	-	-	-	-	-	125
eliminate depreciation on revaluation	(1,650)	(602)	(132)	-	-	-	-	-	-	(2,384)
de-recognitions	-	(48)	-	(1,358)	(26)	(541)	-	(107)	-	(2,080)
disposals	(398)	-	-	-	-	-	-	(123)	-	(521)
At 31 March 2015	**62,693**	**55,639**	**2,700**	**2,222**	**0**	**4,934**	**10,212**	**1,982**	**10,967**	**151,349**
Accumulated Depreciation and Revaluation										
At 1 April 2014 reclassified	**0**	**(1,078)**	**(120)**	**(2,209)**	**(26)**	**(419)**	**(187)**	**0**	**0**	**(4,039)**
Reclassification/eliminate depreciation on transfer	-	-	-	-	-	-	-	-	-	0
depreciation charge	(1,650)	(1,187)	(129)	(165)	-	(52)	(47)	-	-	(3,230)
eliminate depreciation on revaluation	1,650	602	132	-	-	-	-	-	-	2,384
derecognition / scrapped	-	13	-	1,358	26	-	-	-	-	1,397
disposals	-	-	-	-	-	-	-	-	-	0
At 31 March 2015	**0**	**(1,650)**	**(117)**	**(1,016)**	**0**	**(471)**	**(234)**	**0**	**0**	**(3,488)**
Net Book Value at 31 March 2015	**62,693**	**53,989**	**2,583**	**1,206**	**0**	**4,463**	**9,978**	**1,982**	**10,967**	**147,861**

Movement on Balances Movements in 2013/14	Council Dwellings £000	Other Land and Buildings £000	HRA Other Land and Buildings £000	Plant, Furniture and Equipment £000	HRA Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation										
At 1 April 2013	**61,810**	**52,638**	**2,369**	**4,492**	**97**	**5,496**	**9,737**	**2,157**	**9,909**	**148,705**
additions and enhancements	1,921	2,389	9	150	-	44	275	-	426	5,214
reclassification start of year	-	(141)	-	-	-	-	56	85	-	0
reclassification in year	-	216	-	-	-	-	-	45	(216)	45
revaluation increases/(decreases) recognised in the Revaluation Reserve	(78)	745	118	-	-	-	-	-	-	785
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(287)	81	(2)	-	-	-	-	9	-	(199)
eliminate depreciation on revaluation	(1,661)	(1,242)	(74)	-	-	-	-	-	-	(2,977)
reclassification year-end	-	-	-	-	-	-	-	66	(66)	0
de-recognitions	-	(64)	-	(1,331)	(71)	(110)	-	-	-	(1,576)
disposals	(308)	-	-	-	-	-	-	(150)	-	(458)
At 31 March 2014	**61,397**	**54,622**	**2,420**	**3,311**	**26**	**5,430**	**10,068**	**2,212**	**10,053**	**149,539**
Accumulated Depreciation and Revaluation										
At 1 April 2013 reclassified	**0**	**(1,248)**	**(69)**	**(3,195)**	**(90)**	**(367)**	**(139)**	**(2)**	**0**	**(5,110)**
Reclassification/eliminate depreciation on transfer	-	1	-	-	-	-	(1)	-	-	0
depreciation charge	(1,661)	(1,074)	(125)	(315)	(7)	(52)	(47)	(2)	-	(3,283)
eliminate depreciation on revaluation	1,661	1,242	74	-	-	-	-	-	-	2,977
derecognition / scrapped	-	1	-	1,301	71	-	-	-	-	1,373
disposals	-	-	-	-	-	-	-	4	-	4
At 31 March 2014	**0**	**(1,078)**	**(120)**	**(2,209)**	**(26)**	**(419)**	**(187)**	**0**	**0**	**(4,039)**
Net Book Value at 31 March 2014	**61,397**	**53,544**	**2,300**	**1,102**	**0**	**5,011**	**9,881**	**2,212**	**10,053**	**145,500**

Depreciation

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

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

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

Capital Commitments

At the 31 March 2015, the authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years budgeted to cost £218k. Similar commitments at the 31 March 2014 were £1,195k. The major commitments are:

31 March 2014		31 March 2015
£000		**£000**
328	Building refurbishment	63
66	Retentions	74
153	Housing market renewal	81
198	Play Areas	-
450	IT Equipment & Development	-
1,195	**Total**	**218**

Revaluations

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

Not all assets were revalued in 2014/15. 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. This review concluded that the fair value of assets are not materially different from the carrying value at the balance sheet date.

The authority's HRA dwellings and garages are valued on an annual basis and are carried at fair value. The valuation for 2014/15 was performed by NPS NW Ltd and produced a net book value at 31 March 2015 of £63.850m

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

Financial year	Valuer	Total £000
Assets carried at fair value:		
2010/11	NPS North West Ltd (formerly termed Norfolk Property Services)	365
2011/12	Norfolk Property Services	6,182
2012/13	Norfolk Property Services	14,451
2013/14	Norfolk Property Services	19,961
2014/15	Norfolk Property Services	16,437
Total for assets carried at fair value:		**57,396**
Assets carried at historical cost:		**26,615**
Net Book Value at 31 March 2015		**84,011**

Note 14. HERITAGE ASSETS

The authority's Dock Museum, Town Hall and Town area have a variety of collections that relate to the natural man-made history of Barrow-in-Furness, the surrounding district and beyond. There are several categories of assets within these collections; including furniture, silverware, civic regalia, arts and sculpture, social and industrial history, and more specific assets relating to Barrow's history, such as several ship models, boats and historic statues. In addition, during 2012/13 the authority was fortunate, through funding donations, to be able to add a major Viking Hoard of coins and silver pieces to its collections; this is now on exhibition at the Dock Museum. Further information detailing the authority's heritage assets can be found on the Council's website.

Assets are held to support the objectives of increasing knowledge, understanding, culture and appreciation of our heritage. The Dock Museum's Mission Statement; within its Acquisitions and Disposals Policy, reiterates this commitment to a regional, national and international audience; this document also records the acquisition and disposal of assets. The Museum's Curator additionally maintains a comprehensive database to facilitate the management, recording, preservation and conservation (exhibition led rolling programme) of assets. Valuation reports cross reference to these records and the Dock Museum and Barrow Borough Council websites give further information on visiting and viewing details.

With the adoption of FRS30 into the Code for 2011/12, the authority obtained Heritage Asset valuations in order to bring these items on to the Balance Sheet. The valuations were undertaken in March 2012 by the external valuer, Bonhams International Auctioneers and Valuers, the measurement basis being market value. The further additions, during 2012/13, 2013/14 & 2014/15 of the Viking Hoard and Bronze Age gold ring fragment were valued by the Treasure Valuation Committee, with further immaterial items being valued by the authority's Museum Curator, who also reports, no items held, as at 31 March 2015, need to be impaired and no disposals have been made within the periods. The authority's accounting policy on depreciation, where the asset is deemed as being of finite life, is applied; such assets within 2014/15 have been depreciated on a straight line basis over 25 years.

The only items that are not reported as assets within the balance sheet are items of deminimus level plus the Graving Dock, Cenotaph war memorial and stone fountain where, following discussions with both of the authority's valuers, Bonhams and NPS NW Ltd, it was deemed impracticable to do so. This is owing to the lack of information on any purchase cost; the lack of comparable market values and the diverse nature of the objects. One class of asset, again due to the impracticable nature of gaining a valuation, is reported at cost.

Movement on Balances Movements in 2014/15	Social History	Ship Models	Boats	Industrial History	Art & Sculpture	Ceramics & Glass	Furniture	Silverware	Regalia	Historic (Old) Statues	Viking Hoard, Ring & Numismatics	Total Historic Collection	New Statues	Herbert Leigh – Boat	War Memorials	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	HISTORIC COLLECTION															
Cost or Valuation																
Heritage Asset – Cost at 1 April 2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14**	**14**
Heritage Asset – Valuation at 1 April 2014	31	259	16	16	60	10	72	22	34	30	52	602	79	20	-	701
At 1 April 2014	**31**	**259**	**16**	**16**	**60**	**10**	**72**	**22**	**34**	**30**	**52**	**602**	**79**	**20**	**14**	**715**
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Service	-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	0
De-recognition of assets	-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	0
At 31 March 2015	**31**	**259**	**16**	**16**	**60**	**10**	**72**	**22**	**34**	**30**	**52**	**602**	**79**	**20**	**14**	**715**
Accumulated Depreciation and Revaluation																
Heritage Asset – Cost at 1 April 2014	-	-	-	-	-	-	-	-	-	-	-	0	-	-	(4)	(4)
Heritage Asset – Valuation at 1 April 2014	-	-	-	-	-	-	-	-	-	-	-	0	(6)	(2)	-	(8)
At 1 April 2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0**	**(6)**	**(2)**	**(4)**	**(12)**
depreciation charge	-	-	-	-	-	-	-	-	-	-	-	0	(3)	-	(1)	(4)
At 31 March 2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0**	**(9)**	**(2)**	**(5)**	**(16)**
Net Book Value at 31 March 2015 – Cost	-	-	-	-	-	-	-	-	-	-	-	0	-	-	9	9
Net Book Value at 31 March 2015 - Valuation	31	259	16	16	60	10	72	22	34	30	52	602	70	18	-	690
Total Net Book Value at 31 March 2015	**31**	**259**	**16**	**16**	**60**	**10**	**72**	**22**	**34**	**30**	**52**	**602**	**70**	**18**	**9**	**699**

Movement on Balances **Comparative movements in 2013/14**	**Social History**	**Ship Models**	**Boats**	**Industrial History**	**Art & Sculpture**	**Ceramics & Glass**	**Furniture**	**Silverware**	**Regalia**	**Historic (Old) Statues**	**Viking Hoard, Ring & Numismatics**	**Total Historic Collection**	**New Statues**	**Herbert Leigh – Boat**	**War Memorials**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
	HISTORIC COLLECTION															
Cost or Valuation																
Heritage Asset – Cost at 1 April 2013	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14	14
Heritage Asset – Valuation at 1 April 2013	30	282	16	13	72	10	72	22	34	30	50	631	79	20	-	730
At 1 April 2013	**30**	**282**	**16**	**13**	**72**	**10**	**72**	**22**	**34**	**30**	**50**	**631**	**79**	**20**	**14**	**744**
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Service	2	-	-	3	-	-	-	-	-	-	2	7	-	-	-	7
De-recognition of assets	(1)	(23)	-	-	(12)	-	-	-	-	-	-	(36)	-	-	-	(36)
At 31 March 2014	**31**	**259**	**16**	**16**	**60**	**10**	**72**	**22**	**34**	**30**	**52**	**602**	**79**	**20**	**14**	**715**
Accumulated Depreciation and Revaluation																
Heritage Asset – Cost at 1 April 2013	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(3)
Heritage Asset – Valuation at 1 April 2013	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(1)	-	(4)
At 1 April 2013	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**	**(1)**	**(3)**	(7)
depreciation charge	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(1)	(1)	(5)
At 31 March 2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6)**	**(2)**	**(4)**	**(12)**
Net Book Value at 31 March 2014 – Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10	10
Net Book Value at 31 March 2014 - Valuation	31	259	16	16	60	10	72	22	34	30	52	602	73	18	-	693
Total Net Book Value at 31 March 2014	**31**	**259**	**16**	**16**	**60**	**10**	**72**	**22**	**34**	**30**	**52**	**602**	**73**	**18**	**10**	**703**

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 2012/13 & 2013/14 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 market value:			
2011/12	Bonhams International Auctioneers & Valuers	632	
Total fair value of assets valued in 2011/12			**632**
2012/13	Treasure Valuation Committee	49	
	Authority's Museum Curator	2	
Total fair value of assets valued in 2012/13			**51**
2013/14	Authority's Museum Curator	7	
Total fair value of assets valued in 2013/14			**7**
Total fair value of assets valued in 2014/15		-	**0**
Assets carried at historical cost			**9**
Net Book Value at 31 March 2015			**699**

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.

Five Year Summary of Transactions

	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	**£000**	**£000**	**£000**	**£000**
Assets/Recognised Assets					
Historic Collection	595	-	-	-	-
New Statues and Herbert Leigh	415	-	-	-	-
War Memorials (Cost)	14	-	-	-	-
Total Recognised	1,024	-	-	-	-
Value of Heritage Assets Acquired Donation/Valuation					
Historic Collection	-	-	51	7	-
New Statues and Herbert Leigh Boat	19	-	-	-	-
Total Donations	19	-	51	7	-
Revaluation of Assets					
New Statues and Herbert Leigh	(261)	-	-	-	-
Eliminate depreciation on revaluation					
Eliminate depreciation on revaluation	(59)	-	-	-	-
Total Revaluation/Depreciation eliminated	(320)	-	-	-	-

	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	**£000**	**£000**	**£000**	**£000**
Accumulated Depreciation and Revaluation					
New Statues and Herbert Leigh	(59)	(15)	(4)	(4)	(3)
War Memorials (Cost)	(2)	(1)		(1)	(1)
Eliminate depreciation on revaluation	59		-	-	-
Total Accumulated Depreciation & Revaluation	**(2)**	**(16)**	**(4)**	**(5)**	**(4)**
De-recognition of Assets - Historic Collection					
Carrying Value	-	-	**(15)**	**(36)**	**-**
Net Book Value at 31 March – Valuation	709	694	726	693	690
Net Book Value at 31 March - Cost	12	11	11	10	9
Total Net Book Value 31 March	**721**	**705**	**737**	**703**	**699**

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.

2013/14		2014/15
£000		**£000**
47,456	***Opening Capital Financing Requirement***	**46,777**
(2)	Impairment charge for non-dwelling Housing Revenue Account assets	57
	Capital investment	
5,215	Property, Plant and Equipment	3,886
2,222	Revenue Expenditure Funded from Capital under Statute	1,094
	Sources of finance	
(1,880)	Capital receipts reserve	-
(646)	Government grants and other contributions	(1,462)
(1,931)	Use of Major Repairs Reserve	(1,888)
(1,380)	Contributions from earmarked reserves	(1,442)
-	Revenue contribution to capital outlay	(188)
(903)	Minimum Revenue Provision from General Fund	(927)
(1,070)	Voluntary Revenue Provision from the Housing Revenue Account	(1,566)
	Cluster of Empty Homes	
(312)	Cluster of Empty Homes loan advance	-
8	Cluster of Empty Homes loan repayment	31
46,777	***Closing Capital Financing Requirement***	
		44,372
	Explanation of movements in year	
1,600	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	-
(903)	Decrease in underlying General Fund need to borrow	(927)
(1,070)	Decrease in underlying Housing Revenue Account need to borrow	(1,566)
(2)	Impairment charge for non-dwelling Housing Revenue Account assets	57
(304)	Cluster of Empty Homes loan	31
(679)	***Increase/(decrease) in Capital Financing Requirement***	**(2,405)**

Note 16. LEASES

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

Authority as Lessee - Operating Leases

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

The authority has 6 non-specialist vehicles and 19 photocopiers on short term agreements utilised across a number of departments. These are considered deminimus and are not included in the lease figures below.

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

As at 31 March 2014		As at 31 March 2015
£000		**£000**
562	Not more than one year	493
1,162	Later than one year and not later than five years	497
32	Later than five years	-
1,756		**990**

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 2014		As at 31 March 2015
£000		**£000**
51	Minimum lease payments	10
(21)	Sublease receipts	(23)
30		**(13)**

Authority as Lessor - Operating Leases

The authority leases out property under operating leases for the provision of community services and for economic regeneration purposes to provide suitable affordable premises for local businesses.

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

31 March 2014 Restated		31 March 2015
£000		**£000**
(854)	Not more than one year	(1,120)
(2,117)	Later than one year and not later than five years	(2,500)
(1,067)	Later than five years	(1,298)
(4,038)		**(4,918)**

The 31 March 2014 figures are restated to recognise break clauses within the leases.

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 2014/15 £76k of contingent rents were receivable by the authority (£41k in 2013/14).

Note 17. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Long Term 31 March 2014	Short Term 31 March 2014		Long Term 31 March 2015	Short Term 31 March 2015
£000	**£000**		**£000**	**£000**
		Investments		
-	11,018	Loans and receivables	-	14,023
		Debtors		
207	1,052	Loans and receivables	189	1,039
		Borrowings		
(39,479)	(494)	Financial liabilities at amortised cost	(39,479)	(494)
		Creditors		
-	(1,597)	Financial liabilities carried at contract amount	-	(1,763)

The long term debtor relates to an interest free loan advanced from the Cluster of Empty Homes funding for the purpose of bringing empty homes back into use. The loan of £312k was advanced in 2013/14 and is repayable over 10 years; it is represented on the Balance Sheet at the 31 March 2015 as:

31 March 2014	Cluster of Empty Homes loan	31 March 2015
£000		**£000**
207	Long term debtor for principal due beyond the next 12 months	189
29	Short term debtor for repayments due in the next 12 months	28
8	Short term debtor for repayment due on the 31 March 2014	-
68	Financial Instrument Adjustment Account for the interest on remaining repayments	56
-	Usable Capital Receipts	39
312	**Total advance**	**312**

Income, Expense, Gains and Losses

2013/14				2014/15		
Financial liabilities measured at amortised cost	**Financial Assets: Loans and Receivables**	**Total**		**Financial liabilities measured at amortised cost**	**Financial Assets: Loans and Receivables**	**Total**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
1,450	-	1,450	Total expense in (Surplus) or Deficit on the Provision of Services: interest expense	1,450	-	1,450
-	(80)	(80)	Total income in (Surplus) or Deficit on the Provision of Services: interest income	-	(116)	(116)
1,450	**(80)**	**1,370**	**Net (gain)/loss for the year**	**1,450**	**(116)**	**1,334**

Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates at 31 March 2015 of 0.45% to 2.19% for loans from the Public Works Loans Board (PWLB)
- no early repayment or impairment is recognised
- where an instrument matures in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2014			31 March 2015	
Carrying amount	**Fair value**		**Carrying amount**	**Fair value**
£000	**£000**		**£000**	**£000**
12,070	12,070	Loans and receivables short-term	15,064	15,064
207	207	Loans and receivables long-term	187	187
(39,479)	(44,240)	Borrowings long-term	(39,479)	(52,808)
(494)	(494)	Borrowings short-term	(494)	(494)
(1,597)	(1,597)	Creditors	(1,763)	(1,763)
(29,293)	**(34,054)**	**Total**	**(26,485)**	**(39,814)**

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 2015) 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 £14m 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 2015 that this was likely to crystallise.

No credit limits were exceeded during the reporting period.

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

31 March 2014		**31 March 2015**
£000		**£000**
266	Less than three months	142
18	Three to six months	36
25	Six months to one year	35
121	More than one year	157
430	**Outstanding debt**	**370**
180	Provision for bad and doubtful debts	216
42%	Percentage of provision	58%

Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The authority sets limits on the proportion of its fixed rate borrowing during specified periods to reduce exposure to large fixed rate sums falling due for refinancing, through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

31 March 2014		31 March 2015
£000		**£000**
2,000	Between 2 and 5 years	3,000
5,000	Between 5 and 10 years	5,000
5,000	Between 10 and 15 years	5,000
6,850	Between 15 and 20 years	5,850
8,239	Between 20 and 25 years	8,239
-	Between 25 and 30 years	-
-	Between 30 and 35 years	-
12,390	Between 35 and 40 years	12,390
-	Between 40 and 45 years	-
39,479		**39,479**

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

Market Risk

Interest Rate Risk

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

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 2014		31 March 2015
£000		£000
(5,714)	Decrease in fair value of fixed rate borrowings liability	(7,210)

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 2014		31 March 2015
£000		£000
1,066	Central government bodies	958
144	Other local authorities	350
1,572	Other entities and individuals	1,738
2,782	**Total**	**3,046**

Note 19. CASH AND CASH EQUIVALENTS

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

31 March 2014		31 March 2015
£000		£000
2	Cash held by the authority	2
3,436	Bank current accounts	3,059
1	Investments interest income	1
3,439	**Total Cash and Cash Equivalents**	**3,062**

Note 20. SHORT TERM CREDITORS

The short term creditors held by the authority consist of:

31 March 2014		31 March 2015
£000		£000
(1,132)	Central government bodies	(1,215)
(943)	Other local authorities	(1,292)
(2,459)	Other entities and individuals	(2,704)
(4,534)	**Total**	**(5,211)**

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 2014	**(409)**	**(35)**	**(29)**	**(473)**
Additional provisions made in 2014/15	(333)	-	-	(333)
Amounts used in 2014/15	340	5	6	351
Reduction in provision in 2014/15	-	10	-	10
Balance at 31 March 2015	**(402)**	**(20)**	**(23)**	**(445)**

The business rate appeals provision established in 2013/14 reflects the Council's proportionate liability (40%) for repayments of successful business rate appeals.

The Municipal Mutual Insurance (MMI) provision established in 2012/13 has been reviewed and reduced by £10k; as a result the remaining provision reflects the 15% levy due by the authority for estimated outstanding claims.

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

Note 22. UNUSABLE RESERVES

31 March 2014		31 March 2015
£000		**£000**
(26,870)	i. Revaluation Reserve	(29,087)
(72,555)	ii. Capital Adjustment Account	(75,100)
62	iii. Financial Instruments Adjustment Account	51
24,666	iv. Pensions Reserve	30,532
140	v. Collection Fund Adjustment Account	25
43	vi. Accumulated Absences Account	63
(74,514)	**Total Unusable Reserves**	**(73,516)**

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.

2013/14		2014/15	
£000		£000	£000
(26,853)	**Balance at 1 April**		**(26,870)**
(2,196)	Upward revaluation of assets	(3,500)	
1,411	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	581	
(785)	**(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services**		**(2,919)**
548	Difference between fair value depreciation and historical cost depreciation	564	
220	Accumulated gains on assets sold & derecognised	138	
768	**Amount written off to the Capital Adjustment Account**		**702**
(26,870)	**Balance at 31 March**		**(29,087)**

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.

2013/14		2014/15	
£000		£000	£000
(70,067)	**Balance at 1 April**		**(72,555)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
3,156	▪ Charges for depreciation and impairment of non-current assets	3,105	
132	▪ Increase in Major Repairs Reserve for depreciation on non-dwelling assets	129	
191	▪ Revaluation losses on Property, Plant and Equipment	(68)	
2,222	▪ Revenue expenditure funded from capital under statute	1,094	
693	▪ 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	1,339	
(768)	Adjusting amounts written out of the Revaluation Reserve	(702)	
5,626	**Net written out amount of the cost of non-current assets consumed in the year**		**4,897**
	Capital financing applied in the year:		
(1,880)	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	-	
(1,931)	▪ Use of the Major Repairs Reserve to finance capital expenditure	(1,888)	
(632)	▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(628)	
(326)	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	(833)	
8	▪ Unapplied grants released to Capital Receipts Reserve	31	
(903)	▪ Statutory provision for the financing of capital investment charged against the General Fund balance	(927)	
(1,070)	▪ Voluntary provision for the financing of capital investment charged against the HRA Fund balance	(1,566)	
-	▪ Use of earmarked reserves to finance new capital expenditure	(1,431)	
(1,380)	▪ Capital expenditure charged against the General Fund balance	(200)	(7,442)
(72,555)	**Balance at 31 March**		**(75,100)**

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.

2013/14		2014/15
£000		**£000**
27	**Balance at 1 April**	**62**
35	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	(11)
62	**Balance at 31 March**	**51**

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.

2013/14	2013/14 Restated		2014/15
£000	**£000**		**£000**
29,317	**29,317**	**Balance at 1 April**	**24,666**
(4,998)	(4,998)	Actuarial (gains) or losses on pensions assets and liabilities	5,829
1,711	2,310	Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	2,110
(1,364)	(1,963)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,073)
24,666	**24,666**	**Balance 31 March**	**30,532**

2013/14 figures restated to match the main financial statements.

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.

2013/14				2014/15		
Council Tax	**Business Rates**	**Total**		**Council Tax**	**Business Rates**	**Total**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
(42)	**0**	**(42)**	**Balance at 1 April**	**(134)**	**274**	**140**
(92)	274	182	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	(70)	(45)	(115)
(134)	**274**	**140**	**Balance at 31 March**	**(204)**	**229**	**25**

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.

2013/14		2014/15
£000		**£000**
52	**Balance at 1 April**	**43**
(9)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	20
43	**Balance at 31 March**	**63**

Note 23. OTHER LONG TERM LIABILITIES

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

2013/14		2014/15
£000		**£000**
(24,666)	Pension scheme liabilities	(30,532)
(77)	Compulsory purchase proceeds	(77)
(24,743)	**Total**	**(30,609)**

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

Note 24. CONTINGENT LIABILITIES

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The authority has identified the following contingent liabilities as at 31 March 2015:

<u>MMI Scheme of Arrangement</u>

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

<u>Business Rate Appeals</u>

The authority has made a provision for Business Rate Appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the authority that national and local appeals may have a future impact on the accounts.

Note 25. CONTINGENT ASSETS

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

Note 26. LONG TERM DEBTORS

The long term debtors held by the authority consist of:

2013/14		2014/15
£000		**£000**
79	Property rents	102
207	Cluster of Empty Homes loan principal	189
286	**Total**	**291**

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:

2013/14		2014/15
£000		**£000**
(3,288)	Depreciation	(3,234)
(193)	Revaluation losses and gains on previous losses	125
(126)	(Increase)/decrease in provision for bad debts	(124)
368	(Increase)/decrease in provisions	(382)
(887)	(Increase)/decrease in creditors	154
926	Increase/(decrease) in debtors	843
9	Increase/(decrease) in inventories	-
(346)	Movement in pension liability	(37)
(693)	Carrying amount of non-current assets sold or derecognised	(1,338)
(4,230)		**(3,993)**

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:

2013/14		2014/15
£000	**Investing**	**£000**
455	Proceeds from the sale of property, plant and equipment	819
1,763	Other receipts from investing activities	207
(68)	Clusters of Empty Homes soft loan interest	12
2,150		**1,038**

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:

2013/14		2014/15
£000		**£000**
(75)	Interest received	(109)
1,450	Interest paid	1,450

Note 30. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The investing activities consist of:

2013/14		2014/15
£000		**£000**
5,137	Purchase of property, plant and equipment	3,922
49,510	Purchase of short-term investments	49,500
312	Clusters of Empty Homes loan advance	-
(455)	Proceeds from the sale of property, plant and equipment	(819)
(45,000)	Proceeds from short-term investments	(46,500)
(1,763)	Other receipts from investing activities	(207)
-	Cluster of Empty Homes loan repayments	(39)
7,741	**Net cash flows from investing activities**	**5,857**

Note 31. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The financing activities consist of:

2013/14		2014/15
£000		**£000**
84	Agency transactions relating to business rates and council tax (billing authority)	(876)
84	**Net cash flows from financing activities**	**(876)**

Note 32. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

Directorate Income and Expenditure 2014/15	**Corporate, Democratic and Support Services**	**Regeneration and the Built Environment**	**Community Services**	**Revenues and Benefits**	**Public Housing**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(39)	(2,365)	(4,267)	(716)	(11,561)	(18,948)
Government grants	(110)	7	-	(20,889)	-	(20,992)
Total Income	**(149)**	**(2,358)**	**(4,267)**	**(21,605)**	**(11,561)**	**(39,940)**
Staff pay	1,626	1,298	1,611	75	1,238	5,848
Other service expenses	3,595	1,149	6,195	23,680	4,652	39,271
Total Expenditure	**5,221**	**2,447**	**7,806**	**23,755**	**5,890**	**45,119**
Net Expenditure	5,072	89	3,539	2,150	(5,671)	5,179

The analysis includes 100% of services and 100% of direct costs. The Code requires that at least 75% of the gross expenditure is included. For 2014/15 the total analysis represents 82% of the gross expenditure

Directorate Income and Expenditure 2013/14 comparative figures	Corporate, Democratic and Support Services	Regeneration and the Built Environment	Community Services	Revenues and Benefits	Public Housing	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(42)	(2,093)	(4,190)	(533)	(11,256)	(18,114)
Government grants	(102)	(92)	(1)	(20,953)	-	(21,148)
Total Income	**(144)**	**(2,185)**	**(4,191)**	**(21,486)**	**(11,256)**	**(39,262)**
Staff pay	1,574	1,239	1,554	64	1,130	5,561
Other service expenses	2,264	1,294	5,961	23,458	4,450	37,427
Total Expenditure	**3,838**	**2,533**	**7,515**	**23,522**	**5,580**	**42,988**
Net Expenditure	3,694	348	3,324	2,036	(5,676)	3,726

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

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

2013/14		**2014/15**
£000		**£000**
3,726	Net expenditure in the Directorate Analysis	5,179
5,591	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	4,029
(1,485)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(1,343)
7,832	**Cost of Services in Comprehensive Income and Expenditure Statement**	**7,865**

Reconciliation to Subjective Analysis

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

2014/15	**Directorate Analysis**	**Amounts not reported to management for decision making**	**Amounts not included in I & E**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(18,948)	-	(208)	(19,156)	-	(19,156)
Interest and investment income	-	-	-	0	(116)	(116)
Income from council tax	-	-	-	0	(4,062)	(4,062)
Government grants and contributions	(20,992)	-	-	(20,992)	(8,768)	(29,760)
Total Income	**(39,940)**	**0**	**(208)**	**(40,148)**	**(12,946)**	**(53,094)**
Staff pay	5,848	428	(1,373)	4,903	-	4,903
Pensions valuation adjustment	-	-	-	0	(2,912)	(2,912)
Other service expenses	39,271	-	238	39,509	19	39,528
Support Service recharges*	-	(20)	-	(20)	-	(20)
Depreciation, revaluation & impairment	-	3,621	-	3,621	-	3,621
Interest Payments	-	-	-	0	5,402	5,402
Precepts	-	-	-	0	94	94
Payments to Housing Capital Receipts Pool	-	-	-	0	310	310
(Gain) or Loss on Disposal of Non-Current Assets	-	-	-	0	519	519
Total Expenditure	**45,119**	**4,029**	**(1,135)**	**48,013**	**3,432**	**51,445**
(Surplus) or deficit on the Provision of Services	5,179	4,029	(1,343)	7,865	(9,514)	(1,649)

** The gross value of support services recharged to and between front line services is £2,876k, with £20k being recharged to capital projects.*

2013/14	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Cost of Services	Corporate Amounts	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(18,114)	-	(217)	(18,331)	-	(18,331)
Interest and investment income	-	-	-	-	(80)	(80)
Income from council tax	-	-	-	-	(3,938)	(3,938)
Government grants and contributions	(21,148)	-	-	(21,148)	(11,423)	(32,571)
Total Income	**(39,262)**	**0**	**(217)**	**(39,479)**	**(15,441)**	**(54,920)**
Staff pay	5,561	535	(1,364)	4,732	-	4,732
Pensions valuation adjustment	-	-	-	-	(2,599)	(2,599)
Other service expenses	37,427	-	96	37,523	22	37,545
Support Service recharges*	-	(25)	-	(25)	-	(25)
Depreciation, revaluation & impairment	-	5,081	-	5,081	-	5,081
Interest Payments	-	-	-	-	5,238	5,238
Precepts	-	-	-	-	91	91
Payments to Housing Capital Receipts Pool	-	-	-	-	233	233
(Gain) or Loss on Disposal of Non-Current Assets	-	-	-	-	239	239
Total Expenditure	**42,988**	**5,591**	**(1,268)**	**47,311**	**3,224**	**50,535**
(Surplus) or deficit on the Provision of Services	3,726	5,591	(1,485)	7,832	(12,217)	(4,385)

** The gross value of support services recharged to and between front line services is £2,324k, with £25k being recharged to capital projects.*

Note 33. 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.

<u>Central Government</u>
Central government has effective control over the general operations of the authority – it is responsible for providing the statutory framework within which the authority operates and provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (such as council tax bills and housing benefits). Grants receipts outstanding at 31 March 2015 are disclosed in Note 18 and grant income for 2014/15 is disclosed in Note 12.

<u>Members</u>
Members of the Council have direct control over the authority's financial and operating policies. During 2014/15, housing benefit to the value of £190k was paid to three members in their capacity as private landlords; £156k, £3k and £31k. One member was in receipt of direct payment in respect of invoices issued for services provided to the Council totalling less than £1k. In addition, two members

were in receipt of a disabled facilities grant for their property totalling £3k. One member is on the Governing Body at Furness Academy, one member is a Director at Citizens Advice Bureau and one member is the Treasurer at Barrow & District Disability Association. Barrow Borough Council awarded grants of £56k to Furness Academy, £99K to Citizens Advice Bureau and £15k to Barrow & District Disability Association. The members were not involved in the decisions that led to the grants being awarded.

The total of members' allowances paid in 2014/15 is shown in Note 34. There are no balances outstanding at the 31 March 2015. Details of the entities that members are involved with are recorded in the Register of Members Interests which can be found on the Councils website listed under each member.

Officers
Officers of the Council have direct control over the authority's finances and operational decisions. During 2014/15 there are no related party transactions to report for officers. There are no balances outstanding at the 31 March 2015.

Cumbria Housing Partnership
The authority became a full member of Cumbria Housing Partnership Limited during 2014/15; this is a procurement consortium for Cumbria's social housing providers. Through this arrangement the authority spent £2.6m on property maintenance within the Housing Revenue Account in 2014/15. The authority is one of eight equal members and does not have the potential to significantly control the company.

Note 34. MEMBERS' ALLOWANCES

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

2013/14		2014/15
£000		£000
84	Basic allowances	86
30	Extra responsibility allowance	30
9	Expenses	9
123	**Total**	**125**

The Mayor of the Borough also receives an honorarium for their year of office to cover mayoral duties and civic receptions. The honorarium for 2014/15 was £6k (£6k for 2013/14).

Note 35. OFFICERS' REMUNERATION

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

		Salary & car allowance	Compensation for Loss of Office	Pension Contribution	Total
		£000	£000	£000	£000
Executive Director	2014/15	93	-	12	105
	2013/14	93	-	12	105
Deputy Executive Director	2014/15	28	66	4	98
	2013/14	67	-	8	75
Director of Resources	2014/15	74	-	10	84
	2013/14	-	-	-	0
Borough Treasurer	2014/15	-	-	-	0
	2013/14	56	-	7	63

The former Borough Treasurer was appointed to a new post as Director of Resources with effect from 1 April 2014, at which time the Borough Treasurer post was deleted.

Annualised Salaries 2014/15

The Deputy Executive Director left the authority on voluntary redundancy with effect from 31 August 2014. The annualised salary for 2014/15 was £66k.

A redundancy payment was made on departure.

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:

Remuneration Band	2014/15		2013/14	
	Number of Employees	Number leaving in the year	Number of Employees	Number leaving in the year
£50,000 - £54,999	-	-	1	1
£55,000 - £59,999	1	1	-	-
£60,000 - £64,999	-	-	-	-
£65,000 - £69,999	-	-	-	-
£70,000 - £75,999	-	-	-	-
£76,000 - £79,999	-	-	-	-
£80,000 - £85,999	-	-	-	-

These employees left the authority on voluntary redundancy.

Exit Packages

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

Exit package cost band	2014/15		2013/14	
	Number	Cost	Number	Cost
		£000		£000
£0 - £20,000	-	-	1	3
£20,001 - £40,000	1	40	-	-
£40,001 - £60,000	-	-	1	43
£60,001 - £80,000	1	62	-	-
£80,001 - £100,000	1	99	-	-
Total	**3**	**201**	**2**	**46**

Termination Benefits

The authority agreed the termination of the contract of three employees in 2014/15, incurring liabilities of £201k (£46k in 2013/14).

Note 36. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The authority participates in the Local Government Pensions Scheme, run by Cumbria County Council – this is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liability with investment assets.

Transactions Relating to Post-Employment Benefits

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

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2013/14		2014/15	
£000		£000	£000
	Comprehensive Income and Expenditure Statement		
	Cost of Services:		
1,039	▪ current service cost	959	
60	▪ curtailments	87	
	Financing and Investment Income and Expenditure		
3,788	▪ interest on pension liabilities	3,952	
(2,599)	▪ interest on plan assets	(2,912)	
	Other operating expenses		
22	▪ *administration expenses*	24	
2,310	***Total Post-Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services***		**2,110**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
(4,998)	▪ re-measurements (liabilities and assets)		5,829
(2,688)	***Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Account***		**7,939**

	Movement in Reserves Statement:	
(2,310)	▪ reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,110)
	Actual amounts charged against the General Fund balance for pensions in the year	
1,963	▪ Employers' contributions payable to the scheme	2,073

Pensions Assets and Liabilities Recognised in the Balance Sheet

2013/14		2014/15
£000		**£000**
(91,645)	Present value of the defined benefit obligation	(105,963)
66,979	Fair value of plan assets	75,431
(24,666)	**Net liability arising from defined benefit obligation**	**(30,532)**

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

2013/14		2014/15
£000		**£000**
62,777	Opening fair value of scheme assets	66,979
2,599	Interest on plan assets	2,912
3,427	Re-measurements (assets)	7,136
(22)	Administration expenses	(24)
1,963	Employer contributions	2,073
283	Member contributions	304
(4,048)	Benefits/transfers paid	(3,949)
66,979	**Closing fair value of scheme assets**	**75,431**

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

2013/14		2014/15
£000		**£000**
(92,094)	Benefit obligation at the beginning of the period	(91,645)
(1,039)	Current service cost	(959)
(3,788)	Interest on pension liabilities	(3,952)
(283)	Member contributions	(304)
 (1,868) 4,820 (1,381)	Re-measurements (liabilities): ▪ Experience gain/(loss) ▪ Gain/(loss) on financial assumptions ▪ Gain/(loss) on demographic assumptions	(12,965)
(60)	Curtailments	(87)
4,048	Benefits/transfers paid	3,949
(91,645)	**Benefit obligation at the end of the period**	**(105,963)**

Pension scheme assets comprised:

Period Ended 31 March 2014					Period Ended 31 March 2015			
Quoted prices in active markets	**Quoted prices not in active markets**	**Total**	**Percentage of total assets**	**Asset category**	**Quoted prices in active markets**	**Quoted prices not in active markets**	**Total**	**Percentage of total assets**
£000	**£000**	**£000**			**£000**	**£000**	**£000**	
				Equities				
9,375	-	9,375	14.0%	UK quoted	10,333	-	10,333	13.7%
-	67	67	0.1%	UK unquoted	-	-	-	0.0%
10,851	-	10,851	16.2%	Global quoted	13,728	-	13,728	18.2%
-	8,104	8,104	12.1%	UK equity pooled	-	3,771	3,771	5.0%
-	10,315	10,315	15.4%	Overseas equity pooled	-	11,993	11,993	15.9%
				Bonds				
4,622	-	4,622	6.9%	UK corporate bonds	5,280	-	5,280	7.0%
268	-	268	0.4%	Overseas corporate bonds	302	-	302	0.4%
-	2,612	2,612	3.9%	UK corporate bonds pooled	-	-	-	0.0%
-	10,449	10,449	15.6%	UK Government indexed pooled	-	13,878	13,878	18.4%
				Property				
4,622	-	4,622	6.9%	UK	5,431	-	5,431	7.2%
-	134	134	0.2%	Property funds	-	2,564	2,564	3.4%
				Alternatives				
-	134	134	0.2%	Hedge funds	-	75	75	0.1%
-	1,072	1,072	1.6%	Private equity funds	-	1,282	1,282	1.7%
-	402	402	0.6%	Infrastructure funds	-	3,847	3,847	5.1%
-	-	-	0.0%	Real Estate debt funds	-	302	302	0.4%
				Cash				
67	-	67	0.1%	Cash instruments	-	-	-	0.0%
3,617	-	3,617	5.4%	Cash accounts	2,489	-	2,489	3.3%
-	268	268	0.4%	Net current assets	-	151	151	0.2%
33,422	**33,557**	**66,979**	**100.0%**	**Total**	**37,563**	**37,863**	**75,426**	**100.0%**

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 2013.

The significant assumptions used by the actuary have been:

2013/14		2014/15
	Expected rate of return on assets:	
7.0%	Equities	6.5%
3.4%	Government bonds	2.2%
4.3%	Other bonds	2.9%
6.2%	Property	5.9%
0.5%	Cash/liquidity	0.5%
Dependent on type of asset	Other	Dependent on type of asset

2013/14		2014/15
	Mortality assumptions:	
	Longevity at 65 for future pensioners:	
25.7	▪ Men	25.8
28.7	▪ Women	28.8
	Longevity at 65 for current pensioners:	
23.0	▪ Men	23.0
25.5	▪ Women	25.6

2013/14		2014/15
	Financial assumptions:	
2.4%	Rate of CPI inflation	2.0%
3.9%	Rate of increase in salaries	3.5%
2.4%	Rate of increase in pensions	2.0%
4.4%	Rate for discounting scheme liabilities	3.2%

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

Impact on the Defined Benefit Obligations in the Scheme

	Increase in Assumption	**Decrease in Assumption**
	£000	**£000**
Rate for discounting scheme liabilities (increase by 0.1%)	-	1,705
Rate of inflation (increase by 0.1%)	1,733	-
Rate of increase in salaries (increase by 0.1%)	294	-
Longevity (increase by 1 year)	2,119	-

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 County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 18 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority is expected to pay £2.043m in contributions to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 16 years, 2014/15 (16 years 2013/14).

Note 37. EXTERNAL AUDIT COSTS

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

2013/14		**2014/15**
£000		**£000**
67	Fees payable to external audit with regard to external audit services carried out by the appointed auditor for the year	68
19	Fees payable to external audit for the certification of grant claims and returns for the year	18
86	**Total**	**86**

Note 38. 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:

2013/14	**2013/14 Restated**		**2014/15**
£000	**£000**		**£000**
32	66	Assets	63
(14)	(14)	Gross Income	(14)
12	12	Gross Expenditure	17
(2)	**(2)**	**Net (surplus) or deficit for the year**	**3**

Trust Fund assets were understated by £34k in 2013/14. The statement included the land rather than the building element of the asset held in Trust by the Council.

2013/14			2014/15	
£000		**Note**	**£000**	
	Expenditure			
2,780	Repairs and maintenance		3,359	
2,912	Supervision and management		3,143	
8	Rents, rates, taxes and other charges		13	
1,948	Depreciation, impairment and revaluation of dwellings	5	1,045	
134	Depreciation and revaluation of other HRA property	6	72	
10	Debt management costs		12	
329	Movement in the allowance for bad debts		26	
8,121	**Total Expenditure**			**7,670**
	Income			
(9,793)	Dwelling rents		(10,267)	
(335)	Non-dwelling rents		(351)	
(1,128)	Charges for services and facilities		(943)	
(11,256)	**Total Income**			**(11,561)**
(3,135)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**			**(3,891)**
288	HRA services' share of Corporate and Democratic Core			286
(1)	HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services			11
(2,848)	**Net (Income)/Expenditure for HRA Services**			**(3,594)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(76)	Gain or (loss) on sale of HRA non-current assets			(205)
5	Pension administration expenses	11		5
931	Interest payable and similar charges			947
246	Pensions interest cost and expected return on pension assets	11		227
(1,742)	**(Surplus) or deficit for the year on HRA services**			**(2,620)**

Movement on the HRA Statement

2013/14		2014/15	
£000		**£000**	
(1,991)	Balance on the HRA at the end of the previous year		(2,377)
(1,742)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(2,620)	
1,356	Adjustments between accounting basis and funding basis under statute	2,584	
(386)	**(Increase) or decrease in the year on the HRA**		**(36)**
(2,377)	Balance on the HRA at the end of the current year		(2,413)

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

Notes to the Housing Revenue Account

1. HRA Self-Financing

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

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

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

Under self-financing, the principles of the Major Repairs Reserve are retained; however, there is no Major Repairs Allowance (MRA). Therefore the authority must now make a local assessment of its capital spending needs to determine the amount to be paid into the Major Repairs Reserve; this assessment is based on the amount which needs to be set aside for depreciation, namely the cost of replacing or renewing all the components of the housing stock plus an amount for the fabric of the building.

To assist local authorities in the change to the statutory accounting arrangements, allow time for the new calculations to be assessed and evaluated and also allow time to move to depreciation, revaluation and impairment losses being real charges to the HRA and impacting on the HRA balance, regulations have been introduced under the Item 8 Determination to allow a five year transition period whereby local authorities are able to:

- Use a notional MRA figure as a measure of the assessment for depreciation, which is equal to the assumption about the need to spend on major repairs used in the self-financing valuation for 2012/13 and each of the next four years;

- Utilise a credit transfer for any excess of housing stock (Council dwellings) depreciation above an amount equal to the notional MRA;

- Reverse revaluation and impairment losses on housing stock (Council dwellings) out of the HRA where the HRA revaluation reserve cannot meet the loss.

The authority has opted to use these transitional approaches to accounting for 2014/15.

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

2. Dwelling Stock

The dwelling stock held by the authority consists of:

	31 March 2014	Movements	31 March 2015
1 bed house	143	-	143
2 bed house	380	(1)	379
3+ bed house	908	(11)	897
Total houses	**1,431**	**(12)**	**1,419**
1 bed flat	941	(3)	938
2 bed flat	308	-	308
3+ bed flat	6	-	6
Total flats	**1,255**	**(3)**	**1,252**
Dwelling stock	**2,686**	**(15)**	**2,671**

3. HRA Non-Current Assets

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

31 March 2014		31 March 2015
£000		£000
61,397	Council dwellings	62,693
2,300	Land and buildings	2,583
63,697	**HRA assets**	**65,276**

4. Vacant Possession of Dwellings

In accordance with Government guidance, the valuation of Council dwellings has been reduced by a regional adjustment factor in recognition of their status as social housing. The regional adjustment factor for the North West is 35%. As a consequence the Council recognises dwellings at a value of £62.693m on the Balance Sheet. At vacant possession the same dwellings would have a value of £179.120m with the difference of £116,427m 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 2014		31 March 2015
£000		£000
61,397	Balance Sheet value EUV-SH	62,693
114,023	Difference of EUV-SH and EUV-VP	116,427
175,420	**Value of dwelling stock at EUV-VP**	**179,120**

5. Depreciation and Revaluation of Dwellings

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

2013/14		2014/15	
£000		£000	£000
742	Revaluation loss	555	
(473)	Reversal of previous revaluation loss	(1,160)	(605)
1,661	Depreciation for current year		1,650
18	Impairment loss		-
1,948			**1,045**

6. Depreciation and Revaluation of Other HRA Property

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

2013/14		2014/15	
£000		£000	£000
-	Revaluation loss	1	
-	Reversal of previous revaluation loss	(58)	(57)
132	Depreciation for current year		129
2	De-recognition of non-current assets		-
134			**72**

7. HRA Capital Financing Requirement

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

2013/14		2014/15
£000		£000
24,357	**Opening Capital Financing Requirement**	**23,285**
(2)	Impairment charge for non-dwelling Housing Revenue Account assets	57
	Capital investment:	
1,931	Council dwellings	1,888
	Source of finance:	
(1,931)	Major Repairs Reserve	(1,888)
(1,070)	Voluntary Revenue Provision – towards the repayment of HRA Debt	(1,566)
23,285	**Closing Capital Financing Requirement**	**21,776**
	Explanation of movements in year	
(1,070)	Decrease in underlying need to borrow (unsupported by Government financial assistance)	(1,566)
(2)	Impairment charge for non-dwelling Housing Revenue Account assets	57
(1,072)	**Increase(decrease) in Capital Financing Requirement**	**(1,509)**

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

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

Although the calculation was originally performed to arrive at the subsidy charges for capital, the determination remains in force and the calculation for 2014/15 is set out below:

2013/14		2014/15	
£000		£000	£000
	Item 8 Credit		
(10)	Discounts for early repayment of debt	(10)	
(473)	Reversal of previous year revaluation loss - dwellings	(1,160)	
-	Reversal of previous year revaluation loss – non dwellings	(58)	(1,228)
	Item 8 Debit		
866	Interest payable on external loans	866	
1,661	Depreciation of dwellings	1,650	
132	Depreciation of non-dwellings	129	
65	Interest payable on notional cash balances	81	
10	Debt management expenses	12	
43	Premium charges for early repayment of debt	9	
605	Transfers to the Major Repairs Reserve	272	
18	Impairment charges	-	
742	Revaluation loss - dwellings	555	
-	Revaluation loss – non dwellings	1	3,575
3,659	**Item 8 Credit and Item 8 Debit**		**2,347**

9. HRA Non-Current Asset Disposals

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

2013/14		2014/15
£000		£000
308	Carrying value of dwellings sold	398
(384)	Sale proceeds from dwellings	(598)
(76)	**Net gain on disposals**	**(200)**

10. Major Repairs Reserve

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

The Major Repairs Reserve (MRR) represents balances carried forward. Under the item 8 determination, local authorities have a five year transitional period to use the MRA, after which traditional depreciation methods are required.

2013/14		2014/15
£000		£000
	MRR transfers in the year:	
(1,661)	From HRA for dwellings depreciation	(1,650)
(605)	Difference between MRA and dwellings depreciation	(272)
(2,266)	**MRA for the year**	**(1,922)**
(132)	Increase for depreciation of non-dwelling assets	(129)
1,931	Capital expenditure financed by MRR	1,888
(131)	**Balance brought forward**	**(598)**
(598)	Balance carried forward	(761)

11. Transactions Relating to Post-employment Benefits

The authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the authority is required to make on the HRA is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out via the Movement on the HRA Statement.

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

2013/14		2014/15	
£000		**£000**	**£000**
	HRA		
	Cost of Services:		
214	▪ current service cost	206	
-	▪ curtailment costs	12	
	Financing and Investment Income and Expenditure		
782	▪ interest cost	861	
(536)	▪ expected return on scheme assets	(634)	
	Other operating expenditure		
5	▪ pension administration expenses	5	
465	***Total Post Employment Benefit Charged to the HRA Income and Expenditure Account***		**450**

	Movement in Reserves Statement	
(465)	• reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(450)
	Actual amounts charged against the HRA balance for pensions in the year	
322	• employers' contributions payable to scheme	390

12. Rent Arrears

At 31 March 2015 the HRA rent arrears and the provision in respect of uncollectable debts was:

2013/14		2014/15
£000		**£000**
672	Arrears at year end	639
469	Provision for bad and doubtful debts	465
70%	**Percentage of provision**	**73%**

13. HRA Balance

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

31 March 2014		31 March 2015
£000		**£000**
(2,377)	Total HRA balance carried forward	(2,413)
(187)	*Of which: committed to on-going housing maintenance*	*(291)*

Collection Fund Income and Expenditure Statement

2013/14				2014/15		
Council Tax	**Business Rates**	**Total**		**Council Tax**	**Business Rates**	**Total**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
			Income			
(28,688)	-	(28,688)	Income from Council Tax	(29,321)	-	(29,321)
-	(23,556)	(23,556)	Income collectable from business ratepayers	-	(23,105)	(23,105)
-	(108)	(108)	Transitional Protection Payment	-	27	27
(28,688)	**(23,664)**	**(52,352)**	**Total Income**	**(29,321)**	**(23,078)**	**(52,399)**
			Expenditure			
			Precepts demand & shares:			
-	11,527	11,527	- Central Government	-	11,731	11,731
20,366	2,305	22,671	- Cumbria County Council	20,763	2,345	23,108
3,824	9,222	13,046	- Barrow Borough Council	3,971	9,385	13,356
3,588	-	3,588	- Cumbria Police & Crime Commissioner	3,729	-	3,729
			Charged to the Collection Fund			
(226)	(79)	(305)	- Write off of uncollectable amounts	(190)	(141)	(331)
317	252	569	- Increase/(decrease) in bad debt provision	389	(12)	377
-	1,022	1,022	- Increase/(decrease) in provision for appeals	-	(16)	(16)
-	99	99	- Costs of collection	-	98	98
27,869	**24,348**	**52,217**	**Total Expenditure**	**28,662**	**23,390**	**52,052**
(819)	**684**	**(135)**	**(Surplus)/Deficit for the year**	**(659)**	**312**	**(347)**

			Collection Fund balances			
(309)	-	(309)	Balance brought forward at 1 April	(963)	684	(279)
165	-	165	Distribution of previous years surplus/deficit	143	(423)	(280)
(819)	**684**	**(135)**	**(Surplus)/Deficit for the year (as above)**	**(659)**	**312**	**(347)**
(963)	684	(279)	Balance carried forward at 31 March	(1,479)	573	(906)
			Allocated to			
(134)	274	140	- Barrow Borough Council	(204)	229	25
(703)	68	(635)	- Cumbria County Council	(1,081)	57	(1,024)
-	342	342	- Central Government	-	287	287
(126)	-	(126)	- Cumbria Police & Crime Commissioner	(194)	-	(194)
(963)	**684**	**(279)**	**Balance carried forward at 31 March**	**(1,479)**	**573**	**(906)**

Notes to the Collection Fund

1. Collection Fund General Note

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

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

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

2. Income from Business Ratepayers

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

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

The business rates payable for 2014/15 were estimated before the start of the financial year as £11.731m to Central Government, £2.345m to Cumbria County Council and £9.385m to this authority. These sums have been paid in 2014/15 and charged to the collection fund in year.

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 2015. 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 reduction of the provision charged to the collection fund for 2014/15 has been calculated at £16k.

The total non-domestic rateable value at the 31 March 2015 was £56,914k (£59,231k at the 31 March 2014).

The national non-domestic rate multiplier for 2014/15 was 48.2 pence in the pound (47.1 pence in the pound for 2013/14).

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 47.1 pence in the pound (46.2 pence in the pound for 2013/14) and can also qualify for rate relief.

3. Bad and Doubtful Debts

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

31 March 2014		31 March 2015
£000	**Council Tax**	£000
3,692	Arrears	3,750
1,919	Provision for bad and doubtful debts	1,926
52%	Percentage of provision	51%
	Business ratepayers	
1,553	Arrears	1,220
1,330	Provision for bad and doubtful debts	1,037
86%	Percentage of provision	85%

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

The Council's share of the balances are:

31 March 2014		31 March 2015
£000	**Council Tax**	£000
515	Arrears	514
268	Provision for bad and doubtful debts	264
52%	Percentage of provision	51%
	Business ratepayers	
621	Arrears	488
532	Provision for bad and doubtful debts	415
86%	Percentage of provision	85%

4. Cumbria Business Rates Pool

From 1 April 2014, the authority participated in the Cumbria Business Rates Pool. The pool consists of Barrow Borough Council, Cumbria County Council, Carlisle City Council, Allerdale Borough Council, Eden District Council and South Lakeland District Council. The levy for 2014/15 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 2014/15 is £2.056m. The retained levy for the authority paid into the pool was £350k and the distribution of the retained levy to the authority was £163k, these are shown within the Comprehensive Income and Expenditure Statement. The authority's share of the pool volatility reserve, £40k, is held in the Balance Sheet as an earmarked reserve.

5. Council Tax Base

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

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

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

The Council Tax base for 2014/15 was 17,876 (17,532 for 2013/14). The tax base for 2014/15 was approved by Council on 4 March 2014. The collection rate was assumed to be 97% for 2014/15 (97% in 2013/14).

The Council Tax base for the year was set as:

2013/14 Band D equivalent number of chargeable dwellings	**Band**	**Standard factor**	**2014/15 Band D equivalent number of chargeable dwellings**
28	Disabled reductions		27
7,510	A	6/9	7,818
3,420	B	7/9	3,452
3,569	C	8/9	3,571
2,051	D	9/9	2,052
1,071	E	11/9	1,087
320	F	13/9	314
106	G	15/9	106
2	H	18/9	2
18,076	Equivalent chargeable dwellings		18,429
17,532	**97% of which gives the Council Tax base**		**17,876**

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.

2013/14 Council Tax	**Band**	**Property value**	**2014/15 Council Tax**
£			**£**
1,052.70	A	Up to £39,999	1,058.04
1,228.15	B	£40,000 to £51,999	1,234.38
1,403.60	C	£52,000 to £67,999	1,410.72
1,579.05	**D**	**£68,000 to £87,999**	**1,587.06**
1,929.95	E	£88,000 to £119,999	1,939.74
2,280.85	F	£120,000 to £159,999	2,292.42
2,631.75	G	£160,000 to £319,999	2,645.10
3,158.10	H	£320,000 and over	3,174.12

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

We have audited the financial statements of Barrow Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Barrow Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources' Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Barrow Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We are required to report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for 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 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Barrow Borough Council have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Barrow Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Jackie Bellard

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

4 Hardman Square
Spinningfields
Manchester M3 3EB

25 September 2015

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

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

Actuarial Gains and Losses (Pensions)
Actuarial gains and losses are changes in the present value of defined benefit obligations resulting from:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Department for Communities and Local Government (DCLG)
A Department of Central Government with an overriding responsibility for determining the allocation of general resources to Local Authorities.

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

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

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

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

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

Events after the Reporting Period
Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statements are authorized for issue. Two types of events can be identified

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Unsupported (Prudential) Borrowing
Borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

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.