

# **BOROUGH OF BARROW-IN-FURNESS**

## **AUDIT COMMITTEE**

Meeting, Thursday, 26th September, 2013  
at 2.00 p.m. (Committee Room No. 4)

## **A G E N D A**

### **PART ONE**

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

#### **3 Admission of Public and Press**

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

#### **4 Declarations of Interest**

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

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

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

- 5 To confirm the Minutes of the meeting held on 27th June, 2013 (copy attached) (Pages 1-10).
6. Apologies for Absence/Attendance of Substitute Members.

### **FOR DECISION**

- (D) 7. Review of the Council's Arrangements for Securing Financial Resilience, for the year ended 31st March, 2013 (Page 11).

- (D) 8. Statement of Accounts 2012-2013 (Pages 12-15).
- (D) 9. Annual Review of Audit Committee Effectiveness (Page 16).
- (D) 10. Fraud and Corruption Survey 2012-2013 (Page 17).
- (D) 11. Internal Audit Final Reports (Pages 18-19).
- (D) 12. Internal Audit Progress Report (Page 20).
- (D) 13. Local Government Ombudsman Annual Letter 2012/2013 (Page 21).
- (D) 14. Risk Management (Page 22).
- (D) 15. Monitoring Priority 1 Recommendations (Page 23).

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

**Membership of Committee**

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

**For queries regarding this agenda, please contact:**

Paula Westwood  
Democratic Services Officer (Member Support)  
Tel: 01229 876322  
Email: [pwestwood@barrowbc.gov.uk](mailto:pwestwood@barrowbc.gov.uk)

Published: 18th September, 2013

# **AUDIT COMMITTEE**

Meeting Thursday 27th June, 2013  
at 2.30 p.m.

**PRESENT:-** Councillors Pointer (Vice-Chairman), Murray, Sweeney and Thurlow.

Also present were Gina Martlew, Neil Krajewski and Len Cross from Grant Thornton and Keith Jackson from Internal Audit.

## **1 – Minutes**

The Minutes of the meeting held on 7th March, 2013 were taken as read and confirmed.

## **2 – Apologies for Absence/Attendance of Substitute Members**

Apologies for absence had been received from Councillors Burns (Chairman) and Doughty.

Councillor Sweeney had attended as a substitute for Councillor Burns.

## **3 – External Audit Plan for the Year Ended 31st March, 2013**

Neil Krajewski of Grant Thornton attended the meeting to present the External Audit Plan for the year ended 31st March, 2013 to Members. He explained that in planning their audit they needed to understand the challenges and opportunities the Council was facing, namely:-

1. Local Government Finance Settlement;
2. Efficiency Grant;
3. Empty Homes Grant;
4. Localisation of Non Domestic Rates;
5. Local Council Tax Discount Scheme; and
6. Changes in Housing Benefit.

In planning the Audit they had also considered the impact of key developments in the sector and had taken into account national audit requirements as set in the Code of Audit Practice.

He reported that as part of the interim audit work and in advance of the final accounts audit fieldwork, they had considered:-

- The effectiveness of the internal audit function;
- Internal audit's work on the Council's key financial systems;
- Walkthrough testing to confirm whether controls were implemented as part of their understanding in areas where they had identified a risk of material misstatement; and
- A review of Information Technology (IT) controls.

He reported that the Code of Audit Practice required the External Auditors to issue a conclusion on whether the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This was known as the Value for Money (VfM) conclusion. He advised that their Value for Money conclusion would be based on two reporting criteria specified by the Audit Commission. They would tailor their VfM work to ensure that as well as addressing high risk areas it would, wherever possible, focus on the Council's priority areas and could be used as source of assurance for Members. He reported that where the Auditors planned to undertake specific reviews to support their VfM conclusion, they would issue a Terms of Reference for each review outlining the scope, methodology and timing of the review and these would be agreed in advance and presented to this Committee.

The results of all VfM audit work and key messages would be reported in the Audit Findings report and in the Annual Audit Letter. Any additional reporting to the Council would be agreed on a review by review basis.

**RESOLVED:-** To receive and note the External Audit Plan for the Year Ended 31st March, 2013.

#### **4 – External Audit Update June 2013**

Len Cross of Grant Thornton attended the meeting to present the report to Members.

The report provided the Committee with details on progress in delivering responsibilities as External Auditors. It also included a summary of emerging national issues and developments that may be relevant to the Council and included a number of challenge questions in respect of those emerging issues which the Committee may wish to consider.

##### Progress as at June 2013

- **2012-13 Accounts Audit Plan** – Members had been requested to note the Audit Plan included as an agenda item for this meeting (Minute No. 3 refers). The interim work had been completed in April 2013 and the plan had been updated to reflect the current position.
- **Interim Accounts Audit** – This had been completed in April 2013.
- **2012-13 Final Accounts Audit** – Fieldwork would commence on the Council's accounts in July 2013.
- **Value for Money (VfM) Conclusion** – A substantial portion of the fieldwork in support of the VfM conclusion had been completed and the Auditors would be considering the Council's 2012-2013 financial statements as part of the work required to produce the Financial Resilience report.



## Emerging Issues and Developments

The following emerging issues and developments had been identified within the report:-

- Accounting and Audit Issues
  - LAAP Bulletin 96: Closure of the 2012-2013 accounts and related matters
- Code of Practice on Local Authority Accounting in the United Kingdom 2013-2014
- Internal Audit – Practice Case Studies
- Grant Thornton
  - Use of Outsourced IT Services
- Local Government Guidance
  - 2010-2011 Whole of Government Accounts
  - Governance Statements
  - Openness and Transparency on Personal Interests – A Guide for Councillors

RESOLVED:- To receive and note the External Audit Update for June 2013.

### **5 – External Audit Fee Letter 2013-2014**

A copy of the External Audit fee letter for 2013-2014 had been appended to the report. Gina Martlew of Grant Thornton attended the meeting to explain that the Main Audit fee remained the same as it was for 2012-2013 and that the billing schedule was as follows:-

<b>Main Audit Fee</b>	<b>£</b>
September 2013	16,814.75
December 2013	16,814.75
March 2014	16,814.75
June 2014	16,814.75
<b>Grant Certification</b>	
June 2014	21,200.00
<b>Total</b>	<b>88,459.00</b>

RESOLVED:- To note the External Audit fee for 2013-2014.

### **6 – Internal Audit Final Reports**

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

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

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

1. Government Connect Code of Connection – Substantial Assurance;
2. Risk Management – Restricted Assurance;
3. Internet and Email Controls – Substantial Assurance;
4. Performance Management – Substantial Assurance;
5. Payroll – Substantial Assurance; and
6. Receipt Books Checks – Substantial Assurance.

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

RESOLVED:- To note the Internal Audit Final Reports.

## **7 – Internal Audit Annual Report 2012-2013**

The Council's Internal Audit Manager attended the meeting and presented the Internal Audit Annual Report for 2012-2013 to the Committee. He explained that the purpose of the Annual Report was to meet the Head of Internal Audit's annual reporting requirements set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code). The Head of Internal Audit's formal annual report presented an opinion of the overall adequacy and effectiveness of the internal control environment, and:-

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

The 2012-2013 Year Opinion was that the annual report provided reasonable assurance that the majority of key controls were operating satisfactorily.

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

- Dalton MUGA Contract; and
- Risk Management.

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

#### Progress against 2012-2013 Annual Plan

A detailed analysis of the current situation regarding the 2012-2013 Plan had been appended to the Internal Audit Annual Report. The assessment of auditable areas had identified 80 systems which covered the Council's operations. The audit coverage achieved in the period, compared to the Audit Plan, was set out in the table below. The reduction in planned coverage compared to actual mainly related to changes made to the Audit Plan for an increased number of contract audit reviews. In addition, Housing and Council Tax Benefit Grant Certification testing had been completed which had not been reflected in these figures, all of which had been included within regular progress reports issued to this Committee.

	Percentage of systems covered		Percentage of risk covered	
	2012-2013	2011-2012	2012-2013	2011-2012
Planned	43%	36%	55%	59%
Achieved	41%	33%	52%	57%

The following table summarised the assurance levels recorded in final reports relating to the years 2011-2012 and 2012-2013. The majority of Council systems had achieved the level of Substantial Assurance, however, two systems had been classified as Restricted Assurance in 2012-2013:-

Final Reports	Total	Unqualified Assurance		Substantial Assurance		Restricted Assurance		No Assurance	
		No.	%	No.	%	No.	%	No.	%
2012-2013	19	3	16	14	74	2	10	0	0
2011-2012	31	4	13	25	81	2	6	0	0

A summary of the number of audit recommendations made in the Internal Audit Final Reports issued during 2012-2013, along with the management responses were as follows:-

<b>Recommendations</b>	<b>Total</b>	<b>Priority 1</b>	<b>Priority 2</b>	<b>Priority 3</b>
Made 2012-2013	<b>53</b>	1	29	23
Fully Accepted	<b>51</b>	1	27	23
Partly Accepted	<b>2</b>	0	2	0
Not Accepted	<b>0</b>	0	0	0

During the year Internal Audit had reported on the implementation of 149 agreed audit recommendations made in previous reports. The results were as follows:-

	<b>Fully Implemented</b>	<b>Not Implemented</b>	<b>Overtaken by Events</b>	<b>TOTAL</b>
<b>2012-2013</b>	103	23	23	149
<b>2011-2012</b>	58	65	49	172

For the recommendations not fully implemented, revised dates had been agreed with management for their implementation. Internal Audit would further review progress on their implementation during 2013-2014.

It was noted that the successful achievement of the Audit Plan was dependent on the contribution of the Council's staff as audit clients. The Internal Audit Manager wished to record Internal Audit's appreciation for the involvement and commitment of staff, and for their critical appraisal of their recommendations during the year. He also wished to acknowledge the support shown by this Committee in the delivery of their Plan.

**RESOLVED:-** To note the Internal Audit Annual Report for 2012-2013.

## **8 – Audit Committee Terms of Reference**

The Borough Treasurer reported that the Audit Committee Terms of Reference which were set out in the Council's Constitution had been reported to this Committee to provide Members with the framework of the Committee's business and responsibilities. She advised that the Terms of Reference had not changed since last year.

**RESOLVED:-** To note that the Audit Committee Terms of Reference as set out in the Council's Constitution remained unchanged.

## **9 – Annual Review of Audit Committee Effectiveness**

The Borough Treasurer reported that the Chartered Institute of Public Finance and Accountancy (CIPFA) had recommended that an assessment be undertaken by the Audit Committee to ensure that its effectiveness was regularly reviewed. CIPFA had recommended that this could be achieved by using an evaluation checklist such as CIPFA's Toolkit for Local Authority Audit Committees, a copy of which had been appended to the report.

She reported that it was good practice to review the effectiveness of the Audit Committee and proposed that a review be performed by the Chair and Vice Chair with her assistance. Details of the review would be reported to this Committee for approval in September 2013. The report would include agreeing any areas where improvements could be made.

RESOLVED:- To agree that the Chair and Vice-Chair of this Committee be delegated to undertake an annual review of the effectiveness of the Audit Committee with the Borough Treasurer.

## **10 – Annual Review of Internal Audit 2012-2013**

The Borough Treasurer reported that Regulation 4 of the Accounts and Audit Regulations 2011 required audited bodies to conduct a review of the effectiveness of its system of internal control at least once a year. Regulation 4 also required the findings of the review of the system of internal control to be considered by this Committee. This review was contained within the Annual Governance Statement, presented to Members as part of the agenda at this Committee meeting (Minute No. 14 refers).

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

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

1. The CIPFA code of practice for Internal Audit in Local Government – a self-assessment checklist completed by the Head of Internal Audit and reviewed by the Borough Treasurer;
2. The CIPFA statement on the role of the Head of Internal Audit in Local Government – a self-assessment completed by the Head of Internal Audit and reviewed by the Borough Treasurer;
3. The Internal Audit annual report for 2012-2013 – this contained the performance of the service for the financial year; and
4. Post audit questionnaires – these were returned by departmental managers to reflect satisfaction with the service.

The completed questionnaires had been returned to the Borough Treasurer and it was her expectation that the service should perform to a good standard which equated to an 80% satisfaction rate. From the questionnaires returned for 2012-2013, the Internal Audit service had achieved an 86% satisfaction rate.

RESOLVED:- To agree that Members endorsed the review.

## **11 – 2012-2013 Statement of Accounts Update**

The Borough Treasurer advised that the Statement of Accounts had been completed and that the ledgers had been closed, the disclosure notes and the Statement document were being finalised and would be reported to the Committee in September 2013.

She advised that the Statement of Accounts was a document containing almost 100 pages which needed to be signed as giving a true and fair view of the financial position of the Council for 2012-2013. The Chairman was authorised by the Audit Committee to sign on behalf of the Council. The Borough Treasurer proposed that an informal session covering the Statement of Accounts be arranged for Members in late September, when the Statement was final (but would remain subject to audit until the Annual Governance Report had been issued and agreed by Members).

**RESOLVED:-** To note the report and agree that a session on the Statement of Accounts be offered to all Members.

## **12 – Going Concern**

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

The Accounts of the Council for the period 1st April, 2012 to 31st March, 2013 had been prepared on a going concern basis. This basis assumed that the Council would be able to realise its assets and liabilities in the normal course of business and that it would continue in business for the foreseeable future.

**RESOLVED:-** To agree that the Council was a going concern and that it was appropriate for the Accounts to be prepared on a going concern basis.

## **13 – Risk Management**

The Policy Review Officer attached as an appendix to his report, the Risk Register for 2013-2014. He reported that the register continued to focus on those business critical risks which were under the control of the Council, including:-

1. Future financial stability and sustainability of the Council;
2. Impact of the changes to the benefit system on income for the Housing Department;
3. MMI levy under the Scheme of Arrangement;
4. Impact of Pay Review;
5. Failure of external partner, service providers or contractors;
6. Level of sickness worsens;
7. Performance of service delivery contractors;
8. Impact of Welfare Reform changes;

9. Failure to deliver Waterfront Barrow regeneration programme;
10. Not having appropriate governance arrangements in place;
11. Failure to maintain Health and Safety arrangements;
12. Capacity to undertake statutory inspections, investigations and enforcement action;
13. Legal challenge to procurement of contracts;
14. Incidents of fraud, bribery or corruption; and
15. Major incident affecting service delivery or ICT systems.

He reported that the Risk Register had been reviewed by Management Board at their meeting in June 2013 and had agreed a number of operational risks including:-

1. Inadequate staffing to deliver key services;
2. Access to operational buildings;
3. Inadequate cash flow for operational purposes;
4. Unable to collect household waste;
5. Unable to pay housing benefits to claimants;
6. Maintenance of Council housing stock to decent homes standard;
7. Availability of homeless accommodation;
8. Unplanned outage of the cremator;
9. Failure of swimming pool filters or other breakage; and
10. Failure of bleacher seating system in the Forum main auditorium.

Full details of the operational risks outlined above, including their potential impact and mitigating actions had been included in appendix to his report. It was noted that the operational risks would be used to inform the development of the Council's Business Continuity Plan.

In respect of Risk 15, a Member had questioned whether this risk should be split into two categories. The Policy Review Officer advised that it had been two separate risks until just recently and that he would report the comments back to Management Board.

**RESOLVED:-** To note the information and that the risks would be monitored by the appropriate Officers.

## **14 – Annual Governance Statement**

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

The following members of staff had been involved in preparing the Annual Governance Statement for 2012-2013:-

- Executive Director: Head of Paid Services;
- Deputy Executive Director: Monitoring Officer;

- Borough Treasurer: S151 Officer;
- Assistant Director of Community Services;
- Assistant Director of Regeneration and the Built Environment;
- Housing Manager;
- Internal Audit, Manager;
- Policy Review Officer; and
- The Governance Group.

The Annual Governance Statement and supporting principles had been attached as appendices to the Policy Review Officer's report.

RESOLVED:- To agree that the Annual Governance Statement and supporting evidence be submitted to the External Auditors for their consideration.

## **15 – Monitoring Priority 1 Recommendations**

The Policy Review Officer reported that Internal Audit undertook reviews of the Council's systems as defined in the Annual Audit Plan. The audit conclusion may include Priority 1 Recommendations which related to major issues that needed to be brought to the attention of Senior Management. Senior Managers would consider the recommendations and determine whether to accept or reject them. If the recommendations were accepted, the Managers were agreeing to implement the recommendations.

To ensure that all agreed Internal Audit Priority 1 Recommendations were implemented in a timely manner they were now tracked by Management. Progress against the implementation of Priority 1 Recommendations that had been agreed in 2011-2013 had been included within the Policy Review Officer's report.

The Priority 1 Recommendations had come from the following Audit reports:-

- Risk Management – Business Continuity (11-08); and
- Catering Contract – The Forum (10-24).

It was noted that the new Catering Contract was now in place and the new Contractor would be on site from week commencing 1st July, 2013.

RESOLVED:- To note the information.

The meeting closed at 3.28 p.m.





<b>AUDIT COMMITTEE</b>		<b>Part One</b> <b>(D)</b> <b>Agenda</b> <b>Item</b> <b>7</b>
<b>Date of Meeting: 26th September, 2013</b>		
<b>Reporting Officer: Borough Treasurer</b>		
<b>Title: Review of the Council's Arrangements for Securing Financial Resilience, for the year ended 31st March, 2013</b>		
<b>Summary and Conclusions:</b>  The Review of the Council's Arrangements for Securing Financial Resilience, for the year ended 31st March, 2013, has been produced by the External Auditors. The External Auditors will present the report to Members.		
<b>Recommendations:</b>  Members are recommended to:  <ol style="list-style-type: none"><li>1. Receive the External Auditor's report and raise any questions; and</li><li>2. Agree the Management responses included in the report.</li></ol>		

### **Report**

The External Auditors have produced a report of their Review of the Council's Arrangements for Securing Financial Resilience, for the year ended 31st March, 2013. The report is attached at **Appendix 1** and will be presented to Members by the External Auditor.

Three key points for consideration have been highlighted in the report and Management have provided a response and agreed a timescale to action these; progress will be reported to this committee in due course.

### **Background Papers**

Nil

# Review of the Council's Arrangements for Securing Financial Resilience for Barrow in Furness Borough Council

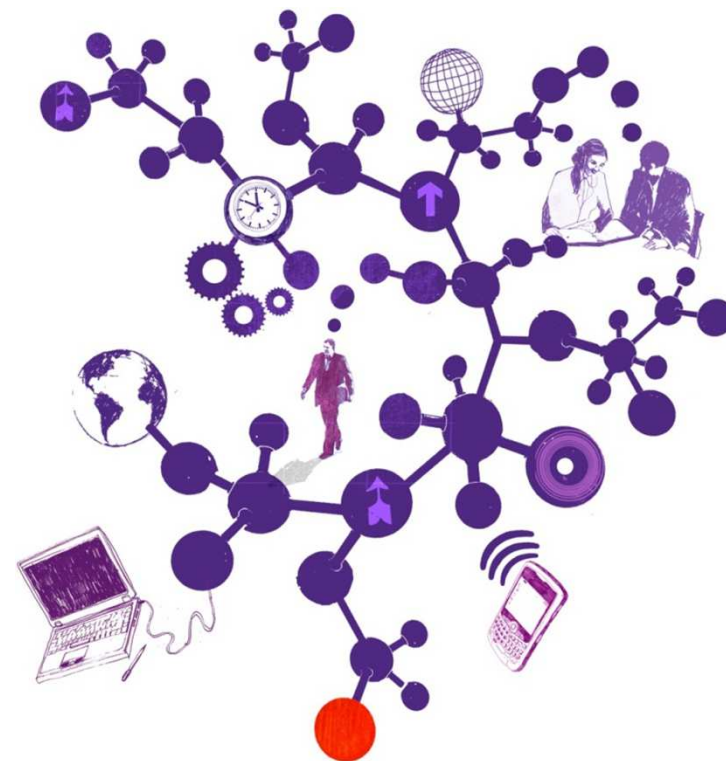
**Year ended 31 March 2013**

26 September 2013

**Gina Martlew**  
Engagement Lead  
T 0141 223 0890  
E [Gina.F.Martlew@uk.gt.com](mailto:Gina.F.Martlew@uk.gt.com)

**Len Cross**  
Audit Manager  
T 0161 234 6387  
E [Leonard.E.Cross@uk.gt.com](mailto:Leonard.E.Cross@uk.gt.com)

**Neil Krajewski**  
Audit Executive  
T 0161 234 6371  
E [Neil.P.Krajewski@uk.gt.com](mailto:Neil.P.Krajewski@uk.gt.com)



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

---

# Contents

**1 Executive Summary** **Page 3**

**2 Key Indicators** **Page 8**

**3 Strategic Financial Planning** **Page 11**

**4 Financial Governance** **Page 14**

**5 Financial Control** **Page 18**

**Appendix - Key indicators of financial performance** **Page 21**

---

**1 Executive Summary**

**2 Key Indicators**

**3 Strategic Financial Planning**

**4 Financial Governance**

**5 Financial Control**

**Appendix - Key indicators of financial performance**

# Executive Summary

## Our approach

### Value for Money Conclusion

Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit, includes a review to determine if the Council has proper arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. We have carried out our work in discussion and agreement with officers and completed it in such a way as to minimise disruption to them.

The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

We have reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Further detail on each of these areas is provided in the sections of the report that follow. Our overall conclusion is that the Council has proper arrangements to secure financial resilience

We have used a red/amber/green (RAG) rating with the following definitions.

Green	<b>Arrangements meet or exceed adequate standards.</b> Adequate arrangements identified and key characteristics of good practice appear to be in place.
Amber	<b>Potential risks and/or weaknesses.</b> Adequate arrangements and characteristics are in place in some respects, but not all. Evidence that the Council is taking forward areas where arrangements need to be strengthened.
Red	<b>High risk:</b> The Council's arrangements are generally inadequate or may have a high risk of not succeeding

---

# Executive Summary

## National and Local Context

### National Context

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 1920's. Revenue funding to local government was to reduce by 19% by 2014-15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector. In addition, local government funding reductions were frontloaded, with 8% cash reductions in 2011-12. This followed a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015-16 and 2016-17. In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013-14 and 2014-15. Whilst health and schools will continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions. The Department for Communities and Local Government will contribute £470m of these additional savings, £445m of which will come from local authority funding during 2014-15, with local authorities being exempt from additional savings in 2013-14. In his March 2013 Budget, the Chancellor announced further departmental 1% savings during 2013-14 and 2014-15. The NHS and schools remain protected, but police and local government will need to find an additional 0.5% over both years.

The next spending review period, 2015-16, was announced by the Chancellor on 26 June 2013. Local government will face a further 10% funding reduction for this period.

These funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge. Financial austerity is expected to continue until at least 2017.

### Local Context

In common with all local authorities, the Council has faced a significant reduction in the level of financial support it receives from central government. In the 2010-11 financial year the total government support received was £9.1m. This has reduced to £6.8m in 2013-14, a 25.3% reduction and the level of support is expected to reduce further to £6.1m in 2015-16. The effect of inflation means that, over the 5 year period between 2010-11 and 2015-16, income from central government will fall in real terms by around 50 %.





The Council has historically maintained healthy reserve balances and, in spite of the financial challenge it has faced, the Council has largely been able to avoid drawing on its reserves to balance the budget. Substantial reductions in expenditure and some increases in income have been achieved as part of a budget deficit reduction strategy agreed by Members in October 2011.

In December 2012 the Council was advised that the Council's basic entitlement to financial support from central government for 2013-14 would reduce by 16.91%. This was amongst the highest reductions nationwide. In order to mitigate the impact of this reduction, DCLG has advised the seven Councils subject to the most severe cuts that they are able to apply for an efficiency grant. The efficiency grant is worth a total of up to £2.35m to the Council over two years. A business case was submitted to DCLG in March 2013 and the Council was advised in May 2013 that it had been successful in securing £1.175m in grant-funding for 2013-14. The Council will need to demonstrate that it has been successful in implementing its business plan if it is to access the efficiency grant in 2014-15.



# Executive Summary

## Overview of Arrangements

Risk area	Summary observations	High level risk assessment
Key Indicators of Performance	The Council has healthy reserve balances and sufficient assets to cover its liabilities. Whilst long-term borrowing has recently increased, this is consistent with the pattern at other Authorities which have retained their housing stock. The Council's costs of Housing Benefit and Council tax Administration are high and the Council is looking at ways of reducing the costs of these services which are largely outsourced.	 Green
Strategic Financial Planning	The Council has a Medium Term Financial Strategy which is based on appropriate assumptions and considerations. Sensitivity analysis has been used to model a range of possible scenarios. The Council has regularly revisited its strategy to take account of changes in the internal and external environment. A further update is required to reflect the efficiency grant awarded to the Council in May 2013.	 Green
Financial Governance	Members receive sufficient information to ensure they have an understanding of the Authority's financial performance and position. Arrangements are made to ensure that Members have sufficient opportunity to challenge the information they receive and consider alternative options as part of the budget-setting process.	 Green
Financial Control	The Council has established arrangements to ensure it has sufficient sources of internal and external assurance about its arrangement to maintain financial control. The ongoing review of internal budget monitoring should further enhance existing arrangements by providing more detail on a relative performance of individual departments. Officers also need to ensure that they provide members with sufficient and timely updates on the progress made in respect of the schemes included in the business plan produced to secure the efficiency grant from DCLG.	 Green

# Executive Summary

## Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
<b>Key Indicators of Performance</b>	Management should keep under review the extent to which the Council has been successful in achieving a reduction in the number of days lost due to sickness	Principal HR Officer	31 March 2014	From 2013-14 quarterly reports are presented to Management Board which indicate the number of days lost for sickness, showing short term and long term sickness along with other relevant information. The Council's occupational health service will be delivered by a new provider from October 2013
<b>Strategic Financial Planning</b>	The Medium Term Financial Plan requires updating to take account of the receipt of the Efficiency Grant from DCLG and the recently-approved Workforce Strategy .	Borough Treasurer	31 December 2013	The Medium Term Financial Plan will be fully updated as part of the 2014-2015 budget setting process. The Efficiency Support Grant and the Workforce Strategy will be incorporated into the update. The impact on the current Medium Term Financial Plan will be reported to Members as part of the Council Finances reports during 2013-2014.
<b>Financial Control</b>	The Borough Treasurer and her staff are encouraged to complete the planned review of budget monitoring arrangements to ensure officers and members have the information they need to monitor the Council's financial performance and financial position	Borough Treasurer	31 December 2013	The review will identify a meaningful level of Management to report against, in addition to the current overall General Fund position. Direct costs will be reported against this level as part of the Council Finances reports.

---

**1 Executive Summary**

**2 Key Indicators**

**3 Strategic Financial Planning**

**4 Financial Governance**

**5 Financial Control**

**Appendix - Key indicators of financial performance**

---

# Key Indicators

## Introduction

This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:







- Working capital ratio
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Sickness absence levels
- Out-turn against budget
- Useable Reserves: Gross Revenue Expenditure
- Cost of Housing and Council Tax Administration

We have used the Audit Commission's nearest neighbours benchmarking group comprising the following authorities:

Burnley Borough Council  
Dover District Council  
Erewash Borough Council  
Gosport Borough Council  
Great Yarmouth Borough Council  
Hyndburn Borough Council  
Lancaster City Council  
Mansfield District Council  
Nuneaton And Bedworth Borough Council  
Pendle Borough Council  
Shepway District Council  
Swale Borough Council  
Thanet District Council  
Waveney District Council  
Weymouth and Portland Borough Council

# Key Indicators

## Overview of performance

Area of focus	Summary observations	Assessment
<b>Liquidity</b>	<p>The Council has a healthy working capital ratio. For the past five years the Council has held sufficient short-term assets to cover its liabilities.</p> <p>The Council collected 96.8% of the Council Tax due in 2012-13 which was the same level as that collected in 2011-12. This is below the average for Cumbria of 98% but is consistent with the average collection rate for the group of Councils considered by the Audit Commission to be statistically similar.</p> <p>The Council collected 98% of the Non Domestic Rates due in 2012-13 which was the same level as that collected in 2011-12. This is marginally less than the average for Cumbria but is 0.9% better than the average collection rate for the comparator group.</p>	 <b>Green</b>
<b>Borrowing</b>	<p>The Council's borrowing increased significantly in March 2012 following the self-financing settlement whereby the Council borrowed an additional £17m to fund a payment to central government as part of the reforms to the housing subsidy system. Consequently, debt, as a proportion of long term assets and Council Tax, increased sharply last year. This is consistent with the pattern at other authorities which have retained their housing stock. The Council has a thirty year plan to repay the additional borrowing which was agreed with DCLG as part of the self-financing arrangements.</p>	 <b>Green</b>
<b>Workforce</b>	<p>The Council's level of sickness absence has increased in 2012-13 and is higher than the local government average. The Council has analysed the level of sickness and determined that long term sickness makes up a significant proportion of the days lost. Management are working closely with employees and the Council's Occupational health provider to reduce the level of long and short term sickness.</p>	 <b>Amber</b>
<b>Performance Against Budgets: revenue &amp; capital</b>	<p>The Council has a strong track record at delivering an outturn within budget estimates in respect of revenue and capital. There is no history of significant overspends.</p>	 <b>Green</b>
<b>Reserve Balances</b>	<p>The Council has healthy earmarked and unearmarked reserve balances. The General Fund balance has not been significantly affected by the decline in central government funding.</p>	 <b>Green</b>
<b>Cost of HB/CTB</b>	<p>The cost of the Council's Housing and Council Tax benefit service exceeds that of most of English District Councils. This service is provided by a service organisation. Given that the Council spent £1.675M on this service in 2011-12, any reductions in the cost of this service could significantly assist the Authority in delivering the savings required to address its projected deficit.</p>	 <b>Amber</b>

---

1 Executive Summary

2 Key Indicators

3 Strategic Financial Planning

4 Financial Governance

5 Financial Control

Appendix - Key indicators of financial performance

---

# Strategic Financial Planning





## **Key characteristics of good strategic financial planning**

In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- The MTFP includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc.
- Annual financial plans follow the longer term financial strategy.
- There is regular review of the MTFP and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed stress testing on its model using a range of economic assumptions including CSR.
- The MTFP is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFP.

# Strategic Financial Planning

## Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
<b>Focus of the MTFP</b>	<p>The Council approved the latest draft of its Medium Term Financial Plan in March 2013. The plan compares the Borough Treasurer's projection of the Council's financial position before implementing the Council's budget deficit reduction strategy and the anticipated position based on currently-available information and estimates.</p> <p>The plan covers both the revenue budget and the capital programme for the period 2013/14 to 2015/16 and is based on reasonable assumptions.. The Council was notified in May 2013 that it had been successful in its application for an efficiency grant worth £2.35m over two years. The Borough Treasurer plans to update the plan to take account of this additional funding.</p>	 <b>Green</b>
<b>Adequacy of planning assumptions</b>	<p>Assumptions used to prepare the financial model underpinning the MTFP cover income and expenditure. Inflationary increases in staff costs and contract costs are provided for alongside a growth in external income of 2.7% per annum.</p> <p>The 2012-13 budget over-estimated the income that would be generated from the leisure centre and car parking charges by £511,000. The latest version of the MTFP has revised the expected income from fees and charges to take account of the Council's experience in 2012-13. Officers need to ensure that the revised assumptions included in the latest MTFP remain appropriate and take account of changes in government policy such as changes to national insurance and the outcome of the 2013 Spending Review.</p>	 <b>Green</b>
<b>Review processes</b>	<p>The MTFP has been subject to regular review. The latest version was approved in March 2013 and covers the period to 2016-17. The Borough Treasurer is working with members to produce a revised version of the strategy covering the period to 2018-19 which incorporates the Efficiency Grant received from DCLG.</p>	 <b>Green</b>
<b>Responsiveness of the Plan</b>	<p>The Council has used sensitivity analysis to explain the impact on the Council's financial position if any of the assumptions built into the financial model turn out to be inaccurate. The Council has considered a range of options as part of the development of the approved financial plan. More recently, in order to produce the business case required to secure the efficiency grant, officers and members worked together to identify a series of initiatives that would generate additional income, increase efficiency and reduce expenditure. However, the Council still needs to update its plan to reflect the receipt of the efficiency grant it has been allocated. A Workforce Strategy was recently considered and approved by the Executive Committee. Management plan to revisit the MTFP to facilitate the implementation of the strategy.</p>	 <b>Amber</b>



---

1 Executive Summary

2 Key Indicators

3 Strategic Financial Planning

4 Financial Governance

5 Financial Control

Appendix - Key indicators of financial performance

---

# Financial Governance

## Key characteristics of effective financial governance

In conducting our review of financial governance we have assessed the Council's performance against the following indicators:

### Understanding

- There is a clear understanding of the financial environment the Council is operating within:
  - Regular reporting to Members. Reports include detail of action planning and variance analysis etc.
  - Actions have been taken to address key risk areas.
  - Officers and managers understand the financial implications of current and alternative policies, programmes and activities.

### Engagement





- There is engagement with stakeholders including budget consultations.

### Monitoring and review

- There are comprehensive policies and procedures in place for Members, Officers and budget holders which clearly outline responsibilities.
- Number of internal and external recommendations overdue for implementation.
- Committees and Cabinet regularly review performance and it is subject to appropriate levels of scrutiny.
- There are effective recovery plans in place (if required).

# Financial Governance

## Understanding and engagement

Area of focus	Summary observations	Assessment
<b>Understanding the Financial Environment</b>	The Executive Committee receive quarterly updates on the Council's financial performance and position. Additionally, members receive reports about specific issues affecting the Council's financial standing when they arise. A period of consultation precedes the preparation of the budget and in 2013-14 an alternative budget was considered before the budget was finalised.	 Green
<b>Executive and Member Engagement</b>	The Borough Treasurer and Chief Executive regularly meet informally with members to examine and discuss the Council's financial performance and position. Members contributed to the development of the Business Case prepared by the Council to secure the efficiency grant from DCLG. Additionally, the Council's Scrutiny Committee assesses the Council's progress towards achieving key priorities.	 Green
<b>Budget reporting: revenue and capital</b>	The Council reports separately on its direct and indirect costs, as well as income generated from external charges. All direct costs are subjected to detailed monitoring on a quarterly basis as well as income by source. Expenditure and income is profiled throughout the year so that members can understand how the performance compares to that expected at the end of each quarter	 Green
<b>Adequacy of other Committee/Cabinet Reporting</b>	The quality of the financial information provided to committees is good. A concise summary of the Council's overall financial position and performance is provided although there is limited information about the relative performance within individual Directorates. Additional reports are provided to Committees on matters relevant to the Council's financial position on a timely basis. These reports are accessible and clear.	 Green

---

**1 Executive Summary**

**2 Key Indicators**

**3 Strategic Financial Planning**

**4 Financial Governance**

**5 Financial Control**

**Appendix - Key indicators of financial performance**

---

# Financial Control

## Key characteristics of effective financial control

In conducting our review of financial control we have assessed the Council's performance against the following indicators:

### Budget setting and budget monitoring

- Budgets are robust and prepared in a timely fashion.
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance.
- Financial forecasting is well-developed and forecasts are subject to regular review.

### Savings Plans

- Processes for identifying, delivering and monitoring savings plan schemes are robust, well thought through and effective.

### Financial Systems

- Key financial systems have received satisfactory reports from internal and external audit.
- Financial systems are adequate for future needs.

### Finance Department




- The capacity and capability of the Finance Department is fit for purpose.

### Internal Control

- There is an effective internal audit which has the proper profile within the organisation. Agreed Internal Audit recommendations are routinely implemented in a timely manner.
- There is an assurance framework in place which is used effectively by the Council and business risks are managed and controlled.





# Financial Control

## Internal arrangements

Area of focus	Summary observations	Assessment
<b>Budget setting and monitoring - revenue and capital</b>	<p>The budget-setting process is overseen by the Borough Treasurer. Historically, the Council has contained overall expenditure within budget estimates. Officers begin the process of preparing the budget in sufficient time to ensure that the budget is soundly-based and there is sufficient opportunity for consultation before the budget is considered by full Council.</p> <p>The internal budget monitoring process is currently being reviewed. The current approach focuses on higher cost and more volatile budgets. A more standardised approach to budget-monitoring covering all cost centres is being developed. Currently, budget monitoring reports to members reflect the overall position of the Council against its budget and do not set out the relative performance of individual departments although external income is already subject to detailed monitoring.</p> <p>Officers recognise that the production of a revised budget in the autumn of each year could make the process of identifying variances when producing the year-end outturn report a more straight-forward and manageable process.</p>	 Amber
<b>Performance against Savings Plans</b>	<p>The Authority achieved significant savings following a major management re-structure in 2011-12. Further savings have been secured through re-tendering and the re-negotiation of existing contracts. More recently, the Authority has developed a range of initiatives to reduce net expenditure as part of the Business Plan submitted to DCLG to secure the efficiency grant. The Authority needs to ensure that it provides members with detailed information about the progress of these initiatives so that their effectiveness in improving efficiency, reducing cost and, where appropriate, increasing income can be scrutinised and assessed. This is particularly important given that the Authority needs to demonstrate progress in the implementation of the business plan in order to secure the second year of the efficiency grant.</p> <p>Several of the schemes in the efficiency grant business case are bold and speculative in nature in that they operate on the principle that the Council will secure future cost-savings and increased income from grant-funded investment in technology and improvements to buildings. The Council needs to ensure that it completes a robust risk-assessment to ensure those schemes remain on track and do not need to be supplemented with additional schemes.</p>	 Green
<b>Key Financial Accounting Systems</b>	<p>Internal Audit examined all the key financial systems as part of the their 2012-13 audit plan. The Head of Internal Audit's Annual Report confirms that all key financial systems received either substantial or unqualified assurance.</p>	 Green

# Financial Control

## Internal and external assurances

Area of focus	Summary observations	Assessment
<b>Finance Department Resourcing</b>	Staff in the Council's finance department have the knowledge and experience required to effectively perform their roles. The Borough Treasurer is assisted by two Chief Accountants who oversee the work of the finance department and provide support to colleagues in other departments.	 Green
<b>Internal audit arrangements</b>	The Council uses an independent internal audit provider, Furness Audit. Internal audit's reports are considered by the Council's Audit Committee. An annual evaluation of internal audit is undertaken and officers undertake regular reviews to ensure that all priority one recommendations have been implemented.	 Green
<b>External audit arrangements</b>	The Council has received an unqualified opinion on its statement of accounts and its arrangements to secure value for money for the past three years. Management has taken appropriate action to address the predecessor auditor's recommendations relating to contract management and the process for preparing the Annual Governance Statement.	 Green
<b>Assurance framework/risk management</b>	<p>The Council has developed a strategic and an operational risk register. The Council's Policy Review Officer assumes overall responsibility for compiling these documents in accordance with the Council's Risk Management Policy. Updates to the registers, including the addition of new risks and the revision of existing risks, are considered regularly by the Council's management team and the Audit Committee.</p> <p>All risks are rated according to their likelihood and probable impact and each risk is assigned a responsible officer. The Risk Register could be further enhanced by clearly articulating how the risks identified affect the achievement of the Council's four key priorities.</p>	 Green

---

**1 Executive Summary**

**2 Key Indicators**

**3 Strategic Financial Planning**

**4 Financial Governance**

**5 Financial Control**

**Appendix - Key indicators of financial performance**

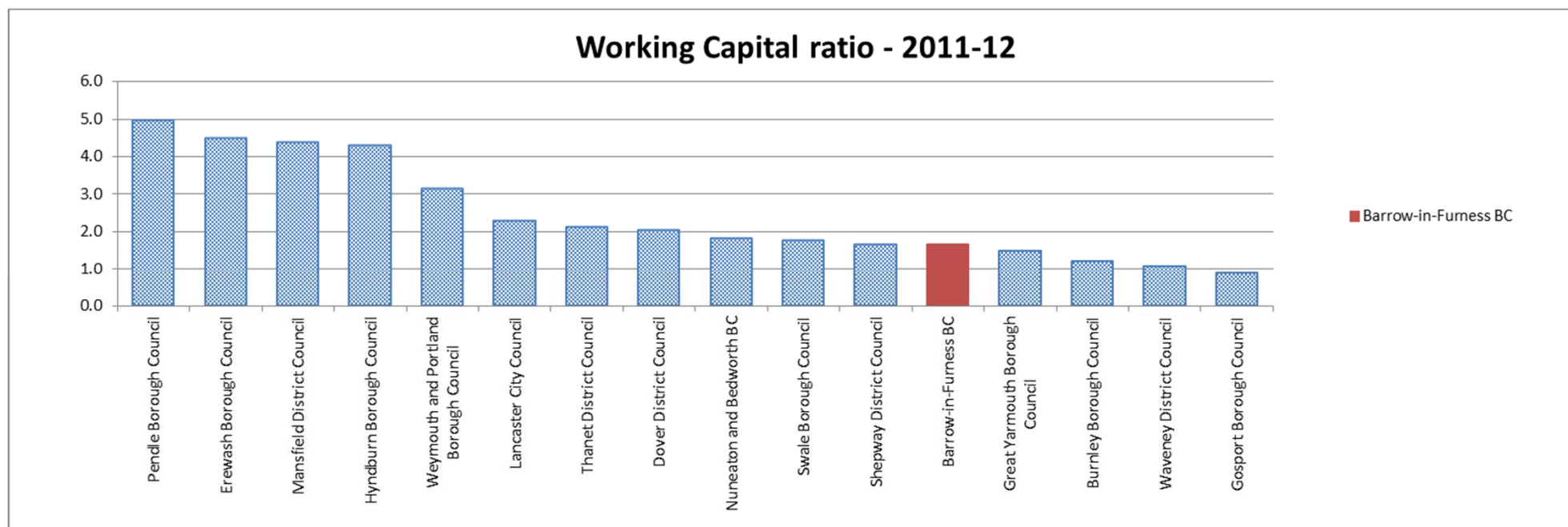


# Key Indicators of Financial Performance

## Working Capital Ratio – 2011-2012

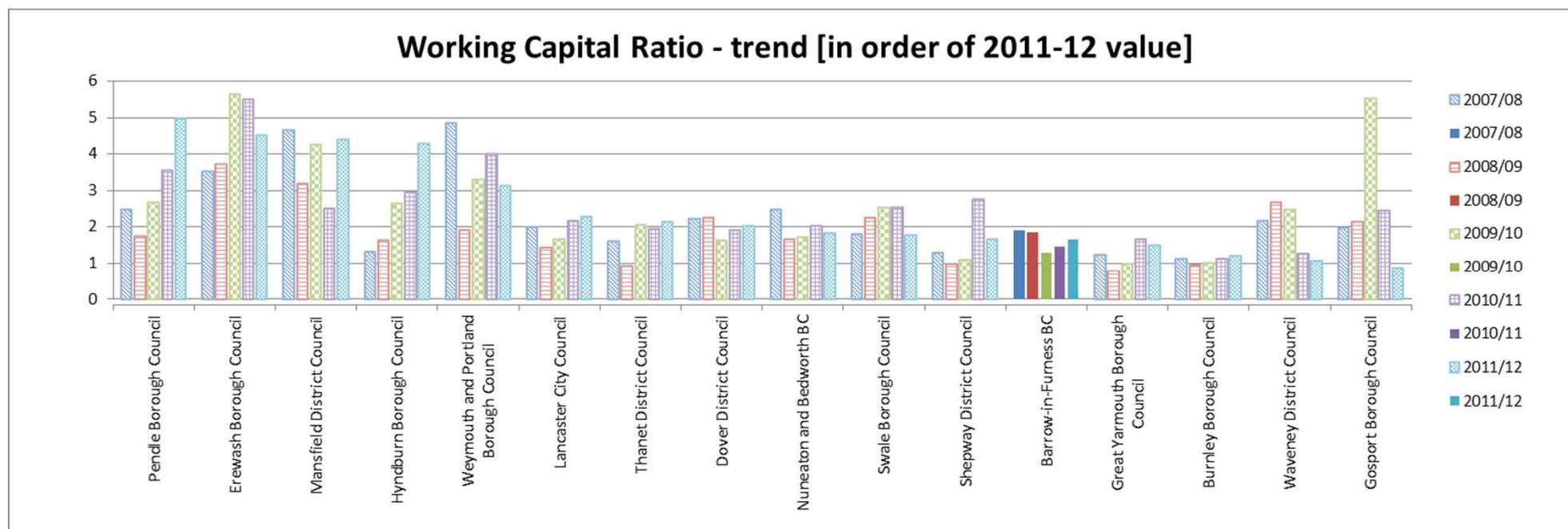
**Definition:** The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities - i.e. those liabilities to be met over the next twelve month period. A ratio of less than one - i.e. current liabilities exceed current assets - indicates potential liquidity problems. It should be noted that a high working capital ratio is not always a good thing; it could indicate that an authority is not effectively investing its excess cash.

**Findings:** The Council has a healthy working capital ratio which has improved in each of the last three years.



# Key Indicators of Financial Performance

## Working Capital Ratio - Trend

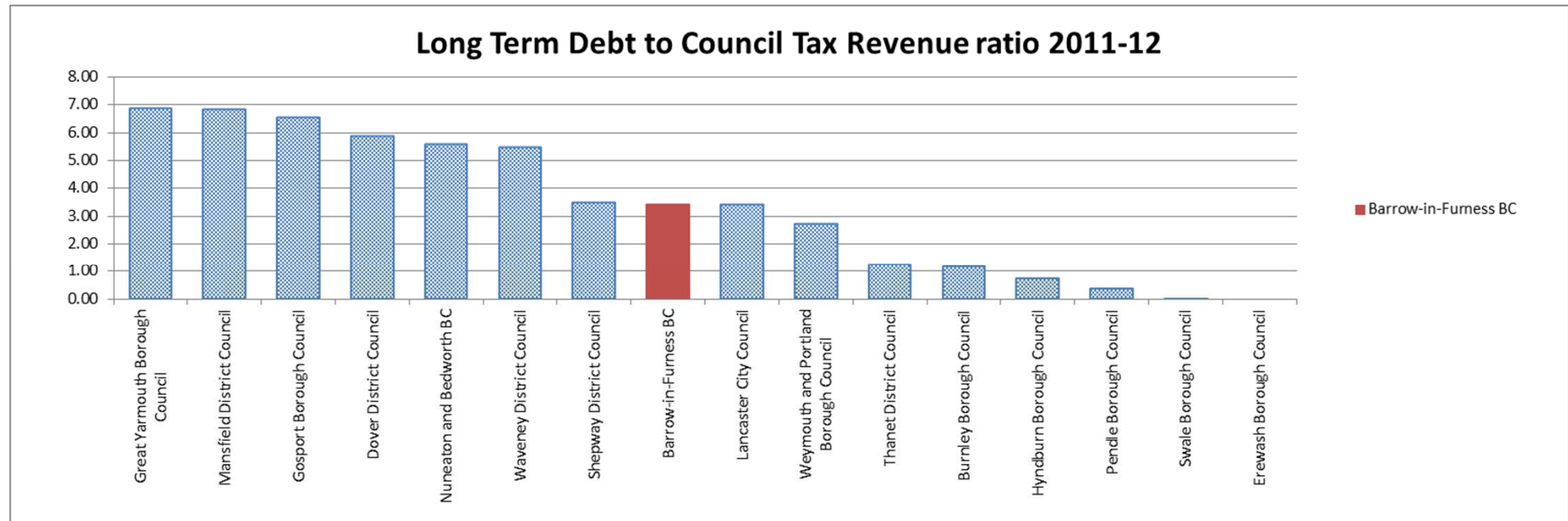


# Key Indicators of Financial Performance

## Long Term Debt to Tax Revenue Ratio – 2011-2012

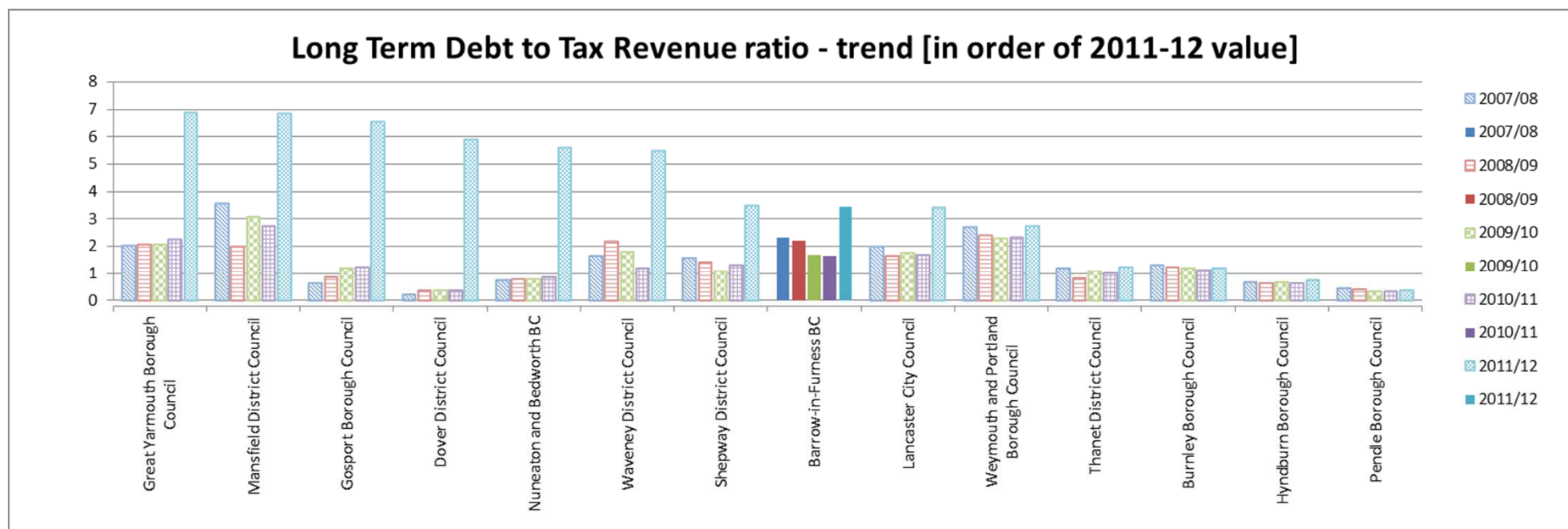
**Definition:** Shows long term borrowing as a share of tax (Council Tax (CT) and National Non-Domestic Rates (NNDR)) revenue. A ratio of more than one means that long term borrowing exceeds council tax revenue.

**Findings:** The Council has a similar ratio of long term debt to tax revenue similar to that of comparative Authorities. The ratio increased in 2011-12 when the Authority borrowed £17m to fund a payment to central government as part of reforms to the subsidy of Council housing. The Council has a thirty-year plan to repay the money borrowed based on profiled income and expenditure associated with its housing stock.



# Key Indicators of Financial Performance

## Long Term Debt to Tax - Trend

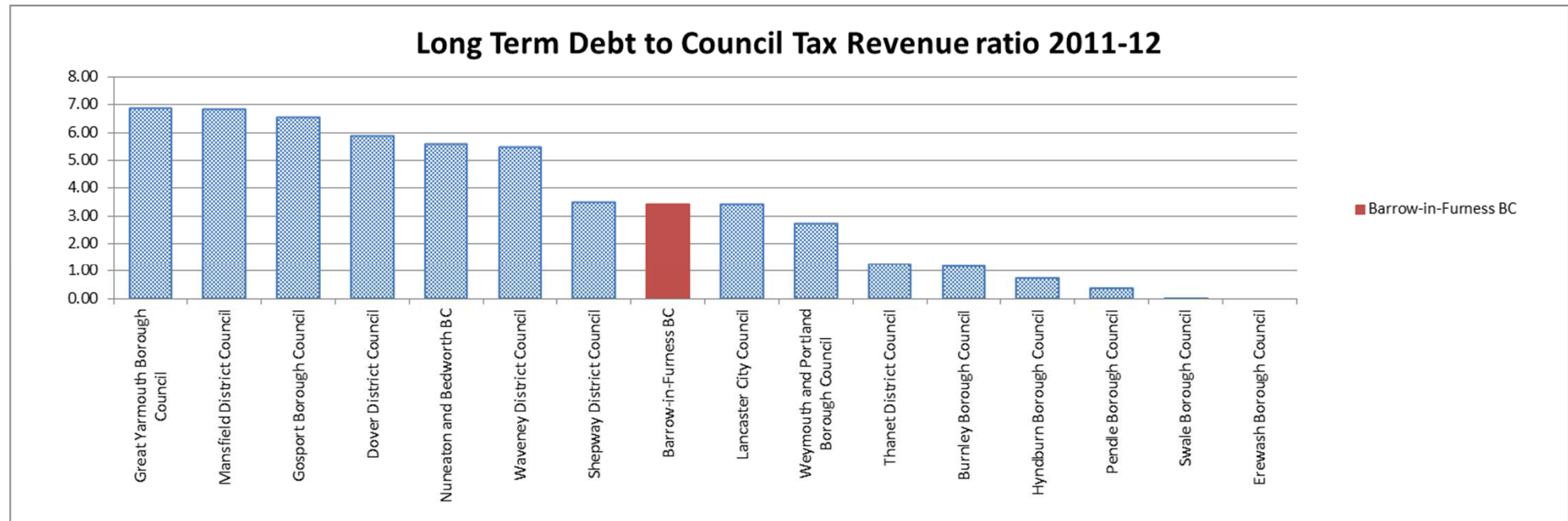


# Key Indicators of Financial Performance

## Long Term Debt to Long Term Assets – 2011-2012

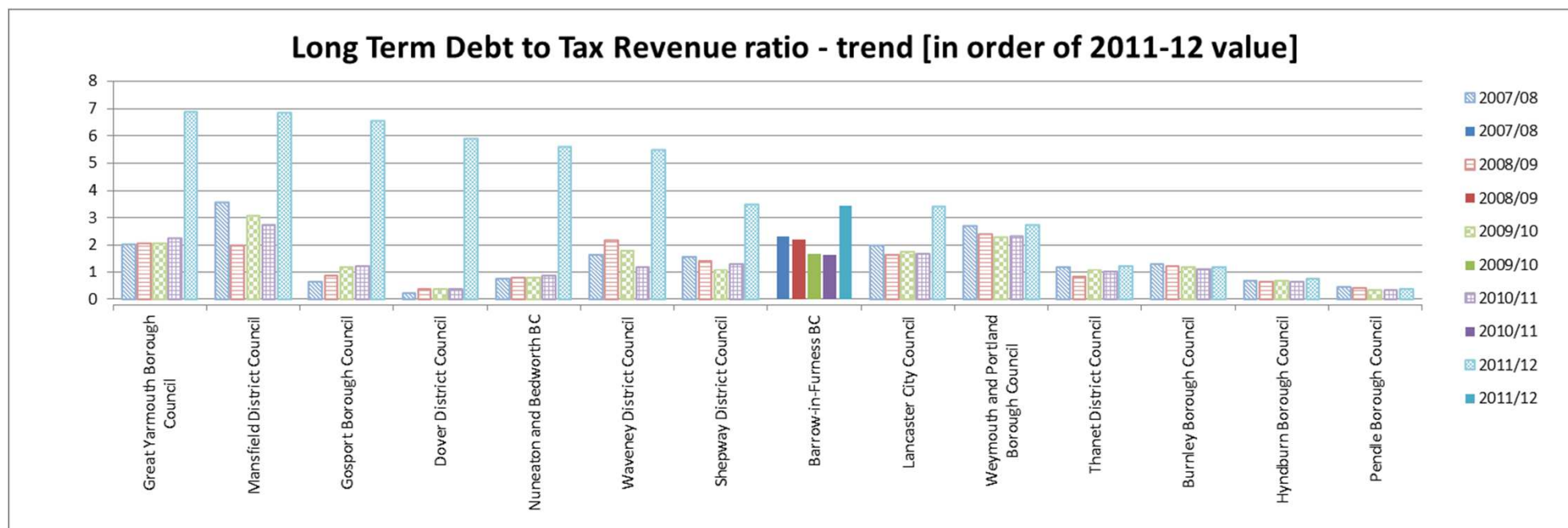
**Definition** This ratio shows long term borrowing as a share of long-term assets. A ratio of more than one means that long term borrowing exceeds the value of long term assets

**Findings** The Council's borrowing as a proportion of long-term assets is similar to that of the comparator Councils. Like Barrow, many of the comparator councils took on additional borrowing as part of the local government housing subsidy reforms.



# Key Indicators of Financial Performance

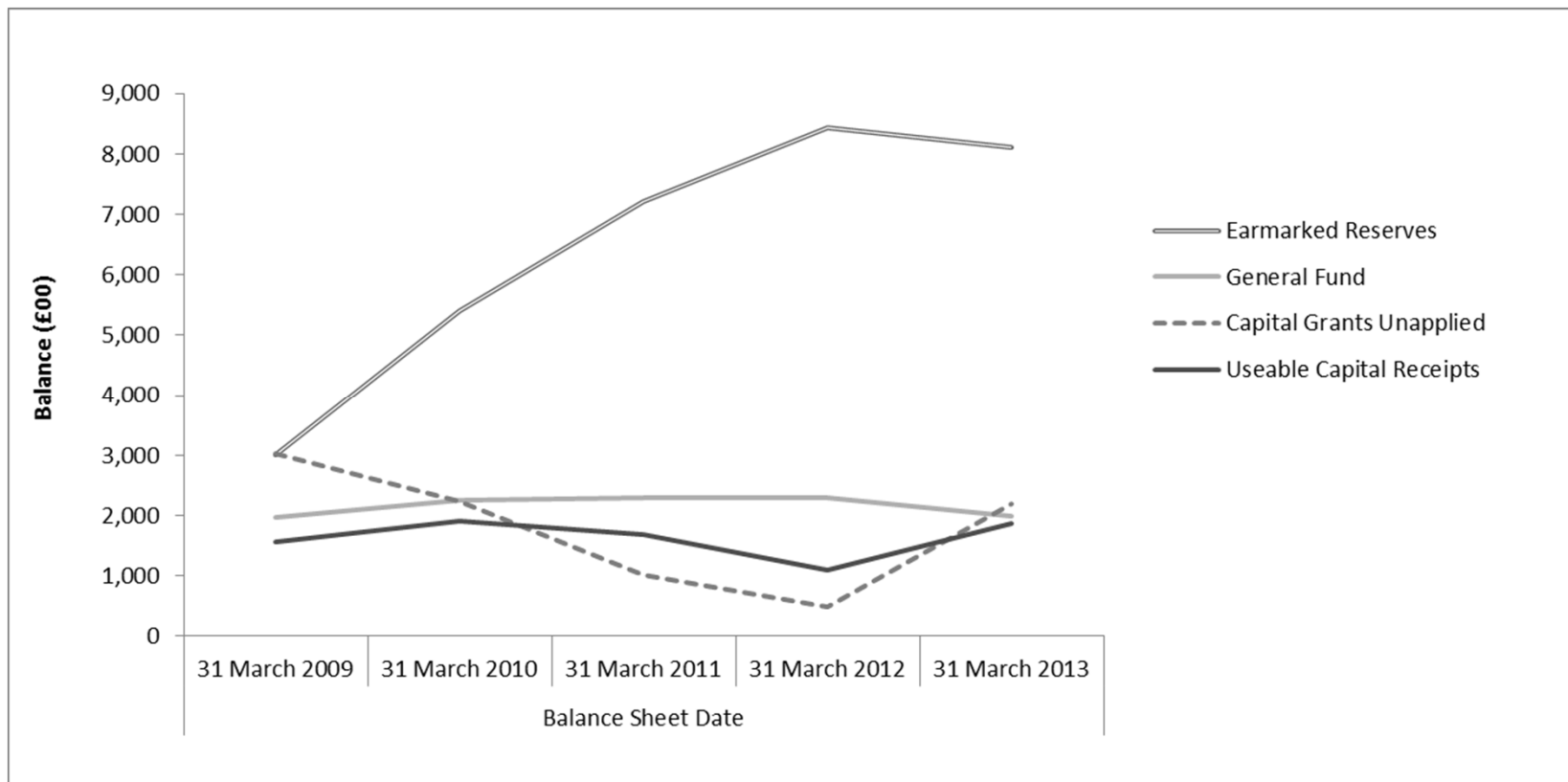
## Long Term Debt to Long Term Assets- Trend



# Key Indicators of Financial Performance

## Movement in Reserve Balances 31 March 2009 – 31 March 2013

The Chart below shows that the Authority continues to hold significant balances in its earmarked reserves. The General Fund balance and the Useable Capital Receipts balance have not been seriously reduced as a result of cuts in central government funding. In 2012-13, the Council was advised that it had been awarded £3.4M to fund improvement works to the Barrow Island flats. Half of this grant was paid in 2012-13. This funding has been carried on the Balance Sheet as the project is expected to get underway in the 2013-14 financial year.



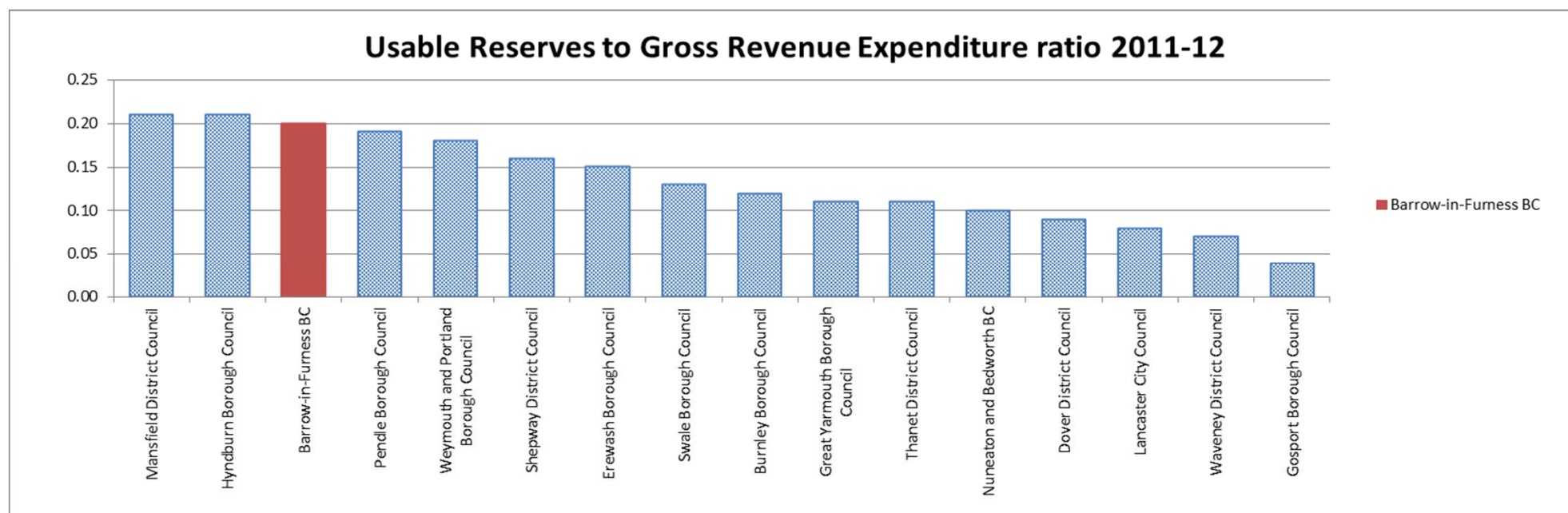


# Key Indicators of Financial Performance

## Usable Reserves to Gross Revenue Expenditure - 2011/2012

**Definition** This ratio shows the Council's reserves which are available for use as a proportion of gross revenue expenditure. A higher ratio indicates the Council has a greater ability to fund expenditure from available reserves.

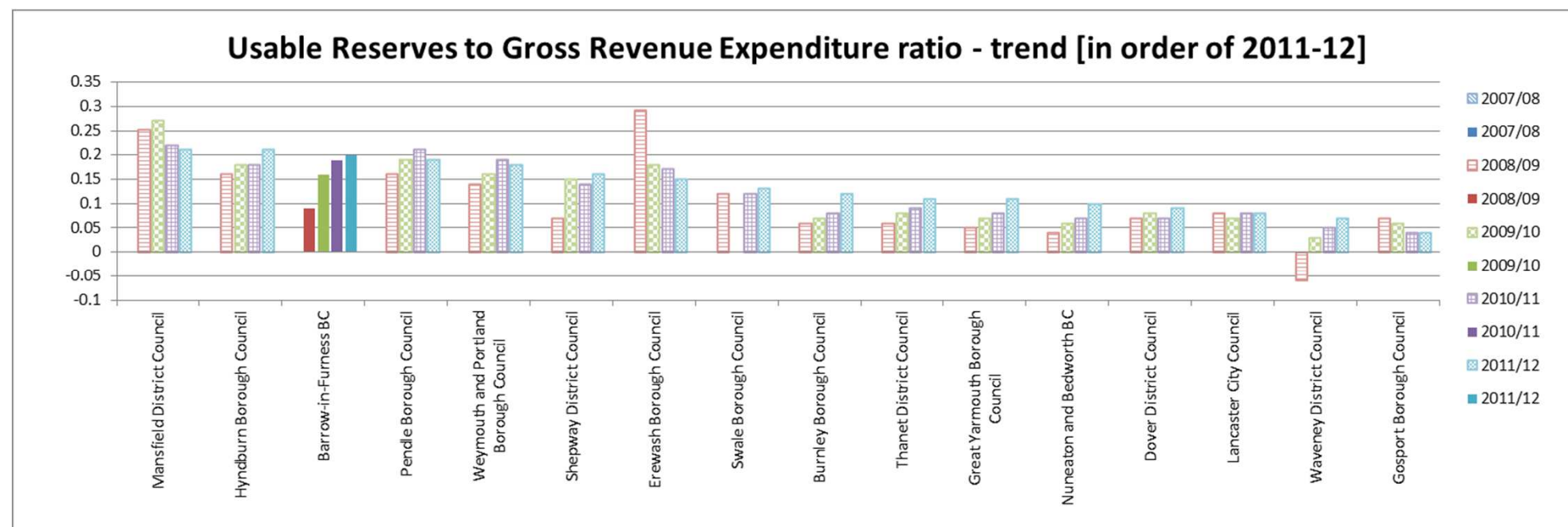
**Findings** The Council has healthy reserves. Balances at 31 March 2012 represented 20% of Gross Revenue Expenditure. This proportion has steadily increased over the past five years. In 2012-13, usable reserves increased again but in respect of capital receipts and capital grants which can only be applied to capital schemes.





# Key Indicators of Financial Performance

## Usable Reserves to Gross Revenue Expenditure - Trend

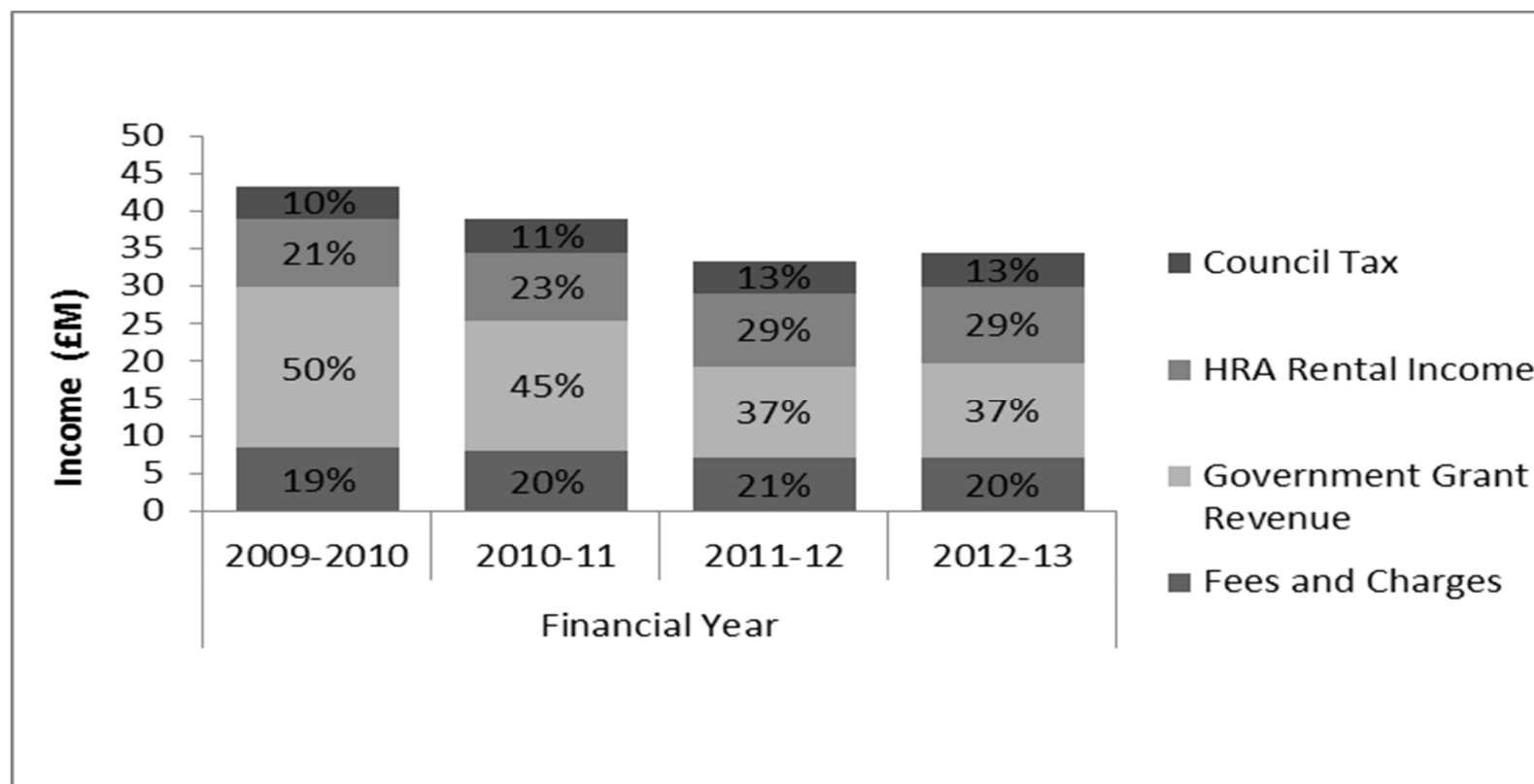


# Key Indicators of Financial Performance

## Income by Type – Trend Analysis – 2009/10 – 2012/13

**Definition:** This chart shows how the Council's total income (excluding housing and council tax benefit subsidy) has reduced in the four years from 2009-10 to 2012-13. It also shows how the proportion of income generated from different sources has varied over the period.

**Findings:** The Council's total income has reduced from £43.34M in 2009-10 to £34.5M in 2012-13. Over this period, the proportion of income generated from fees and charges has remained largely constant but the proportion of income from government grants has reduced significantly. Whilst HRA rental income has increased over the period, it should be noted that income is ring-fenced and can only be used to fund HRA expenditure. Housing and Council Tax Benefit subsidy has been excluded from the analysis as this represents the mechanism by which the Department for Work and Pensions funds the cost of housing and council tax benefit paid out by the Authority. The amount paid out is largely outside the Council's control as entitlement is assessed in accordance with legislation.

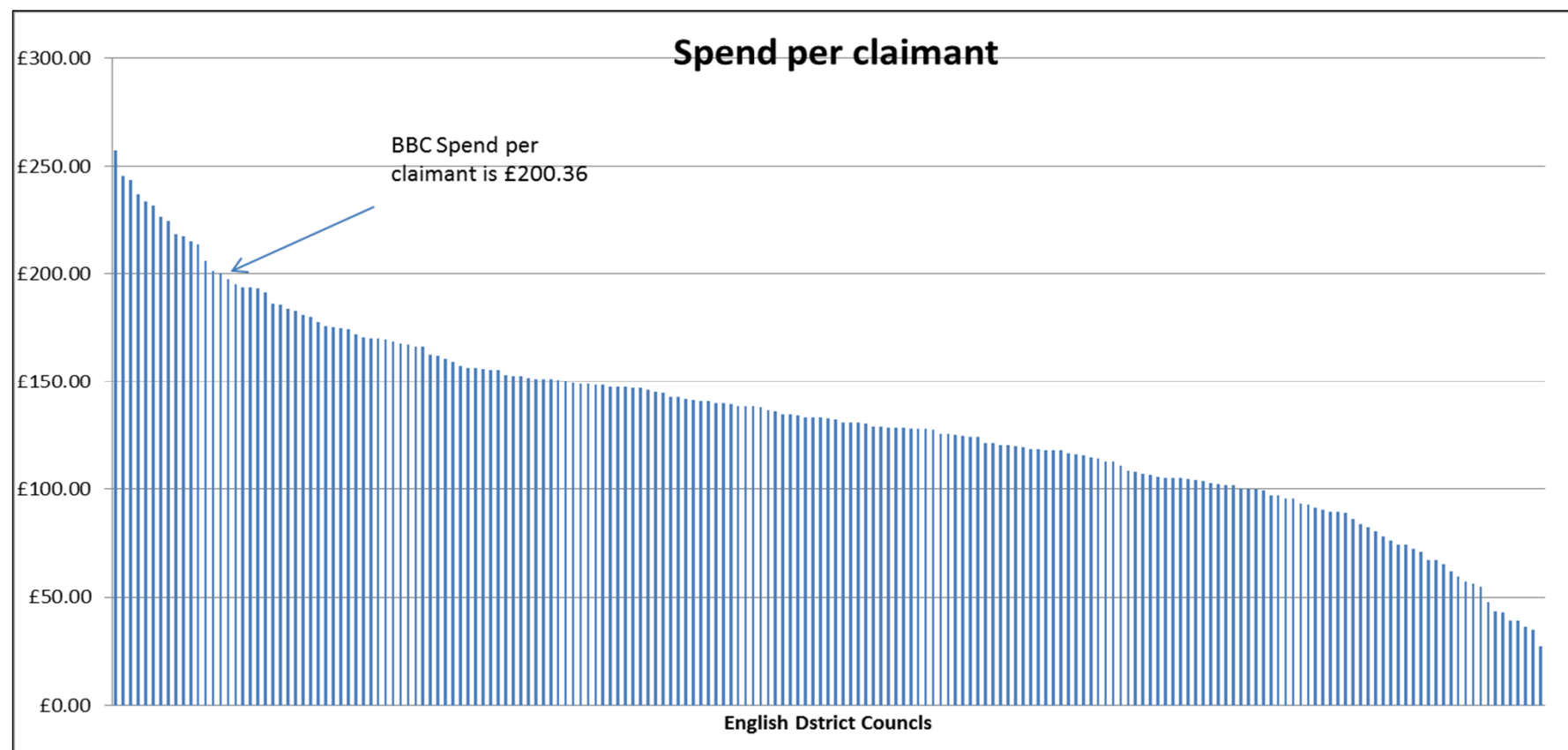


# Key Indicators of Financial Performance

## Cost of Housing and Council Tax Benefit Service per Claimant

**Definition** The chart shows the total spend on the administration of Housing and Council Tax benefit.

**Findings** The Council uses a service organisation, Liberata to provide its Housing and Council Tax benefit service. The chart below shows that Barrow's expenditure on this service per claimant is amongst the highest of all English District Councils.



# Key Indicators of Financial Performance

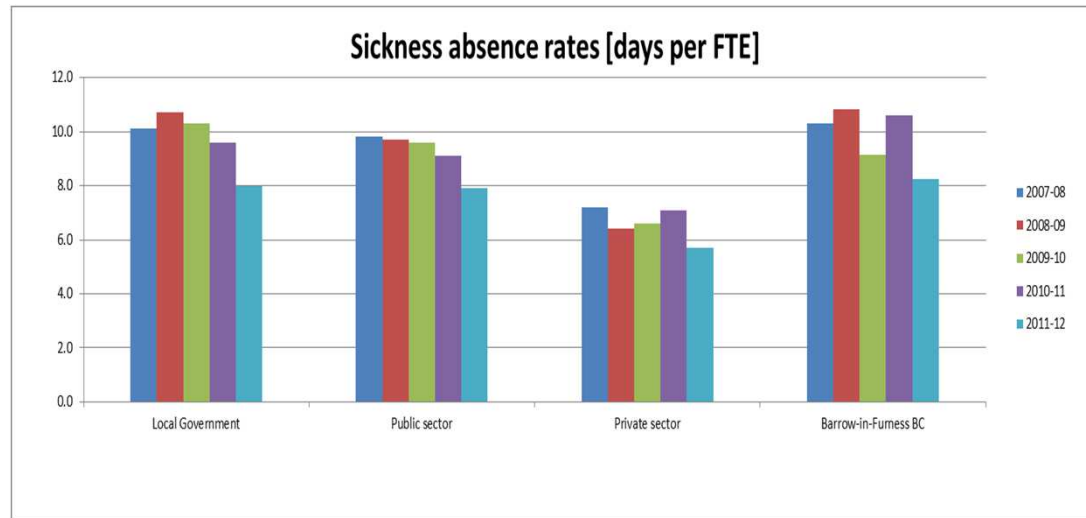
## Sickness Absence Levels

### Background

The average sickness absence level for the public sector is 7.9 days per FTE, whilst the private sector average is 5.7. Many councils have taken a proactive approach to reducing the number of days lost to sickness each year. For example:

- London Borough of Croydon reduced absence from 12.5 days to 6.4 days over two years due to a new tougher sickness absence management.
- Cambridgeshire County Council reduced sickness absence levels to 5 days per employee using an approach built on a relationship of trust with staff and empowering managers to take control of absence management.

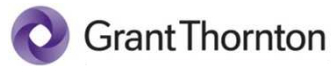
Costs that accrue from sickness absence relate to the hiring of agency staff to cover staff gaps, or from holding a larger workforce complement than is desirable. Absence also damages service levels either through staff shortage or lack of continuity. Reducing absenteeism saves money, improves productivity and can have a positive customer benefit. Absence management will be a particular challenge for all authorities during SR13, given the continued context of significant pressures on staff to deliver "more for less".



### Findings

The Council's level of sickness absence has been broadly consistent with the Local Government average in recent years. However, in 2012-13 the Council's level of sickness absence increased sharply from 8.23 per full time equivalent in 2011-12 to 12.03 in 2012-13. The Council has analysed how the number of days lost is split between long and short term absences and identified that a significant number of days lost were due to long-term sickness. Management are considering how existing policies might be developed to further reduce the level of absence across the Council. The Council's on-going target is to ensure that the number of days lost is below the national average

Source: CIPD Annual Survey Reports on Absence management



© 2013 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**

<b>AUDIT COMMITTEE</b>		<b>Part One (D) Agenda Item 8</b>
<b>Date of Meeting: 26th September, 2013</b>		
<b>Reporting Officer: Borough Treasurer</b>		
<b>Title: Statement of Accounts 2012-2013</b>		
<b>Summary and Conclusions:</b>		
This report sets out the audited accounts for 2012-2013 and the report of the External Auditors; the Audit Findings report. The Statement of Accounts for 2012-2013 is attached at <b>Appendix 2</b> . The report also contains the Annual Governance Statement for separate consideration and the letter of representation for approval.		
<b>Recommendations:</b>		
Members are recommended:		
1. To receive the External Auditor’s Audit Findings report and raise any questions;		
2. To agree the Management responses included in the Audit Findings report;		
1. To approve the letter of representation and authorise the Chair of this Committee and the Borough Treasurer to sign on behalf of the Council;		
2. To receive the Annual Governance Statement and raise any questions;		
3. To approve the Annual Governance Statement and authorise the Chair of this Committee to sign on behalf of the Council; and		
4. To approve the audited accounts and authorise the Chair of this Committee to sign on behalf of the Council.		

### **Report**

The Accounts and Audit Regulations require the draft Statement of Accounts to be made available to the External Auditors by 30th of June each year. This date was met and the Statement was placed on the Council's website by that date. The Statement of Accounts must be approved by this Committee before 30th September, 2013 for 2012-2013.

The External Auditor is required to report to this Committee on the conclusions of the audit, noting any adjustments made to the draft accounts as published. This is the Audit Findings report attached at **Appendix 3**. Subject to Members agreeing the

recommendations in the Action Plan (page 26) and the Letter of Representation, the External Auditor will give an unqualified audit opinion.

The External Auditor identified four misstatements in the Statement of Accounts for 2012-2013 that have been corrected and incorporated into the Statement presented for approval. There was a further misstatement that has not been corrected and this is set out in more detail in the “Changes to the Accounts” paragraph below.

There are two recommendations made by the External Auditor, relating to the Cash Flow Statement and the Explanatory Foreword, and I have provided a response with an agreed timescale to action these.

Members are advised that none of the misstatements materially impact on the net revenue position, or the net worth of the Council.

The External Auditor’s team have undertaken the audit in a professional and consultative manner. I am happy with the service provided. My staff and I have worked constructively with the External Auditor and her team.

### **The Statement of Accounts**

The audited Statement of Accounts is attached at **Appendix 2**.

The Statement of Accounts is complex and not easy for the layman to follow. A specific session for Members was held on 23rd September, 2013, to go through the accounts, explain the key points and give Members the opportunity to raise queries. In approving the Statement of Accounts, Members are asked to undertake a review using their knowledge of the Council together with the External Auditor’s report and raise any questions.

The key areas to review in the Statement of Accounts are:

**Explanatory Foreword** – this explains the key issues in the accounting statements and explains their purpose.

**Comprehensive Income and Expenditure Statement** – this shows a net deficit of £9,124k. Excluding the actuarial loss on the pension assets/liabilities of £4,581k and an increase in the value of property, plant and equipment of (£779k), the net deficit of £5,322k is the combined result for the General Fund and the Housing Revenue Account [(Surplus)/Deficit on the Provision of Services].

The separated result for General Fund is a deficit of £7,927k and for the Housing Revenue Account a surplus of (£2,605k).

The real General Fund deficit was £289k and the reasons for this difference of (£7,638k) are the statutory adjustments to the accounts which reduce the deficit by (£7,328k), combined with the use of reserves of (£310k). The statutory adjustments primarily relate to capital and asset charges of (£8,605k), the transfer of asset sale proceeds of £341k net of their carrying value, and the provision for the repayment of external debt of £935k.

For the Housing Revenue Account the real surplus was (£469k), the difference of £2,136k being the statutory adjustments relating primarily to the provision for the repayment of external debt of £1,740k and the transfer of asset sale proceeds of £327k net of their carrying value.

**Balance Sheet** – the Council's net worth has decreased from £92,988k to £83,864k. This is largely explained by the actuarial loss on the pension assets/liabilities of (£4,581k), a decrease in the carrying value of property, plant and equipment of (£9,878k), the increase in provisions of (£800k) and these are offset by the increase in short term investments of £6,506k.

A summary of the variances against the original budgets for the General Fund and the Housing Revenue Account is set out in the Explanatory Foreword, Section j.

### **Changes to the Accounts**

#### **Adjusted misstatements**

The main changes to the draft accounts agreed with the External Auditors are:

Cash Flow Statement – the cash flows relating to operating, investing and financing activities were not attributed correctly.

Explanatory Foreword – the presentation and content was reviewed to provide a clear and concise summary of the Council's financial performance and position.

Lease Disclosure Note – Waterside House lease income was accidentally omitted in the compilation of the figures for the disclosure note.

Segmental Reporting – the income relating to the Forum was shown net of the expenditure instead of gross in error.

These have all been corrected and do not have any impact on the net revenue position, or the net worth of the Council.

#### **Unadjusted misstatements**

The provision relating to the Municipal Mutual Insurance Scheme of Arrangement (MMI) is over-estimated.

A provision is made when an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement and a reliable estimate can be made of the amount of the obligation. In the case of the MMI provision, the Scheme of Arrangement was triggered in 2012-2013 and the amount of the obligation is £414k based on the information available from the Scheme Administrator. I reported this position to the Executive Committee in January, 2013, and resources were identified to cover the potential impact of the Scheme being triggered and the subsequent claims that may be lodged against the Council should the Scheme be wound up.



I revisited the provision following a review by the External Auditor and I agree that the provision should be limited to the levy indicated by the Scheme Administrator and that the balance of funds should have remained in reserves, £604k. This over-estimation does not materially affect the Council's financial position and I intend to adjust this in 2013-2014, taking into account the latest information from the Scheme Administrator. Members are asked to agree with my proposal and to approve the Letter of Representation which includes this item. Members are also asked to agree that I and the Chair of this meeting be authorised to sign the Letter of Representation on behalf of the Council (**Appendix 4**).

### **Letter of Representation**

The purpose of this letter is to provide assurance to the External Auditors on relevant and significant matters relating to the financial year. The Letter of Representation is issued to disclose the material facts affecting the 2012-2013 transactions of the Council.

### **Annual Governance Statement**

The Annual Governance Statement (AGS) has to be published alongside the Statement of Accounts, although it does not form part of it. The AGS was presented to this Committee on the 27 June, 2013 and there are no major changes to report. The AGS is attached at **Appendix 5** (Annex 1 & 2) for Members to approve and authorise the Chair to sign on behalf of the Council.

### **Background Papers**

Nil



## STATEMENT OF ACCOUNTS 2012/13

### Contents List

	<b>Page(s)</b>
Explanatory Foreword to the Accounts	1 to 18
Statement of Responsibilities	19
Main Accounting Statements	
▪ Movement in Reserves Statement	20 to 21
▪ Comprehensive Income and Expenditure Statement	22
▪ Balance Sheet	23
▪ Cash Flow Statement	24
Notes to the Main Accounting Statements	25 to 87
Supplementary Statements	
○ Housing Revenue Account and Notes	88 to 95
○ Collection Fund and Notes	96 to 99
Independent Auditor's Report to Members	100-102
Glossary	103 to 108

# **EXPLANATORY FOREWORD**

## **Introduction from the Borough Treasurer**

The Statement of Accounts summarises the authority's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. Figures for the previous year are included to assist in the interpretation of the accounting statements.

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

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

### **a. Accounting Statements**

The Statement of Accounts comprises:

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

### **b. Statement of Responsibilities**

The Statement of Responsibilities (page 19) precedes the accounting statements and sets out the responsibilities of the authority and of the Borough Treasurer in respect of the Statement of Accounts.

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

### **c. Movement in Reserves Statement**

The Movement in Reserves Statement (pages 20 & 21) shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown

in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting and the Housing Revenue Account for dwelling rent setting purposes. The Net (Increase)/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the authority.

#### **d. Comprehensive Income and Expenditure Statement**

The Comprehensive Income and Expenditure Statement (page 22) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation. Authorities raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The local taxation position is shown in the Movement in Reserves Statement.

#### **e. Balance Sheet**

The Balance Sheet (page 23) shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and the reserves that hold the timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

#### **f. Cash Flow Statement**

The Cash Flow Statement (page 24) shows the changes in cash and cash equivalents of the authority during the year. This Statement shows how the authority generates and uses cash and cash equivalents by classifying the cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the authority are funded by way of local taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (borrowing) to the authority.

## g. Notes to the Main Accounting Statements

The Notes to the Main Accounting Statements (pages 25 to 87) include a summary of the significant accounting policies and other explanatory information.

## h. Housing Revenue Account and Notes

The Housing Revenue Account (pages 88-95) reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989. It essentially contains income from house rents and expenditure related to managing and maintaining council dwellings.

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

## i. Collection Fund and Notes

The Collection Fund (pages 96-99) is an agent's statement that reflects the statutory obligation for the authority, as a billing authority, to maintain a separate Collection Fund. The Statement shows the transactions for council tax and non-domestic rates and the way these have been distributed to precepting authorities, the General Fund and the Government non-domestic rates pool.

## j. Comparison to Net Revenue Budget

### General Fund Revenue

The General Fund net revenue budget for 2012/13 was approved as £13,153k by Full Council on the 28 February, 2012. This compares to the actual outturn as follows:

	Original Budget £000	Actual Outturn £000	Differences £000
Net expenditure on services	8,939	10,392	1,453
Corporate amounts charged to General Fund	1,531	3,830	2,299
<b>Net Cost of Services charged against the General Fund balance</b>	<b>10,470</b>	<b>14,222</b>	<b>3,752</b>
Contribution to/(from) reserves	2,683	(310)	(2,993)
<b>Net Revenue Budget</b>	<b>13,153</b>	<b>13,912</b>	<b>759</b>
Government grants	(8,575)	(9,045)	(470)
Council tax	(4,578)	(4,578)	0
<b>Total Revenue Financing</b>	<b>(13,153)</b>	<b>(13,623)</b>	<b>(470)</b>
<b>Net (surplus)/deficit on the year</b>	<b>0</b>	<b>289</b>	<b>289</b>

The increase in the net expenditure on services of £1,453k consists of:

- A net overspend against items within the original budget of £181k:
  - A cost of £511k from the shortfall in car parking and Leisure Centre income compared to the budget expectation.
  - An under spend of (£353k) on direct costs such as supplies, services, contracts and staff costs.
  - Additional income of (£125k) from commercial properties.
  - An over spend of £148k from a reduction in the internal recharges from the General Fund to the Housing Revenue Account and the Capital Programme.
- An over spend of £1,018k for the creation of a provision for the Municipal Mutual Scheme of arrangement (see paragraph n. on page 10 for details). This is funded by £67k of one-off income received in the year, £662k of earmarked reserves and £289k of the General Fund balance.
- An over spend of £133k for expenditure incurred that is funded by contributions from existing earmarked reserves.
- An over spend of £121k matched by New Burdens grant for council tax reforms, which is included within general Government grants.

The increase in the corporate amounts charged to General Fund of £2,299k consists of:

- An under spend on treasury activities of (£49k).
- An over spend of £2,348k on projects and items related to the earmarked revenue grants held in reserve and released to cover this expenditure in the year. £2,098k of these grants was used to fund the capital programme for 2012-2013.

The difference between the amount planned to be added to reserves of £2,683k and the result for the year of (£310k) being added to reserves is (£2,993k) and the changes were:

- (£662k) released from reserves to fund the creation of the MMI provision.
- (£133k) of existing earmarked reserves released to cover expenditure incurred within the net expenditure on services in the year.
- (£2,098k) of existing earmarked revenue grants released to fund the capital programme for 2012-2013.
- (£14k) of existing earmarked revenue grants released for the New Homes Bonus for 2012-2013; received in 2011-2012.
- £250k added to earmarked revenue grants in relation to the Weekly Collection Support Scheme.
- £113k added to earmarked revenue grants in relation to Preventing Homelessness.
- (£304k) of earmarked revenue grants being the net of existing grants released to fund expenditure incurred and new grants added and carried forward.
- The reduced contribution to the Restructuring Reserve for 2012-2013 of (£296k); the actual addition to the reserve being lower than the budget expectation.

- £225k added to the Public Buildings major works reserve to fund the capital works to the Town Hall.
- (£74k) being the net release from other earmarked reserves.

The increases in Government Grants of (£470k) were:

- New burdens grant received in the year of (£121k) which was spent as part of the net expenditure on services.
- The first instalment of the 2012-2013 New Homes Bonus, £14k, was received in 2011-2012 and returned to revenue through the release from earmarked revenue grants.
- The first instalment of the three year Weekly Collection Support Scheme was received (£250k) and added to earmarked revenue grants.
- The receipt of (£113k) for Preventing Homelessness was added to earmarked revenue grants.

### Housing Revenue Account

The Housing Revenue Account budget for 2012/13 was approved as a balanced budget by Council on the 28 February, 2012. This compares to the actual outturn as follows:

	<b>Original Budget</b>	<b>Actual Outturn</b>	<b>Difference</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cost of Services	(2,420)	(3,384)	(964)
Corporate Amounts	2,420	2,915	495
<b>Net (surplus)/deficit for the year</b>	<b>0</b>	<b>(469)</b>	<b>469</b>

The differences between the Actual Outturn and the Original Budget are:

	<b>Cost of Services</b>	<b>Corporate Amounts</b>
	<b>£000</b>	<b>£000</b>
Additional income from charges for services & facilities and rents	(56)	
Spend on repairs and maintenance lower than budget expectation	(788)	
Savings in supervision and management costs	(301)	(63)
Final subsidy claim settlement	2	
Dwelling depreciation charge	125	(125)
Non-dwelling depreciation and revaluation losses	8	121
Increase in bad debt provision	46	
Additional voluntary provision for the repayment of debt		858
Saving from interest on loans lower than budget expectation		(296)
<b>Total of differences</b>	<b>(964)</b>	<b>495</b>

The majority of the £469k surplus is committed to on-going maintenance.

## k. Reserves and Balances

The movements in reserves and balances held by the authority have been set out above as part of the analysis of the difference between the original budget and the actual outturn. The usable reserves held by the authority are set out in this section.

### General Fund Earmarked Revenue Reserves

	Balance at 31 March 2012	Added in the year	Used in the year	Transfers in the year	Balance at 31 March 2013
	£000	£000	£000	£000	£000
VAT and insurance	(1,145)	-	-	1,145	0
Exempt VAT limit	0	-	-	(250)	(250)
Insurance excesses	0	-	20	(100)	(80)
Uninsured losses	0	-	-	(500)	(500)
MMI scheme of arrangement	0	-	295	(295)	0
Public buildings major works	(500)	(225)	-	-	(725)
Pay and grading review	(176)	-	-	-	(176)
Ring-fenced properties	(515)	(125)	124	-	(516)
Cremator relining	0	(46)	-	-	(46)
Festivals and events	(28)	-	16	-	(12)
Market Hall refurbishment	(51)	-	-	-	(51)
Park Vale (sports facilities)	(56)	-	-	-	(56)
General reserve	(1,367)	-	367	-	(1,000)
Restructuring reserve	(757)	(3,099)	-	2,400	(1,456)
Budget support	0	-	600	(2,400)	(1,800)
Grants to external bodies	(400)	-	159	-	(241)
Closed Circuit TV	(184)	-	47	-	(137)
Neighbourhood management team	(50)	-	50	-	0
Grants and contributions	(3,197)	(448)	2,575	-	(1,070)
<b>Total</b>	<b>(8,426)</b>	<b>(3,943)</b>	<b>4,253</b>	<b>0</b>	<b>(8,116)</b>



The main change in the use of reserves against the items in the original budget is the contribution to the restructuring reserve. In line with budget expectations the second and final allocation of the Transition Grant was added to the restructuring reserve. The budget also included a contribution from the General Fund result for the year of (£1,310k) but due to reductions in the expected income, net of cost savings, the actual contribution was (£1,013k); lower by £297k.

The main movements in these reserves that were not in the original budget are:

- The MMI scheme of arrangement reserve £295k has been used in setting up the MMI provision in 2012-2013, together with £367k of the general reserve.
- (£225k) has been added to the public buildings major works reserve for external works to the Town Hall.
- Within grants and contributions:
  - £2,098k of existing Working Neighbourhoods grant was used to fund the capital programme for 2012-2013.
  - £218k of existing Working Neighbourhoods grant was used to fund revenue items included in the net expenditure on services.
  - (£250k) was added for the Weekly Collection Support Scheme.

#### General Fund Balance

The General Fund balance is held for potential emergencies, unexpected events or unbudgeted statutory expenditure. The balance also serves to cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.

2011/12		2012/13
£000		£000
(2,289)	Balance brought forward	(2,289)
-	Used in the year for the MMI provision	289
<b>(2,289)</b>	<b>Balance carried forward</b>	<b>(2,000)</b>

#### Housing Revenue Account

The Major Repairs Reserve contains the balance of funding available for capital works to Council dwellings. The reserve is ring-fenced to the Housing Revenue Account.

2011/12		2012/13
£000		£000
(198)	Balance brought forward	(2)
(1,916)	Contributions from the Housing Revenue Account	(2,032)
2,112	Used to finance new capital expenditure	1,903
<b>(2)</b>	<b>Balance carried forward</b>	<b>(131)</b>

Similar to the General Fund balance, the HRA balance is held for potential emergencies, unexpected events or unbudgeted statutory expenditure. The balance also serves to cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing. The HRA balance includes a commitment to on-going repairs and maintenance.

2011/12		2012/13
£000		£000
(1,038)	Balance brought forward	(1,522)
(484)	Added from the Housing Revenue Account for the year	(469)
<b>(1,522)</b>	<b>Balance carried forward</b>	<b>(1,991)</b>
371	<i>Of which: committed to on-going repairs and maintenance</i>	788

The fund balances and reserves are held separately in accordance with statute and cannot subsidise one another.

The following table summarises the revenue reserves and balances held by the authority:

	31 March 2012	31 March 2013
	£000	£000
<b>General Fund:</b>		
Earmarked revenue reserves	(8,426)	(8,116)
Fund balance	(2,289)	(2,000)
<b>Total General Fund reserves and balances</b>	<b>(10,715)</b>	<b>(10,116)</b>
<b>Housing Revenue Account:</b>		
Major Repairs Reserve	(2)	(131)
Fund balance	(1,522)	(1,991)
<b>Total Housing Revenue Account reserves and balances</b>	<b>(1,524)</b>	<b>(2,122)</b>

#### Usable Capital Reserves

The authority holds capital reserves to fund the Capital Programme; these reserves cannot be used for revenue purposes.

#### **Capital Receipts Reserve**

2011/12		2012/13
£000		£000
(1,678)	Balance brought forward	(1,106)
(512)	Proceeds from the disposal of Property, Plant and Equipment	(1,491)
129	Contribution to the Government capital receipts pool	200
955	Used to finance new capital expenditure	532
<b>(1,106)</b>	<b>Balance carried forward</b>	<b>(1,865)</b>

The assets sold in 2012/13 are:

- Land at the Dock Museum;
- Land at Ashburner Way;
- Land at Biggar Bank;
- Shop premises; and
- 8 dwellings sold under the Right to Buy provisions.

The dwelling sales are subject to Capital Receipts Pooling legislation and a proportion of each sale is paid to the Government capital receipts pool upon completion.

### Capital Grants Unapplied Account

2011/12		2012/13
£000		£000
(1,024)	Balance brought forward	(481)
(52)	Grants received in the year	(1,864)
595	Used to finance new capital expenditure	151
(481)	Balance carried forward	(2,194)

The capital grants unapplied and added to this account for 2012/13 are:

- (£1,663k) for the Cluster of Empty Homes project
- (£194k) for disabled facilities grants
- (£7k) for a private sector housing survey (Cumbria wide)

Usable Capital Reserves	Balance at 31 March 2012	Balance at 31 March 2013
	£000	£000
Capital Receipts Reserve	(1,106)	(1,865)
Capital Grants Unapplied Account	(481)	(2,194)
<b>Total usable capital reserves</b>	<b>(1,587)</b>	<b>(4,059)</b>

## I. Material Assets and Liabilities

During 2012/13 the authority has not acquired any material assets or incurred any material liabilities.

### m. Retirement Benefits

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

## n. Material and Unusual Charges and Credits

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

### In Relation to 2012/13

**MMI Provision** – The Council is a member of the Municipal Mutual Insurance (MMI) Scheme of Arrangement. MMI ceased to write new or renew insurance business in 1992 and established a Scheme of Arrangement under provisions within the Companies Act 1985. The Scheme of Arrangement was set up to achieve a solvent run-off for MMI and for members' claims to continue to be settled. The Scheme is no longer projecting a solvent run-off so the members (Scheme Creditors) have been called on to make an Initial Levy. The Council has set up a provision to fund the potential liability of £1,018k, of which £212k has been accounted for a creditor for the Initial Levy in 2012/13.

**Revaluation of renewal area** - during 2012/13, the authority recognised a revaluation loss of £9,966k in relation to its designated renewal area. This area originally consisted of a number of private dwellings, purchased by the authority over several years, which were deemed not to be fit for purpose. Some of the dwellings have now been renovated and sold on but the majority have been demolished leaving a land area ready for housing regeneration. This revaluation loss has been calculated at existing use, taking account of the regeneration element, by the authority's valuer NPS and has been charged to the Comprehensive Income and Expenditure Statement. In accordance with statutory provisions, the loss does not impact on the General Fund and is reversed out as a movement in reserves. The renewal area was entirely funded by Housing Market Renewal grant, awarded for this specific purpose.

### In Relation to 2011/12

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

## o. Significant Change in Accounting Policies

There have been no significant changes to the authority's accounting policies in 2012/13 however the accounting treatment of non-dwelling assets within the HRA ring-fence has changed:

- The charges in respect of non-dwelling assets now fall on the HRA balance, as the reversal of these charges is no longer permitted. In relation to non-dwelling depreciation, the impact of revenue balances is mirrored by an equal increase in the Major Repairs Reserve from the capital adjustment account (effectively a transfer between revenue and capital); however, any impairment and valuation losses for non-dwellings (net of any charge to the revaluation reserve) will have a real impact on the level of HRA reserves. Impairment and

revaluation losses not covered by the Revaluation Reserve are charged to the HRA balance.

- For dwellings, the Major Repairs Reserve (MRR) is credited and the HRA balance is debited with a sum equal to the depreciation. The charge to the HRA balance is then reversed through the Movement in Reserves Statement to the capital adjustment account. If the depreciation charge is lower than the notional Major Repairs Allowance (MRA), the authority can make an adjustment for the difference so that the charge to the HRA balance and transferred to the MRR is the MRA instead of depreciation. This optional adjustment is available only during the five year transition period. Impairment and valuation losses not covered by the Revaluation Reserve are charged to the HRA balance but during the transition period will be reversed through the Movement in Reserves Statement to the capital adjustment account.

## p. Financial Planning

The 2010 Comprehensive Spending Review significantly reduced the level of financial settlement for the Council. The Council adopted a Budget Strategy on the 24 January, 2012 with the aim of balancing the General Fund budget by 2015/16.

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

- Prudent use of balances;
- Efficiency measures;
- Reduce staffing costs;
- Increasing income; and
- Service reductions.

The Medium Term Financial Plan is based on the policies within the Budget Strategy and for 2012/13 – 2015/16 the Plan contained the following projections:

	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000
Net Expenditure before Reserves	10,357	10,610	10,843	10,936
Total Revenue Financing	(11,067)	(10,534)	(10,066)	(10,336)
<b>Net deficit (surplus)</b>	<b>(710)</b>	<b>76</b>	<b>777</b>	<b>600</b>
Contribution to (from) the Restructuring Reserve	710	(76)	(777)	(600)
<b>Net deficit (surplus) for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Each time the annual budget is set the intention being to eliminate the 2015/16 £600k deficit from efficiencies and economies that will achieve a sustainable reduction in the Net Expenditure.

The Medium Term Financial Plan for 2013/14 – 2015/16 remains based on the Budget Strategy policies with assumptions and projections updated for the 2012/13 projected outturn available when the budget was set on the 26 February, 2013.

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net Expenditure before Reserves	11,058	11,398	11,208
Total Revenue Financing	(11,169)	(10,277)	(10,198)
<b>Net deficit (surplus)</b>	<b>(111)</b>	<b>1,121</b>	<b>1,010</b>
Contribution to (from) the Restructuring Reserve	111	(1,121)	(1,010)
<b>Net deficit (surplus) for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>

The 2015/16 projected deficit has increased by £410k. This follows on from revisions to the assumptions and projections within the Budget Strategy and their cumulative impact across the Plan.

The Restructuring Reserve is being used in setting the pace of change in the Council's budget reduction process. The projected use of the Restructuring Reserve and the balance of £546k remaining available for on-going restructuring costs is:

	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April	-	757	1,455	1,836	1,162
Funds added	2,744	3,098	711	-	-
Funds used or set aside	(1,987)	(2,400)	(330)	(674)	(616)
<b>Balance at 31 March</b>	<b>757</b>	<b>1,455</b>	<b>1,836</b>	<b>1,162</b>	<b>546</b>

### Key Priorities

The Key Priorities of the authority and the actions identified at the start of 2012/13 and completed are:

1. Provide good quality efficient and cost effective services while reducing overall expenditure.
  - Development of the all-weather soccer centre project in preparation for a mid-2013 commencement.
  - Retendering of the authority's venue catering & cleaning contract in preparation for a mid-2013 contract award.
  - The Housing Department carried out a Survey of Tenants and Residents (STAR survey) to understand the expectations and aspirations of tenants and residents.
  - Progress was made in the review of recycling collections to maximise recycling income and mitigate the impact of a reduction in the value of recycling rewards.

2. Continue to support housing market renewal including an increase in the choice and quality of housing stock and the regeneration of our oldest and poorest housing.
  - Commencement of a two year project to carry out Group Repair Work to 240 properties in the renewal area including chimney stack repairs, door and window replacement, rendering and new rain water goods and cavity wall insulation.
  - In partnership with Accent Housing sites were identified to build 27 three bedroom social sector houses.
3. Work to mitigate the effects of the recession and cuts in public expenditure and their impact on the local economy and secure a sustainable and long term economic recovery for our community.
  - The authority transferred the management of Waterside House to BAE Systems and secured a long term rental stream.
  - Substantial refurbishment of Phoenix Business Centre was completed
  - The authority approved the default Council Tax Reduction Scheme ensuring that those in receipt of council tax benefit were not disadvantaged from the change.
4. Continue to improve and enhance the built environment and public realm, working with key partners to secure regeneration of derelict and underused land and buildings in the Borough.
  - The external refurbishment of 102 Abbey Road, a listed building on the principal road into Barrow-in-Furness, was completed.

The authority continues to strive to achieve its key priorities whilst delivering the key components of the Budget Strategy.

#### 2013/14 Financial Settlement

The 2013/14 financial settlement for the authority is £6,843k. This represents a reduction in Revenue Spending Power against 2012/13 of 16.9%. Revenue Spending Power represents the Total Revenue Financing element of the authority's budget or accounts (general Government grants and council tax).

The Government identified the seven authorities with the biggest reduction in Revenue Spending Power and made an Efficiency Support Grant (ESG) available. To be awarded the ESG, authorities were required to submit a business case setting out the plan for reducing the Net Expenditure towards to a sustainable level that reflected the financial settlement. This mirrors the aim of the Budget Strategy.

The authority submitted an acceptable business case and the ESG for 2013/14 has been awarded. The award is £1,175k and the broad areas of expenditure are:

- Capital investment;
- Invest to Save;
- Investment in efficiencies including channel shift, and;
- Contract negotiations.

Taking the ESG into account the Revenue Spending Power reduction is reduced to 8.8% against 2012/13.

#### 2014/15 Financial Settlement

The 2014/15 financial settlement for the authority is estimated to be £5,961k. This represents a reduction in Revenue Spending Power against 2013/14, excluding the ESG of 16.8%.

The Efficiency Support Grant will be available to the authority for 2014/15, but award will depend on the performance in 2013/14. If the ESG were awarded for 2014/15, the reduction in Revenue Spending Power against 2013/14 would be 7.1%.

The Efficiency Support Grant stream ends in 2014/15.

### **q. Future Changes**

#### **Council Tax Reduction Scheme**

The authority has approved the national prescribed default Council Tax Reduction Scheme and this applies from April 2013. Operating the default scheme means that the people in receipt of council tax benefit receive the same value as a reduction to their council tax bill and this is funded locally rather than nationally. The authority is funding the reduction in Government grant for this from technical reforms to council tax discounts and premiums, a one-off transition grant and the balance is built into the 2013/14 General Fund budget.

#### **Business Rates Retention Scheme**

The Government financial settlement for 2013/14 includes the Business Rate Retention Scheme. From April 2013 the authority will continue to collect the business rates for the borough and will pay 50% to the Government, leaving a 50% local share. The local share is then split with 20% paid to Cumbria County Council and 80% retained by this authority; this is 40% of the total business rates for the borough.

From April 2013, authorities will keep all of the growth upon their share, subject to the levy on disproportionate benefit. The local share will remain fixed at 50% until a reset of the system when the baseline funding levels for each local authority will be reviewed to take account of changes in relative need and resource.



The Government does not intend to reset the system until 2020 at the earliest and in the long-term aspires to a 10-year reset period, although the length of the reset period and scope will not be set in regulation. Tariffs and top-ups will be adjusted at each five yearly revaluation so that an authority's retained rates income is not affected.

### Universal Credit

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

- Income-based Jobseeker's Allowance
- Income-related Employment and Support Allowance
- Income Support
- Working Tax Credit
- Child Tax Credit
- Housing Benefit

Universal Credit was introduced on 29 April 2013 in selected areas of Greater Manchester and Cheshire and will be gradually rolled out to the rest of the United Kingdom from October 2013 and will be completed by 2017.

## r. Capital and Borrowing

### Capital

The authority's capital investment for 2012/13 and how it has been financed is shown below:

2011/12		2012/13
£000		£000
6,671	Capital investment	5,490
(1,308)	Financed by borrowing	-
(2,296)	Financed by grants and contributions	(839)
(955)	Financed by capital receipts	(532)
(2,112)	Financed by Major Repairs Reserve	(1,903)
-	Financed from reserves	(2,216)
(6,671)	Total financing	(5,490)

The future capital investment for the years 2013/2014 to 2015/16 and the financing is planned to be:

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Capital investment</b>	<b>9,962</b>	<b>3,000</b>	<b>2,898</b>
Financed by borrowing	(2,800)	(485)	(340)
Financed by grants and contributions	(1,323)	(399)	(399)
Financed by capital receipts	(2,046)	(282)	(281)
Financed by major repairs reserve	(2,296)	(1,834)	(1,878)
Financed by reserves	(1,497)	-	-
<b>Total financing</b>	<b>(9,962)</b>	<b>(3,000)</b>	<b>(2,898)</b>

The authority has received £3,442k of 'Cluster of Empty Homes Funding'; half in 2012/13 and half in 2013/14. The funding has been allocated to bring 229 empty homes back into use and to pay for environmental works in the surrounding areas. The environmental works are currently estimated at £1,500k and the Landscape Institute are running a design competition for this element of the overall scheme. The Cluster of Empty Homes Funding is not yet in the capital programme and will be added once the projects have been approved.

### Borrowing

The authority has long-term debt which has been borrowed in previous years to fund capital projects. During 2011/12 borrowing of £17,089k was taken out specifically to pay the Department for Communities and Local Government the settlement payment for the end of the Housing Revenue Account subsidy system. In funding the capital investment for 2012/13, no external loans were required as other resources were available. It is not expected that it will be necessary to draw down new loans to fund the capital programme up to 2015/16, however the cost of financing from borrowing will increase and this has been built into the Medium Term Financial Plan.

The authority's borrowing is limited by the Prudential Code for Capital Finance in Local Authorities and the approved limit is agreed by Council each year. The authorised limit and borrowing for 2012/13 and current estimates to 2015/16 are shown below:

	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Authorised limit on external debt	57,000	59,000	61,000	63,000
Total of external loans	39,479	39,479	39,479	39,479

The 2013/14 – 2015/16 capital programme includes an element of financing from borrowing, but it is not currently expected that the funds will need to be drawn down so the authority's external loans will not increase.

## **s. Provisions and Contingencies**

The authority has established an MMI provision in 2012/13. The authority is a member of the Municipal Mutual Insurance (MMI) Scheme of Arrangement. MMI ceased to write new or renew insurance business in 1992 and established a Scheme of Arrangement under provisions within the Companies Act 1985. The Scheme of Arrangement was set up to achieve a solvent run-off for MMI and for members' claims to continue to be settled.

The Scheme is no longer projecting a solvent run-off so the members (Scheme Creditors) have been called on to make an Initial Levy. The Council has set up a provision to fund the potential liability of £1,018k, of which £212k has been included in the accounting statements as a creditor to pay the Initial Levy in 2012/13.

## **t. Material Events After the Reporting Date**

When the new arrangements for the retention of business rates come into effect on 1 April 2013, the authority will assume liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

This will include amounts that were paid over to the government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the authority, but would have been transferred to the government.

When the authority assumes these liabilities on 1 April 2013, the authority will recognise a provision for its respective share of the liability as at 1 April 2013. As this liability does not exist at the Balance Sheet date, the authority has not amended the 2012/13 accounting statements and therefore reports this as a non-adjusting post balance sheet event. The estimated level of liability on 1 April 2013 is £492k. The Government has decided that it will make regulations providing that the cost of such refunds can be spread over the five years 2013/14 to 2018/19, instead of being accounted for in their entirety in 2013/14.

## **u. Current Economic Climate**

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

In 2012/13 the authority recommenced investing temporary surplus cash with financial institutions eligible under the counterparty criteria within the Council approved Treasury Strategy. The security and liquidity of the financial institutions meeting the counterparty criteria of the Council limit the risks involved in treasury activities to a prudent level.

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

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

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

**S M Roberts CPFA, ACMA**  
**Borough Treasurer**  
**Section 151 Officer**

## STATEMENT OF RESPONSIBILITIES

### The Authority's Responsibilities

The authority is required to:

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

### The Borough Treasurer's Responsibilities

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

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

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

The Borough Treasurer has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the authority for 2012/13 and of its expenditure and income for the year ended 31 March 2013.



**S M Roberts CPFA, ACMA**  
**Borough Treasurer**  
**Section 151 Officer**  
**28 June 2013**  
**Revised 17 September 2013**

**Councillor Mrs A Burns**  
**Audit Committee Chairman**  
**26 September 2013**

# ACCOUNTING STATEMENTS

## Movement in Reserves Statement 2011/12

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

**Movement in Reserves Statement 2012/13**

2012/13	General Fund Balance £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2012 brought forward	(2,289)	(8,427)	(1,522)	(2)	(1,106)	(481)	(13,827)	(79,161)	(92,988)
<b>Movement in Reserves during 2012/13</b>									
(Surplus) or deficit on the provision of services	7,927	-	(2,605)	-	-	-	5,322	-	5,322
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	0	3,802	3,802
<b>Total Comprehensive Income and Expenditure</b>	<b>7,927</b>	<b>0</b>	<b>(2,605)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,322</b>	<b>3,802</b>	<b>9,124</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(7,328)	-	2,136	(129)	(759)	(1,713)	(7,793)	7,793	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>599</b>	<b>0</b>	<b>(469)</b>	<b>(129)</b>	<b>(759)</b>	<b>(1,713)</b>	<b>(2,471)</b>	<b>11,595</b>	<b>9,124</b>
Transfers to/(from) Earmarked Reserves (Note 8)	(310)	310	-	-	-	-	0	-	0
<b>(Increase)/Decrease in 2012/13</b>	<b>289</b>	<b>310</b>	<b>(469)</b>	<b>(129)</b>	<b>(759)</b>	<b>(1,713)</b>	<b>(2,471)</b>	<b>11,595</b>	<b>9,124</b>
Balance at 31 March 2013 carried forward	(2,000)	(8,117)	(1,991)	(131)	(1,865)	(2,194)	(16,298)	(67,566)	(83,864)

# Comprehensive Income and Expenditure Statement 2012/13

2011/12			2012/13		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	£000	£000	£000
8,477	(7,142)	1,335	8,956	(7,263)	1,693
5,212	(1,491)	3,721	4,730	(1,303)	3,427
5,207	(1,961)	3,246	4,571	(2,085)	2,486
6,179	(2,233)	3,946	3,810	(2,096)	1,714
715	(1,052)	(337)	607	(981)	(374)
17,089	-	17,089	-	-	0
9,193	(9,555)	(362)	6,466	(10,076)	(3,610)
22,471	(21,376)	1,095	22,810	(21,829)	981
1,833	(95)	1,738	1,758	(211)	- 1,547
-	-	0	9,966	-	9,966
275	-	275	254	-	254
-	-	0	1,018	-	1,018
76,651	(44,905)	31,746	64,946	(45,844)	19,102
		267			(365)
		1,813			2,327
		(14,665)			(15,742)
		19,161			5,322
		1,175			(779)
		3,161			4,581
		4,336			3,802
		23,497			9,124



# Balance Sheet

31 March 2012		Notes	31 March 2013
£000			£000
153,520	Property, Plant & Equipment	12	143,595
705	Heritage Assets	13	737
30	Assets Held For Sale	14	45
5	Long Term Debtors	24	61
<b>154,260</b>	<b>Long Term Assets</b>		<b>144,438</b>
-	Short Term Investments	15	6,506
16	Inventories	16	19
2,382	Short Term Debtors	17	2,395
5,591	Cash and Cash Equivalents	18	4,799
<b>7,989</b>	<b>Current Assets</b>		<b>13,719</b>
(494)	Short Term Borrowing	15	(494)
(4,316)	Short Term Creditors	19	(4,084)
<b>(4,810)</b>	<b>Current Liabilities</b>		<b>(4,578)</b>
(41)	Provisions	20	(841)
(39,479)	Long Term Borrowing	15	(39,479)
(24,931)	Other Long Term Liabilities	23	(29,395)
<b>(64,451)</b>	<b>Long Term Liabilities</b>		<b>(69,715)</b>
<b>92,988</b>	<b>Net Assets</b>		<b>83,864</b>
(13,827)	Usable Reserves	21	(16,298)
(79,161)	Unusable Reserves	22	(67,566)
<b>(92,988)</b>	<b>Total Reserves</b>		<b>(83,864)</b>

## Cash Flow Statement

2011/12 Restated		2012/13
£000		£000
19,161	<b>Net (surplus) or deficit on the provision of services</b>	5,322
(6,319)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements (Note 25)	(15,548)
(15,652)	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities (Note 26)	3,343
(2,810)	<b>Net cash flows from Operating Activities (Note 27)</b>	(6,883)
20,912	Investing Activities (Note 28)	8,178
(19,841)	Financing Activities (Note 29)	(503)
(1,739)	<b>Net (increase) or decrease in cash and cash equivalents</b>	792
3,852	Cash and cash equivalents at the beginning of the reporting period (Note 18)	5,591
5,591	Cash and cash equivalents at the end of the reporting period (Note 18)	4,799
(1,739)	<b>Net (increase) or decrease in cash and cash equivalents</b>	792

The Cash Flow Statement for 2011/12 has been restated between the classification headings with no impact on the cash and cash equivalents. The 2012/13 Cash Flow Statement has been prepared on an appropriate basis and the restatement makes the disclosure consistent and comparable.

## Notes to the Accounts

### 1. ACCOUNTING POLICIES

#### a. General Principles

The Statement of Accounts summarises the authority's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. 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 2012/13 and the Service Reporting Code of Practice 2012/13, 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.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. For housing benefit overpayments a full provision is made for the possible non-collection of this debt. However, it is the authority's policy to pursue all debtors where possible, however as the amounts and timing of recovery are not certain, they are not recognised in the Comprehensive Income and Expenditure Statement.

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

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

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

As the billing authority, Barrow Borough Council accounts for its own share of the council tax transactions in the Balance Sheet and its share of the collection fund balance is held in the Collection Fund Adjustment Account. The precepting authorities' share of the council tax transactions as well as their share of the collection fund balance is accounted for as a debtor or creditor with those authorities.

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

### **e. Exceptional Items**

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively

(unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

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

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

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

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

### **h. Employee Benefits**

#### **Benefits Payable During Employment**

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

#### **Termination Benefits**

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

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

### **Post Employment Benefits**

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

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

### **The Local Government Pension Scheme**

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

- The liabilities of the pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and other factors, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using the applicable discount rate based on the indicative rate of return on AA rated corporate bonds.
- The assets of pension fund attributable to the authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the authority, based on an average of the expected long-term return credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the Cumbria pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **Discretionary Benefits**

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

### **i. Events after the Balance Sheet Date**

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

those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

## **j. Financial Instruments**

### **Financial Liabilities**

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

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

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

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

Where premiums and discounts have been charged to the Housing Revenue Account, regulations state that the impact on the Housing Revenue Account Balance must be spread over the term that was remaining on the loan against which the



premium was payable or discount receivable when it was repaid, restricted to a term of 10 years.

## **Financial Assets**

### **Loans and Receivables**

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

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

Any gains and losses that arise on the 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.

### **Transition Grant**

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

### **m. Heritage Assets**

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

Made up of over 20,000 items of substantially local origin, the authority has three principal collections (summarised below) which are housed within the Dock Museum, Barrow Town Hall or the local area, they include:

- Historic Collections held at market value - carrying value as at 31 March 2013 of £631k:
  - Social history - a large variety of individual items or collections relating to World War I & II; Costume, Medical, Needlework; Toys, Pastimes & School; Domestic & Household, plus a number of other miscellaneous items.
  - Shipbuilder's Models - holding circa 30 to scale models, these exhibits are a testament to the history of the ship building era within Barrow-in-Furness; with many actually being constructed by Barrow Shipyard.
  - Boats - two boats including a 36' 6" timber auxiliary sloop boat, named the White Rose and Banshee, a timber Whammel boat.
  - Marine & Industrial history - a quantity of local marine history items including ships paraphernalia, ships tools and items relating to Furness Railway.
  - Art & Sculpture - circa 50 works of art or sculpture, including local heritage portraits, the local area and seafaring scenes.
  - Ceramics & glass - a large amount of bottles, crested china, commemorative mugs, oil light chimneys, dinner wares, a Satsuma bowl and 17<sup>th</sup> century salt glazed jugs.
  - Furniture - circa 30 items or sets within Barrow Town Hall, these items include a variety of impressive Edwardian, Victorian, 19<sup>th</sup> and early 20<sup>th</sup> century pieces.
  - Silverware - an array of tableware pieces.
  - Regalia – composed of one Mayoral & Mayoress' chain of office, presidential chair of office and a Victorian silver-gilt ceremonial mace.
  - Historic statues – Barrow-in-Furness's founding father statues of Sir James Ramsden, Lord Frederick Cavendish and Henry Schneider.
  - Viking Hoard/Bronze Age/Numismatics – a hoard of coins and a number of pieces of silver being mainly from Anglo-Saxon and Viking periods, Bronze age gold ring fragment and two Arabic dirhams.

Further information, detailing a number of the above pieces, can be found on the Local History & Heritage section of the Council's website.

- New Statues are carried at market value and depict local heroes of a more recent time. The Herbert Leigh, again carried at market value, is an RNLI life boat that served Barrow between 1952 & 1988. The carrying value of these assets as at 31 March 2013 is £95k.
- War memorials are carried at depreciated historic cost – carrying value as at 31 March 2013 is £11k.

These items are reported in the Balance Sheet, the valuations being initially carried out as at 1 April 2010 and 1 April 2011 with future valuation reviews to be undertaken, in consultation with the appropriate professionals, with sufficient frequency to ensure that the valuations remain current. Heritage assets, added to the collections during 2012/13 have been valued by the Treasure Valuation Committee and, for smaller donated items, by the authority's Museum Curator, as to instruct an official valuer would be too expensive for the relative value of the specific

items. Where assets are deemed to have indeterminate lives no depreciation will be applied. Where the useful life can be determined, the authority's depreciation policy will be applied.

The Dock Museum also holds a collection of ephemera which is not recognised on the Balance Sheet as the value of these small items, even when grouped is de minimus. There are three assets where cost information is not readily available and the authority believes that the benefits of obtaining the valuation for these would also not justify the cost; these being the graving dock, the cenotaph and a stone fountain.

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

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

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

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

## **o. Leases**

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

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

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

## **The Authority as Lessee**

### **Operating Leases**

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

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

## **The Authority as Lessor**

### **Operating Leases**

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

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

## **p. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Accounting Code of Practice 2012/13. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

## q. Property, Plant and Equipment

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

### Recognition

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

### **Provisions**

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

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party, this is only recognised as income for the relevant

service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

## **s. Reserves**

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

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

## **t. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital

Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

#### **u. VAT**

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

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

The Code has adopted the amendments to IAS 19 Employee Benefits and IAS 1 Presentation of Financial Statements which will need to be adopted fully by the authority in 2013/14. This is a change in accounting policy as at 1 April 2013 that will require disclosure and the publication of a Balance Sheet as at the beginning of the earliest comparative period (a third Balance Sheet) in the 2013/14 financial statements.

In respect of the amendments to IAS 19, the change will introduce new classes of components of defined benefit cost to be recognised in the financial statements (net interest on the net defined benefit liability/asset and re-measurements of the net defined benefit liability/asset) together with new definitions of recognition criteria for service costs and termination benefits. The authority's pension actuaries have advised that the effect of the change to IAS 19 on the Comprehensive Income and Expenditure Statement to 31 March 2013 will be a decrease of £295k.

The amendments to IAS 1 Presentation of Financial Statements are presentational only and will require all items presented in the Comprehensive Income and Expenditure Statement to be shown gross.

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

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

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

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

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

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

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

The items in the authority's Balance Sheet at the 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

Property, plant and equipment (with the exception of infrastructure, community assets, assets under construction and equipment) are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset. Advice has been provided by the authority's external valuers. If the actual results differ from the assumptions the value of the property, plant and equipment will be over or understated. This would be adjusted when the assets were next revalued. For instance if council dwellings were not impaired in 2012/13, 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 £6,181k and the depreciation charged to the HRA for 2013/14 would be overstated by £206k.

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

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

council dwellings was determined to be 25 years, rather than the current 30 years, the depreciation charge to the HRA for 2013/14 would be £1,992k rather than £1,660k.

### **Heritage Assets**

Heritage assets were brought onto the Balance Sheet from the 1 April 2010 onwards. The assets were valued at 1 April 2010 and 1 April 2011 so that they are included in the accounts at market value where possible. These assets are revalued on a periodic basis and tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication of impairment. The impairment tests include examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset. Advice has been provided by the authority's external valuers. If the actual results differ from the assumptions the value of the heritage assets will be over or understated. This would be adjusted when the assets were next revalued. For instance if the historic collections were not impaired in 2012/13, 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 £63k.

### **Arrears**

At 31 March 2013 the authority had outstanding sundry debtors, housing rent debtors and council tax debtors. A review of these outstanding balances was undertaken and the provisions for bad and doubtful debts reviewed. However in the current economic climate it is not certain that such a provision allowance would be sufficient. An increase in the sundry debtor bad debt provision of 10% would require a contribution from General Fund of £21k and for housing rent debtors, a contribution from the HRA of £31k. An increase in council tax debtors would be collected from future years' liabilities.

### **Pensions liability**

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

The effects of the net pensions liability of changes in individual assumptions can be measured. These assumptions interact in complex ways, but some examples of their sensitivity based on 31 March 2013 figures are:

- +0.1% per annum increase in the discount rate assumption would result in a decrease in the net pensions liability of £1,434k; or,
- +0.1% per annum increase in the salary inflation assumption would result in an increase in the net pensions liability of £1,459k; or,
- 1 year addition to the member's life expectancy assumption would result in an increase in the net pensions liability of £1,874k.

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

### Financial instruments

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

If interest rates had been 1% higher with all other variables held constant, the financial effect would be to decrease the fair value of fixed rate borrowing liabilities by £6,426k and decrease the fair value of fixed rate investments by £10k. A 1% fall would increase the fair value by the same amount. Borrowings are not carried at fair value, so nominal gains and losses on fixed borrowings would not impact on the (Surplus) or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

## 5. MATERIAL ITEMS OF EXPENSE AND INCOME

The Comprehensive Income and Expenditure Statement includes the following items:

### In Relation to 2012/13

**MMI Provision** – The Council is a member of the Municipal Mutual Insurance (MMI) Scheme of Arrangement. MMI ceased to write new or renew insurance business in 1992 and established a Scheme of Arrangement under provisions within the Companies Act 1985. The Scheme of Arrangement was set up to achieve a solvent run-off for MMI and for members' claims to continue to be settled. The Scheme is no longer projecting a solvent run-off so the members (Scheme Creditors) have been called on to make an Initial Levy. The Council has set up a provision to fund the potential liability of £1,018k, of which £212k has been accounted for as a creditor for the Initial Levy in 2012/13.

**Revaluation of renewal area** - during 2012/13, the authority recognised a revaluation loss of £9,966k in relation to its designated renewal area. This area originally consisted of a number of private dwellings, purchased by the authority over several years, which were deemed not to be fit for purpose. Some of the dwellings have now been renovated and sold on but the majority have been demolished leaving a land area ready for housing regeneration. This revaluation loss has been calculated at existing use, taking account of the regeneration element, by the authority's valuer NPS and has been charged to the Comprehensive Income and Expenditure Statement.

In Relation to 2011/12

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

## **6. EVENTS AFTER THE BALANCE SHEET DATE**

The Statement of Accounts was originally authorised for issue by the Borough Treasurer on the 28 June, 2013, and is now authorised for issue on the 17 September, 2013, after incorporating revisions from the audit. Events taking place after this date are not reflected in the accounting statements or notes.

When the new arrangements for the retention of business rates come into effect on 1 April 2013, the authority will assume liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

This will include amounts that were paid over to the government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the authority, but would have been transferred to the government.

When the authority assumes these liabilities on 1 April 2013, the authority will recognise a provision for its respective share of the liability as at 1 April 2013. As this liability does not exist at the Balance Sheet date, the authority has not amended the 2012/13 accounting statements and therefore reports this as a non-adjusting post balance sheet event. The estimated level of liability on 1 April 2013 is £492k. The Government has decided that it will make regulations providing that the cost of such refunds can be spread over the five years 2013/14 to 2018/19, instead of being accounted for in their entirety in 2013/14.

Where any other events taking place before this date provided information about conditions existing at the 31 March 2013, the figures in the accounting statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

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

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

### General Fund Balance

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

### Housing Revenue Account Balance

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

### Major Repairs Reserve

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

### Capital Receipts Reserve

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

### Capital Grants Unapplied

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



Adjustments between accounting basis and funding basis under regulations 2012/13	Usable Reserves						Reserves £000 Movement in Usable	Reserves £000 Movement in Unusable
	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Reserves £000 Movement in Usable		
<b>Adjustments primarily involving the Capital Adjustment Account:</b>								
Reversal of items debited or credited to the CIES:								
Charges for depreciation and impairment of non-current assets	(1,853)	(1,660)				(3,513)	3,513	
Revaluation losses on Property, Plant and Equipment	(10,878)	(162)				(11,040)	11,040	
Capital grants and contributions applied	688					688	(688)	
Revenue expenditure funded from capital under statute	(642)					(642)	642	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(526)	(297)				(823)	823	
<b>Insertion of items not debited or credited to the CIES</b>								
Statutory provision for the financing of capital investment								
Voluntary provision for the financing of capital investment	935					935	(935)	
Capital expenditure charged against the General Fund and HRA balances		1,740				1,740	(1,740)	
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>								
Capital grants and contributions unapplied credited to the CIES	1,864				(1,864)	0	0	
Application of grants to capital financing transferred to the Capital Adjustment Account					151	151	(151)	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	867	624		(1,491)		0	0	
Use of the Capital Receipts Reserve to finance new capital expenditure				532		532	(532)	
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(200)			200		0	0	
<b>Adjustment primarily involving the Major Repairs Reserve:</b>								
Reversal of Major Repairs Reserve credited to the HRA		1,905	(1,905)			0	0	
Use of the Major Repairs Reserve to finance new capital expenditure			1,903			1,903	(1,903)	
Increase in the Major Repairs Reserve for depreciation of non-dwelling assets			(127)			(127)	127	
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>								
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements		36				36	(36)	
<b>Adjustments primarily involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,428)	(357)				(1,785)	1,785	
Employer's pension contributions and direct payments to pensioners payable in the year	1,589	314				1,903	(1,903)	
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>								
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	44					44	(44)	
<b>Adjustments primarily involving the Accumulated Absences Account:</b>								
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(4)	(7)				(11)	11	
<b>Total Adjustments</b>	<b>(7,328)</b>	<b>2,136</b>	<b>(129)</b>	<b>(759)</b>	<b>(1,713)</b>	<b>(7,793)</b>	<b>7,793</b>	

	Usable Reserves						Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Usable Reserves £000	
<b>Adjustments between accounting basis and funding basis under regulations</b>							
2011/12							
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
Reversal of items debited or credited to the CIES:							
Charges for depreciation and impairment of non-current assets	(2,195)	(1,818)				(4,013)	4,013
Revaluation losses on Property, Plant and Equipment	(2,408)	(1,096)				(3,504)	3,504
Capital grants and contributions applied	1,113					1,113	(1,113)
Revenue expenditure funded from capital under statute	(1,243)					(1,243)	1,243
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(429)	(117)				(546)	546
Self-financing settlement		(17,089)				(17,089)	17,089
<b>Insertion of items not debited or credited to the CIES</b>							
Statutory provision for the financing of capital investment	1,086					1,086	(1,086)
Capital expenditure charged against the General Fund and HRA balances	588					588	(588)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the CIES	52				(52)	0	-
Application of grants to capital financing transferred to the Capital Adjustment Account					595	595	(595)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	289	222		(511)		0	-
Use of the Capital Receipts Reserve to finance new capital expenditure				955		955	(955)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(129)			129		0	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				(1)		(1)	1
<b>Adjustment primarily involving the Major Repairs Reserve:</b>							
Reversal of Major Repairs Reserve credited to the HRA		1,915	(1,915)			0	-
Use of the Major Repairs Reserve to finance new capital expenditure			2,112			2,112	(2,112)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements		120				120	(120)
<b>Adjustments primarily involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,641)	(321)				(1,962)	1,962
Employer's pension contributions and direct payments to pensioners payable in the year	1,898	315				2,213	(2,213)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	33					33	(33)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>							
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	4	1				5	(5)
<b>Total Adjustments</b>	<b>(2,982)</b>	<b>(17,868)</b>	<b>197</b>	<b>572</b>	<b>543</b>	<b>(19,538)</b>	<b>19,538</b>

## 8. TRANSFERS (TO)/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2012/13.

	Balance at 1 April 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012	Reclassification	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013
	£000	£000	£000	£000	£000	£000	£000	£000
<b>General Fund:</b>								
<b>Committed reserves</b>								
VAT & insurance	(1,145)	-	-	(1,145)	1,145	-	-	0
VAT	-	-	-	-	(250)	-	-	(250)
Insurance	-	-	-	-	(100)	20	-	(80)
Uninsured losses	-	-	-	-	(500)	-	-	(500)
MMI reserve	-	-	-	-	(295)	295	-	0
Budget setting	(155)	155	-	-	-	-	-	0
Public buildings	(500)	-	-	(500)	-	-	(225)	(725)
Pay review	(176)	-	-	(176)	-	-	-	(176)
GF Properties	(341)	-	(174)	(515)	-	124	(125)	(516)
Cremator Reline	-	-	-	-	-	-	(46)	(46)
Leisure Centre income	(124)	124	-	-	-	-	-	0
CCTV	-	-	(184)	(184)	-	47	-	(137)
Neighbourhood Management Team	-	-	(50)	(50)	-	50	-	0
Grants to external bodies	-	-	(400)	(400)	-	159	-	(241)
Restructuring Reserve	-	-	(757)	(757)	2,400	-	(3,099)	(1,456)
Budget setting support	-	-	-	-	(2,400)	600	-	(1,800)
<b>Committed reserves total</b>	<b>(2,441)</b>	<b>279</b>	<b>(1,565)</b>	<b>(3,727)</b>	<b>0</b>	<b>1,295</b>	<b>(3,495)</b>	<b>(5,927)</b>
<b>Available reserves</b>								
General reserve	(1,367)	-	-	(1,367)	-	367	-	(1,000)
Festivals	(63)	35	-	(28)	-	16	-	(12)
Market Hall	(51)	-	-	(51)	-	-	-	(51)
Park Vale	(56)	-	-	(56)	-	-	-	(56)
<b>Available reserves total</b>	<b>(1,537)</b>	<b>35</b>	<b>-</b>	<b>(1,502)</b>	<b>0</b>	<b>383</b>	<b>0</b>	<b>(1,119)</b>

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

	Balance at 1 April 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013
	£000	£000	£000	£000	£000	£000	£000
<b>Grants and contributions:</b>							
<b>Committed reserves</b>	<b>(3,243)</b>	<b>231</b>	<b>(185)</b>	<b>(3,197)</b>	<b>2,575</b>	<b>(448)</b>	<b>(1,070)</b>

This can be summarised as:

	Balance at 1 April 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31 March 2013
<b>General Fund</b>							
Committed reserves	(2,441)	279	(1,565)	(3,727)	1,295	(3,495)	(5,927)
Available reserves	(1,537)	35	-	(1,502)	383	-	(1,119)
<b>Grants</b>							
Committed reserves	(3,243)	231	(185)	(3,197)	2,575	(448)	(1,070)
<b>Total earmarked reserves</b>	<b>(7,221)</b>	<b>545</b>	<b>(1,750)</b>	<b>(8,426)</b>	<b>4,253</b>	<b>(3,943)</b>	<b>(8,116)</b>

The movement in 2012/13 is the net of the transfers out £4,253k and the transfers in (£3,943k); £310k.

## 9. OTHER OPERATING EXPENDITURE

2011/12		2012/13
£000		£000
103	Parish council precepts	103
129	Payments to the Government Housing Capital Receipts Pool	201
35	(Gains)/losses on the disposal of non-current assets	(669)
<b>267</b>	<b>Total</b>	<b>(365)</b>

## 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2011/12		2012/13
£000		£000
983	Interest payable and similar charges	1,450
854	Pensions interest cost and expected return on pensions assets	915
(24)	Interest receivable and similar income	(38)
<b>1,813</b>	<b>Total</b>	<b>2,327</b>

## 11. TAXATION AND NON SPECIFIC GRANT INCOMES

2011/12		2012/13
£000		£000
(4,477)	Council tax income	(4,622)
(5,360)	Non-domestic rates	(6,194)
(4,596)	Non-ring fenced government grants	(2,851)
(232)	Capital grants and contributions	(2,075)
<b>(14,665)</b>	<b>Total</b>	<b>(15,742)</b>

## 12. PROPERTY, PLANT & EQUIPMENT

Movement on Balances	Council Dwellings £000	Other Land and Buildings £000	HRA Other Land and Buildings £000	Plant, Furniture and Equipment £000	HRA Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation</b>										
<b>At 1 April 2012</b>	61,713	56,285	2,317	4,393	97	5,658	9,681	1,708	18,504	160,356
additions and enhancements	1,903	636	-	124	-	-	56	65	2,064	4,848
reclassification start of year	-	-	-	59	-	(59)	-	50	(50)	-
reclassification in year	-	65	-	-	-	-	-	10,574	(10,609)	30
revaluation increases/(decreases) recognised in the Revaluation Reserve	273	320	163	-	-	-	-	23	-	779
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(163)	(719)	(1)	-	-	-	-	(10,208)	-	(11,091)
eliminate depreciation on revaluation	(1,660)	(3,568)	(67)	-	-	-	-	-	-	(5,295)
reclassification year-end	-	-	-	-	-	-	-	(45)	-	(45)
de-recognitions	-	-	-	(84)	-	(103)	-	-	-	(187)
Disposals	(256)	(381)	(43)	-	-	-	-	(10)	-	(690)
<b>At 31 March 2013</b>	61,810	52,638	2,369	4,492	97	5,496	9,737	2,157	9,909	148,705
<b>Accumulated Depreciation and Revaluation</b>										
<b>At 1 April 2012 reclassified</b>	-	(3,391)	(15)	(2,893)	(85)	(357)	(95)	-	-	(6,836)
reclassification start of year	-	-	-	(8)	-	8	-	-	-	-
depreciation charge	(1,660)	(1,425)	(122)	(319)	(5)	(59)	(44)	(2)	-	(3,636)
eliminate depreciation on revaluation	1,660	3,568	67	-	-	-	-	-	-	5,295
derecognition - disposals	-	-	1	25	-	41	-	-	-	67
<b>At 31 March 2013</b>	-	(1,248)	(69)	(3,195)	(90)	(367)	(139)	(2)	-	(5,110)
<b>Net Book Value at 31 March 2013</b>	61,810	51,390	2,300	1,297	7	5,129	9,598	2,155	9,909	143,595

Movement on Balances	Council Dwellings £000	Other Land and Buildings £000	HRA Other Land and Buildings £000	Plant, Furniture and Equipment £000	HRA Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Movements in 2011/12</b>										
<b>Cost or Valuation</b>										
<b>At 1 April 2011</b>	63,146	57,134	2,329	4,088	97	5,673	9,634	1,477	19,193	162,771
additions and enhancements	2,112	139	-	341	-	(15)	72	5	2,773	5,427
reclassification in year	-	3,083	-	-	-	-	-	(30)	(3,083)	(30)
revaluation increases/(decreases) recognised in the Revaluation Reserve	(717)	(958)	205	-	-	-	-	296	-	(1,174)
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(1,015)	(2,386)	(81)	(7)	-	-	(25)	(40)	50	(3,504)
eliminate depreciation on revaluation	(1,696)	(727)	(136)	(29)	-	-	-	-	-	(2,588)
de-recognition – disposals	(117)	-	-	-	-	-	-	-	(429)	(546)
<b>At 31 March 2012</b>	61,713	56,285	2,317	4,393	97	5,658	9,681	1,708	18,504	160,356
<b>Accumulated Depreciation and Revaluation</b>										
<b>At 1 April 2011</b>	-	(2,581)	(35)	(2,381)	(80)	(298)	(52)	-	-	(5,427)
depreciation charge	(1,696)	(1,537)	(116)	(541)	(5)	(59)	(43)	-	-	(3,997)
eliminate depreciation on revaluation	1,696	727	136	29	-	-	-	-	-	2,588
<b>At 31 March 2012</b>	-	(3,391)	(15)	(2,893)	(85)	(357)	(95)	-	-	(6,836)
<b>Net Book Value at 31 March 2012</b>	61,713	52,894	2,302	1,500	12	5,301	9,586	1,708	18,504	153,520
<b>Net Book Value at 1 April 2011</b>	63,146	54,553	2,294	1,707	17	5,375	9,582	1,477	19,193	157,344

## Depreciation

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

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

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

## Capital Commitments

At the 31 March 2013, the authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £1,571k. Similar commitments at the 31 March 2012 were £365. The major commitments are:

31 March 2012		31 March 2013
£000		£000
265	Building refurbishment	69
49	Retentions	66
51	Housing market renewal	1,436
<b>365</b>	<b>Total</b>	<b>1,571</b>

## Revaluations

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

Not all assets were revalued in 2012/13 and some assets' last valuation was certified by either Mr R Bulger FRICS of the Valuation Office Agency or Mr S Adams FRICS of Peill and Company; both are external valuers.

The authority's HRA dwellings and garages are valued on an annual basis and are carried at fair value. The valuation for 2012-2013 was performed by Norfolk Property Services and produced a net book value at the 31 March 2013 of £62,863k.

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	Value £000	Total £000
<b>Assets carried at fair value:</b>			
2008/09	Norfolk Property Services	3,470	
2008/09	Peill & Company	4,797	
2008/09	Valuation Officer Agency	127	8,394
2009/10	Norfolk Property Services	1,203	
2009/10	Peill & Company	858	2,061
2010/11	Norfolk Property Services		4,601
2011/12	Norfolk Property Services		7,552
2012/13	Norfolk Property Services		32,310
<b>Total for assets carried at fair value:</b>			<b>54,918</b>
<b>Assets carried at historical cost:</b>			<b>25,814</b>
<b>Net Book Value at 31 March 2013</b>			<b>80,732</b>

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

### Dwellings

The authority valued their housing stock as at 1 April, 2012. Following this external valuation, the Housing Department identified that some dwelling bedroom numbers had changed over time and amended these on the rent system as at 2 April, 2012. The amendments were actually made at varying times, but dated back to the first rent week for 2012/13.

As these amendments were made after the external valuation and on review it was deemed there would only be a nominal difference to the overall dwelling portfolio and relevant valuations for the period, the Housing Department amendments are not reflected in the 2012/13 accounting statements. The amendments will be encompassed in the 2013/14 dwelling valuation exercise.

## 13. 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.

Assets are held to support the objectives of increasing knowledge, understanding, culture and appreciation of our heritage. The Dock Museum's Mission Statement; within its Acquisitions and Disposals Policy 2009-2013, reiterates this commitment to a regional, national and international audience; this document also records the acquisition and disposal of assets. The Museum's Curator also 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 of Practice on Local Authority Accounting 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, of the Viking Hoard and Bronze Age gold ring fragment were valued by the Treasury Valuation Office, with further immaterial items being valued by the authority's Museum Curator, who also reports, no items held need to be impaired and no disposals have been made within the period. The authority's accounting policy on depreciation, where the asset is deemed as being of finite life, is applied; such assets within 2012/13 have been depreciated on a straight line basis over 25 years.

The only items that are not reported as assets within the balance sheet are items of de minimus level plus the Graving Dock, Cenotaph war memorial and stone fountain where, following discussions with both of the authority's valuers, Bonhams and NPS, 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.

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012/13

Movement on Balances	HISTORIC COLLECTION															War Memorials £000	Total £000
Movements in 2012/13	Social History £000	Ship Models £000	Boats £000	Industrial History £000	Art & Sculpture £000	Ceramics & Glass £000	Furniture £000	Silverware £000	Regalia £000	Historic (Old) Statues £000	Viking Hoard, Ring & Numismatics £000	Total Historic Collection £000	New Statues £000	Herbert Leigh – Boat £000			
Cost or Valuation																	
Heritage Asset – Cost at 1 April 2012	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14	14	
Heritage Asset – Valuation at 1 April 2012	29	297	16	13	72	10	72	22	34	30	-	595	79	20	-	694	
At 1 April 2012	29	297	16	13	72	10	72	22	34	30	-	595	79	20	14	708	
revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Service	1	-	-	-	-	-	-	-	-	-	50	51	-	-	-	51	
De-recognition of assets	-	(15)	-	-	-	-	-	-	-	-	-	(15)	-	-	-	(15)	
At 31 March 2013	30	282	16	13	72	10	72	22	34	30	50	631	79	20	14	744	
Accumulated Depreciation and Revaluation																	
Heritage Asset – Cost at 1 April 2012	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(3)	
At 1 April 2012	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(3)	
depreciation charge	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(1)	-	(4)	
At 31 March 2013	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(1)	(3)	(7)	
Net Book Value at 31 March 2013 – Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11	11	
Net Book Value at 31 March 2013 - Valuation	30	282	16	13	72	10	72	22	34	30	50	631	76	19	-	726	
Total Net Book Value at 31 March 2013	30	282	16	13	72	10	72	22	34	30	50	631	76	19	11	737	

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012/13

Movement on Balances	HISTORIC COLLECTION														War Memorials £000	Total £000
Comparative movements in 2011/12	Social History £000	Ship Models £000	Boats £000	Industrial History £000	Art & Sculpture £000	Ceramics & Glass £000	Furniture £000	Silverware £000	Regalia £000	Historic (Old) Statues £000	Total Historic Collection £000	New Statues £000	Herbert Leigh – Boat £000			
Cost or Valuation																
Heritage Asset – Cost at 1 April 2011	-	-	-	-	-	-	-	-	-	-	-	-	-	14		
Heritage Asset – Valuation at 1 April 2011	29	297	16	13	72	10	72	22	34	30	595	91	23		709	
At 1 April 2011	29	297	16	13	72	10	72	22	34	30	595	91	23	14	723	
eliminate depreciation on revaluation	-	-	-	-	-	-	-	-	-	-	-	(12)	(3)	-	(15)	
At 31 March 2012	29	297	16	13	72	10	72	22	34	30	595	79	20	14	708	
Accumulated Depreciation and Revaluation																
Heritage Asset – Cost at 1 April 2011	-	-	-	-	-	-	-	-	-	-	-	-	-	(2)	(2)	
At 1 April 2011	-	-	-	-	-	-	-	-	-	-	-	-	-	(2)	(2)	
depreciation charge	-	-	-	-	-	-	-	-	-	-	-	(12)	(3)	(1)	(16)	
eliminate depreciation on revaluation	-	-	-	-	-	-	-	-	-	-	-	12	3	-	15	
At 31 March 2012	-	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(3)	
Net Book Value at 31 March 2012 – Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	11	11	
Net Book Value at 31 March 2012 - Valuation	29	297	16	13	72	10	72	22	34	30	595	79	20	-	694	
Total Net Book Value at 31 March 2012	29	297	16	13	72	10	72	22	34	30	595	79	20	11	705	

## Depreciation

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

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

## Revaluations

All non-operational heritage asset valuations, as implemented by the 2011/12 code, have been carried out by Bonhams, International Auctioneers and Valuers. Further 2012/13 assets acquired have been valued by The Treasure Valuation Committee or, for non-material assets, the Authority's Museum Curator.

Financial Year	Valuer	Value £000	Total £000
<b>Carried at market value:</b>			
2011/12	Bonhams International Auctioneers & Valuers	675	
<b>Total fair value of assets valued in 2011/12</b>			<b>675</b>
2012/13	Treasure Valuation Committee	49	
	Authority's Museum Curator	2	
<b>Total fair value of assets valued in 2012/13</b>			<b>51</b>
<b>Assets carried at historical cost</b>			<b>11</b>
<b>Net Book Value at 31 March 2013</b>			<b>737</b>

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

### Three Year Summary of Transactions

	2010/11 £000	2011/12 £000	2012/13 £000
<b>Assets/Recognised Assets</b>			
Historic Collection	595	-	-
New Statues and Herbert Leigh	415	-	-
War Memorials (Cost)	14	-	-
<b>Total Recognised</b>	<b>1,024</b>	<b>-</b>	<b>-</b>
<b>Value of Heritage Assets Acquired</b>			
Historic Collection	-	-	51
New Statues and Herbert Leigh Boat	19	-	-
<b>Total Donations</b>	<b>19</b>	<b>-</b>	<b>51</b>
<b>Revaluation of Assets</b>			
New Statues and Herbert Leigh	(261)	-	-
Eliminate depreciation on revaluation			
Eliminate depreciation on revaluation	(59)	-	-
<b>Total Revaluation/Depreciation eliminated</b>	<b>(320)</b>	<b>-</b>	<b>-</b>
<b>Accumulated Depreciation and Revaluation</b>			
New Statues and Herbert Leigh	(59)	(15)	(4)
War Memorials (Cost)	(2)	(1)	
Eliminate depreciation on revaluation	59		-
<b>Total Accumulated Depreciation &amp; Revaluation</b>	<b>(2)</b>	<b>(16)</b>	<b>(4)</b>
<b>De-recognition of Assets - Historic Collection</b>			
Carrying Value	-	-	(15)
Net Book Value at 31 March – Valuation	709	694	726
Net Book Value at 31 March - Cost	12	11	11
<b>Total Net Book Value 31 March</b>	<b>721</b>	<b>705</b>	<b>737</b>

The authority has obtained appropriate valuations for the majority of its heritage assets held. However, due to the impracticability of the exercise, no valuations prior to 1 April 2010 have been ascertained, therefore, the authority's financial summary, listed above, presently covers three years (2010/11, 2011/12, 2012/13). The requirement to further report a five year summary will be provided as available.

## 14. ASSETS HELD FOR SALE

One piece of surplus land was reclassified as held for sale during 2011/12. This land has subsequently been unclassified in 2012/13 because it is deemed the relevant criteria required can no longer be met. One further asset has been reclassified as held for sale during 2012/13; this asset is a surplus renewal area property and has been valued at fair value. Depreciation is not charged on assets held for sale.

Non-current 2011/12 £000		Non-current 2012/13 £000
30	Property, Plant and Equipment	45
30	<b>Net Book Value at 31 March</b>	<b>45</b>

### Revaluations

Financial Year	Valuer	Value £000	Total £000
<b>Carrying value:</b>			
2012/13	Ross Estate Agency	45	
<b>Net Book Value at 31 March 2013</b>			<b>45</b>

## 15. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
<b>Investments</b>				
Loans and receivables	-	-	6,506	-
<b>Debtors</b>				
Loans and receivables	-	-	578	648
<b>Borrowings</b>				
Financial liabilities at amortised cost	(39,479)	(39,479)	(494)	(494)
<b>Creditors</b>				
Financial liabilities carried at contract amount	-	-	(2,022)	(2,217)

### Income, Expense, Gains and Losses

	2012/13			2011/12		
	Financial liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Total £000	Financial liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Total £000
Total expense in (Surplus) or Deficit on the Provision of Services: <b>interest expense</b>	1,450	-	1,450	984	-	984
Total income in (Surplus) or Deficit on the Provision of Services: <b>interest income</b>	-	(38)	(38)	-	(24)	(24)
<b>Net (gain)/loss for the year</b>	1,450	(38)	1,412	984	(24)	960

### 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 2013 of 0.52% to 3.13% 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 2012			31 March 2013	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
648	648	Loans and receivables short-term	7,084	7,084
(39,479)	(45,646)	Borrowings long-term	(39,479)	(47,361)
(494)	(494)	Borrowings short-term	(494)	(494)
(2,217)	(2,217)	Creditors	(2,022)	(2,022)
<b>(41,542)</b>	<b>(47,709)</b>	<b>Total</b>	<b>(34,911)</b>	<b>(42,793)</b>

The fair value of the liabilities is higher than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This

shows a notional future gain (based on economic conditions at 31 March 2013) arising from a commitment to pay interest to lenders below current market rates.

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

## 16. INVENTORIES

31 March 2012		31 March 2013
£000		£000
13	Dock Museum shop	14
3	Other stocks held for internal issue	5
16	<b>Total</b>	<b>19</b>

## 17. SHORT TERM DEBTORS

31 March 2012		31 March 2013
£000		£000
340	Central government bodies	742
839	Other local authorities	621
1,203	Other entities and individuals	1,032
2,382	<b>Total</b>	<b>2,395</b>

## 18. CASH AND CASH EQUIVALENTS

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

31 March 2012		31 March 2013
£000		£000
2	Cash held by the authority	2
5,587	Bank current accounts	4,796
2	Interest income	1
5,591	<b>Total Cash and Cash Equivalents</b>	<b>4,799</b>

## 19. SHORT TERM CREDITORS

31 March 2012		31 March 2013
£000		£000
(1,390)	Central government bodies	(1,439)
(342)	Other local authorities	(164)
(2,584)	Other entities and individuals	(2,481)
(4,316)	<b>Total</b>	<b>(4,084)</b>



## 20. PROVISIONS

	MMI Provision	Early Retirement Provision	Total
	£000	£000	£000
<b>Balance at 31 March 2012</b>	-	(41)	(41)
Additional provisions made in 2012/13	(1,018)	-	(1,018)
Amounts used in 2012/13	212	6	218
<b>Balance at 31 March 2013</b>	<b>(806)</b>	<b>(35)</b>	<b>(841)</b>

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.

The Council is a member of the Municipal Mutual Insurance (MMI) Scheme of Arrangement. MMI ceased to write new or renew insurance business in 1992 and established a Scheme of Arrangement under provisions within the Companies Act 1985. The Scheme of Arrangement was set up to achieve a solvent run-off for MMI and for members' claims to continue to be settled. The Scheme is no longer projecting a solvent run-off so the members (Scheme Creditors) have been called on to make an Initial Levy. The Council has set up a provision to fund the potential liability of £1,018k, of which £212k has been accounted for as a creditor for the Initial Levy in 2012/13.

## 21. USABLE RESERVES

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

## 22. UNUSABLE RESERVES

31 March 2012		31 March 2013
£000		£000
(26,853)	i. Revaluation Reserve	(26,853)
(77,268)	ii. Capital Adjustment Account	(70,067)
63	iii. Financial Instruments Adjustment Account	27
0	iv. Deferred Capital Receipts Reserve	0
24,854	v. Pensions Reserve	29,317
2	vi. Collection Fund Adjustment Account	(42)
41	vii. Accumulated Absences Account	52
<b>(79,161)</b>	<b>Total Unusable Reserves</b>	<b>(67,566)</b>

# i. Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its Property, Plant and Equipment. The balance 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.

2011/12		2012/13	
£000		£000	£000
(28,732)	Balance at 1 April		(26,853)
(1,691)	Upward revaluation of assets	(1,982)	
2,866	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	1,203	
1,175	(Surplus) or deficit on revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services		(779)
624	Difference between fair value depreciation and historical cost depreciation	617	
80	Accumulated gains on assets sold & derecognised	162	
704	Amount written off to the Capital Adjustment Account		779
(26,853)	Balance at 31 March		(26,853)

# 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.

BARROW BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2012/13

2011/12			2012/13
£000			£000
(96,509)	<b>Balance at 1 April</b>		<b>(77,268)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
4,013	▪ Charges for depreciation and impairment of non-current assets	3,640	
3,504	▪ Revaluation losses on Property, Plant and Equipment	11,040	
1,243	▪ Revenue expenditure funded from capital under statute	642	
546	▪ 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	823	
17,089	HRA Self Financing Settlement	-	
(704)	Adjusting amounts written out of the Revaluation Reserve	(779)	
<b>25,691</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>15,366</b>
	Capital financing applied in the year:		
(955)	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(532)	
(2,112)	▪ Use of the Major Repairs Reserve to finance capital expenditure	(1,903)	
(1,114)	▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(688)	
(595)	▪ Application of grants to capital financing from the Capital Grants Unapplied Account	(151)	
(1,086)	▪ Statutory provision for the financing of capital investment charged against the General Fund balance	(935)	
-	▪ Voluntary provision for the financing of capital investment charged against the HRA Fund balance	(1,740)	
(588)	▪ Capital expenditure charged against the General Fund balance	(2,216)	(8,165)
<b>(77,268)</b>	<b>Balance at 31 March</b>		<b>(70,067)</b>

### iii. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements of accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

2011/12		2012/13
£000		£000
183	Balance at 1 April	63
(120)	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	(36)
63	Balance at 31 March	27

### iv. Deferred Capital Receipts Reserve

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

2011/12		2012/13
£000		£000
(1)	Balance at 1 April	0
1	Transfer to the Capital Receipts Reserve upon receipt of cash	0
0	Balance at 31 March	0

### v. Pensions Reserve

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

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

2011/12		2012/13
£000		£000
21,943	<b>Balance at 1 April</b>	<b>24,854</b>
3,161	Actuarial (gains) or losses on pensions assets and liabilities	4,581
1,962	Reversal of items relating to retirement benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	1,785
(2,212)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,903)
<b>24,854</b>	<b>Balance 31 March</b>	<b>29,317</b>

#### vi. Collection Fund Adjustment Account

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

2011/12		2012/13
£000		£000
35	<b>Balance at 1 April</b>	<b>2</b>
(33)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(44)
<b>2</b>	<b>Balance at 31 March</b>	<b>(42)</b>

#### vii. Accumulated Absences Account

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

2011/12		2012/13
£000		£000
46	<b>Balance at 1 April</b>	<b>41</b>
(5)	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.	11
<b>41</b>	<b>Balance at 31 March</b>	<b>52</b>

## 23. OTHER LONG TERM LIABILITIES

2011/12		2012/13
£000		£000
(24,854)	Pension scheme liabilities	(29,318)
(77)	Compulsory purchase proceeds	(77)
(24,931)	<b>Total</b>	<b>(29,395)</b>

## 24. LONG TERM DEBTORS

2011/12		2012/13
£000		£000
5	Catering contract deposit	5
-	Property rents	56
5	<b>Total</b>	<b>61</b>

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

2011/12 Restated		2012/13
£000		£000
(4,013)	Depreciation	(3,640)
(3,281)	Revaluation losses and gains on previous losses	(11,042)
323	(Increase)/decrease in provision for bad debts	(114)
6	(Increase)/decrease in provisions	(800)
2,369	(Increase)/decrease in creditors	377
(1,378)	Increase/(decrease) in debtors	420
(13)	Increase/(decrease) in inventories	3
250	Movement in pension liability	118
(769)	Carrying amount of non-current assets sold or derecognised	(823)
187	Other non-cash movements	(47)
(6,319)		<b>(15,548)</b>

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

2011/12 Restated		2012/13
£000	Investing	£000
(17,089)	HRA self-financing settlement payment	-
505	Proceeds from the sale of property, plant and equipment	1,487
932	Other receipts from investing activities	1,856
(15,652)		<b>3,343</b>

## 27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2011/12		2012/13
£000		£000
(24)	Interest received	(33)
978	Interest paid	1,450

## 28. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2011/12 Restated		2012/13
£000		£000
5,260	Purchase of property, plant and equipment	5,021
-	Purchase of short-term investments	12,000
17,089	HRA self-financing settlement payment	-
(505)	Proceeds from the sale of property, plant and equipment	(1,487)
-	Proceeds from short-term investments	(5,500)
(932)	Other receipts from investing activities	(1,856)
20,912	<b>Net cash flows from investing activities</b>	<b>8,178</b>

## 29. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2011/12 Restated		2012/13
£000		£000
(17,089)	Cash receipts of long-term borrowing	-
(2,752)	Agency transactions relating to NNDR and council tax (billing authority)	(503)
(19,841)	<b>Net cash flows from financing activities</b>	<b>(503)</b>

## 30. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits are based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year

- expenditure on support services is budgeted for centrally and not charged during the year

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

Directorate Income and Expenditure 2012/13	Corporate Management and Housing Services	Corporate & Support Services and Electoral Services	Economic Development, Planning & Building Control and Environmental Health	Leisure, Parking and Environmental Services	Financial Services and Revenues & Benefits	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(10,115)	(48)	(2,064)	(4,280)	(599)	(17,106)
Government grants	-	(80)	(88)	(58)	(27,707)	(27,933)
<b>Total Income</b>	<b>(10,115)</b>	<b>(128)</b>	<b>(2,152)</b>	<b>(4,338)</b>	<b>(28,306)</b>	<b>(45,039)</b>
Staff pay	1,376	722	1,363	1,730	547	5,738
Other service expenses	3,237	1,153	1,537	5,896	32,817	44,640
<b>Total Expenditure</b>	<b>4,613</b>	<b>1,875</b>	<b>2,900</b>	<b>7,626</b>	<b>33,364</b>	<b>50,378</b>
<b>Net Expenditure</b>	<b>(5,502)</b>	<b>1,747</b>	<b>748</b>	<b>3,288</b>	<b>5,058</b>	<b>5,339</b>

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 2012/13 the gross expenditure included in the analysis is 77%.

Directorate Income and Expenditure 2011/12 comparative figures (restated to reflect new Management structure in 2012/13)	Corporate Management and Housing Services	Corporate & Support Services and Electoral Services	Economic Development, Planning & Building Control and Environmental Health	Leisure, Parking and Environmental Services	Financial Services and Revenues & Benefits	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(9,569)	(112)	(2,096)	(4,217)	(705)	(16,699)
Government grants	(48)	0	(19)	(42)	(26,847)	(26,956)
<b>Total Income</b>	<b>(9,617)</b>	<b>(112)</b>	<b>(2,115)</b>	<b>(4,259)</b>	<b>(27,552)</b>	<b>(43,655)</b>
Staff pay	1,521	799	1,640	1,900	612	6,472
Other service expenses	4,931	1,361	1,628	6,473	30,841	45,234
<b>Total Expenditure</b>	<b>6,452</b>	<b>2,160</b>	<b>3,268</b>	<b>8,373</b>	<b>31,453</b>	<b>51,706</b>
<b>Net Expenditure</b>	<b>(3,165)</b>	<b>2,048</b>	<b>1,153</b>	<b>4,114</b>	<b>3,901</b>	<b>8,051</b>



# 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.

	2012/13	2011/12
	£000	£000
Net expenditure in the Directorate Analysis	5,339	8,051
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	15,139	25,284
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(1,376)	(1,589)
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>19,102</b>	<b>31,746</b>

## 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.

2012/13	Directorate Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(17,106)		(170)	(17,276)		(17,276)
Interest and investment income					(38)	(38)
Income from council tax					(4,622)	(4,622)
Government grants and contributions	(27,933)			(27,933)	(11,120)	(39,053)
<b>Total Income</b>	<b>(45,039)</b>	<b>0</b>	<b>(170)</b>	<b>(45,209)</b>	<b>(15,780)</b>	<b>(60,989)</b>
Staff pay	5,738	317	(1,345)	4,710		4,710
Pensions valuation adjustment					(3,035)	(3,035)
HRA Self Financing Settlement						
Other service expenses	44,640		139	44,779		44,779
Support Service recharges*		(24)		(24)		(24)
Depreciation, revaluation & impairment		14,846		14,846		14,846
Interest Payments					5,400	5,400
Precepts					103	103
Payments to Housing Capital Receipts Pool					201	201
(Gain) or Loss on Disposal of Non-Current Assets					(669)	(669)
<b>Total Expenditure</b>	<b>50,378</b>	<b>15,139</b>	<b>(1,206)</b>	<b>64,311</b>	<b>2,000</b>	<b>66,311</b>
<b>(Surplus) or deficit on the Provision of Services</b>	<b>5,339</b>	<b>15,139</b>	<b>(1,376)</b>	<b>19,102</b>	<b>(13,780)</b>	<b>5,322</b>

\* The gross value of support services recharged to and between front line services is £2,779k, with £24k being recharged to capital projects.

2011/12	Directorate Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(16,699)	-	(73)	(16,772)	-	(16,772)
Interest and investment income	-	-	-	-	(24)	(24)
Income from council tax	-	-	-	-	(4,477)	(4,477)
Government grants and contributions	(26,956)	-	-	(26,956)	(10,188)	(37,144)
<b>Total Income</b>	<b>(43,655)</b>	<b>0</b>	<b>(73)</b>	<b>(43,728)</b>	<b>(14,689)</b>	<b>(58,417)</b>
Staff pay	6,472	459	(1,574)	6,275	-	6,275
Pensions valuation adjustment	-	-	-	-	(3,377)	(3,377)
HRA Self Financing Settlement	-	17,089	-	17,089	-	17,089
Other service expenses	45,234	-	58	44,374	-	44,374
Support Service recharges*	-	(29)	-	(29)	-	(29)
Depreciation, revaluation & impairment	-	7,765	-	7,765	-	7,765
Interest Payments	-	-	-	-	5,214	5,214
Precepts	-	-	-	-	103	103
Payments to Housing Capital Receipts Pool	-	-	-	-	129	129
(Gain) or Loss on Disposal of Non-Current Assets	-	-	-	-	35	35
<b>Total Expenditure</b>	<b>51,706</b>	<b>25,284</b>	<b>(1,516)</b>	<b>75,474</b>	<b>2,104</b>	<b>77,578</b>
<b>(Surplus) or deficit on the Provision of Services</b>	<b>8,051</b>	<b>25,284</b>	<b>(1,589)</b>	<b>31,746</b>	<b>(12,585)</b>	<b>19,161</b>

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

### 31. MEMBERS' ALLOWANCES

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

2011/12		2012/13
£000		£000
85	Basic allowances	85
31	Extra responsibility allowance	30
12	Expenses	12
<b>128</b>	<b>Total</b>	<b>127</b>

There is also an honorarium for the office of the Mayor's year of office to cover mayoral duties and civic receptions. The honorarium for 2012/13 was £5k (£5k for 2011/12).

## 32. OFFICERS' REMUNERATION

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

2012/13	Chief Executive (retired 30/6/2012)	* Executive Director (from 1/7/2012)	* Director of Regeneration & Community Services (post deleted 30/6/2012)	Deputy Executive Director (from 1/4/2012)	Borough Treasurer (retired 15/4/2012)	Borough Treasurer (from 1/4/2012)
	£000	£000	£000	£000	£000	£000
Salary and allowances	24	70	19	67	3	56
<b>Total remuneration excluding pension contributions</b>	<b>24</b>	<b>70</b>	<b>19</b>	<b>67</b>	<b>3</b>	<b>56</b>
Employers pension contributions	3	9	2	8	0	7
<b>Total remuneration including pension contributions</b>	<b>27</b>	<b>79</b>	<b>21</b>	<b>75</b>	<b>3</b>	<b>63</b>

\* The Director of Regeneration and Community Services was appointed Executive Director with effect from 1 July 2012.

2011/12	Chief Executive	Director of Regeneration & Community Services	Director of Corporate Services (post deleted 31/12/2011)	Borough Treasurer
	£000	£000	£000	£000
Salary and allowances	103	74	55	54
Benefits in kind	0	0	0	4
Compensation for loss of office	91	0	36	54
<b>Total remuneration excluding pension contributions</b>	<b>194</b>	<b>74</b>	<b>91</b>	<b>112</b>
Employers pension contributions	12	9	7	7
<b>Total remuneration including pension contributions</b>	<b>206</b>	<b>83</b>	<b>98</b>	<b>119</b>

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

### Annualised salaries

The Chief Executive left the authority on voluntary redundancy with effect from 30 June 2012; the annualised salary for 2012/13 was £91K.

The former Borough Treasurer left the authority on voluntary redundancy with effect from 15 April 2012; the annualised salary for 2012/13 was £54K.

The Director of Corporate Services left the authority on voluntary redundancy with effect from 31 December 2011; the annualised salary for 2011/12 was £68k.

Redundancy payments were made to officers on their departure.

The Director of Regeneration and Community Services was appointed Executive Director with effect from 1 July 2012; the annualised salaries for these posts in 2012/13 were £68K & £92K respectively.

### 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	2012/13		2011/12	
	Number of Employees	Number leaving in the year	Number of Employees	Number leaving in the year
£50,000 - £54,999	-	-	4	3
£55,000 - £59,999	-	-	1	1
£60,000 - £64,999	-	-	1	1
£65,000 - £69,999	1	1	-	-
£70,000 - £75,999	-	-	1	1
£76,000 - £79,999	-	-	-	-
£80,000 - £85,999	-	-	1	1

The employee shown in 2012/13 left the authority on voluntary redundancy. For 2011/12, seven of the employees left the authority on voluntary redundancy. Remuneration includes redundancy payments.

## Exit Packages

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

Exit package cost band	Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2011/12	2012/13 £000	2011/12 £000
£0 - £20,000	6	15	48	107
£20,001 - £40,000	1	13	34	374
£40,001 - £60,000	1	4	48	209
£60,001 - £80,000	-	2	-	135
£80,001 - £100,000	-	1	-	80
£100,001 - £120,000	-	-	-	-
£120,001 - £140,000	-	1	-	130
<b>Total</b>	<b>8</b>	<b>36</b>	<b>130</b>	<b>1,035</b>

The cost of 5 compulsory redundancies was included in the authority's accounts for 2011/12, however one employee was subsequently redeployed and the remaining 4 employees took voluntary redundancy in 2012/13. The effects of this are included in the table above.

## 33. EXTERNAL AUDIT COSTS

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

2011/12 £000		2012/13 £000
112	Fees payable to external audit with regard to external audit services carried out by the appointed auditor for the year	61
28	Fees payable to external audit for the certification of grant claims and returns for the year	39
<b>140</b>	<b>Total</b>	<b>100</b>

External audit services were provided by the Audit Commission to 31 October 2012 and by Grant Thornton from 1 November, 2012.

### 34. GRANT INCOME

The authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2012/13

2011/12 £000		2012/13 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
(5,360)	Non-domestic rates redistribution	(6,194)
(1,657)	Revenue support grant	(120)
(2,658)	Local Services Support Grant	(2,199)
(172)	New Homes Bonus Grant	(161)
-	New Burdens Grant	(121)
-	Weekly Collection Support Grant	(250)
(109)	Council Tax Freeze Funding	-
(63)	Cumbria County Council	(194)
	Cluster of Empty Homes Grant	(1,663)
(168)	Lottery	(120)
-	Other Local Authorities	(7)
(1)	Other contributions	(91)
<b>(10,188)</b>	<b>Total</b>	<b>(11,120)</b>
	<b>Credited to Services</b>	
(26,142)	Housing & council tax benefits subsidy	(27,087)
(71)	Housing capital grant	-
(705)	Benefits administration	(620)
(507)	Disabled facilities grant	(361)
-	Cluster of Empty Homes Grant	(58)
(81)	Cumbria County Council	(239)
(207)	Other Local Authorities	(31)
(622)	Other grants	(358)
<b>(28,335)</b>	<b>Total</b>	<b>(28,754)</b>

### 35. RELATED PARTIES

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

#### Central Government

Central government has effective control over the general operations of the authority – it is responsible for providing the statutory framework within which the authority operates and provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (such as council tax bills and housing benefits).

Grants receipts outstanding at 31 March 2013 are disclosed in Note 17 and grant income for 2012/13 is disclosed in Note 34.

### Members

Members of the council have direct control over the authority's financial and operating policies. During 2012/13, housing benefit to the value of £186k was paid to 2 members in their capacity as private landlords; £153k and £33k. In addition, 2 members were in receipt of direct payment in respect of invoices issued for services provided to the Council totalling £1k. The total of members' allowances paid in 2012/13 is shown in Note 31. There are no balances outstanding at the 31 March 2013.

### Officers

Officers of the council have direct control over the authority's finances and operational decisions. During 2012/13, housing benefit to the value of £4k was paid to 1 officer in their capacity as a private landlord. In addition, 1 officer was a director of a company that received payment in respect of invoices issued for services provided to the Council totalling £1k. There are no balances outstanding at the 31 March 2013.

## 36. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2011/12		2012/13
£000		£000
32,822	<b>Opening Capital Financing Requirement</b>	50,133
	<b>Capital investment</b>	
5,428	Property, Plant and Equipment	4,848
1,243	Revenue Expenditure Funded from Capital under Statute	642
17,089	HRA self-financing settlement payment	-
	<b>Sources of finance</b>	
(955)	Capital receipts	(532)
(2,296)	Government grants and other contributions	(839)
(2,112)	Sums set aside from revenue	(1,903)
-	Contribution from reserves	(2,216)
(1,086)	Minimum Revenue Provision	(935)
-	Voluntary Revenue Provision	(1,740)
50,133	<b>Closing Capital Financing Requirement</b>	47,458
	<b>Explanation of movements in year</b>	
17,089	HRA self-financing settlement payment	-
222	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(2,675)
17,311	<b>Increase/(decrease) in Capital Financing Requirement</b>	(2,675)

### 37. LEASES

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

#### Authority as Lessee

##### Operating Leases

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

The authority has 7 non-specialist vehicles and 22 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 2012		As at 31 March 2013
£000		£000
566	Not more than one year	561
2,146	Later than one year and not later than five years	1,654
152	Later than five years	82
<b>2,864</b>		<b>2,297</b>

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

As at 31 March 2012		As at 31 March 2013
£000		£000
67	Minimum lease payments	55
(24)	Sublease receipts	0
<b>43</b>		<b>55</b>

Sublease receipts for 2012/13 are shown as zero to bring the funds received into accrual accounting alignment.

#### 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 2012		31 March 2013
£000		£000
(689)	Not more than one year	(871)
(1,351)	Later than one year and not later than five years	(2,152)
(1,352)	Later than five years	(4,040)
<b>(3,392)</b>		<b>(7,063)</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 £41k contingent rents were receivable by the authority (£55k in 2011/12).

### 38. REVALUATION LOSSES

During 2012/13, the Authority recognised a revaluation loss of £9,966k in relation to its Central Renewal Area project. This area originally consisted of a number of private dwellings, purchased by the authority over several years, which were deemed not to be fit for purpose. Some of the dwellings have now been renovated and sold on but the majority have been demolished leaving a land area ready for housing regeneration. This revaluation loss has been calculated at existing use, taking account of the regeneration element, by the authority's valuer NPS and has been charged to the Comprehensive Income and Expenditure Statement. The renewal area was entirely funded by Housing Market Renewal grant, awarded for this specific purpose.

During 2011/12, the Authority brought 104 Abbey Road, Barrow-in-Furness, back into use in its original Grade II status using a variety of grant and lottery funding. The property was purchased and renovated as a state of the art dance studio, film & media facility and arts centre. The property complemented the regeneration of the area and is for the use of people of the Borough as an arts exemplar. The property has been valued in its current use which is a purpose built facility that the Authority has leased out; this means that the difference between the purchase and renovation costs and the current use value to the Authority was charged as a revaluation loss of £2,317k to the Comprehensive Income and Expenditure Statement.

Statutory provisions, for both the above, determine that this loss does not impact on the amount to be met from council tax, so this loss is removed through the Movement in Reserves Statement.

### 39. TERMINATION BENEFITS

The authority agreed the termination of the contract of 8 employees in 2012/13, incurring liabilities of £130k (£1,035k in 2011/12) – see Note 32 for the number of exit packages and total cost per band. In 2011/12 it was planned that five posts would be made compulsorily redundant as part of the authority's service reviews,

however in 2012/13 four of these officers took voluntary redundancy and the other was redeployed. A further four officers took voluntary redundancy in 2012/13.

#### 40. DEFINED BENEFIT PENSION SCHEMES

##### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The authority participates in the Local Government Pensions Scheme, run by Cumbria County Council – this is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets.

##### Transactions Relating to Post-employment Benefits

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

2011/12		2012/13	
£000		£000	£000
	Comprehensive Income and Expenditure Statement		
	<i>Cost of Services:</i>		
848	▪ current service cost	837	
260	▪ curtailment cost	33	
	<i>Financing and Investment Income and Expenditure</i>		
4,231	▪ interest cost	3,950	
(3,377)	▪ expected return on scheme assets	(3,035)	
1,962	<b>Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services</b>		1,785
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
3,161	▪ actuarial (gains) and losses		4,581
5,123	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account</b>		6,366

	<i>Movement in Reserves Statement:</i>	
(1,962)	reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,785)

	<i>Actual amounts charged against the General Fund Balance for pensions in the year:</i>	
2,213	employers' contributions payable to scheme	1,903

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £14,296k (£9,715k for 2011/12).

### **Assets and Liabilities in Relation to Post-employment Benefits**

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

<b>2011/12</b>		<b>2012/13</b>
<b>£000</b>		<b>£000</b>
(78,315)	Opening balance at 1 April	(82,272)
79	Prior year contributions to the scheme	-
(848)	Current service cost	(837)
(4,231)	Interest cost	(3,950)
(333)	Contributions by scheme participants	(289)
(2,554)	Actuarial gains and (losses)	(9,173)
4,190	Benefits paid	4,460
(260)	Curtailments	(33)
<b>(82,272)</b>	<b>Closing balance at 31 March</b>	<b>(92,094)</b>

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

<b>2011/12</b>		<b>2012/13</b>
<b>£000</b>		<b>£000</b>
56,371	Opening balance at 1 April	57,418
3,377	Expected return	3,035
(607)	Actuarial (gains) and losses	4,592
2,134	Employer contributions	1,903
333	Contributions by scheme participants	289
(4,190)	Benefits paid	(4,460)
<b>57,418</b>	<b>Closing balance at 31 March</b>	<b>62,777</b>

The assets at the 31 March 2013 consist of:

<b>2011/12</b>		<b>2012/13</b>
<b>£000</b>		<b>£000</b>
29,627	Equities	34,777
9,187	Government bonds	9,982
9,187	Other bonds	9,919
3,675	Property	3,516
919	Cash/liquidity	377
4,823	Other	4,206
<b>57,418</b>	<b>Balance at 31 March</b>	<b>62,777</b>

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

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

The actual return on scheme assets in the year was £7,626k (£2,770k in 2011/12).

## Scheme History

	2008/09	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000	£000
Present value of liabilities	(66,650)	(87,856)	(78,315)	(82,272)	(92,094)
Fair value of assets	44,445	55,461	56,371	57,418	62,777
<b>Scheme surplus/(deficit)</b>	<b>(22,205)</b>	<b>(32,395)</b>	<b>(21,944)</b>	<b>(24,854)</b>	<b>(29,317)</b>

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £29,317k has a substantial impact on the Total Reserves of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy as it will be made good by contributions over the remaining working life of employees (this is before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the authority in the year to 31 March 2014 is £1,923k.

## Basis for Estimating Assets and Liabilities

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

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

The principal assumptions used by the actuary have been:

2011/12		2012/13
	<b>Expected rate of return on assets:</b>	
7.0%	Equities	7.0%
3.1%	Government bonds	2.8%
4.1%	Other bonds	3.9%
6.0%	Property	5.7%
0.5%	Cash/liquidity	0.5%
7.0%	Other	7.0%

2011/12		2012/13
	<b>Mortality assumptions:</b>	
	Longevity at 65 for current pensioners:	
21.8	▪ Men	22.2
24.5	▪ Women	24.9
	Longevity at 65 for future pensioners:	
23.2	▪ Men	24.1
26.0	▪ Women	26.9

2011/12		2012/13
	<b>Financial assumptions:</b>	
2.5%	Rate of CPI inflation	2.4%
4.25%	Rate of increase in salaries	4.15%
2.5%	Rate increase in pensions	2.4%
4.9%	Rate for discounting scheme liabilities	4.2%

2011/12		2012/13
	<b>Commutation of pension for lump sum at retirement:</b>	
50%	Take-up of option to convert annual pension into retirement lump sum	50%

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Differences between the expected and actual return on assets	(30.7)	17.3	(1.5)	(1.1)	7.3
Experience (gains) and losses on liabilities	-	-	6.3	-	-

## 41. CONTINGENT LIABILITIES

### MMI Scheme of Arrangement

The authority is a member of the Municipal Mutual Insurance (MMI) Scheme of Arrangement. MMI ceased to write new or renew insurance business in 1992 and established a Scheme of Arrangement under provisions within the Companies Act 1985. The Scheme of Arrangement was set up to achieve a solvent run-off for MMI and for members' claims to continue to be settled. In March 2012, the Supreme Court found against MMI in relation to mesothelioma claims. The judgment has significant implications for MMI and the Scheme is now under the control of administrator. The members (Scheme Creditors) have been called on to pay an Initial Levy.

The maximum liability for the authority is £1,199k of claims previously settled at the Balance sheet date; this is net of the Initial Levy of £212k included in the accounts within other creditors. The authority has set up a provision to fund the potential future liability with a value of £806k at the Balance Sheet date (see Note 20).

There are existing outstanding claims as at the 31 March, 2013, of £129k and there may also be further claims arising from events that occurred between 1974 and 1992 that have not yet been reported.

## Personal Search Fees

Since the abolition of the Personal Search fee in August 2010, legal proceedings have been issued by a number of Property Search Companies against local authorities across the UK. The claimants are seeking to recover the fees paid in respect of personal searches dating back to 2005. The cost of the claims at present is estimated at £140k. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

## 42. CONTINGENT ASSETS

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

## 43. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

### Credit Risk

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

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

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

- Minimum credit rating of 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 £6,500k 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 2013 that this was likely to crystallise.

No credit limits were exceeded during the reporting period.

The authority does not generally allow credit for customers, such that £287k of the £578k balance owed by trade debtors is past its due date for payment. The past due amount can be analysed by age as follows:

31 March 2012		31 March 2013
£000		£000
99	Less than three months	83
49	Three to six months	29
64	Six months to one year	48
122	More than one year	127
<b>334</b>	<b>Outstanding debt</b>	<b>287</b>
272	Provision for bad and doubtful debts	260
81%	Percentage of provision	91%

Of the £287k debt at 31 March 2013, £61k is currently held in dispute or being paid by instalments which adds a risk to their eventual repayment.

### Liquidity Risk

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

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

The maturity analysis of financial liabilities is as follows:

31 March 2012		31 March 2013
£000		£000
-	Between 2 and 5 years	1,000
5,000	Between 5 and 10 years	5,000
5,000	Between 10 and 15 years	5,000
7,350	Between 15 and 20 years	7,350
8,500	Between 20 and 25 years	8,500
1,239	Between 25 and 30 years	239
-	Between 30 and 35 years	-
4,000	Between 35 and 40 years	8,795
8,390	Between 40 and 45 years	3,595
<b>39,479</b>		<b>39,479</b>

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

### Market Risk

### Interest Rate Risk

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

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

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

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

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



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

31 March 2012		31 March 2013
£000		£000
-	Decrease in fair value of fixed rate investment assets	(10)
(6,316)	Decrease in fair value of fixed rate borrowings liability	(6,426)
(6,316)		(6,436)

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.

### 44. 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:

2011/12 £000		2012/13 £000
35	Assets	30
(31)	Gross Income	(26)
31	Gross Expenditure	34
0	Net (surplus) or deficit for the year	8

## HRA INCOME AND EXPENDITURE STATEMENT

2011/12		2012/13	
£000		£000	
	<b>Expenditure</b>		
2,657	Repairs and maintenance	2,179	
2,430	Supervision and management	2,172	
2	Rents, rates, taxes and other charges	3	
1,091	Negative HRA Subsidy payable (Note 7)	2	
17,089	Settlement Payment for Self Financing (Note 8)	-	
2,712	Depreciation, impairment and revaluation of dwellings (Note 5)	1,822	
202	Depreciation and revaluation of other HRA property (Note 6)	129	
18	Debt management costs	14	
79	Movement in the allowance for bad debts	145	
<b>26,280</b>	<b>Total Expenditure</b>		<b>6,466</b>
	<b>Income</b>		
(8,903)	Dwelling rents	(9,494)	
(315)	Non-dwelling rents	(343)	
(310)	Charges for services and facilities	(238)	
(26)	Contributions from other Local Authorities	(1)	
<b>(9,554)</b>	<b>Total Income</b>		<b>(10,076)</b>
<b>16,726</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(3,610)</b>
133	HRA services' share of Corporate and Democratic Core		227
5	HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services		(1)
<b>16,864</b>	<b>Net (Income)/Expenditure for HRA Services</b>		<b>(3,384)</b>
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(105)	Gain or (loss) on sale of HRA non-current assets		(327)
467	Interest payable and similar charges		920
158	Pensions interest cost and expected return on pension assets (Note 11)		186
<b>17,384</b>	<b>(Surplus) or deficit for the year on HRA services</b>		<b>(2,605)</b>

## Movement on the HRA Statement

2011/12		2012/13	
£000		£000	
(1,038)	Balance on the HRA at the end of the previous year		(1,522)
17,384	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(2,605)	
(17,868)	Adjustments between accounting basis and funding basis under statute	2,136	
(484)	<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>(469)</b>	
-	Transfers to or (from) reserves	-	
(484)	<b>(Increase) or decrease in the year on the HRA</b>		<b>(469)</b>
(1,522)	Balance on the HRA at the end of the current year		(1,991)

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 HRA

### 1. HRA Self-Financing

The HRA has been part of the national housing subsidy system through which council housing rents are standardised across the country. The subsidy system used a national formula to set guideline rents for each property together with allowances for management, maintenance and capital charges based on notional costs.

The subsidy system was introduced in 1990 and was subsequently abolished by the Localism Act 2011. It has been replaced with a new system of self-financing which came into effect from 1 April 2012. Under self-financing the authority is no longer required to transfer its resources to central government, but in return was required to take on additional debt, called the 'self-financing settlement', at a level which is sustainable in the long term. The authority made a settlement payment of £17,089k to the Department for Communities and Local Government on 28 March 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 housing 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 2012/13.

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

In 2012/13 the authority paid £2k which represented the balance of subsidy due from the authority following the final settlement to the CLG.

## 2. Dwelling Stock

	31 March 2012	Movements	31 March 2013
1 bed house	143	-	143
2 bed house	384	(3)	381
3+ bed house	920	(3)	917
<b>Total houses</b>	<b>1,447</b>	<b>(6)</b>	<b>1,441</b>
1 bed flat	945	(1)	944
2 bed flat	307	(1)	306
3+ bed flat	6	-	6
<b>Total flats</b>	<b>1,258</b>	<b>(2)</b>	<b>1,256</b>
<b>Dwelling stock</b>	<b>2,705</b>	<b>(8)</b>	<b>2,697</b>

## 3. HRA Non-Current Assets

31 March 2012		31 March 2013
£000		£000
61,713	Council dwellings	61,810
2,302	Land and buildings	2,300
12	Equipment	7
<b>64,027</b>	<b>HRA assets</b>	<b>64,117</b>

## 4. Vacant Possession of Dwellings

In accordance with Government guidance, the valuation of Council dwellings has been reduced by a regional adjustment factor in recognition of their status as social housing. The regional adjustment factor for the North West is 35%. As a consequence the Council recognises dwellings at a value of £61,810k on the Balance Sheet. At vacant possession the same dwellings would have a value of £176,600k with the difference of £114,790k 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 2012		31 March 2013
£000		£000
61,712	Balance Sheet value EUV-SH	61,810
114,608	Difference of EUV-SH and EUV-VP	114,790
<b>176,320</b>	<b>Value of dwelling stock at EUV-VP</b>	<b>176,600</b>

### 5. Depreciation and Revaluation of Dwellings

2011/12		2012/13	
£000		£000	£000
1,086	Revaluation loss	741	
(71)	Reversal of previous revaluation loss	(613)	128
1,697	Depreciation for current year		1,660
-	Impairment Loss		34
<b>2,712</b>			<b>1,822</b>

### 6. Depreciation and Revaluation of Other HRA Property

2011/12		2012/13	
£000		£000	£000
2	Revaluation loss		2
(8)	Reversal of previous revaluation loss		
121	Depreciation for current year		127
87	De-recognition of non-current assets		
<b>202</b>			<b>129</b>

### 7. Negative HRA Subsidy Payable

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

2011/12		2012/13
£000		£000
(1,884)	Allowance for management	-
(3,062)	Allowance for maintenance	-
(1,916)	Major Repairs Allowance	-
(798)	Charges for capital	-
8,756	Rent receivable	-
<b>1,096</b>	<b>Total current year HRA subsidy payable</b>	<b>-</b>
(5)	Settlement of previous year claim	2
<b>1,091</b>	<b>Total expenditure for the year</b>	<b>2</b>

**8. HRA Capital Financing Requirement**

2011/12		2012/13
£000		£000
9,010	<b>Opening Capital Financing Requirement</b>	<b>26,099</b>
	<b>Capital investment:</b>	
2,112	Council dwellings	1,903
17,089	HRA self-financing settlement payment	-
	<b>Source of finance:</b>	
(2,112)	Major Repairs Reserve	(1,903)
-	Voluntary Revenue Provision – towards the repayment of HRA Debt	(1,740)
<b>26,099</b>	<b>Closing Capital Financing Requirement</b>	<b>24,359</b>
	<b>Explanation of movements in year</b>	
17,089	HRA self-financing settlement payment	-
-	Decrease in underlying need to borrow(unsupported by Government financial assistance)	(1,740)
<b>17,089</b>	<b>Increase(decrease) in Capital Financing Requirement</b>	<b>(1,740)</b>

**9. HRA Non-Current Asset Disposals**

2011/12		2012/13
£000		£000
117	Carrying value of dwellings sold	297
(215)	Sale proceeds from dwellings	(620)
<b>(98)</b>	<b>Net gain on disposals</b>	<b>(323)</b>

**10. Major Repairs Reserve**

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

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

2011/12		2012/13
£000		£000
	MRR transfers in the year:	
(1,697)	From HRA for dwellings depreciation	(1,660)
(122)	From HRA for other depreciation	-
(218)	Difference between MRA and dwellings depreciation	(245)
121	To HRA for depreciation of other assets	-
<b>(1,916)</b>	<b>MRA for the year</b>	<b>(1,905)</b>
-	Increase for depreciation of non-dwelling assets	(127)
2,112	Capital expenditure financed by MRR	1,903
<b>(198)</b>	<b>Balance brought forward</b>	<b>(2)</b>
(2)	Balance carried forward	(131)

## 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:

2011/12		2012/13	
£000		£000	£000
	HRA		
	<i>Cost of Services:</i>		
158	▪ current service cost	171	
5	▪ curtailment costs	-	
	<i>Financing and Investment Income and Expenditure</i>		
785	▪ interest cost	806	
(627)	▪ expected return on scheme assets	(620)	
321	<i>Total Post Employment Benefit Charged to the HRA Income and Expenditure Account</i>		357
	<i>Movement in Reserves Statement</i>		
(321)	▪ reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code		(357)
	<i>Actual amounts charged against the HRA Balance for pensions in the year:</i>		
315	▪ employers' contributions payable to scheme		314



## 12. Rent Arrears

At 31 March 2013 the HRA rent arrears and the Balance Sheet provision in respect of uncollectable debts was:

2011/12		2012/13
£000		£000
343	Arrears at year end	412
243	Provision for bad and doubtful debts	314
71%	Percentage of provision	76%

## 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 2012		31 March 2013
(1,522)	Total HRA balance carried forward	(1,991)
(371)	<i>Of which: committed to on-going housing maintenance</i>	(788)

# COLLECTION FUND

2011/12		2012/13	
£000		£000	£000
	<b>Income</b>		
(27,422)	Income from Council Tax	(27,765)	
	<i>Transfers from General Fund:</i>		
(6,332)	- Council Tax benefits	(6,410)	
(21,625)	Income collectable from business ratepayers	(22,521)	
<b>(55,379)</b>	<b>Total Income</b>		<b>(56,696)</b>
	<b>Expenditure</b>		
	<i>Precepts and demands:</i>		
25,039	- Cumbria County Council	25,014	
4,454	- Barrow Borough Council	4,602	
4,180	- Cumbria Police Authority	4,324	
	<i>Business rate:</i>		
21,524	- Payment to national pool	22,421	
101	- Costs of collection	100	
	<i>Bad and doubtful debts:</i>		
(264)	- Write offs	(211)	
180	- Provisions	303	
<b>55,214</b>	<b>Total Expenditure</b>		<b>56,553</b>
<b>(165)</b>	<b>(Surplus)/Deficit for the year (Note 3)</b>		<b>(143)</b>

## Notes to the Collection Fund

### 1. Income from business ratepayers

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

The total non-domestic rateable value at the 31 March 2013 was £59,047k (£58,207k at the 31 March 2012).

The national non-domestic rate multiplier for 2012/2013 was 45.8 pence in the pound (43.3 pence in the pound for 2011/2012).

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 45.0 pence in the pound (42.6 pence in the pound for 2011/2012) and can also qualify for rate relief.

### 2. Bad and doubtful debts

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

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

31 March 2012		31 March 2013
£000		£000
	<b>Council Tax</b>	
3,869	Arrears	3,760
2,172	Provision for bad and doubtful debts	2,054
56%	Percentage of provision	55%
	<b>Business ratepayers</b>	
1,327	Arrears	1,550
1,196	Provision for bad and doubtful debts	1,236
90%	Percentage of provision	80%

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

### 3. Collection Fund balance

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

(Surplus) for 2011/12 to be distributed in 2013/14		(Surplus) for 2012/13 to be distributed 2014/15
£000		£000
(122)	Cumbria County Council	(105)
(21)	Police Authority	(18)
(22)	Barrow Borough Council	(20)
(165)		(143)

### 4. Council Tax base

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

The collection rate was assumed to be 98% for 2012/13 as it was in 2011/12

The Council Tax base for the year was set as:

2011/12 Band D equivalent number of chargeable dwellings	Band	Standard factor	2012/13 Band D equivalent number of chargeable dwellings
30	Disabled reductions		32
10,847	A	6/9	10,813
3,805	B	7/9	3,793
3,745	C	8/9	3,729
2,062	D	9/9	2,091
1,084	E	11/9	1,093
318	F	13/9	316
106	G	15/9	106
-	H	18/9	2
21,997	Equivalent chargeable dwellings		21,975
21,557	98% of which gives the Council Tax base		21,535

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.

2011/12 Council Tax £	Band	Property value	2012/13 Council Tax £
1,038.17	A	Up to £39,999	1,047.47
1,211.20	B	£40,000 to £51,999	1,222.05
1,384.23	C	£52,000 to £67,999	1,396.63
<b>1,557.26</b>	<b>D</b>	<b>£68,000 to £87,999</b>	<b>1,571.21</b>
1,903.32	E	£88,000 to £119,999	1,920.37
2,249.36	F	£120,000 to £159,999	2,269.52
2,595.42	G	£160,000 to £319,999	2,618.68
3,114.51	H	£320,000 and over	3,142.42

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

### **Opinion on the Authority financial statements**

We have audited the financial statements of Barrow in Furness Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

As explained more fully in the Statement of the Borough Treasurer's Responsibilities, the Borough Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. 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 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 Borough Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the foreword by the Borough Treasurer to identify material inconsistencies with the audited financial statements. 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 in Furness Borough Council as at 31 March 2013 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 2012/13.

### **Opinion on other matters**

In our opinion, the information given in the foreword by the Borough Treasurer 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 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- 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:

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 audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 2013.

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 November 2012, we are satisfied that, in all significant respects, Barrow in Furness Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

### **Certificate**

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

Gina Martlew  
Associate Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
95, Bothwell Street, Glasgow, G2 7JZ



## GLOSSARY

### Asset register

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

### Budget

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

### Budget Book

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

### Budgetary control

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

### Budget provision

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

### Capital contributions

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

### Capital expenditure

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

### Capital programme

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

### Capital receipts

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

#### Capital resources

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

#### CIPFA

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

#### Codes of conduct

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

#### Codes of practice

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

#### Collection Fund

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

#### Computer systems

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

#### Contracts Standing Orders

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

#### Corporate governance

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

#### Council Tax

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

Council Tax base

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

Creditors

A person or body to whom the authority owes money.

Debtors

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

DCLG

Department for Communities and Local Government.

Estimates

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

External Audit

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

Fees and charges

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

Financial Regulations

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

Financial year

The period of twelve months commencing on the 1 April.

General Fund

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

Housing Revenue Account

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

Internal Audit

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

Inventory

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

Investment Strategy

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

Leasing

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

Medium Term Financial Plan

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

Members' Allowances

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

Precept

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

### Prudential Indicators

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

### Reserves

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

### Revenue

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

### Risk

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

### Risk management

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

### Risk Management Policy and Strategy

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

### Statement of Accounts

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

### Supplementary estimate

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

### Treasury Management

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

Treasury Management Policy Statement

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

Treasury Management Strategy

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

Virement

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

Write off

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





# The Audit Findings for Barrow in Furness Borough Council

---

**Year ended 31 March 2013**

**26 September 2013**

**Gina Martlew**

Engagement Lead

T 0141 223 0890

E [gina.f.martlew@uk.gt.com](mailto:gina.f.martlew@uk.gt.com)

**Len Cross**

Audit Manager

T 0161 234 6387

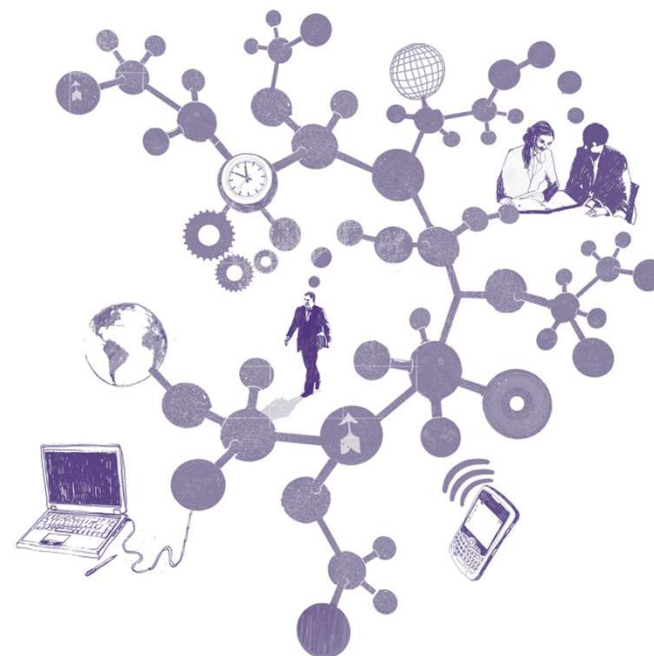
E [leonard.e.cross@uk.gt.com](mailto:leonard.e.cross@uk.gt.com)

**Neil Krajewski**

Audit Executive

T 0161 234 6371

E [neil.p.krajewski@uk.gt.com](mailto:neil.p.krajewski@uk.gt.com)





---

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

---

# Contents

Section	Page
1. Executive summary	4
2. Audit findings	7
3. Value for Money	19
4. Fees, non audit services and independence	21
5. Communication of audit matters	23

---

## Section 1: Executive summary

**01. Executive summary**

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of Barrow in Furness Borough Council's ('the Council') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 27 June 2013.

Our audit is substantially complete although we are finalising our work in the following areas:

- review of the final version of the financial statements;

- obtaining and reviewing the final management letter of representation;
- review of final version of the Annual Governance Statement;
- updating our post balance sheet events review, to the date of signing the opinion; and
- reviewing the Whole of Government Accounts (WGA) statements.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

## Key issues arising from our audit

### Financial statements opinion

We expect to provide an unqualified opinion on the financial statements.

We identified one non-adjusted item which, had it been amended, would have affected the Council's reported financial position, reducing the reported deficit of £5.322M to £4.718M, and increased the Council's usable reserves by £604,000. Details are recorded in section 2 of this report.

Material adjustments were made to the Cash Flow Statement to correct errors made when compiling the statement. This issue has no impact on the other primary statements.

We have also agreed a number of presentational amendments to the financial statements to improve clarity and ensure full compliance with the CIPFA Code of Accounting practice.

### **Value for money conclusion**

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

### **Whole of Government Accounts (WGA)**

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

### **Controls**

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Our work has not identified any control weaknesses which have not already been reported, accordingly there are no issues which we wish to highlight here for your attention.

Further details are provided within section 2 of this report.

### **The way forward**

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Borough Treasurer.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Borough Treasurer and the finance team.

### **Acknowledgment**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
**September 2013**

---

## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 27 June 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you in June 2013.

## **Audit opinion**

We expect to provide the Council with an unqualified opinion. Our audit opinion is set out in Appendix B.

## Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<b>Improper revenue recognition</b> Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	<ul style="list-style-type: none"> <li>examined and tested the policies for recognising revenue</li> <li>completed testing on material revenue streams</li> <li>examined any unusual significant transactions</li> </ul>	Our audit work has provided assurance that there are adequate controls in place to ensure income and expenditure is appropriately recorded and not subject to manipulation.
2.	<b>Management override of controls</b> Under ISA 240 there is a presumed risk of management over-ride of controls	<ul style="list-style-type: none"> <li>assessed entity-level controls at the Council e.g. journals and role of the Audit Committee</li> <li>reviewed information technology (IT) general controls</li> <li>reviewed and tested significant accounting estimates, judgements and decisions made by management</li> <li>tested a sample of journal entries using computer assisted audit techniques (CAATs)</li> <li>reviewed any unusual significant transactions</li> </ul>	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.  We set out later in this section of the report our work and findings on key accounting estimates and judgements.



# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Operating expenses understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of the processes and key controls over the operating expenses cycle</li> <li>undertaken walkthrough of the key controls to assess whether those controls are designed effectively</li> <li>attribute testing of a sample of transactions processed through the creditors system.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses	Creditors understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of the processes and key controls over the operating expenses cycle</li> <li>undertaken walkthrough of the key controls to assess whether those controls are designed effectively</li> <li>substantive testing of creditors including post year end payment for cut-off</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

## Audit findings against other risks

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>HRA Rental Revenue</b>	Housing revenue transactions not recorded	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of the processes and key controls over the HRA rental revenue cycle</li> <li>• undertaken attribute testing on a sample of rent charged to tenants in the 2012-13 financial year</li> <li>• reconciled rent recorded in the Housing Revenue Account to the Authority's housing rent system.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Welfare expenditure</b>	Welfare benefits improperly computed	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of the processes and key controls over the transaction cycle;</li> <li>• established that the correct parameters have been input to the system to calculate benefit payments made to claimants during the 2012-13 financial year;</li> <li>• confirmed that the Council has followed the software supplier's instructions to produce its housing and council tax benefit subsidy claim form; and</li> <li>• tested a sample of payments made to claimants in the 2012-13 financial year to confirm that the correct amount was paid out and the correct amount of subsidy has been claimed by the Council.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.




---

## Audit findings against other risks



Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Remuneration expenses not correct	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"><li>• documented our understanding of processes and key controls over the operating expenses cycle</li><li>• undertaken walkthrough testing of the key controls to assess whether those controls are designed effectively</li><li>• substantive testing of sample of payments to employees</li></ul>	Our audit work has not identified any significant issues in relation to the risk identified.

# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>Revenue from the provision of goods or services is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits will flow to the Authority.</li> <li>Government Grants are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments</li> </ul>	<ul style="list-style-type: none"> <li>The Council's policy is appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice</li> <li>Minimal judgement is involved</li> <li>Accounting policy is properly disclosed</li> </ul>	 <b>GREEN</b>
<b>Judgements and estimates</b>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>useful life of capital equipment</li> <li>pension fund valuations and settlements</li> <li>revaluations</li> <li>impairments</li> <li>provisions/accruals</li> </ul>	<ul style="list-style-type: none"> <li>The Council's policy is appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice</li> <li>Reliance on experts is taken where appropriate</li> <li>Accounting Policy is properly disclosed</li> </ul>	 <b>GREEN</b>
<b>Other accounting policies</b>	<ul style="list-style-type: none"> <li>The Council has adopted accounting policies in accordance with the Local Government Code of Accounting Practice</li> </ul>	<ul style="list-style-type: none"> <li>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention</li> </ul>	 <b>GREEN</b>

## Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate and disclosures sufficient

-  Accounting policy appropriate but scope for improved disclosure

## Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management. Additionally, some presentational amendments were also agreed with management to improve the financial clarity of the financial statements

### Impact of adjusted misstatements.

Detail		Impact on primary financial statements
<b>CASH FLOW STATEMENT</b>		
1	The Cash Flow Statement had not been compiled on an appropriate basis. Whilst the original Cash Flow statement balanced back to the movement in the value of the Cash and Cash Equivalents recorded in the Balance Sheet, the split between cash flows attributable to operating activities, investing activities and financing activities was incorrect. In particular, there were material errors relating to the disclosure of cash flows relating to pensions and capital grants.	Yes – amendments have been made to the 2012-13 figures and the prior year comparators in the Cash Flow Statement to ensure that all cash flows reported have been prepared on an appropriate and consistent basis.
<b>EXPLANATORY FOREWORD</b>		
2	We agreed a number of changes with the Borough Treasurer. These changes were necessary to improve the clarity of the foreword and to ensure it provides a concise and easily-comprehensible summary of the Council's financial performance and position.	None – amendments made improve the linkages with the primary financial statements and supporting disclosure notes and provide a clearer narrative setting out the key factors impacting on the Council's financial performance during the financial year

## Adjusted misstatements (continued)

Detail		Impact on primary financial statements
<b>LEASES DISCLOSURE NOTE</b>		
3	<p>The leasing disclosure Note 37 presented to audit omitted income receivable from Waterside House, leased to BAE Systems for a term of 25 years during 2012/13.</p> <p>Information relating to the lease was collated for financial reporting purposes, but it was overlooked when compiling the disclosure note for inclusion in the accounts.</p>	<p>None – 2012/13 leasing income had been properly accounted for in the Comprehensive Income and Expenditure Account.</p> <p>The leasing Note 37 now reflects income receivable in 2012/13 and over the lease duration.</p>
<b>SEGMENTAL REPORTING</b>		
4	<p>The segmental reporting note sets out the income and expenditure attributable to each Directorate and reconciles the amounts recorded to information recorded in the Comprehensive Income and Expenditure account. Our testing found that the Council had not recorded on a gross basis income and expenditure relating to the Forum arts centre. The amendment made increases gross Directorate income by £372,000 and gross Directorate expenditure by £372,000.</p>	<p>None – income and expenditure relating to the forum has been recorded on a gross basis in the Comprehensive Income and Expenditure Account.</p>

## Unadjusted misstatements

The table below provides details of adjustments identified during the audit but which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Account £	Balance Sheet £	Reason for not adjusting
<b>MUTUAL MUNICIPAL INSURANCE (MMI) PROVISION</b>			
<p>1 The Council is a member of the MMI insurance scheme of arrangement. The arrangement was set-up to achieve a solvent run-off for the scheme. The scheme requires the Council to make contributions based on amounts advised by the Scheme Administrator. A provision was established in 2012-13 to recognise the Council's legal obligation to make these payments.</p> <p>The Council has set aside £1.018M to meet potential liabilities, a provision of £806,000 and £212,000 which is provided for as a creditor. Having revisited correspondence with the Scheme Administrator, the Borough Treasurer has agreed with our assessment that, based on current information, the Council's worst case financial exposure is £414,000. Accordingly, provisions are overstated by £604,000.</p>	£604,000	£604,000	<p>Adjustment would have a knock-on impact throughout the financial statements without materially affecting the Council's reported financial position.</p> <p>The Borough Treasurer intends to adjust for this item in 2013/14, taking account of the latest information. This issue is referred to in the Letter of Representation to be signed by members of the Audit Committee.</p>
<b>Overall impact</b>	<b>£604,000</b>	<b>£604,000</b>	

## Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. There were no issues arising from our review and testing that we have not already reported on, accordingly there are no issues that we need to bring to your attention.



## Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit Committee and have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures. The Audit Commission's national Fraud Initiative (NFI) is available to all public authorities and the Council's staff are reviewing the extensive database and following up any matches to establish whether there is any fraud.</li> </ul>
2.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
3.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council.</li> </ul>
4.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements</li> </ul>
5.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed</li> </ul>
6.	<b>Going concern</b>	<ul style="list-style-type: none"> <li>Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.</li> </ul>

---

## Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Value for Money

## Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

- **The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the following three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control

Overall our work concluded that whilst the Council faces financial challenges, particularly from 2015/16 onwards, its current arrangements for securing financial resilience are good.

### Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints within which it is required to operate. Following concerns raised by Councillors over the cost of Housing and Council Tax Benefits and revenues services, officers are reviewing the contract arrangements for the services provided by Liberata.

Due to concerns raised by the previous auditor regarding tendering and contracting arrangements, we undertook a short follow-up review and found them to be sufficient.

Our overall conclusion is that the Council is responding well to the challenges of the Local Government Finance Settlement, delivering savings and targeting its resources effectively.

## Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

---

## Section 4: Fees, non audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

## Fees, non audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services

### Fees

	Per Audit plan £	Actual fees £
Council audit	67,259	67,259
Grant certification*	22,300	22,300
<b>Total audit fees</b>	<b>89,599</b>	<b>89,599</b>

\* Certification work is on-going. The final fee will be reported to the Audit Committee later in the year in our annual certification report.

### Fees for other services

Service	Fees £
Provision of benchmarking information and analysis relating to the Housing and Council Tax Benefit	10,000 (to date)

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

---

## Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices



# Appendix A: Action plan

## Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Review the approach to preparing the Cash Flow Statement to ensure that all amounts reported are derived from the correct source.	Medium	Neighbouring authorities use the CIPFA Cash Flow Toolkit and having spoken to colleagues and discussed our own preparation methods with my Chief Accountants, we are in the process of arranging a site visit with a view to acquiring the software and training. The 2012-2013 Cash Flow Statement will be recreated in the toolkit during the first quarter of 2014.	31 March 2014, Borough Treasurer
2	Consider the content and the structure of the Explanatory Foreword, as part of the 2013-14 closedown process, to ensure that the foreword provides a 'concise and understandable guide for the reader of the most significant aspects of an authority's financial performance' as per CIPFA guidance.	Medium	Constructive discussions with the auditors around the presentation of the foreword during the 2012-2013 audit has helped to establish a clear basis for the layout for future years. I will ensure that the explanatory foreword is concise and highlights the key issues for readers of the accounts.	31 March 2014, Borough Treasurer

# Appendix B: Audit opinion

**We expect to provide the Council with an unqualified audit report**

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

### Opinion on the Authority's financial statements

We have audited the financial statements of Barrow in Furness Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

As explained more fully in the Statement of the Borough Treasurer's Responsibilities, the Borough Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. 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 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 Borough Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the foreword by the Borough Treasurer to identify material inconsistencies with the audited financial statements. 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 in Furness Borough Council as at 31 March 2013 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 2012/13.

### Opinion on other matters

In our opinion, the information given in the foreword by the Borough Treasurer 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 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- 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.

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 audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 2013.

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 November 2012, we are satisfied that, in all significant respects, Barrow in Furness Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

### **Certificate**

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

Gina Martlew  
Associate Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
95, Bothwell Street, Glasgow, G2 7JZ



© 2013 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**



INVESTOR IN PEOPLE



Gina Martlew  
Associate Director  
Grant Thornton UK LLP  
c/o Cumbria County Council  
The Courts, English Street  
Carlisle, CA3 8NA

**Barrow Borough Council**  
**Borough Treasurer's Department**

TOWN HALL · DUKE STREET  
BARROW-IN-FURNESS · CUMBRIA LA14 2LD  
Tel: (01229) 876543  
DX 63917 BARROW-IN-FURNESS  
Email: customerservices@barrowbc.gov.uk  
www.barrowbc.gov.uk

**Our Ref:** SMR/HLW

**Contact Name:** Miss SM Roberts

**Date:** 26/09/13

**Your Ref:**

Dear Gina

**Barrow in Furness Borough Council**  
**Financial Statements for the year ended 31 March 2013**

This representation letter is provided in connection with the audit of the financial statements of **Barrow in Furness Borough Council** for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- ii. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- iii. We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.

- iv. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).
- v. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the code.
- vi. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the code requires adjustment or disclosure have been adjusted or disclosed.
- vii. We have adjusted four misstatements brought to our attention in the Audit Findings report. We have not adjusted one misstatement in relation to the Municipal Mutual Insurance provision as this would have a knock-on impact throughout the financial statements without materially affecting the Council's reported financial position. The Borough Treasurer intends to adjust for this item in 2013/14, taking into account the latest information. The financial statements are free of material misstatements, including omissions.
- viii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

### **Information Provided**

- ix. We have communicated to you all deficiencies in internal control of which management is aware.
- x. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xi. We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

### **Annual Governance Statement**

- xii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS

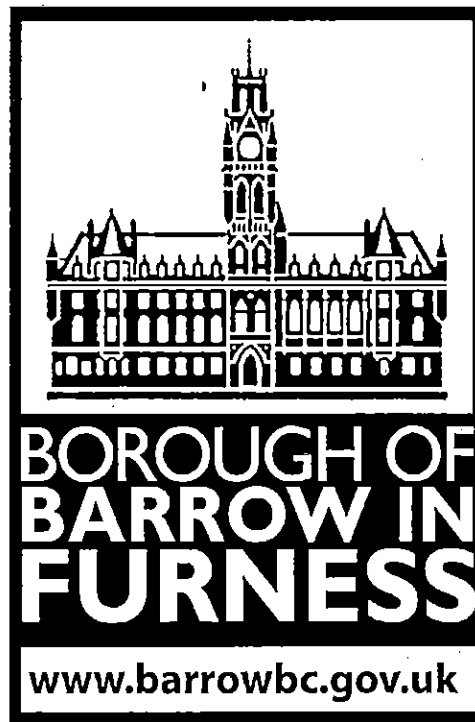
## **Approval**

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 26 September 2013.

## **Signed on behalf of the Council**

Signed:  
Miss S M Roberts  
Borough Treasurer  
26 September 2013

Signed:  
Councillor Mrs A Burns  
Audit Committee Chairman  
26 September 2013



## **Annual Governance Statement 2012-2013**

**Author: Deputy Executive Director**

**Date published:**

**Review date:**

Endorsed by Audit Committee 26<sup>th</sup> September 2013

Corporate Directorate

Town Hall

Duke Street

Barrow-in-Furness

Cumbria

LA14 2LD

[directorsadmin@barrowbc.gov.uk](mailto:directorsadmin@barrowbc.gov.uk)



## **Annual Governance Statement – 2012-2013**

### **A. Scope and Responsibility**

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

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

### **B. Governance**

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

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

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Barrow Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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

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

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

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

#### **D. Review of Effectiveness**

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

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

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

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

The group was advised on the implications of the results of the review of effectiveness by the Audit Committee. The Council will continue to review weaknesses and ensure continuous improvement of the systems in place. A governance group has been established to review our governance arrangements.

The Council's governance arrangements were discussed by Management Group at their meeting of 4<sup>th</sup> February 2013.

## **E. Self-Assessment**

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

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

In addition the Council has established a governance group who has collected assurance information using questionnaires which were completed by departmental managers.

Analysis of this information indicated that there were not any significant assurance issues but that there was scope for some improvement and an action plan will be developed to address this.

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

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

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

- **Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area:**
  - The Council has a strategic vision and has identified four key priorities for 2012-2015.
  - The Council uses its budget strategy and annual key priority objectives to define how the vision will be delivered.

- The Medium Term Financial Plan underpins corporate aims and priorities.
  - Effective Budget Monitoring takes place regularly.
  - The Council has developed measures including progress against key priority actions and performance indicators and reports these to senior managers and the Scrutiny Committee on a quarterly basis.
  - An Annual Report articulates the Council's activities and achievements.
- **Members and Officers working together to achieve a common purpose with clearly defined functions and roles:**
    - Senior elected Members and managers work together to deliver the Council's vision.
    - The roles of elected Members and Officers are defined in the Council's Constitution.
    - Official Member spokespersons have been identified for key areas of Council business
    - Terms of reference for Committees and the Council are clearly defined within the Constitution.
    - Clear delegations and accountabilities are laid down in the Constitution.
    - Executive Committee pre-agenda meetings with Members and Management Board ensure informed decision making.
    - Achieving compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by the Council.
    - Financial administration procedures are produced and issued by the Borough Treasurer.
- **Promoting Council values and demonstrating the values of good governance through upholding high standards of conduct and behaviour:**
    - The Council promotes its culture and value through the codes of conduct which are an integral part of the Council's Constitution. This includes anti-fraud and whistle blowing arrangements. The Constitution was reviewed and amended in 2012 and the amendments were endorsed by Full Council.
    - The expected behaviour of Members and Officers is clearly defined in the constitution.
    - Contract Standing Orders and Financial Regulations have been established and embedded within the organisation.
    - The Council has an effective Internal Audit service.
    - The Standards Committee was stood down in 2012-2013 and the Audit Committee has taken responsibility for promoting and maintaining high standards of conduct.
    - Members and Officers are required to declare interests and these are recorded in the interest register.
    - The Council also records attendance at hospitality events and gifts in a register.

- **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:**
  - The Council has effective and transparent decision making processes, agendas and minutes are available to the public.
  - The Council has effective scrutiny and audit committees with formal Terms of Reference.
  - Members are provided with information and data to allow them to make informed decisions.
  - An effective system of internal control is in place and is designed to manage risk to a reasonable level rather than to eliminate all risk.
  - The Council's risk register is monitored on a quarterly basis by senior Officers and Members.
  - Active health and safety arrangements, including a robust policy and a Health and Safety Management Board
  - Devolved financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures, including:
    - Financial awareness training and working closely with service accountants in all aspects of financial management and administration.
    - Formal quarterly budget monitoring reports to the Executive Committee.
  - Active performance management arrangements are in place.
  - A robust complaints and compliments procedure is in place and is widely publicised.
  - Freedom of Information requests are dealt with in accordance with established protocols.
  
- **Developing the capacity and capability of Members and Officers to be effective:**
  - An induction programme is in place for Officers and Members.
  - All elected Members have personal development plans to improve their knowledge and skills.
  - A Member training and development programme is in operation and there is a spokesperson for member development.
  - The Council has a corporate training plan for staff development.
  - The Council has appointed a number of "learning" representatives to support staff development.
  - The Council has Section 151 and Monitoring Officers.

- **Engaging with local people and other stakeholders to ensure robust public accountability:**
  - The Council's approach to communication is defined in the consultation strategy.
  - The Council publishes an annual report to inform residents of the Council's financial and service delivery performance.
  - Committee and Council meetings are open to the public, with papers available on the internet.
  - The Council engages by various means with hard to reach groups, such as the Citizens Advice Bureau, the Barrow and District Disability Association, Age UK and the Blind Society.

## **F. Internal Audit opinion**

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

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

The following paragraphs are extracted from the Head of Internal Audit's Annual Report and provide the opinion for 2012-2013:

This report provides reasonable assurance that the majority of key controls were operating satisfactorily.

*My detailed opinion is that, for the systems reviewed, the Council has basically sound systems of control in place, although there are weaknesses which put some of the system objectives at risk. The profile of assurance is in our experience comparable to other local authorities, with the majority of Council systems receiving Substantial Assurance.*

*There are however, two areas where only Restricted Assurance can be provided, which relate to:*

- *Dalton MUGA Contract*
- *Risk Management*

*Weaknesses found as a result of our work, together with our recommendations for improvement, have been included in our reports to*

*senior management and Members. Additional weaknesses identified through the Annual Governance Statement process are recorded separately and reflect the assurance provided from all sources both internal and external.*

#### **Dalton MUGA contract:**

The Priority 1 recommendation was presented to the Audit Committee at their meeting of 13<sup>th</sup> December 2012. It was agreed that it was a retrospective recommendation for this contract and there was no action to be taken. However, the Audit Committee agreed to continue to monitor contracts to ensure appropriate documentation was in place. The Committee discussed the Priority 1 recommendation for the Dalton Urban Park and expressed their concerns that this issue should not arise again. The Borough Treasurer assured Members that there was now a contract checklist in place which guided Officers when preparing contracts to prevent such issues arising in the future.

From 1<sup>st</sup> April 2013 the Senior Legal Assistant will monitor new contracts through the contract monitoring checklist process. .

#### **Risk Management**

Internal Audit reviewed the three outstanding recommendations made in Audit Report 11-08 (Business Continuity), dated December 2011. The Council acknowledge the need for enhanced business continuity arrangements and its response to this report is covered in Section H: significant risks.

#### **G. Financial management**

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

The Borough Treasurer:

- Leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- Ensures that budget calculations are robust and reserves and balances are adequate in accordance with CIPFA guidance and best practice.

- Ensures that the appropriate financial information systems, functions and controls are in place so that finances are kept under review on a regular basis.

The Borough Treasurer has established a Medium Term Financial Plan for the period 2012 -2016 based on the Council's Budget Strategy in order to meet the challenge of reduced Central Government funding.

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

A number of recommendations were made by the Audit Commission in their Annual Governance report for 2011-2012 and these have been addressed during 2012-2013:

Recommendation 1: Introduce robust on-going assurance gathering arrangements to support the Council's annual governance statement.

**The Council has undertaken an assurance gathering exercise and has assessed and reported the output. This is deemed to be effective and will be conducted annually to support the annual governance statement.**

Recommendation 2: Review treasury management policies in terms of risk and reward on current practice of all deposits held with one banking institution.

**The Borough Treasurer reviewed the security and liquidity of the financial institutions eligible under the counterparty criteria within the Council approved Treasury Strategy in quarter 2. This was deemed to be satisfactory and monies were placed outside of the Council's main banking institution from quarter 3 onwards.**

Recommendations 3: Introduce operational risk register to ensure risks are being monitored and managed at an appropriate level.

**Management Board has agreed an operational risk register which is monitored by Management Board and the Audit Committee.**

**The need to enhance business continuity management has been acknowledged by the Council and senior managers have considered the recommendations made by Internal Audit. The Council's response is detailed below:**

- a) The Policy Review Officer has been assigned responsibility for developing and monitoring the Business Continuity plan
- b) Clearly defined roles and responsibilities of the Management Board and an Incident Management Team in respect of BCM have been identified and are stated in the Business Continuity plan.



- c) Suitable training for all staff directly responsible for, or involved in, BCM at both corporate and departmental levels will be considered when the BCM has been approved
- d) Promotion and awareness of BCM amongst all staff with the aim of embedding its principles into their day to day activities will be considered when the BCM has been approved

The Council is developing a Business Continuity Plan. The approval of the plan has been delayed pending confirmation of the location of back up Information and Communication Technology (ICT) infrastructure.

Management board has agreed that the back-up ICT infrastructure will be located within the Housing Department. A project to develop supporting infrastructure within the Housing Department has been initiated and this is being progressed.

The draft Business Continuity Plan was presented to Management Board in June. The project to develop infrastructure support has impacted on the on the plan which is now anticipated to be completed in Q3.

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

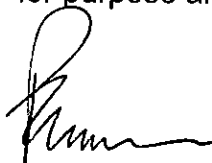
## **I. Action Plan**

### Action plan for 2013/14

<b>Action</b>	<b>Responsible officer</b>	<b>Due date</b>
Monitor new contracts against contract checklist.	Deputy Executive Director	On-going
Monitor contracts to ensure compliance with contract checklist	Deputy Executive Director	On-going
Develop disaster recovery infrastructure arrangements	ICT Manger and Policy Review Officer	Q4 2013/14
Complete outstanding Business Continuity Plan actions	Policy Review Officer	Q4 2013/14

## **J. Certification Statement**

The review of the governance arrangements for the financial year 2012-2013 has not highlighted any areas of major concern for the Council other than those identified in Section H. We believe that the existing arrangements are fit for purpose and are adequate to meet the Council's corporate aims.



Signed:  
Mr P Huck  
Executive Director  
17 September 2013

Signed:  
Councillor Mrs A Burns  
Audit Committee Chairman  
26 September 2013



# Schedule to Assist in Putting the Principles into Practice

5.1 The illustrative tables overleaf show:

- how the principles of good governance should be reflected
- the requirements that need to be reflected in a local code
- examples of systems, processes and documentation that may be used to demonstrate compliance
- self-assessment tools and useful references.

5.2 It should be stressed that authorities will need to assess how far their processes and documentation meet the criteria suggested, otherwise the exercise will become a box ticking process rather than a qualitative exercise. One way to make the exercise more challenging would be to score the authority's arrangements on a scale of 0 to 10, where 10 represents very best practice. This would require the provision of qualitative and/or quantitative data on achievement against the requirements the local code should reflect.

This could be done by adding two extra columns – one for a self-assessment score and one to add plans for improvement.

# 1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded requirements	Evidence Gathered
Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users.	<ul style="list-style-type: none"> <li>Develop and promote the authority's purpose and vision</li> </ul>	<ul style="list-style-type: none"> <li>Vision used as a basis for corporate and service planning</li> <li>Community engagement and involvement</li> <li>Communication strategy in respect of corporate objectives has been developed, approved and implemented</li> </ul>		<p>Code of Corporate Governance 2013 core principle 1 focuses on the purpose of the Council.</p> <p>The Medium Term Financial Plan is a financial representation of the Council's vision and supports its' Key Priorities.</p> <p>Key Priority report to the Executive Committee June 2012 (item 20) identifies the Council's priorities until 2015.</p> <p>Planned improvements for 2013/14</p> <p>The Leader of the Council and the Executive Director have agreed to develop a plan to prioritise and deliver the Council's objectives through consultation, leadership and flexible management.</p>
	<ul style="list-style-type: none"> <li>Review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements</li> </ul>	<p>Record of the review of:</p> <ul style="list-style-type: none"> <li>the authority's vision</li> <li>the governance code</li> </ul>		<p>Code of Corporate Governance is reviewed on an annual basis to ensure it reflects current guidance.</p> <p>The Key priority actions are revised on an annual basis and endorsed by the Executive Committee. Key Priority (item 20).</p> <p>Progress against the KP actions are reviewed by the Overview and Scrutiny Committee on a quarterly basis (March 2013) item 42.</p>
	<ul style="list-style-type: none"> <li>Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties</li> </ul>	<ul style="list-style-type: none"> <li>Partnership protocol including an agreement on the role and scope of each partner's contribution</li> <li>Strategic partnership priorities</li> <li>Partnership arrangements</li> </ul>		<p>The Council has clearly defined frameworks and Service Level Agreements. (Council officers have regular formal meetings with major contractors to raise issues and develop improvement initiatives.</p> <p>The financial regulations contained in the <u>constitution</u> (Part 4) regarding external funding and partnership arrangements</p>
	<ul style="list-style-type: none"> <li>Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance</li> </ul>	<ul style="list-style-type: none"> <li>Formal annual report which includes key points raised by external scrutineers and service users' feedback on service delivery</li> <li>Annual financial statements</li> </ul>		<p>The Council publishes an annual report to communicate performance and achievements (Annual Report 2012).</p> <p>The Council publishes a statement of accounts.</p>
Ensuring that users	<ul style="list-style-type: none"> <li>Decide how the quality of</li> </ul>	<ul style="list-style-type: none"> <li>An agreed set of quality</li> </ul>		Service delivery and annual funding is identified in

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
receive a high quality of service whether directly, or in partnership, or by commissioning	service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	<p>measures for each service element and included in service plans</p> <ul style="list-style-type: none"> <li>Evidence that views of users and non-users have been received</li> <li>Evidence that views have been taken into account in service planning and delivery</li> </ul>		<p>the <u>Budget strategy</u>. (item 68). Longer term funding is identified in <u>The Medium Term Financial Plan</u></p> <p>The Council meets with contractors on a regular basis to monitor the quality of service delivery. (Contract meeting minutes)</p>
	<ul style="list-style-type: none"> <li>Put in place effective arrangements to identify and deal with failure in service delivery</li> </ul>	<ul style="list-style-type: none"> <li>Regular reports on the progress of service delivery</li> <li>Performance trends are established and reported upon</li> <li>Formal complaints policy and procedures exist and are operating effectively</li> <li>Evidence that complaints have informed positive service improvement</li> </ul>		<p>The Council has a <u>corporate complaint procedure</u>. Service complaints are monitored by individual services.</p> <p>Complaints against services that are contracted out are monitored at client contractor meetings.</p> <p>Monitoring of the Council's complaints process is reported to the Audit Committee on an Annual basis</p>
Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money	<ul style="list-style-type: none"> <li>Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively.</li> <li>Measure the environmental impact of policies, plans and decisions.</li> </ul>	<ul style="list-style-type: none"> <li>Clear corporate requirement and instruction on how to measure VFM</li> <li>Corporate procurement policy and strategy</li> <li>Comparison of information on the authority's economy, efficiency and effectiveness of services with that provided by similar organisations</li> <li>Evidence that the results are reflected in the authority's performance plans and in reviewing the work of the authority</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective stewardship of public money and value for money in its use</li> </ul>	<p>The Council has a <u>performance management framework</u> which is currently being reviewed.</p> <p>Performance is monitored on a regular basis through the scrutiny Committee.</p> <p>The Council has a <u>VFM strategy</u>, <u>Contract Standing Orders</u> and a <u>purchasing guide</u> to help staff deliver value for money.</p> <p>External assessments are reported in the <u>Annual Governance Report</u> financial implications are assessed and summarised on all reports submitted to the Executive Committee.</p> <p>An external audit VFM conclusion is provided as part of the Annual Governance Report</p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
			<ul style="list-style-type: none"> <li>Ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary</li> </ul>	<p>The Council's prudential framework is defined in the <u>Budget strategy</u>, Item 68.</p> <p>Budgetary control is strictly observed and monitoring reports are presented to Management Board and the Executive Committee on a quarterly basis.</p> <p>The Council has adopted a specific "reserves and balances" policy.</p>
			<ul style="list-style-type: none"> <li>Ensure compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code</li> </ul>	<p>Prudential indicators agreed with Members prior to each financial year and monitored as part of the Council's quarterly Corporate Financial Monitoring process.</p> <p><u>(Exec minutes Nov 2011 item 14)</u></p>

## 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function	<ul style="list-style-type: none"> <li>Set out a clear statement of the respective roles and responsibilities of the executive and of the non-executive members individually and the authority's approach towards putting this into practice</li> <li>Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers</li> </ul>	<ul style="list-style-type: none"> <li>Published job descriptions for the leader of the authority and chief executive</li> <li>Member/officer protocol</li> <li>Constitution</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that the Chief Financial Officer (CFO) reports directly to the Chief Executive and is a member of the leadership team with a status at least equivalent to other members. If different organisational arrangements are adopted, explain the reasons publicly, together with how these deliver the same impact.</li> </ul>	<p>The Council operates under alternative arrangements and has a streamlined committee structure.</p> <p>The roles and responsibilities of Members are defined in the <u>constitution</u> (articles 2 &amp; 11 and part 3).</p> <p>The Code of Corporate governance defines the working relationship between Members and Officers including a protocol on Member / Officer relations.</p> <p>Decision making arrangements are defined in article 11 of the constitution. The potential impact of decisions is assessed in advance and summarised for Members as part of the executive report.</p> <p>Officers and Members meet to discuss the implications of decisions at pre-agenda meetings.</p> <p>The Council has nominated <u>official spokespersons</u> for key areas of the Council's business. Their roles are defined in part 7 of the <u>constitution</u>.</p> <p>Agendas and reports are available on the Council's website prior to meetings. <u>Decisions</u> are published immediately after meetings.</p> <p>Management meeting minutes are available to staff on the intranet.</p> <p>The Chief Financial Officer is a member of the senior management team and reports directly to the Executive Director.</p> <p>Roles and responsibilities are defined in the <u>constitution</u> and the <u>Code of Corporate Governance 2013</u>.</p> <p>Records of decisions are published on the website. Delegated decisions can be "called in" by the scrutiny committees.</p>
Ensuring that a constructive working relationship exists between members and officers and that the responsibilities of members and officers are carried out to a high standard	<ul style="list-style-type: none"> <li>Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation, and ensure that it is monitored and updated.</li> </ul>	<ul style="list-style-type: none"> <li>Scheme of delegation reviewed at least annually in the light of legal and organisational changes</li> <li>Standing orders and financial regulations which are reviewed on a regular basis</li> </ul>		<p>The <u>constitution</u> clearly defines the responsibility for functions in Part 3. Codes and protocols are defined in part 5.</p> <p>Rules for decision making are defined in article 11.</p>



Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
	<ul style="list-style-type: none"> <li>Make a chief executive or responsible authority for all aspects of operational management</li> </ul>	<ul style="list-style-type: none"> <li>Statutory provisions</li> <li>Conditions of employment</li> <li>Up-to-date job description/specification</li> <li>Appraisal arrangements</li> <li>Robust performance management system</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that the authority's governance arrangements allow the CFO direct access to the Chief Executive Officer and to other leadership team members</li> </ul>	<p>Article 10 of the <u>constitution</u> defines the roles and responsibilities of all officers including the Executive Director.</p> <p>Responsibility and principals for the delegation of decision making is defined in article 1 of the constitution.</p> <p>The Chief Financial Officer is a member of the senior management team and reports directly to the Executive Director.</p> <p>Responsibility for discharging statutory functions is defined in part 3 of the constitution.</p> <p>Rules regarding job descriptions and specifications are defined in part 4 of the <u>constitution</u> and in the Council's recruitment policy.</p> <p>The Council has a performance management framework in place which is regularly reviewed by the Executive Director and Management Board.</p>
	<ul style="list-style-type: none"> <li>Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained</li> </ul>	<ul style="list-style-type: none"> <li>Job descriptions</li> <li>New chief executive and leader pairing consider how best to establish and maintain effective communication</li> </ul>		<p>The Council operates under alternative arrangements and the Leader does not have executive powers.</p> <p>The role of the Executive Director and Members is defined in part 3 of the constitution.</p>
	<ul style="list-style-type: none"> <li>Make a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for</li> </ul>	<ul style="list-style-type: none"> <li>Section 151 responsibilities</li> <li>Statutory provision</li> <li>Up-to-date job description/specification</li> <li>The Authority has complied with the <i>CIPFA Statement on the Role of the Chief Financial Officer</i></li> </ul>	<ul style="list-style-type: none"> <li>Appoint a professionally qualified CFO whose core responsibilities include those set out in the Statement of the Role of the CFO in Local Government and ensure that they are properly understood throughout the authority.</li> </ul>	<p>The Borough Treasurer has been appointed as Section 151 officer.</p> <p>Statutory provision is set out in the financial regulations in part 4 of the <u>constitution</u>.</p> <p>The Council produces annual statutory reports including a statement of accounts, budget setting report council tax setting report and a treasury policy.</p> <p>The Council undertakes an annual review of <u>financial</u></p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
	maintaining an effective system of internal financial control	<p><i>in Local Government and accordingly in its annual governance statement</i></p> <ul style="list-style-type: none"> <li>The Authority has complied with the <i>CIPFA Statement on the Role of the Head of Internal Audit in the Public Sector Organisations</i> and has reported on it accordingly in its annual governance statement</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that the CFO: <ul style="list-style-type: none"> <li>leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively</li> <li>has a line of professional accountability for staff throughout the organisation</li> </ul> </li> <li>Ensure that budget calculations are robust and reserves adequate, in line with CIPFA's guidance</li> <li>Ensure that the appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnership arrangements, outsourcing or where the authority is acting in an enabling role</li> </ul>	<p><u>regulations and Contract Standing Orders.</u></p> <p>The Chief Financial Officer manages the Council's finances within the Financial Regulation framework that is set out in the <u>constitution</u></p> <p>The council adopts professional accounting standards on reporting. We comply with legislation and statutory requirements relating to financial matters.</p> <p>Public accountability is at the heart of all financial decisions taken by the Chief Financial Officer.</p> <p>The Chief Finance Officer ensures that the budget estimates are robust and based on reasonable assumptions.</p> <p>The reserves and balances are reviewed at budget time and when closing the accounts. The CFO issues an assurance at these times in line with CIPFA recommended practice.</p> <p>All financial systems function in a controlled environment and are subject to regular Internal Audit review.</p>
	<ul style="list-style-type: none"> <li>Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring officer provisions</li> <li>Statutory provision</li> <li>Up-to-date job description/ specification</li> </ul>		<p>The Deputy Executive Director is the Monitoring Officer.</p> <p>Statutory provisions are set out in section 5 of the Local Government and Housing Act 1989 and the Local Government Act 2000.</p> <p>Determining the job descriptions for senior officers is defined in part 4 of the <u>constitution</u>.</p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other	<ul style="list-style-type: none"> <li>Develop protocols to ensure effective communication between members and officers in their respective roles</li> </ul>	<ul style="list-style-type: none"> <li>Member/officer protocol</li> </ul>		<p>The constitution clearly defines the responsibility for functions in Part 3. Codes and protocols are defined in part 5.</p> <p>The Code of Corporate Governance 2013 Principal 2 provides guidance on the importance of officers and Members working together.</p> <p>The Council has a protocol on Member / Officer realtions on page 197 of the Constitution.</p> <p>Council has pre-agenda meetings between Members and senior managers to ensure that agenda items and their implications are understood.</p> <p>The Council has official spokespersons who work closely with officers to manage key areas of the business.</p>
	<ul style="list-style-type: none"> <li>Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel</li> </ul>	<ul style="list-style-type: none"> <li>Scheme for member remuneration and allowances</li> <li>Robust pay and conditions policies and practices for employees</li> <li>Structured pay scales reflecting competence</li> <li>Established process for grading and appeals procedures</li> </ul>		<p>Officers pay and conditions are set out in line with the NJC green book.</p> <p>Chief Officers pay and conditions are set out in line with the NJC purple book.</p> <p>The members allowance scheme is defined in part 6 of the constitution.</p> <p>The Council has appropriate pay and conditions policies in place.</p> <p>The code of practice for officers is defined in part 5 of the constitution.</p>
	<ul style="list-style-type: none"> <li>Ensure that effective mechanisms exist to monitor service delivery</li> </ul>	<ul style="list-style-type: none"> <li>Key performance indicators have been established and approved for each service element and included in the service plan and are reported upon regularly</li> <li>Reports include detailed performance results and highlight areas where corrective action is necessary</li> </ul>		<p>Performance reports are presented to Management Board and the Overview and Scrutiny Committee on a quarterly basis.</p> <p>Performance of outsourced, services are monitored at contract meetings on a monthly basis.</p>



Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded requirements	Evidence Gathered
	<ul style="list-style-type: none"> <li>When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority</li> <li>Ensure that there is clarity about the legal status of the partnership</li> <li>Ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions</li> </ul>	<p>Protocols for partnership working mean that for each partnership there is:</p> <ul style="list-style-type: none"> <li>a clear statement of the partnership principles and objectives</li> <li>clarity of each partner's role within the partnership</li> <li>definition of roles of partnership board members</li> <li>line management responsibilities for staff who support the partnership</li> <li>a statement of funding sources for joint projects and clear accountability for proper financial administration</li> <li>a protocol for dispute resolution within the partnership</li> </ul>		<p>The Council has Service Level Agreements in place to clarify the roles and responsibilities of service delivery partners.</p> <p>Financial Regulations contained in Part 4 of the <u>constitution</u> define external funding arrangements.</p>

### 3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behavior

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	<ul style="list-style-type: none"> <li>Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect</li> </ul>	<ul style="list-style-type: none"> <li>Codes of conduct, annual governance statement</li> <li>Conduct at meetings</li> </ul>		<p>The <u>Code of Corporate Governance 2013</u> Principal 3 defines the Council's approach to upholding high standards.</p> <p>Part 5 of the <u>constitution</u> contains codes and protocols.</p> <p>The Council supports the development of its staff (skills award).</p> <p>The council undertakes slice groups and other consultation exercises to consider specific issues.</p>
	<ul style="list-style-type: none"> <li>Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols</li> </ul>	<ul style="list-style-type: none"> <li>Members'/officers' code of conduct which acknowledges professional bodies' codes of conduct</li> <li>Performance appraisal</li> <li>Complaints procedures</li> <li>Anti-fraud and anti-corruption policies are up to date and working effectively</li> <li>Induction for new members and staff on standard of behavior expected</li> </ul>		<p>Member and officer codes of conduct are contained in the <u>constitution</u> part 5.</p> <p>The Council operates a performance appraisal scheme.</p> <p>The Council has anti-fraud and corruption policies and has "whistle blowing" arrangements in place.</p> <p>The Council has formal complaints procedure and monitors and responds to service complaints.</p>
	<ul style="list-style-type: none"> <li>Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice</li> </ul>	<ul style="list-style-type: none"> <li>Standing orders, financial regulations and codes of conduct, all reviewed and updated on a regular basis</li> <li>Register of interests (members and staff)</li> <li>Provision of ethical awareness training</li> <li>Procedures for dealing with conflicts of interest</li> <li>Up-to-date register of gifts and hospitality</li> </ul>		<p>The Council has Contract Standing order arrangements.</p> <p>The Council's codes of conduct are in part 5 of the constitution.</p> <p>The Council's financial regulations are in section 20 of the constitution.</p> <p>The Council records declared interests of both Members officers in a register.</p> <p>The Council records all hospitality in a register.</p> <p>The Council has anti-fraud and corruption arrangements in place.</p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
Ensuring that organisational values are put into practice and are effective	<ul style="list-style-type: none"> <li>Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners</li> </ul>	<ul style="list-style-type: none"> <li>Codes of conduct</li> <li>Evidence of communicating shared values with members, staff, the community and partners</li> <li>Whistleblowing arrangements are in place and protect individuals raising concerns</li> </ul>		The Council has codes of conduct for Members and officers, which reflect the Council's values and the expectations of the public. These values are also reflected in principal 3 of the code of governance. The Council has <u>anti-fraud</u> and <u>corruption</u> arrangements in place including a "whistle blowing" facility
	<ul style="list-style-type: none"> <li>Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice</li> </ul>	<ul style="list-style-type: none"> <li>Codes of conduct</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that systems and processes for financial administration, financial control and protection of the authority's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice</li> </ul>	<p>The Council's codes of conduct are in part 5 of the <u>constitution</u>.</p> <p>The ethical standards of members are monitored by the Audit Committee.</p> <p>The standards of officers are monitored by the Personnel Department.</p> <p>The Council's systems and procedures are defined in the <u>financial regulations</u> in the <u>constitution</u></p>
	<ul style="list-style-type: none"> <li>Develop and maintain an effective standards committee</li> </ul>	<ul style="list-style-type: none"> <li>Terms of reference</li> <li>Regular reporting to full council</li> <li>Examples of responding to complaints about behaviour</li> </ul>		<p>The Standards Committee has been removed and its role is now carried out by the Audit Committee. (<u>Exec report April 2012</u>) item 12</p> <p>A report from the Audit Committee is standard item on the Council agenda and the Chair of the Audit Committee attends Council to provide additional information.</p>
	<ul style="list-style-type: none"> <li>Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority</li> </ul>	<ul style="list-style-type: none"> <li>Decision-making practices</li> <li>Evidence that shared values have guided the decision making</li> </ul>		The decision making process is clearly defined in Part 3 of the <u>constitution</u>
	<ul style="list-style-type: none"> <li>In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.</li> </ul>	<ul style="list-style-type: none"> <li>Protocols for partnership working</li> <li>Evidence of agreed values</li> </ul>		The Code of Corporate Governance 2013 sets the respective roles for partnership working.

#### 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	<ul style="list-style-type: none"> <li>Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisations for which it is responsible</li> </ul>	<ul style="list-style-type: none"> <li>The role of and responsibility for scrutiny have been established</li> <li>Agenda and minutes of scrutiny meetings</li> <li>Evidence of improvements to proposals as a result of scrutiny</li> <li>An effective internal audit function is resources and maintained</li> </ul>	<ul style="list-style-type: none"> <li>Ensure an effective audit function is resourced and maintained</li> </ul>	<p>The Terms of Reference for scrutiny is set out in article 6 of the constitution. Scrutiny submits reports and recommendations to the Executive Committee. Scrutiny reports annually to full council. The Council has an Audit Committee where Members are given appropriate training to enable them to deliver an effective role. The Council also has an effective internal audit function which provides regular reports including an annual report to the Audit Committee.</p>
	<ul style="list-style-type: none"> <li>Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based</li> </ul>	<ul style="list-style-type: none"> <li>Decision-making protocols</li> <li>Record of decisions and supporting materials</li> <li>Record of professional advice in reaching decisions</li> </ul>		<p>The Council's constitution sets out the responsibility for functions in part 3 and the codes and protocols are set out in part 5. Article 11 of the constitution defines the decision making process. Committee agendas and reports are published five days in advance of the meetings. The executive decisions are published on the website within two working days of being made.</p>
	<ul style="list-style-type: none"> <li>Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice</li> </ul>	<ul style="list-style-type: none"> <li>Members' and officers' code of conduct which refers to a requirement to declare interests</li> <li>Minutes showing declarations of interest were sought and appropriate declarations made</li> </ul>		<p>The Financial regulations are set out in part 4 of the Council's constitution. Codes of conduct are set out in part 5 of the constitution. The Council has a "declaration of interest" register. The Council has hospitality registers for Members and Officers. Members are invited to declare interests on all committee agendas.</p>
	<ul style="list-style-type: none"> <li>Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee</li> </ul>	<ul style="list-style-type: none"> <li>Terms of reference</li> <li>Membership for committee</li> <li>Training for members</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that the authority's governance arrangements allow the CFO direct access to the audit committee and external audit</li> </ul>	<p>The Terms of Reference of the Audit Committee is set out in part 3 of the constitution. Membership of the Audit Committee is in line with the political balance rules which are set out in part 4 of the constitution. Training for the Audit Committee is provided by external consultants on annual biennial basis. The Chief Financial Officer attends meetings of the Audit Committee. The Chief Financial Officer has regular meetings with external audit.</p>



Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
	<ul style="list-style-type: none"> <li>Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints</li> </ul>	<ul style="list-style-type: none"> <li>Complaints procedure</li> <li>Evidence of changes/improvements as a result of complaints received and acted upon</li> </ul>		<p>The Council has a corporate complaints procedure. Service complaints are dealt with by heads of service.</p> <p>The Audit Committee has taken responsibility for promoting and maintaining high standards of conduct.</p>
Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	<ul style="list-style-type: none"> <li>Ensure that those making decisions, whether for the authority or the partnership, are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications</li> </ul>	<ul style="list-style-type: none"> <li>Discussion between members and officers on the information needs of members to support decision making</li> <li>Agreement on the information that will be provided and timescales</li> <li>Calendar of dates for submitting, publishing and distributing timely reports that are adhered to</li> </ul>	<ul style="list-style-type: none"> <li>Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority</li> </ul>	<p>The Council has a Members Training group that meets on a quarterly basis and identifies the training needs of Members.</p> <p>The Council has appointed a spokesperson for Member Development.</p> <p>Members are offered induction training immediately after being elected.</p> <p>Members are given Personal Development plans.</p> <p>Additional training is provided for Members on decision making committees and the Audit Committee</p> <p>The Chief Financial Officer presents quarterly financial reports to senior managers and senior Members. In addition financial information is available to all managers via the intranet.</p>
	<ul style="list-style-type: none"> <li>Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately</li> </ul>	<ul style="list-style-type: none"> <li>The authority complies with the <i>CIPFA Statement on the Role of the Chief Financial Officer in Local Government</i> and reports accordingly in its annual governance statement</li> <li>Record of decision making and supporting materials</li> <li>Meeting reports show details of advice given</li> </ul>	<ul style="list-style-type: none"> <li>Ensure the authority's governance arrangements allow the CFO to bring influence to bear on all material decisions</li> <li>Ensure that advice is provided on the levels of reserves and balances in line with good practice guidance (LAAP – Local Authority Reserves and Balances)</li> </ul>	<p>Legal and financial implications assessed and a summary is provided for Executive reports.</p> <p>The Council has officer and member pre-agenda meetings to ensure the legal and financial implications are understood.</p> <p>The Council has adopted a “reserves and balances” policy.</p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
Ensuring that an effective risk management system is in place	<ul style="list-style-type: none"> <li>Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs</li> </ul>	<ul style="list-style-type: none"> <li>Risk protocol management</li> <li>Risk management strategy/policy has been formally approved and adopted and is reviewed and updated on a regular basis</li> <li>Financial standards and regulations</li> <li>Counter-fraud arrangements are in place and operating effectively</li> </ul>	<ul style="list-style-type: none"> <li>Ensure the authority's arrangements for financial and internal control and for managing risk are addressed in annual governance reports</li> <li>Ensure the authority puts in place effective internal financial controls covering codified guidance, systems, budgetary supervision, management review and monitoring, physical segregation of duties, accounting procedures, information systems and authorisation and approval processes</li> </ul>	<p>The Council has risk management processes in place including the <u>risk policy</u> and a <u>risk register</u>. These are reviewed regularly by the Audit Committee and Management Board.</p> <p>The financial regulations are contained in the <u>constitution Part 4</u>.</p> <p>The Leader of the Council is the elected member with responsibility for risk management.</p> <p>The Council has a <u>Business Continuity Plan</u> as part of the emergency planning arrangements.</p> <p>The Chief Financial Officer is a member of the senior management team and can influence all material decision.</p> <p>The financial controls are defined in the financial regulations in the constitution.</p> <p>The Council has an effective internal audit function.</p> <p>The Council's financial systems are well developed to provide relevant, accurate and timely information.</p>
	<ul style="list-style-type: none"> <li>Ensure that effective arrangements are in place for whistleblowing officers, staff and all those contracting with the authority have access</li> </ul>	<ul style="list-style-type: none"> <li>A whistleblowing policy exists and is reviewed on a regular basis</li> <li>The policy has been made available to members of the public, employees, partners and contractors</li> </ul>		<p>The whistleblowing facility is part of the anti-fraud and corruption policy. It is accessible to all staff via the intranet and in the Personnel Handbook.</p> <p>The Council offers a free <u>anti-fraud</u> hotline which is on the website.</p>
Using their legal powers to the full benefit of the citizens and communities in their area	<ul style="list-style-type: none"> <li>Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine, but also strive to utilise their powers to the full benefit of their communities</li> </ul>	<ul style="list-style-type: none"> <li>Constitution officer</li> <li>Monitoring provisions</li> <li>Statutory provision</li> </ul>		<p>The Council's <u>constitution</u> identifies the purpose of the Council and its roles and functions.</p> <p>The Monitoring Officer undertakes monitoring activities in accordance with article 10 of the <u>constitution</u>.</p>
	<ul style="list-style-type: none"> <li>Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law</li> </ul>	<ul style="list-style-type: none"> <li>Record of legal advice provided by officers</li> </ul>		<p>The Council's <u>constitution</u> identifies the purpose of the Council and its roles and functions.</p> <p>The Monitoring Officer undertakes monitoring activities in accordance with article 10 of the <u>constitution</u>.</p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded requirements	Evidence Gathered
	<ul style="list-style-type: none"> <li>Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision-making processes.</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring provisions</li> <li>Job description/ specification</li> <li>Statutory provisions</li> </ul>		<p>The roles and responsibilities of officers are defined in article 10 of the <u>constitution</u>.</p> <p>Responsibility for functions is defined in part 3 of the constitution.</p> <p>Job descriptions and specifications are developed by service heads and personnel department to ensure that statutory duties are performed.</p>

## 5. Developing the capacity and capability of members and officers to be effective

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded requirements	Evidence Gathered
Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	<ul style="list-style-type: none"> <li>Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis</li> <li>Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority</li> </ul>	<ul style="list-style-type: none"> <li>Training and development plan</li> <li>Induction programme</li> <li>Access to update courses/information/briefings on new legislation</li> <li>Job description/personal specifications</li> <li>Membership of the top management team</li> </ul>		<p>The Council has a development strategy for Members. All Members have a Personal Development Plan supported by a learning programme. The Council has induction programmes for officer and for Members</p>
Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group	<ul style="list-style-type: none"> <li>Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively</li> </ul>	<ul style="list-style-type: none"> <li>Training and development plan</li> <li>Performance reviews of officers and members</li> </ul>	<ul style="list-style-type: none"> <li>Ensure the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non financial areas of their role</li> <li>Review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised</li> <li>Provide the finance function with the resources, expertise and systems necessary to perform its role effectively</li> <li>Embed financial competencies in person and appraisals</li> <li>Ensure that councillors' roles and responsibilities for monitoring financial performance/budget management are clear, that they have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities</li> </ul>	<p>The skills required to undertake a role are identified in job specifications. Skill gaps and development opportunities are identified through the appraisal process. All staff have access to training and development pages on the intranet. The corporate training plan facilitates staff development..</p> <p>The Council has a CIPFA qualified and experienced chief financial officer.</p> <p>The Council has a skill development schedule for Members and officers. The Council has an induction day for members where development needs can be identified. Each Member has a Personal Development Plan The Members training group identifies strategic training needs. The Council has a development strategy for Members.</p> <p>The Council has an induction day for members where development needs can be identified.</p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded requirements	Evidence Gathered
	<p>improve performance, including the ability to scrutinize and challenge and to recognise when outside expert advice is needed</p>	<p>of a modern councilor including:</p> <ul style="list-style-type: none"> <li>- the ability to scrutinise and challenge</li> <li>- the ability to recognise when outside advice is required</li> <li>- advice on how to act as an ambassador for the community and leadership and influencing skills</li> </ul>		<p>The Council provides specialist training for members of the planning and audit committees.</p>
	<ul style="list-style-type: none"> <li>• Ensure that arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan, which might for example aim to address any training or development needs</li> </ul>	<ul style="list-style-type: none"> <li>• Performance management system</li> <li>• Staff development plans linked to staff appraisals</li> </ul>		<p>The performance of the Executive Committee is monitored by the Council's scrutiny function. Members have personal development plans. An appraisal process for staff is currently being developed.</p>
Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal	<ul style="list-style-type: none"> <li>• Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority</li> <li>• Ensure that career structures are in place for members and officers to encourage participation and development</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic frameworks</li> <li>• Stakeholders' forums' terms of reference</li> <li>• Area forums' roles and responsibilities</li> <li>• Residents' panel structure</li> <li>• Succession planning</li> </ul>		<p>The council consults local people and organisations on issues such as the Council's budget, major projects and key service i.e. "housing".</p> <p>The Council has a <u>skill development schedule</u> which supports personal development for officers. All staff have access to training and development pages on the Intranet.</p> <p><u>corporate training</u> The Council has a skills steering group which actively encourage personal development</p>

## 6. Engaging with local people and other stakeholders to ensure robust public accountability

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded requirements	Evidence Gathered
Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships	<ul style="list-style-type: none"> <li>Make clear to themselves, all staff and the community to whom they are accountable and for what</li> </ul>	<ul style="list-style-type: none"> <li>Community strategy</li> </ul>		<p>The Council's <u>annual report</u> provides updates on the progress being made.</p> <p>The Council has an effective scrutiny function that provides support and challenge to the decision making committees.</p> <p>The terms of reference for the scrutiny function is set out in article 6 of the constitution.</p> <p>The Council works in partnership with a number of other institutions to deliver improvements for citizens including Cumbria County Council and the Citizen's advice Bureau.</p> <p>The Council works in partnership with a private sector fitness provider at the Council's leisure centre.</p>
	<ul style="list-style-type: none"> <li>Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required</li> </ul>	<ul style="list-style-type: none"> <li>Establish a database of stakeholders with whom the authority should engage and for what purpose and a record of an assessment of the effectiveness of any changes</li> </ul>		
Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning	<ul style="list-style-type: none"> <li>Produce an annual report on the activity of the scrutiny function</li> </ul>	<ul style="list-style-type: none"> <li>Annual report</li> </ul>		<p>The scrutiny function submits an annual report to full Council which reports on outcomes from scrutiny reviews and sets out the work plan for the coming year.</p>
	<ul style="list-style-type: none"> <li>Ensure clear channels of communication are in place with all sections of the community and other stakeholders, including monitoring arrangements, to ensure that they operate effectively</li> </ul>	<ul style="list-style-type: none"> <li>Community strategy</li> <li>Citizen survey</li> </ul>		<p>The channels of communication are identified in the consultation strategy.</p> <p>The Council is currently reviewing channels of communication.</p>
	<ul style="list-style-type: none"> <li>Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit</li> </ul>	<ul style="list-style-type: none"> <li>Record of public consultations</li> <li>Processes for dealing with competing demands within the community</li> </ul>		<p>The arrangements for effective engagement are set out in the consultation strategy.</p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded requirements	Evidence Gathered
	<p>processes for dealing with these competing demands</p> <ul style="list-style-type: none"> <li>Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users, including a feedback mechanism for those consultees to demonstrate what has changed as a result</li> </ul>	<ul style="list-style-type: none"> <li>Partnership framework</li> <li>Communication strategy</li> </ul>		Financial regulations are set out in part 4 of the constitution covers external funding and partnership arrangements. There are various arrangements for monitoring and responding to customer feedback including focus groups and complaints.
	<ul style="list-style-type: none"> <li>Publish an annual performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period</li> </ul>	<ul style="list-style-type: none"> <li>Annual report</li> <li>Annual financial statements</li> <li>Corporate plan</li> <li>Annual business plan</li> </ul>		<p>The Council publishes annual report which contains performance and financial information.</p> <p>The Council publishes annual financial statements. Performance against the corporate priorities is published on a quarterly basis.</p>
	<ul style="list-style-type: none"> <li>Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so</li> </ul>	<ul style="list-style-type: none"> <li>Constitution</li> <li>Freedom of Information Act publication scheme</li> <li>Council tax leaflet</li> <li>Authority website</li> </ul>		<p>The Council is accessible to the public through consultation and access to committees.</p> <p>The Council responds effectively to FOI requests and publishes Council expenditure on the <u>transparency</u> page of the website.</p>

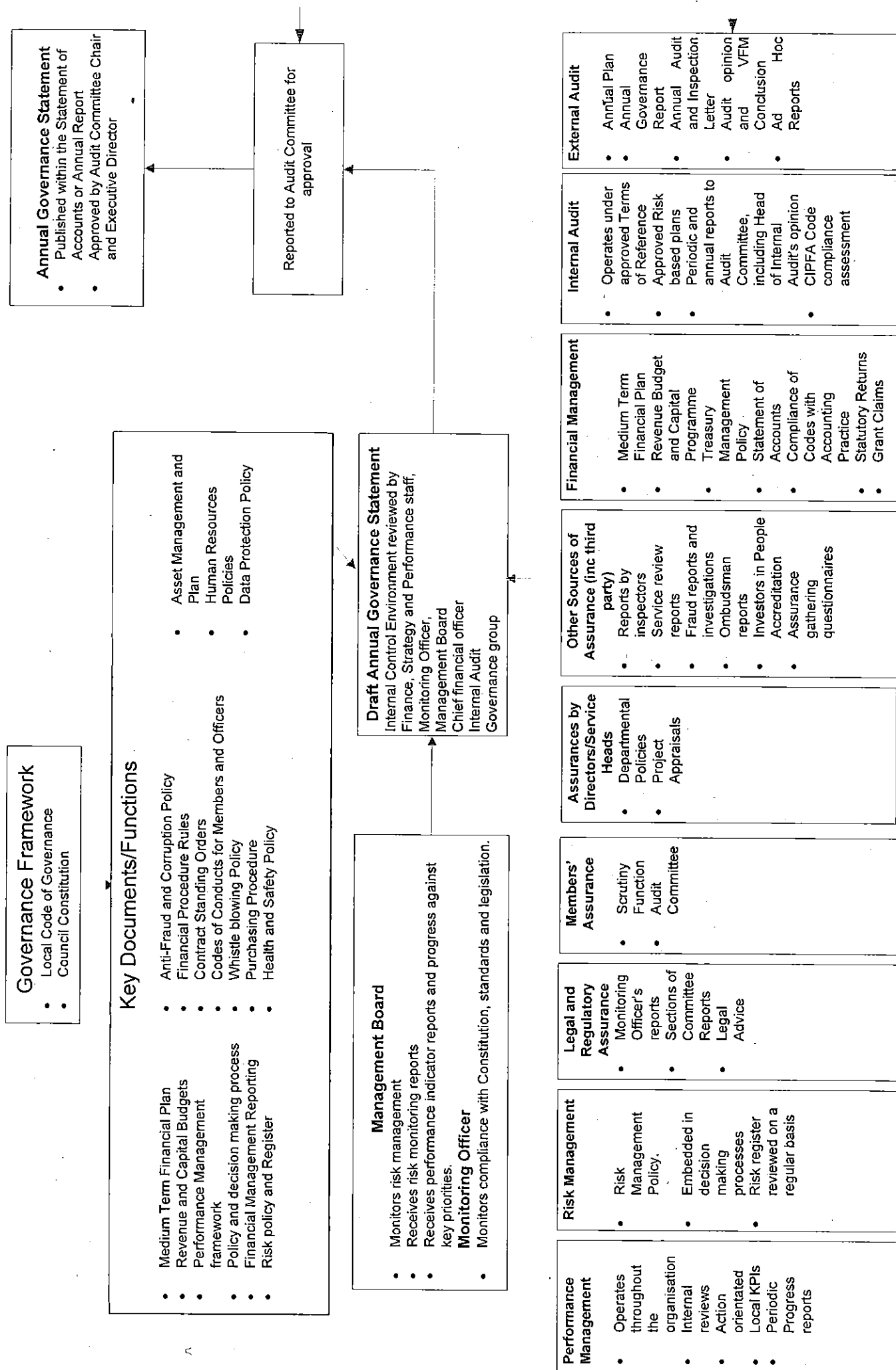
Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded requirements	Evidence Gathered
Making best use of human resources by taking an active and planned approach to meet responsibilities to staff	<ul style="list-style-type: none"> <li>Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making</li> </ul>	<ul style="list-style-type: none"> <li>Constitution to best practice standards in recruitment and staff terms and conditions</li> </ul>		<p>The <u>constitution</u> clearly defines the responsibility for functions in Part 3.</p> <p>Staff are supported in various ways and these are defined in the personnel handbook.</p> <p>The Council has established working groups to identify ways of supporting staff including a learning reps group, equality and diversity group and a Health and safety group. Slice groups are used for specific consultation exercises.</p> <p>The Council publishes a staff magazine on a quarterly basis which provides information on a number of subjects. The magazine is also made available for Members.</p>





# ANNUAL GOVERNANCE STATEMENT (AGS) FRAMEWORK

ANNEX No.2



<b>AUDIT COMMITTEE</b>		<b>Part One</b> <b>(D)</b> <b>Agenda</b> <b>Item</b> <b>9</b>
<b>Date of Meeting: 26th September, 2013</b>		
<b>Reporting Officer: Borough Treasurer</b>		
<b>Title: Annual Review of Audit Committee Effectiveness</b>		
<b>Summary and Conclusions:</b>		
It was agreed at the previous Audit Committee in June, that the Chair and Vice-Chair be delegated to undertake a review of the effectiveness of the Audit Committee with the Borough Treasurer. The review has been completed.		
<b>Recommendations:</b>		
Members are recommended to approve the review.		

### **Report**

It was agreed at the Audit Committee on 27th June, that the Chair and Vice-Chair be delegated to undertake a review of the effectiveness of the Audit Committee with the Borough Treasurer.

CIPFA recommend that an assessment is undertaken by the Audit Committee to ensure that its effectiveness is regularly reviewed. CIPFA recommend that this can be achieved by using an evaluation checklist such as CIPFA's **Toolkit for Local Authority Audit Committees**.

The completed checklist is attached at **Appendix 6**.

The review demonstrated that the purpose and independence of the Audit Committee has been established. Members are aware of the remit and responsibilities that the Committee is charged with. The main area of discussion was the need for on-going training, to continue to build on the knowledge and experience of the Committee Members. It is expected that Audit Committee external training will be run again in 2014 and some areas, such as Welfare Reform will be addressed through the training led by Members' Personal Development Plans.

### **Background Papers**

Nil

# Audit Committee

## Self-assessment checklist

Priority	Issue	Yes	No	N/A	Comments/Action
<b>ESTABLISHMENT, OPERATION AND DUTIES</b>					
<b>Role and remit</b>					
1	Does the Audit Committee have written terms of reference	Y			Constitution of the Council.
1	Do the terms of reference cover the core functions of an audit committee as identified in the CIPFA guidance?	Y			Constitution of the Council.
1	Are the terms of reference approved by the Council and reviewed periodically.	Y			Audit Committee 27.06.2013
1	Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Y			
1	Can the audit committee access other committees and full council as necessary?	Y			
2	Does the audit committee periodically assess its own effectiveness?	Y			Annual self-assessment.
2	Does the audit committee make a formal annual report on its work and performance during the year to full council?			N/A	Audit Committee reports to every Full Council.
<b>Membership, induction and training</b>					
1	Has the membership of the audit committee been formally agreed and a quorum set?	Y			
1	Is the chair independent of the executive function?	Y			Not on Executive Committee or any other committee.
1	Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risk management.	Y			Bannisdale Consulting, June 2011. LG Futures, February 2013. Grant Thornton, March 2013.
1	Are new audit committee members provided with an appropriate induction?	Y			Training is provided.

Priority	Issue	Yes	No	N/A	Comments/Action
1	Have all Members' skills and experiences been assessed and training given for identified gaps?	Y			Personal Development Plans.
1	Has each Member declared his or her business interest?	Y			Register of interests. Declarations at meetings is a standard agenda item.
2	Are Members sufficiently independent of the other key committees of the Council?	Y			No Members on Audit Committee are on the Executive or Scrutiny Committees.
<b>Meetings</b>					
1	Does the audit committee meet regularly?	Y			Quarterly.
1	Do the terms of reference set out the frequency of the meetings?	Y			The original establishment of the Audit Committee set the quarterly meetings – Executive Committee 28.03.2007.
1	Does the audit committee calendar meet the authority's business needs, governance needs, and the financial calendar?	Y			Statement of Accounts go to the late September meeting.
1	Are Members attending meetings on a regular basis and if not, is appropriate action taken?	Y			
1	Are meetings free and open without political influences being displayed?	Y			
1	Does the authority's S151 Officer or deputy attend all meetings?	Y			
1	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	Y			Senior Managers attend for particular items.
<b>INTERNAL CONTROL</b>					
1	Does the audit committee consider the Annual Governance Statement (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?	Y			Draft presented at the June meeting to allow time for consideration before approval at the September meeting.

Priority	Issue	Yes	No	N/A	Comments/Action
1	Does the audit committee have responsibility for review and approval of the AGS and does it consider it separately from the accounts?	Y			
1	Does the audit Committee consider how meaningful the AGS is?	Y			
1	Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	Y			Annual Internal Audit report is presented at the June meeting.
1	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?	Y			Relationship between Audit Committee and Executive Committee covered in training and risk management policy.
1	Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"	Y			The Council's anti-fraud and corruption policies address the requirements of the CIPFA guidance.
1	Does the audit committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?	Y			Fraud hotline. Reminders to staff about the whistleblowing policy.
2	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	Y			
2	Does the audit committee review the authority's strategic risk register at least annually?	Y			Presented at every meeting.
2	Does the audit committee monitor how the authority assesses its risk?	Y			
2	Does the audit committee's terms of reference include oversight of the risk management process?	Y			
<b>FINANCIAL REPORTING AND REGULATORY MATTERS</b>					
1	Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	Y			

Priority	Issue	Yes	No	N/A	Comments/Action
1	Does the audit committee consider specifically: <ul style="list-style-type: none"> <li>• The suitability of accounting policies and treatments</li> <li>• Major judgements made</li> <li>• Large write-offs</li> <li>• Changes in accounting treatment</li> <li>• The reasonableness of accounting estimates</li> </ul> The narrative aspects of reporting?	Y			
1	Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Y			September meeting.
1	Does the audit committee review management's letter of representation?	Y			September meeting.
2	Does the audit committee annually review the accounting policies of the authority?	Y			
2	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	Y			
2	Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	Y			Reports to the committee from officers and from the external auditors. Member Personal Development Plans.
<b>INTERNAL AUDIT</b>					
1	Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Y			

Priority	Issue	Yes	No	N/A	Comments/Action
1	Does internal audit have an appropriate reporting line to the audit committee?	Y			
1	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	Y			
1	Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	Y			
1	Does the audit committee hold periodic private discussions with the Head of Internal Audit?	Y			If the need arises/by request.
1	Is there appropriate cooperation between the internal and external auditors?	Y			
1	Does the audit committee review the adequacy of internal audit staffing and other resources?	Y			Through the specification of the contract.
1	Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal Audit and Local Government in the United Kingdom?	Y			A review of the new Public Sector Internal Audit Standards will be undertaken in 2013-2014.
2	Are internal audit performance measures monitored by the audit committee?	Y			Annual report.
2	Has the audit committee considered the information it wishes to receive from internal audit?	Y			
<b>EXTERNAL AUDIT</b>					
1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?	Y			



Priority	Issue	Yes	No	N/A	Comments/Action
1	Does the audit committee hold periodic private discussions with the external auditor?	Y			As required.
1	Does the audit committee review the external auditor's annual report to those charged with governance?	Y			
1	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	Y			
1	Are reports on the work of external audit and other inspection agencies presented to the committee?	Y			
1	Does the audit committee assess the performance of external audit?	Y			
1	Does the audit committee consider and approve the external audit fee?	Y			
<b>ADMINISTRATION</b>					
<b>Agenda management</b>					
1	Does the audit committee have a designated secretary from Democratic Services?	Y			
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	Y			
2	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Y			Annual work plan.
2	Are inputs for Any Other Business formally requested in advance from committee member, relevant officers, internal and external audit?	Y			
<b>Papers</b>					
1	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	Y			

Priority	Issue	Yes	No	N/A	Comments/Action
2	Does the audit committee issue guidelines and/or a pro forma concerning the format and content of the papers to be presented?	Y			Format set for all Council and Committee meetings.
<b>Actions arising</b>					
1	Are minutes prepared and circulated promptly to the appropriate people?	Y			
1	Is a report on matters arising made and minuted at the audit committee's next meeting?	Y			Minutes and resolutions of the meeting.
1	Do action points indicate who is to perform what and by when?	Y			Minutes and resolutions of the meeting.

<b>AUDIT COMMITTEE</b>		<b>Part One (D) Agenda Item 10</b>
<b>Date of Meeting: 26th September, 2013</b>		
<b>Reporting Officer: Borough Treasurer</b>		
<b>Title: Fraud and Corruption Survey 2012-2013</b>		
<b>Summary and Conclusions:</b>		
The Council takes part in the national fraud and corruption survey each year run by the Audit Commission. This report contains the survey responses supplied by the Borough Treasurer on behalf of the Council for 2012-2013.		
<b>Recommendations:</b>		
Members are recommended to note the report.		

### **Report**

The Audit Commission publishes an annual report on fraud and corruption in local government called 'Protecting the Public Purse' (PPP). PPP gives details on amounts of detected fraud, warns of emerging fraud risks and promotes best practice. Much of the information for PPP comes from the fraud and corruption survey of local government. The results of the survey also inform the National Fraud Authority's annual assessment of the total value of fraud in the UK. Submission of the information is required under section 48 of the Audit Commission Act 1998.

The survey that is completed covers all areas where fraud may occur. For 2012-2013, the following statistics were returned:

- Housing benefit and council tax benefit fraud
  - Number of cases: 23
  - Value: £47,412.09 (no individual case was over £10,000)
  - Number of these that went to court: 11
  - Number resulting in prosecution: 11

There was no fraud or corruption to report in relation to any other Council service.

### **Background Papers**

Nil

<b>AUDIT COMMITTEE</b>		<b>Part One</b> <b>(D)</b> <b>Agenda</b> <b>Item</b> <b>11</b>
<b>Date of Meeting: 26th September, 2013</b>		
<b>Reporting Officer: Borough Treasurer</b>		
<b>Title: Internal Audit Final Reports</b>		
<b>Summary and Conclusions:</b>		
Internal Audit have completed a number of audits in accordance with the approved Annual Plan. The final reports will be presented to Members by the Head of Internal Audit.		
<b>Recommendations:</b>		
Members are recommended to receive the Internal Audit final reports and raise any questions.		

### **Report**

There are five final reports for consideration by Members:

<b>Audit Assignment</b>	<b>Audit Area</b>	<b>Assurance</b>
Annual Audit	Housing & Council Tax Benefits ( <b>Appendix 7</b> )	Substantial
Annual Audit	Income Collection ( <b>Appendix 8</b> )	Substantial
Annual Audit	Car Park Meter Income ( <b>Appendix 9</b> )	Substantial
Contract Audit	Housing Maintenance – Responsive Repairs ( <b>Appendix 10</b> )	Substantial
Contract Audit	102 Abbey Road Phase 2 ( <b>Appendix 11</b> )	Substantial

These will be presented to Members by the Head of Internal Audit.

For information the assurance and recommendations assigned to Internal Audit reports are set out below.

The assurance levels are:

**None** – control is weak, causing the system to be vulnerable to error and abuse.

**Restricted** – significant weaknesses have been identified in the system of control, which put the system objectives at risk.

**Substantial** – while there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.

**Unqualified** – there is an adequate system of control designed to achieve the system objectives.

The recommendation levels assigned to issues identified are:

Priority 1 – **major issues** that Internal Audit considers need to be brought to the attention of senior management.

Priority 2 – **important issues** which should be addressed by management in their areas of responsibility.

Priority 3 – **minor issues** which provide scope for operational improvement.

**Previous issues** – are issues identified in a previous audit report that have not been entirely implemented at the time of this latest audit.

#### Background Papers

Nil

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT 12-02**  
**HOUSING & COUNCIL TAX BENEFITS**

## Executive Summary

### Introduction

The Council's Housing and Council Tax Benefits service is administered by an external provider, Liberata, under a client/contractor relationship, which has been in existence since 1998. The company uses Northgate's iWorld benefits and Anite document management systems to process and record claims. The contractor's performance is monitored by the Client Section of the Borough Treasurer's Department.

At the time of the audit review, there were 8,347 live Housing & Council Tax Benefit claims; most of the total benefit expenditure of around £27 million is met by subsidy from Central Government.

### Audit Objectives

An audit of this system forms part of the agreed 2012/13 programme. The audit objectives were to evaluate and test the internal controls over the Housing & Council Tax Benefits system. The scope and objectives of the audit were discussed and agreed in advance with the Borough Treasurer and the Liberata Service Team Manager.

Audit work included a control evaluation of the system design and testing of the operation of key controls.

### Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound system of control, there are weaknesses, which may put the system objectives at risk. We have made three Priority 2 recommendations, as follows:

- Liberata should ensure that:
  - a) benefit entitlement is determined on a timely basis, within 14 days of receipt of all information relating to a new claim; and
  - b) payment of benefit is made promptly following the determination of entitlement; and
- The Council should review the process for verifying the rent applicable to benefit claims for homeless persons placed in temporary accommodation, to introduce the following controls:

#### Key Points

**Substantial Assurance**

**Three important issues**

**One minor issue**

**One previous recommendation**

- a) rents are formally agreed periodically with landlords and notified to relevant Council and Liberata staff;
  - b) the placement is evidenced on the proof of rent form by a member of the Homeless Team; and
  - c) the proof of rent form is signed by the homeless person.
- ensuring that the weekly benefit payment authorisation email specifically states that payments have been checked; and retaining documentation to evidence the check performed on payments in excess of £650.

In addition, we have made the following Priority 3 recommendation; the Council should ensure that Liberata deal promptly with queries identified by the Client Section on benefit entitlement and supporting information.

Internal Audit also reviewed the agreed recommendation from Audit Report 11-04, dated April 2012; this recommendation has been implemented.

In addition, we reviewed the implementation of the two outstanding recommendations from Audit Report 10-04, dated June 2011. The two recommendations have been implemented.

Finally, Internal Audit reviewed the one outstanding recommendation from Audit Report 09-05, dated June 2010. This recommendation remains outstanding and concerns ensuring that fraud investigation case data, returned to the DWP, can readily be reconciled to source documentation.

### **Management Response**

We have received a constructive management response from the Liberata Service Team Manager and the Housing Manager, accepting each of the recommendations.

### **Acknowledgement**

Internal Audit would like to thank staff for their co-operation and assistance during the review.

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT 13-01**  
**INCOME COLLECTION**

## Executive Summary

### Introduction

The Borough Council offers a range of methods of payment to its customers. The more traditional options such as cheque, debit/credit cards, standing order and direct debit have been supplemented by newer methods which include a dedicated payment hotline, the Internet, Touchtone phone and Allpay payment points. Internet and telephone services are processed through the Axis Income Management system, which is provided by Capita Software Services.

Payment by cash is no longer accepted at the Town Hall, although a number of areas, particularly customer facing services such as car parking machines and leisure, continue to take cash payments for the facilities they provide. Income is still received in the form of cheques, through the post.

During 2012/13, the Council receipted/processed 1,934 postal income transactions with a value of around £1,023,507.

### Audit Objectives

An audit of this system forms part of the agreed 2013/14 programme. The audit objectives were to evaluate and test specific internal controls for the collection and receipting of postal income within the Council. The scope and objectives of the audit were discussed and agreed in advance with Chief Accountant - Systems and the Acting Parking and Admin Services Manager.

Key Points
Substantial Assurance
Four important issues
One minor issue

Audit work included testing of the operation of key controls.

### Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound system, there are weaknesses, which may put some of the system objectives at risk. We have made four Priority 2 recommendations which relate to:

- producing detailed documented procedures covering the “gaps” in existing documentation, relating to post opening requirements and controls, which are distributed to all relevant staff;
- ensuring that the current procedures for post opening are complied with and consider including security, the handover of cheques and timely distribution of cheques to Borough Treasurer's within the procedures;



- reviewing the current post opening process; in order to ensure that internal controls are consistently applied; and
- considering the introduction of a simple checklist to monitor the completion of activity in relation to cheque control and income reconciliation.

We have also made one Priority 3 recommendation which concerns ensuring that Insurance conditions relating to income holding are complied with.

Internal Audit also reviewed the agreed recommendation made in Audit Report 12-01, dated October 2012, which has been implemented.

### **Management Response**

We have received a constructive management response from the Acting Parking and Admin Services Manager, accepting each of the recommendations.

### **Acknowledgement**

Internal Audit would like to thank staff for their co-operation and assistance during the review.

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT 13-09**  
**CAR PARK METER INCOME**

## Executive Summary

### Introduction

The Council's Parking Services Department are responsible for the collection of income from car park pay and display machines within the Borough. There are currently 22 pay and display machines, from which total income received during 2012/13 was in excess of £718,075. Since November 2010 the Borough Council has provided the facility for car park users to pay using a mobile phone technology via "RingGo", which allows the user to make payment with a credit or debit card rather than using cash at a machine.

### Audit Objectives

An audit of this system forms part of the agreed 2013/14 programme. The audit objectives were to evaluate and test the internal controls over the Car Park Meter Income process. The scope and objectives of the audit were discussed and agreed in advance with the Appeals Co-ordinator.

Audit work included a control evaluation of the system design, and testing of the operation of key controls.

Key Points
Substantial Assurance
One minor issue
Two Previous recommendations

### Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound system, there are weaknesses, which may put some of the system objectives at risk. We have made one Priority 3 recommendation, which concerns investigating the additional 'Monthly Enforcement Software Licence Charge' included on the monthly invoices received from Cobalt (RingGo provider) to confirm it is necessary and correct. Internal Audit reviewed the outstanding recommendation made in audit report 11-12, dated July 2011. The recommendation remains outstanding and relates to ensuring that parking procedures are updated on a regular basis.

Internal Audit also reviewed the one outstanding recommendation from audit report 10-13, dated July 2010. The recommendation remains outstanding and concerns ensuring that all variances identified between ticket machine audit tickets and cash collected are recorded on the 'Car Park Ticket Machine Income' sheets; and therefore subject to review by the Parking Services Manager.

### Management Response

We have received a constructive management response from the Acting Parking Services Manager, accepting the recommendation.

### Acknowledgement

Internal Audit would like to thank staff for their co-operation and assistance during the review.



**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT CR 75**  
**HOUSING MAINTENANCE - RESPONSIVE REPAIRS**

## **Executive Summary**

### **Introduction**

The Housing Maintenance - Responsive Repairs contract includes routine maintenance, repairs to void properties, an out of hours emergency response service and gas servicing and repairs. The selection of a contractor followed a statutory notice in the Official Journal of the European Union stating an estimated contract value of £6,000,000 (over four years), which attracted responses from four contractors.

The responses were evaluated by the Council's consultants, PSS Consulting Services Limited, and Housing Senior Officers, who recommended acceptance of the tender from Vinci Facilities Limited, with annual target expenditure of £1,200,000. Council on 11 October 2011 appointed the company to deliver the contract for a period of four years, commencing on 5 November 2011.

### **Audit Objectives**

Internal Audit are required under the Council's Financial Regulations to consider for review all contracts prior to the Final Account being agreed with the Contractor. The Borough Treasurer through the Head of Internal Audit will select a sample of contracts for higher scrutiny and reconciliation with the Final Account. (This ongoing, responsive contract is not subject to a final accounts process.)

The audit objectives were to perform an examination of key stages incorporated in the Contract Standing Orders Compliance Checklist devised to provide management with assurances during the life of the contract and thus enable any necessary remedies to be identified without delay. Relevant areas of the Internal Audit test programme have been completed to mirror the key stages.

Key Points
<b>Substantial Assurance</b>
<b>Three important issues</b>

### **Audit Conclusion – Substantial Assurance**

As a result of the audit we have concluded that weaknesses have been identified in the system of control, which may place some of the system objectives at risk.

We have made three Priority 2 recommendations, as follows:

- management should ensure that the financial standing of tenderers is assessed appropriately before award of contracts;
- the Council should ensure that the packaging for all tender submissions is retained following opening of the tenders; and

- the Council should ensure that requirements stated in Contract Standing Orders are included fully in contract documents for the procurement of works and services.

### **Management Response**

We have received a constructive management response from Management Team, accepting each of the recommendations.

### **Acknowledgement**

Internal Audit would like to thank staff for their co-operation and assistance during the review.

**CONTRACT PARTICULARS**

Contract Title:	Housing Responsive Repairs
Contract Form:	Core Clauses NEC Term Service Contract First Edition (June 2005)
Contractor:	Vinci Facilities Limited
Architect:	n/a
Quantity Surveyor:	n/a
Other Consultants	PSS Consulting – procurement and contract support
Target Sum:	£1,200,000 pa
Commencement Date:	5 November 2011
Completion Date:	4 November 2015
Date of Practical Completion:	n/a
Delay in Completion:	n/a
Extension of Time Granted:	n/a
Liquidated and Ascertained Damages provision/paid/received:	n/a
Minimum Insurance Cover Required	£10m
Minimum Insurance Cover Confirmed	£50m
Minimum Bond Required	10% of annual target
Retention Amount	n/a
Submitted Final Account Sum:	n/a
Audited Final Account Sum:	n/a
Percentage increase/decrease: Submitted Final Account against Contract Sum.	n/a



**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT CR 79**  
**102 ABBEY ROAD PHASE 2**

## **Executive Summary**

### **Introduction**

This project relates to the external fabric repairs, internal demolition and refurbishment of walls, flooring and staircases at 102 Abbey Road, Barrow-in-Furness. The scheme was match funded through the Heritage Lottery Fund as it is a critical building in the Abbey Road Townscape Heritage Initiative Gateway project. Following a competitive tendering exercise, the contract was awarded to Team Northern Construction Ltd, who had submitted the lowest tender of £410,424.43; this was revised to a contract sum of £284,847.34 by reducing the scope of the works to fit the available funding.

Consultants were appointed to provide professional services, namely Architect, Surveyor, Structural Engineer and CDM Co-ordinator.

The Contractor has submitted a Final Account in the sum of £305,925.25, an increase of 7.4% on the contract sum; the increase relates to approved additional costs which were covered through the Council's capital budget.

### **Audit Objectives**

Internal Audit are required under the Council's Financial Regulations to consider for review all contracts prior to the Final Account being agreed with the Contractor. The Borough Treasurer through the Head of Internal Audit will select a sample of contracts for higher scrutiny and reconciliation with the Final Account.

#### **Key Points**

**Substantial Assurance**

**One minor issue**

The audit objectives were to perform an examination of the interim and final account and associated documentation.

### **Audit Conclusion – Substantial Assurance**

As a result of the audit we have concluded that a weakness has been identified in the system of control, which may put some of the system objectives at risk. We have made one Priority 3 recommendation:

- The Council should consider the selection of suitable consultancy and professional services for a set period, to be utilised on a "call off" basis for individual projects.

### **Management Response**

We have received a constructive management response from the Deputy Executive Director, accepting the recommendation.

### **Acknowledgement**

Internal Audit would like to thank staff for their co-operation and assistance during the review.



**CONTRACT PARTICULARS**

Contract Title:	External Fabric Repairs - 102 Abbey Road Phase 11
Contract Form:	JCT Intermediate Building Contract with contractor's design 2011
Contractor:	Team Northern Construction Ltd
Architect:	Chris Bugler Chartered Architect
Quantity Surveyor:	Stuart Brahney Associates
Other Consultants	Bleasdale Wand Ltd Structural Engineers Baker Mallett – CDM Co-ordinator
Tender Sum:	£410,424.43 corrected to £422,773.92
Contract Sum:	£284,847.34
Date for Possession:	20 February 2012
Date for Completion:	22 June 2012
Date of Practical Completion:	21 September 2012
Delay in Completion:	13 weeks
Extension of Time Granted:	13 weeks
Liquidated and Ascertained Damages provision/paid/received:	£500.00 per week or part thereof.
Minimum Insurance Cover Required	£5m Public Liability
Minimum Insurance Cover Confirmed	Yes
Minimum Bond Required	10% of the amount tendered - £28,484
Retention Amount	Retention 5% to Practical Completion Retention 2.5% During Defects Period
Submitted Final Account Sum:	£305,925.25
Audited Final Account Sum:	£305,925.25
Percentage increase: Submitted Final Account against Contract Sum.	7.4%

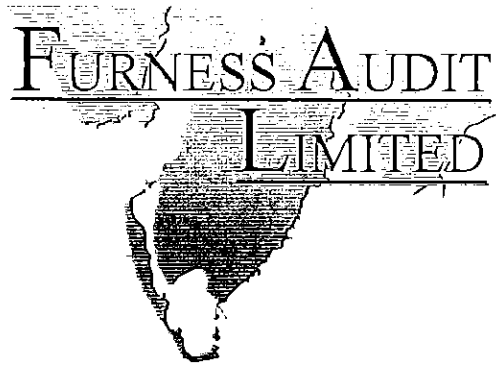
<b>AUDIT COMMITTEE</b>		<b>Part One</b> <b>(D)</b> <b>Agenda</b> <b>Item</b> <b>12</b>
<b>Date of Meeting: 26th September, 2013</b>		
<b>Reporting Officer: Borough Treasurer</b>		
<b>Title: Internal Audit Progress Report</b>		
<b>Summary and Conclusions:</b>		
The Internal Audit Progress Report for the period 1st April, 2013 to 11th September, 2013 has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.		
<b>Recommendations:</b>		
Members are recommended to receive the Internal Audit Progress Report and raise any questions.		

### **Report**

The Internal Audit Progress Report for the period 1st April, 2013 to 11th September, 2013 is attached at **Appendix 12** and will be presented to Members by the Head of Internal Audit.

### **Background Papers**

Nil



*BARROW BOROUGH COUNCIL*

**INTERNAL AUDIT PROGRESS REPORT**

**April to September 2013**

**2013/14**

<b>CONTENTS</b>	<b>Page</b>
<b>EXECUTIVE SUMMARY</b>	<b>3</b>
<b>1. STATISTICAL SUMMARY OF RECOMMENDATIONS</b>	<b>4</b>
<b>2. ACCEPTED PRIORITY 1 RECOMMENDATIONS</b>	<b>5</b>
<b>3. REJECTED RECOMMENDATIONS</b>	<b>6</b>
<b>4. INTERNAL AUDIT COVERAGE:</b>	<b>7</b>
<b>5. CLASSIFICATIONS</b>	<b>10</b>
<b>APPENDIX 1 – DRAFT REPORTS ISSUED</b>	<b>11</b>
<b>APPENDIX 2 – RESTRICTED ASSURANCE AUDITS</b>	<b>12</b>

# EXECUTIVE SUMMARY

## Purpose

The purpose of the report is to update Members of the Council's Audit Committee on:

- Internal Audit work performed up to 11<sup>th</sup> September 2013, including final reports issued relating to a previous reporting period; and
- Significant issues that have arisen during this period as a result of our work.

## Content

The information is presented in the following schedules:

1. *A Statistical Summary of Recommendations*

This schedule includes all audit recommendations to which Council management have responded between 1 April and 11<sup>th</sup> September 2013. The figures are analysed according to the 'priority' of the recommendations, and the extent to which each has been accepted by management for action.

2. *Accepted Priority 1 Recommendations*

This schedule provides details of all major recommendations which have been accepted by management.

3. *Rejected Recommendations*

This schedule provides details of major and significant (i.e. Priority 1 and Priority 2) recommendations, which have been rejected by Council Management.

4. *Audit Coverage*

Details of audit assignments carried out in the period, including any checks on external partner organisations.

5. *Classifications of Assurance and Recommendations*

An explanation of the classifications used for prioritising recommendations and assessing levels of assurance.

## 1. STATISTICAL SUMMARY OF RECOMMENDATIONS

The following table summarises the number of audit recommendations we have made in our final reports issued up to 11<sup>th</sup> September 2013; analysed by their priority, including whether accepted by management.

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made	14	-	10	4
Fully Accepted	14	-	10	4
Partly Accepted	-	-	-	-
Not Accepted	-	-	-	-

## **2. ACCEPTED PRIORITY 1 RECOMMENDATIONS**

No Priority One recommendations were made within the reporting period.

### **3. REJECTED RECOMMENDATIONS**

#### **3.1 PRIORITY ONE RECOMMENDATIONS**

There have been no rejected Priority One recommendations during the reporting period.

#### **3.2 PRIORITY TWO RECOMMENDATIONS**

There have been no rejected Priority Two recommendations during the reporting period.



#### 4. INTERNAL AUDIT COVERAGE:

##### APRIL – SEPTEMBER 2013

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	<b>ANNUAL AUDITS</b>			
13-01	Income Collection	1	Final	Substantial
13-02	Housing and Council Tax Benefits	1		
13-03	Council Tax	1	Phase 1 memo issued	
13-04	Performance Management	2		
13-05	Business Rates (NNDR)	1	Phase 1 memo issued	
13-06	Risk Management	1		
13-07	Budgetary Control	2		
13-08	Treasury Management	2		
13-09	Car Park Meter Income	2	Final	Substantial
13-10	Payroll (inc. Expenses)	2		
13-11	Accounts Receivable	2		
13-12	Corporate Control/Governance	2		
13-13	Main Accounting System and Periodic Controls	2		
13-14	Procurement (inc. Ordering)	2		
13-15	Accounts Payable	2		
13-16	Housing Rents	2		
13-17	Standing Orders /Financial Regs/ Anti Fraud	2		
13-18	Housing Non Routine Maintenance	2		
	<b>RISK ASSESSED SYSTEMS</b>			
13-24	Grant Funding - Empty Homes Grant		Certification letter signed.	
13-21	Receipt Book Checks	n/a	Ongoing	

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	<b>COMMUNITY ORGANISATIONS AND MAYOR'S ACCOUNT</b>	n/a		n/a
-	Hawcoat		Complete	
-	Abbotsvale		Complete	
-	Dalton Community Association			
-	Barrow Playing Fields Users Association			
13-20	Mayor's Account		Complete	
	<b>IT ENVIRONMENT AUDITS</b>	1		
IT51	Information Security Policies		Planning commenced	
IT52	IT Infrastructure Management			
IT53	Implementation Review			
	<b>CONTRACT AUDIT</b>	1		
CR77	Proposed Soccer Centre, Park Leisure Centre		In progress	
CR82	North Central Group Repair Scheme		Stage 3 memo issued	
CR83	Dock Museum New Car Park and Access Stages 3&4		Stage 4 memo issued	
CR84	Barrow Cemetery NW Extension		Planning commenced	
CR85	Catering and Events Management		In progress	

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	<b>IMPLEMENTATION REVIEW</b>	n/a		n/a
08-28	Client Monitoring		Complete	
07-26	Corporate Health and Safety Review		Complete	
08-36	Data Protection (Client Aware System)		Complete	
08-33	Development Control		Complete	
11-23	Leisure Centre		Complete	
11-29	Personnel		Complete	
08-05	Barrow Park		Complete	
10-27	Non-Routine Public Buildings Maintenance		Complete	
11-24	Disabled Facilities Grants		Complete	
11-28	Grounds Maintenance		Complete	

#### Fraud Hotline Calls

	Revenues/ Benefit related	Staff Related	Other	Total
2013/14 (April September)	60	0	0	60
2012-13 (Full year)	94	1	1	96

## 5. CLASSIFICATIONS

### 5.1 Classification of Assurance Levels

At the conclusion of each audit, we give an overall opinion on the level of assurance, which we consider is provided by the controls in place within the system audited. The following classification of assurance levels has been adopted:

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

### 5.2 Priority of Recommendations

Our audit recommendations are categorised by three priority levels: -

- Priority 1* Major issues that we consider need to be brought to the attention of senior management.
- Priority 2* Important issues which should be addressed by management in their area of responsibility.
- Priority 3* Detailed issues of a relatively minor nature.

## APPENDIX 1 – DRAFT REPORTS ISSUED

Ref	Audit	Date issued
12-23	Document Retention	6 <sup>th</sup> June 2013

## **APPENDIX 2 – RESTRICTED ASSURANCE AUDITS**

No Final reports were issued in the period with Restricted Assurance.

<b>AUDIT COMMITTEE</b>		<b>Part One</b> <b>(D)</b> <b>Agenda</b> <b>Item</b> <b>13</b>
<b>Date of Meeting: 26th September, 2013</b>		
<b>Reporting Officer: Policy Review Officer</b>		
<b>Title: Local Government Ombudsman Annual Letter 2012/2013</b>		
<b>Summary and Conclusions:</b>		
To consider the Ombudsman’s Annual Letter for 2012/2013.		
<b>Recommendation:</b>		
To note the report		

### **Report**

The Ombudsman issues an annual letter to Councils reviewing complaints against the Authority. A copy of the letter and annual statistics is attached at **Appendix 13**.

During 2012/13, a total of eight complaints were received which is below the average for Borough Councils. This year the Ombudsman has not provided the detailed breakdown of complaints that it has provided in previous years. As from the beginning of the current year the Ombudsman will be publishing all decisions on their website.

### **Background Papers**

Nil.

16 July 2013

*By email*

Mr Phil Huck  
Executive Director  
Barrow-in-Furness Borough Council

Dear Mr Huck

### **Annual Review Letter**

I am writing with our annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO) about your authority for the year ended 31 March 2013. This year we have only presented the total number of complaints received and will not be providing the more detailed information that we have offered in previous years.

The reason for this is that we changed our business processes during the course of 2012/13 and therefore would not be able to provide you with a consistent set of data for the entire year.

In 2012/13 we received 8 complaints about your local authority. This compares to the following average number (recognising considerable population variations between authorities of a similar type):

District/Borough Councils-	10 complaints
Unitary Authorities-	36 complaints
Metropolitan Councils-	49 complaints
County Councils-	54 complaints
London Boroughs-	79 complaints

### ***Future development of annual review letters***

We remain committed to sharing information about your council's performance and will be providing more detailed information in next year's letters. We want to ensure that the data we provide is relevant and helps local authorities to continuously improve the way they handle complaints from the public and have today launched a consultation on the future format of our annual letters.

I encourage you to respond and highlight how you think our data can best support local accountability and service improvements. The consultation can be found by going to [www.surveymonkey.com/s/annualletters](http://www.surveymonkey.com/s/annualletters)

### ***LGO governance arrangements***

As part of the work to prepare LGO for the challenges of the future we have refreshed our governance arrangements and have a new executive team structure made up of Heather Lees, the Commission Operating Officer, and our two Executive Directors Nigel Ellis and Michael King. The Executive team are responsible for the day to day management of LGO.

The Oaks No 2  
Westwood Way  
Westwood Business Park  
Coventry  
CV4 8JB

T: 024 7682 0000  
F: 024 7682 0001  
W: [www.lgo.org.uk](http://www.lgo.org.uk)  
Helpline: 0300 061 0614



Since November 2012 Anne Seex, my fellow Local Government Ombudsman, has been on sick leave. We have quickly adapted to working with a single Ombudsman and we have formally taken the view that this is the appropriate structure with which to operate in the future. Our sponsor department is conducting a review to enable us to develop our future governance arrangements. Our delegations have been amended so that investigators are able to make decisions on my behalf on all local authority and adult social care complaints in England.

### ***Publishing decisions***

Last year we wrote to explain that we would be publishing the final decision on all complaints on our website. We consider this to be an important step in increasing our transparency and accountability and we are the first public sector ombudsman to do this. Publication will apply to all complaints received after the 1 April 2013 with the first decisions appearing on our website over the coming weeks. I hope that your authority will also find this development to be useful and use the decisions on complaints about all local authorities as a tool to identify potential improvement to your own service.

### ***Assessment Code***

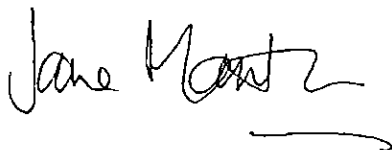
Earlier in the year we introduced an assessment code that helps us to determine the circumstances where we will investigate a complaint. We apply this code during our initial assessment of all new complaints. Details of the code can be found at:

[www.lgo.org.uk/making-a-complaint/how-we-will-deal-with-your-complaint/assessment-code](http://www.lgo.org.uk/making-a-complaint/how-we-will-deal-with-your-complaint/assessment-code)

### ***Annual Report and Accounts***

Today we have also published *Raising the Standards*, our Annual Report and Accounts for 2012/13. It details what we have done over the last 12 months to improve our own performance, to drive up standards in the complaints system and to improve the performance of public services. The report can be found on our website at [www.lgo.org.uk](http://www.lgo.org.uk)

Yours sincerely



Dr Jane Martin  
Local Government Ombudsman  
Chair, Commission for Local Administration in England

<b>AUDIT COMMITTEE</b>		<b>Part One</b> <b>(D)</b> <b>Agenda</b> <b>Item</b> <b>14</b>
<b>Date of Meeting: 26th September, 2013</b>		
<b>Reporting Officer: Policy Review Officer</b>		
<b>Title: Risk Management</b>		
<b>Summary and Conclusions:</b>		
Provide Members with the Council’s Risk Register.		
<b>Recommendations:</b>		
Members are invited to consider the report and determine whether further action is required.		

### **Report**

The Risk Register for 2013/14 is attached at **Appendix 14**. It continues to focus on those business critical risks which are under the control of the Council.

The Risk Register was reviewed by management Board at their meeting in June 2013 and the following changes were agreed.

### **Operational risks**

Management has agreed a number of operational risks and these are presented in **Appendix 15**. The operational risks will be used to inform the development of the Council's business continuity plan.

### **Background Papers**

Nil

Inherent risk score					Residual risk score				
Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
1 Future financial stability and sustainability of the Council.				Without sufficient funding plans discretionary services may be at risk of reduction or closure.	The Council has an approved Budget Strategy to 2015-2016. The policies within the Strategy are the basis for the Council's General Fund revenue budget and its Medium Term Financial Plan.				
				Statutory services may be delivered with reduced service levels.	The Budget Strategy led to a restructuring of services and the Council as a whole, but recognised that further restructuring was required to achieve the desired balanced budget by 2015-2016.				
				Staff redundancies may not be avoidable.					
				Funding to external bodies may be reduced.	The Council has planned to use its reserves to set the pace of change but should its main funding reduce further than expected, this will impact on its plans.	Executive Director and Borough treasurer	4	4	16
		5	5	25	The Council's capital programme and treasury management strategy must be affordable and reduced revenue resources may impact on the Council's plans.	The Council will produce a longer term financial plan in 2013-2014.			
				The overall capacity of the Council to deliver services may need to be scaled down and may fall below users expectations.	The impact of restructuring is closely monitored by Management Board, including recruitment and resourcing challenges in statutory services. The Council has a Workforce Strategy.				
					The Council continues to bid for funding of all kinds when it becomes available and although this is not sustainable funding, it does support the delivery of the Councils Key Priorities.				

Risk category: Corporate financial risks														
Inherent risk			Residual risk											
score			score											
Threat	Likelihood	Impact	Score	Potential impact			Mitigating actions			Responsible Officer	Likelihood	Impact	Score	
2	Impact of changes to the benefit system on income for the housing Department	5	4	20	75% of the Services income is received through Housing Benefit. At 2012 rents this will equate to £7.1m. Of the 2700 tenancies 2039 receive help with their housing cost through Housing Benefit. The introduction of Universal Credit and changes to how tenants receive support with housing costs, including no direct payments to landlords, poses a risk to the Services income.			A six point plan will be progressed to mitigate the risk focusing on the introduction of Universal Credit, new under-occupation rules, changes to non-dependant deductions and a Communication Plan. The Service has recently reviewed it's Income Strategy. It will operate a firm but fair approach to assist tenants during the changes whilst ensuring rents due are collected. A new post has been created to assist with income recovery it is anticipated that this post will be cost neutral.			Housing Manager	5	3	15
3	MMI levy under the Scheme of Arrangement.	4	5	20	The Council has a liability as member of the Scheme of Arrangement with Municipal Mutual Insurance (MMI) to pay a levy when demanded for the claims that have been settled since 1993. A levy has been called and will be paid in 2013. Further levies can be demanded in the future, up to the total value of claims settled by MMI since 1993.			The Council has set aside funding in the event of the levy being demanded.			Borough Treasurer	3	3	9
4	Impact of pay review	4	4	16	Potential staff unrest. Increase in staff costs. Failure to agree the outcomes of the job evaluation process.			Following the implementation of the outcomes of the Council's spending review posts will be allocated salary scales based on the pay review. An equal pay audit has been undertaken and no significant risks have been identified. The Council will develop a workforce strategy			Deputy Executive-Director	4	3	12

Risk category: Corporate service delivery risks										
	Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
5	Failure of external partner, service providers or contractors	3	5	15	This is likely to result in the suspension of some service while alternative service providers are identified	The Council monitors the position of service providers through regular client meetings and will undertake company checks on our contractors The Council retains the intellectual property and assets that will support continuity of services	Management Board	3	4	12
6	Level of sickness worsens	4	3	12	A significant increase may impact on the Council's capacity to deliver services.	The Council has put a number of measures in place to maintain the current relatively low levels. The impact of elevated levels would only be moderate.	Deputy Executive Director	4	3	12
7	Performance of service delivery contractors.	3	3	9	Failure to deliver key services. Public dissatisfaction with the service. Public health risk.	The Council has agreed contingency plans with the contractor which are incorporated in the contracts. Protracted industrial action is covered in the contract.	Assistant Director of Community Services	3	3	9
8	Impact of Welfare Reform changes	4	4	16	Increasing numbers of residents experience difficulty in meeting their housing costs and risk homelessness.	1. Continue to support and work with advice agencies throughout the Borough to assist residents to receive appropriate advice. 2. Maximise the Discretionary Housing Payments fund to assist residents in the most challenging financial circumstances to look for longer-term solutions to their problems. 3. To develop a Homeless Strategy and our approach to preventative work to assist residents under threat of losing their homes or who are homeless to resolve their housing problems.	Housing Manager	4	4	16
9	Failure to deliver Waterfront Barrow regeneration programme	4	4	16	This will damage the profile of Barrow as a place to live and work. There will be a loss of local confidence and ineffective use of private sector resources	The Council is committed to complete the site assembly. The project can progress in phases subject to the availability of funding.	Executive Director	3	4	12

Risk category: Corporate compliance risk										
	Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
10	Not having appropriate governance arrangements in place	2	5	10	The Council may lose focus on the purpose of the authority and the wider outcomes for the community	The Council continues to monitor and strengthen its governance arrangements. These include: Audit and scrutiny functions. Treasury management Asset management Resource management Performance management Risk management	Deputy Executive Director	2	3	6
	Risk category: Corporate compliance risks									
	Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
11	Failure to maintain H&S arrangements	2	5	10	Members of the public and Council employees could be put at risk by Council operations	The establishment of the Technical Services Team and the Health & Safety Management Board has strengthened the Council's H&S arrangements.	Deputy Executive Director	2	3	6
12	Capacity to undertake statutory inspections, investigations and enforcement action.	4	3	12	Compliance with statutory targets may be compromised. Response time for investigations and enforcement action may be compromised.	Review and monitor departmental structure. Tactical use of consultants if required	Assistant Director of Regeneration and Built Environment	3	3	9
13	Legal challenge to Procurement of contracts	2	3	6	Unexpected legal costs and fines. Potentially no agreed contract to cover service due to previous contract lapsing.	Training of staff involved in high value procurement and audit checklists.	Assistant Director of Regeneration and Built Environment	1	3	3
14	Incidents of fraud, bribery or corruption	2	2	4	It would indicate a failure of the Council's systems. Loss of money. Loss of reputation and confidence.	Fraud and corruption policy in place for staff and Members. Effective whistle blowing policy in place. Monitoring of standards and checks by Internal Audit	Borough Treasurer	1	2	2

Risk category: Corporate business continuity risks										
	Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
15	Major incident affecting service delivery or ICT systems	1	5	5	Widespread damage due to fire or flooding. Mass fatalities. Risk to public health. Unable to deliver services. Failure of ICT systems may adversely affect service delivery.	Business continuity plan. Emergency cremation and burial plan. Contingency plans. Remote access to Council systems	Deputy Executive Director	1.	4	4





What are the operational risks for service delivery?  
What could stop service delivery - what's the risk?

Threat	L	I	S	Potential impact	Mitigating actions	Responsible	L	I	S
Inadequate staffing to deliver key services.	4	5	20	Key services, including statutory services and demand led services cannot be delivered.	<p>The main key services apart from leisure and enforcement are contracted out.</p> <p>Management Team co-ordinate leave to ensure that senior management is available.</p> <p>Staff holiday planning is undertaken by the managers within departments.</p> <p>Consultancy services are used where unplanned absences will result in statutory services being adversely affected.</p> <p>The Council has a Business Continuity Plan.</p>	Deputy Executive Director	3	4	12
Access to operational buildings.	2	5	10	Key services, including statutory services and demand led services cannot be delivered.	<p>Services that are contracted out do not depend on the Council's premises being accessible.</p> <p>The leisure services are not statutory - no access would be inconvenient and prevent users from enjoying the facilities.</p> <p>Key back office functions performed in the Town Hall can be carried out from other operational buildings.</p> <p>There are several key holders for each operational building.</p>	Executive Director	1	3	3

What are the operational risks for service delivery?  
What could stop service delivery - what's the risk?

Threat	L	I	S	Potential impact	Mitigating actions	Responsible	L	I	S
Inadequate cashflow for operational purposes.	2	5	10	<p>Unable to make payments to benefit recipients, pay staff, pay contractors or suppliers.</p> <p>See item # relating to benefit payments.</p> <p>Services may be suspended or withdrawn should the Council not pay its debts.</p>	<p>The Council's cashflow is monitored daily against projections that are made for the year.</p> <p>The Council pays by BACS and CHAPS and does not issue cheques which can cause fluctuations in cashflow depending on when they are presented by the payee.</p> <p>The Council has an overnight account with its bank with a sufficient balance to cover unexpected payments.</p> <p>It is possible to call investments back before maturity; this incurs a penalty.</p> <p>The Council has headroom within its borrowing limit to draw down either a temporary or long term loans.</p>	Borough Treasurer	1	2	2
Unable to collect household waste.	3	5	15	<p>Households would potentially have side waste if the refuse container filled up due to delays in collections.</p> <p>There are health and safety issues with holding waste and particularly side waste for householders.</p>	<p>The waste collection service is contracted out.</p> <p>There is a waste management snow plan.</p> <p>There is capacity within the week to put on additional collections to catch up from any delays.</p>	Assistant Director of Community Services	2	3	6
Unable to pay housing benefits to claimants.	3	5	15	Housing benefit recipients would be unable to pay their rent and this may jeopardise their tenancies.	<p>The BACS file is produced by the Council's contractor a day ahead of time.</p> <p>The Council has support for BACS from its supplier and from its bank.</p> <p>Payments can be made by alternative methods in exceptional circumstances.</p>	Borough Treasurer	2	2	4

What are the operational risks for service delivery?  
What could stop service delivery - what's the risk?

Threat	L	I	S	Potential impact	Mitigating actions	Responsible	L	I	S
Maintenance of Council housing stock to decent homes standard.	3	5	15	Living conditions and safety of tenants may be adversely affected.	The housing maintenance programme is provided by a contractor. The housing department's maintenance team closely monitor	Housing Manager	2	3	6
Availability of homeless accommodation.	3	5	15	Nowhere to temporarily house homeless people.	The Council has arrangements with several local hotels and has an account set up with the Travel Lodge now set up. The Council also maintains some dispersed accommodation (6?).	Housing Manager	2	3	6
Unplanned outage of the cremator.	2	5	10	Services are pre-booked and there would be disruption to users in rescheduling or transferring the services. There would be a loss of income.	The cremator is regularly checked by crematorium staff and by the contracted maintenance provider. Arrangements exist with a neighbouring crematorium for the planned outage that occurs when the Council's cremator is re-lined.	Assistant Director of Community Services	2	3	6
Failure of swimming pool filters or other breakage.	2	4	8	The swimming pool would be unavailable to users until fixed. If the outage ran over weeks, the gym & swim members may request a partial refund. There would be a loss of income.	The daily checks carried out on the swimming pool and associated plant would identify potential areas of concern and the appropriate contractor would be brought in to address the issues raised.	Assistant Director of Community Services	2	3	6



<b>AUDIT COMMITTEE</b>		<b>Part One</b> <b>(D)</b> <b>Agenda</b> <b>Item</b> <b>15</b>
<b>Date of Meeting: 26th September, 2013</b>		
<b>Reporting Officer: Policy Review Officer</b>		
<b>Title: Monitoring Priority 1 Recommendations</b>		
<b>Summary and Conclusions:</b>		
Monitoring the implementation of all agreed Internal Audit, Priority 1 Recommendations.		
<b>Recommendations:</b>		
Members are invited to consider the report and determine whether further action is required.		

### **Report**

Internal Audit undertakes reviews of Council's systems as defined in the Annual Audit Plan. The audit conclusion may include Priority 1 Recommendations which relate to major issues that need to be brought to the attention of Senior Management. Senior Managers consider the recommendations and determine whether to accept or reject them. If the recommendation is accepted the Manager is agreeing to implement the recommendation.

To ensure all agreed Internal Audit Priority 1 Recommendations are implemented in a timely manner they are now tracked by Management Board.

At the last meeting of this Committee there were two outstanding Priority 1 risks:

The Priority 1 risk related to the catering contract has now been implemented.

The Priority 1 risk related to the Business Continuity Plan is still outstanding. A draft Business Continuity Plan was submitted to Management Board in June. We are currently working on the infrastructure to support the Information and Communication Technology Disaster Recovery Plan and are trying to source a location for replica computer servers and telephone systems.

### **Background Papers**

Nil

### **Barrow Borough Council Priority 1 Recommendations 2011/13**

<b>Audit Report</b>	<b>Recommendation</b>	<b>Responsible Officer</b>	<b>Current position</b>
<b>RISK MANAGEMENT - BUSINESS CONTINUITY (11-08)</b>	<p>In order to strengthen its Business Continuity Management (BCM) arrangements, the Council should :</p> <p>a) designate a senior officer to be responsible for developing and maintaining its BCM procedures;</p> <p>b) clearly define the roles and responsibilities of the Management Team and an Incident Management Team in respect of BCM;</p> <p>c) consider suitable training for all staff directly responsible for, or involved in, BCM at both corporate and departmental levels, to include scenario exercises;</p> <p>d) promote, where possible, an awareness of BCM amongst all staff with the aim of embedding its principles into their day to day activities.</p>	Executive Director	<p><b>Partially implemented</b></p> <p><b>The Council has identified the Executive Director as the responsible officer for developing BCM procedures.</b></p> <p><b>Members of Management Board have clearly defined roles for identifying operation risks and using the information to assist in the development of the Business continuity plan.</b></p> <p><b>The operational assurance group will consider training needs and present them to management Board.</b></p> <p><b>No progress to date</b></p>
<b>RISK MANAGEMENT - BUSINESS CONTINUITY (11-08)</b>	The Council should produce a formally approved and up to date Business Continuity Plan, considering the following	Executive Director	<p><b>Not Implemented</b></p> <p><b>The policy Review officer will</b></p>

Audit Report	Recommendation	Responsible Officer	Current position
	<p>potential areas for inclusion:</p> <ul style="list-style-type: none"> <li>• clearly defining the scope of its BCM coverage and its links with Emergency Planning and other relevant policies and procedures;</li> <li>• approving a formal BCM policy/strategy;</li> <li>• reviewing and documenting the Business Critical Activities (BCAs) for each of its services;</li> <li>• carrying out an impact analysis which assesses the risks of, and the effect of, disruption to BCAs and also identifies the period that the Council can function without each BCA and the requirements/resources to recover that BCA;</li> <li>• including a corporate incident management plan which designates a team to manage an incident, sets out procedures and resources to enable services to resume and identifies accommodation/communications for the team and key service staff;</li> <li>• formulating individual</li> </ul>		<p><b>prepare a draft Business Continuity Plan based on the operational risks that are identified by Management Board.</b></p>

Audit Report	Recommendation	Responsible Officer	Current position
	<p>departmental plans to describe the processes needed to recover from an incident affecting their BCAs;</p> <ul style="list-style-type: none"> <li>ensuring that the plans consider the costs, feasibility and practicality of contingency measures; and</li> <li>regularly testing and reviewing these arrangements.</li> </ul>		