

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Monday, 29th June, 2009
at 2.00 p.m.

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. Disclosure of Interests.

A Member with a personal interest in a matter to be considered at this meeting must either before the matter is discussed or when the interest becomes apparent disclose

1. ***The existence of that interest to the meeting.***
2. ***The nature of the interest.***
3. ***Decide whether they have a prejudicial interest.***

A note on declaring interests at meetings, which incorporates certain other aspects of the Code of Conduct and a pro-forma for completion where interests are disclosed accompanies the agenda and reports for this meeting.

5. To confirm the Minutes of the meeting held on 18th March, 2009 (copy attached).
6. Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

- (D) 7. Final Accounts for the Year Ended 31st March, 2009 (Attachment to follow).
- (D) 8. Annual Governance Statement 2008-2009 (Attachment to follow).

(D) 9. Internal Audit Annual Report 2008-2009.

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

Membership of Committee

Councillors Heath (Chairman)
Unwin (Vice-Chairman)
Barlow
Begley
Jefferson

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting: 18th March, 2009
at 2.00 p.m.

PRESENT:- Councillors Heath (Chairman), Unwin (Vice-Chairman), Barlow, Begley and Jefferson.

22 – Minutes

The Minutes of the meeting held on 17th December, 2008 were taken as read and confirmed.

23 – Attendance of Substitute Members

Councillor Barlow had replaced Councillor M. Roberts for this meeting only.

24 – Audit Commission Reports

The Borough Treasurer reported that five reports had been submitted by the Audit Commission for Committee's consideration. Gina Martlew, David Hool and Caroline Fogwill, the Appointed Auditors attended the meeting to present the report to Members.

Use of Resources Audit 2007/08

The Use of Resources assessment evaluated how well Councils managed and used their resources. This was the fourth assessment carried out at the Council and was the last under the CPA framework. Next year there would be a new assessment which would form part of the Comprehensive Area Assessment. The Use of Resources assessment focused on the importance of having strategic financial management, sound governance and effective financial reporting arrangements. These should support the Council in the achievement of its priorities and improving services, whilst delivering value for money.

Under the current assessment the Council's arrangements were deemed to be 'only at minimum requirements – adequate performance'. For the 2008/09 assessment the Council would need to be able to demonstrate that desired outcomes and outputs had been achieved. The new assessment was based less on process and more on outcome for the people of Barrow.

The summary set out key findings in relation to each them and key areas for improvement.

Annual Audit and Inspection Letter 2008-09

The key messages of the report were:-

1. During 2007/08 the Council has improved services in areas that it has identified as key priorities. This included supporting economic regeneration, housing market renewal, tackling worklessness, street cleanliness and environmental improvements and facilities and activities for young people. The Council's overall rate of improvement in the last year was slightly below average compared to other Councils.
2. A Benefits Service Inspection undertaken by the Audit Commission in 2008 found that the service was poor with poor prospects for improvement. The Council needs to focus on improving the performance of the Benefits Service to provide a better service to the people of Barrow.
3. The Council is making a positive contribution to wider community outcomes in a number of areas, including supporting the development of new social and private housing, improving community safety, and improving the energy efficiency of its own accommodation and private sector housing.
4. The Council has carried out initiatives to improve the health of residents with partners. Organisations in Cumbria have a strong commitment to tackling health inequalities and what, and how, current and future initiatives across partners will contribute to a reduction of health inequalities across Cumbria.
5. The Council has identified key priorities and associated objectives for 2008-2011 but generally it is difficult to identify intended, quantified outcomes. As a result it is not always clear that objectives and targets are challenging and how performance and progress will be monitored.
6. The Council has yet to implement a new pay and grading system that meets equality standards. The council also needs to develop a workforce strategy which supports the Council's stated priorities and which considers efficiencies that could be made through providing services jointly with other Cumbrian authorities.
7. We issued an unqualified opinion on the Council's accounts and an unqualified value for money conclusion on 24th September, 2008.
8. Overall the Council continues to have adequate arrangements in place to manage its use of resources. Under the use of resources assessment from 2009 onwards the Council needs to be able to demonstrate that these arrangements have led to better outcomes for the people of Barrow-in-Furness.

The report also summarised the action needed by the Council which was as follows:-

9. The national economic downturn will increase the pressures on all Councils in 2009. The Council should proactively manage its finances and other resources to deal with these pressures, particularly where costs and demands for services are increasing.
10. The continuing actions for the Council which relate to Member's responsibilities include the need to:-

- continue to monitor the performance of the housing benefit service, and fully implement the action plan to improvement performance in line with challenging targets;
- strengthen the arrangements for ensuring appropriate use of resources. This should consider the requirements of the new use of resources assessment to be in place from 2008/09, which will review arrangements against new and more challenging criteria;
- ensure that service plans identify clear targets and that action plans are measurable;
- consider areas where services and functions could be better delivered through shared services;
- agree specific actions and objectives across partners to address the objective of reducing health inequalities across Cumbria;
- ensure that business planning identifies actions, timescales and outcomes to measure progress against identified priorities;
- monitor the implementation of a new pay and grading system; and
- develop a workforce strategy designed to deliver the Council's key aims and objectives.

Direction of Travel Report

It was reported that Barrow-in-Furness Borough Council had improved services in many of the areas that it had identified as priorities. The Council's overall rate of improvement last year was slightly below average compared to other Councils. In 2007/08, out of 58 national service performance indicators, 34 improved or maintained maximum performance and 24 deteriorated or did not improve. Comparative performances showed that a higher proportion of indicators were amongst the best 25% in 2007/08 compared with the previous year (17 indicators, compared with 13 in 2006/07) and a lower proportion were amongst the worse 25% in 2007/08 (18 indicators, compared with 23 in 2006/07). Areas considered in the report were improvement in priority areas, creating a safer, cleaner, greener Borough, meeting the Borough's housing needs, supporting economic regeneration, expanding facilities for younger people, improving access to services, improving the efficiency and effectiveness of the Council, value for money and how much progress was being made to implement improvement plans to sustain future improvements.

Benefits Service Inspection

During 2008 the Benefits Service at Barrow-in-Furness Council was inspected. The inspection found that the service was poor with poor prospects for improvement. The key findings were detailed in his report along with a number of recommendations.

In response to the inspection the Council had drawn up and begun to implement an Improvement Plan.

The Auditor also reported on a cross-cutting review of Health inequalities for 2007/08 involving local government and health organisations.

Data Quality – Audit 2008/09

The purpose of this report was to summarise the findings from the Audit Commission's work on data quality for 2007/08. Auditors' work on data quality and performance information supported the Commission's reliance on performance indicators (PI) in its service assessments for comprehensive performance assessment (CPA).

The summary conclusions of the report were as follows:-

Stage 1 – Management arrangements

The Council's overall management for ensuring data quality meet minimum requirements.

Improvements have been made in year and strong areas were as follows:-

- senior managers are taking the lead in managing data quality;
- adequate performance information data collection systems are in place;
- there is a suitably skilled officer taking the corporate role; and
- performance information is used effectively as part of the corporate management of services.

Areas still needing improvement were:-

- ensuring performance data from third parties is of adequate quality; and
- providing guidance and training in service areas.

Stage 2 – Analytical review

Our analytical review work at Stage 2 identified that the PI values reviewed were substantiated by evidence.

Stage 3 – Data quality spot checks

Our review and spot checks of PIs found the following:-

- Recycling performance (BVPI 82a): fairly stated;

- Processing new claims HB/CTB (BVPI 78a): fairly stated; and
- Processing change of circumstances (BVPI 78b): unfairly stated.

An action plan had been agreed with the Council to address the issues arising from this review.

Audit Opinion Plan – Audit 2008-09

It was reported that the initial audit plan for 2008/09 was issued to the Audit Committee on 27th June, 2008 which set out the work that the Audit Commission proposed to undertake in order to satisfy their responsibilities under the Audit Commission's Code of Audit Practice. They had therefore in the report set out their approach to identifying opinion audit risks and had considered the additional risks that were appropriate to the current opinion audit.

Benefits Inspection

The Benefits Service had been assessed at Barrow-in-Furness Borough Council as providing a 'poor' no star service that had poor prospects for improvement. The Auditors judgements were based on the evidence obtained during the inspections and were outlined in their report.

The Inspection Team submitted the following recommendations for the service:-

1. Strengthen corporate performance management and the value for money of the Service by:-
 - developing a clear vision for the Service reflecting the local context;
 - developing the awareness and undertaking of the Service by Councillors and other stakeholders (e.g. staff delivering regeneration programmes); and
 - implementing a Service Level Agreement with the Citizens Advice Bureau and other partnerships where appropriate.
2. Improve the performance management arrangements for the contract by:-
 - undertaking systematic benchmarking to include costs and performance;
 - setting a range of challenging targets with the service provider in line with the contract specification;
 - improving the information and reporting of overpayments; and
 - reviewing the scope for better targeting the quality checks carried out.
3. Improve the value for money in the Service by:-

- increasing benefit take-up, targeting areas of under-claiming by vulnerable people in the area; i.e. increase work volume/caseload at no additional cost to the Council;
- improving the time taken to pay benefits by reducing core processing times, aiming to be in the best 25% of Councils in line with the service providers stated aims; and
- leveraging additional benefits from the contract wherever possible at no additional cost.

4. Improve access and the overall approach to equalities by:-

- ensuring the service addresses the needs of all the diverse parts of the community, such as private tenants, owner occupiers, people with physical and mental disabilities. Target support where appropriate;
- targeting and making full use of Discretionary Housing Payments (DHP);
- improving the clarity and quality of information, letters and forms;
- involving service users in service design and improvement; and
- implementing and publicising clear customer service standards including the availability of home visits for people who cannot easily get to the Town Hall.

5. For the Benefits Service to be re-inspected in the next 12 to 18 months.

The expected benefits of this recommendation area:-

- to provide assurance to Benefits customers, Council Tax payers and the Government that the planned improvements take place; and
- to increase the Council's confidence that they are delivering an improved service with better value for money.

Mr Philip Thorne from Liberata attended meeting and addressed Members' questions.

RESOLVED:- That Members receive the reports and approve their recommendations.

25 – Benefit Service Improvement Plan

The Borough Treasurer reported that the Audit Commission report relating to the inspection of the Benefits Service was presented to Members in a previous agenda item. The recommendations of the report as well as other improvements were

incorporated into an Improvement Plan. The progress of implementing these improvements would be reported to Members on a regular basis.

Appendix A to these Minutes shows the improvement actions and the progress made to date for the Benefits Service.

RESOLVED:- That Members note the progress made on the Improvement Plan.

26 – Internal Audit – Progress Report April 2008 to March 2009

The Borough Treasurer submitted a report stating that the Committee would receive regular progress reports on the programme of work carried out by the Internal Audit Service. A copy of the Internal Audit Progress Report from April 2008 to March 2009 had been appended to his report.

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

The report contained a statistical summary of the total number of recommendations (199). It was noted that 195 had been fully accepted, 2 partly accepted and 2 had not been accepted. Each of the recommendations had been assigned a priority, graded 1-3; 1 being major issues and 3 being minor issues. A breakdown of restricted assurance audits had been appended to the report.

Referring to the draft reports issued:-

- 08-05 – Barrow Park, Date issued 18th July, 2008;
- 08-27 – Housing Maintenance (Day to Day repairs), Date issued 4th December, 2008; and
- CR48 – Waterside House, Date issued 6th January, 2009;

Members requested that a letter be sent to the appropriate Managers from the Chairman of the Audit Committee requesting their responses ASAP.

RESOLVED:- (i) That the report be received; and

(ii) That a letter be sent to the appropriate Managers for the Barrow Park Audit, the Housing Maintenance (Day to Day repairs) Audit, and the Waterside House Audit on behalf of the Committee from the Chairman requesting their responses ASAP.

27 – Internal Audit Plan 2009-10

The Borough Treasurer reported that under Section 151 of the Local Government Act 1972 he had a responsibility to ensure the proper management of the finances of the Council. In order to achieve this, an Internal Audit function needed to be maintained to provide him with the assurance necessary to discharge his duties under Section 151.

The Internal Audit function examined and evaluated the adequacy of the Council's system of internal controls as a contribution to ensuring that resources were used in an economical, efficient and effect manner.

Internal Audit was an independent and objective appraisal function established by the Council for reviewing the system of internal control. This was in compliance with the Accounts and Audit Regulations 2003 as amended, which specifically required a local authority to maintain an adequate and effective system of internal audit. This work was delivered by way of risk based approach to the Internal Audit planning process; resulting in the production of an Annual Audit Plan which needed approval by this Committee.

RESOLVED:- That the Audit Plan for 2009-10 be approved.

28 – Internal Audit – Final Reports

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

There were 14 final reports for consideration, attached to his report. The assurance levels for these reports were:

Restricted – 6, Substantial – 8 and Unqualified – Nil.

The reports included:-

1. Information Security Policy;
2. Client Monitoring – Revenues and Benefits;
3. Council Tax;
4. Non-Domestic Rates;
5. Payroll;
6. Income Collection;
7. Insurance;
8. Procurement;
9. Market Hall;
10. New Access Road – Flass Lane;
11. Right to Buy;
12. Street Care;
13. Tender Review; and
14. Park Leisure Centre.

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

RESOLVED:- That the reports be received.

The meeting closed at 3.36 p.m.

Action Plan – Benefit Service

Item	Description	Responsibility	Target Date	Comments	Completed Date	Evidence Reference
1	To incorporate the Audit Commission recommendations with existing improvement actions into an overall action plan for the service	M Saleh	November 2008	Amalgamate the already existing improvement actions with those recommended by the inspectors	November	
2	To carry out an immediate review of the contract and monitoring arrangements	M Saleh	December 2008	With P Thorne and the Client Director		
3	To undertake a benefit take-up promotion campaign in the local press	M Saleh	November 2008	An Intensive advertising campaign has taken place during December in the advertiser (the local free newspaper) the Focus Magazine, and the Evening Mail. Further advertising is planned for the future.	Initial stage completed to be ongoing	Advertiser & Evening Mail 20 th & 21 st Nov.
4	Instruct Liberata to produce a comprehensive action plan based on the Audit Commission report	M Saleh	November 2008	To establish the contractor's response to the recommendations by the inspectors.		
5	Opening Hours sign on entrance to first point – Cornwallis Street	M Saleh	October 2008	New opening hours in place & advertised.	Completed	
6	Change sign in first point to show service name not just Liberata	P Thorne	October 2008	New sign in place incorporating Barrow Borough Council & Liberata	Completed	
7	Agree a Vision Statement	M Saleh	October 2008	Vision statement prepared & adopted.	Completed	
8	Organise awareness seminars for members and non-benefit staff	P Thorne M Saleh	November 2008 To January 2009	Awareness seminar for members and officers was held on the 16 th October 2008. A further seminar for non-benefit staff including CRM, Housing and EH to be organised for the new year. Benefit update awareness, 2 sessions for Housing staff held in Jan (one joint with Accent) further session arranged at Accent in February. Also Fraud awareness training will take place at the Housing Department in February further sessions with Accent and other stakeholders to be arranged.	Ongoing	

Item	Description	Responsibility	Target Date	Comments	Completed Date	Evidence Reference
9	Benchmark the cost and performance of the service	M Saleh	March 2009	To undertake a benchmarking exercise initially with the family group and depending on the outcome, the exercise may be extended.		
10	Review the annual targets set for Liberata to reflect higher levels of performance	M Saleh J Penfold P Thorne	January 2009	Monitoring the agreed targets for 2008-2009 has been hampered by system problems. For the year 2009-2010 a more rigorous set of targets will be set. Also future improvements targets will be established.		
11	Improve the information and reporting of overpayments	P Thorne	November 2008	Overpayments data required by Client received from Jan 2009 and Overpayments data retrieved for missing period.	January 2009	
12	Introduce and maintain SLA's with CAB and other relevant partnerships	E Hayes S Wilson D Reid	December 2008	To formalise a service level agreement with CAB and other relevant agencies. SLA with CAB in draft form meeting TBA. Sample copy of SLA with Accent received meeting TBA	April 2009	
13	Organise promotion campaigns to increase take-up (quarterly or half yearly) and target various groups in the community	E Hayes P Thorne L Wood	November 2008	Monitoring the progress of project ASIA (Access to Services Information and Advice). Next meeting 13 th Feb 2009. Take up event held 7 th Nov 2008 (Organised by Project Asia – attended by Liberata & BBC staff. Liberata attended Age Concern Event 21 November. and to attend Multi Cultural events during Feb & March Take up campaign to take place at Annual Billing time & in Autumn with further adverts in the local press. Establish an annual stakeholder conference. initial (planning) meeting 19 th Feb	Ongoing	
14	Achieve Liberata's stated aim of being in the best 25% of councils in terms of core processing times	P Thorne	November 2008			
15	Review the scope of quality checks	E Hayes L Wood	December 2008	The Client will be using Liberata's Quality Tool from April 2009 so that data can be combined to identify errors & training needs. The Client will also introducing additional checks (targeting	April 2009	

Item	Description	Responsibility	Target Date	Comments	Completed Date	Evidence Reference
				individual assessors).		
16	Review the use of DHP	M Saleh E Hayes	March 2009	DHP application and information on website. Leaflets supplied to the following organisations: Mind, Probation service, CAB, Age Concern, BDA, Multi-Cultural Forum and Accent Housing. 2 Benefits advisory sessions held for Housing & Accent during Jan further session planned with Accent during Feb.	Ongoing	
17	Review the clarity and quality of information on letters and forms	L Wood E Hayes	November 2008	Revised Benefits notification letter with Change of Circs form attached at Printers. Other letters & notification under review samples being obtained from other Cumbrian Authorities. BUT problem if do not use Northgate docs as they will not support independent documents.	Ongoing	
18	Involve service users in service improvements	P Thorne D Reid	November 2008	Organise customer feedback interviews. Establish an annual stakeholder conference. Initial meeting (preparatory) 19 th Feb 2009.		
19	Introduce and publish customer service standards	M McKinnell P White	October 2008 Publication 2009	Cumbria customer service standards have been adopted. Measuring and publishing results will be done in 2009.		
20	General service awareness	E Hayes L Wood D Reid	December 2008	Home Visiting Facility now advertised on web site Minicom facility already available. at reception area Promote sign language availability. Notices in public venues		
21	Carry out feasibility Study – flatbed scanners	D Reid	Dec 2008			

		Part One
AUDIT COMMITTEE		(D)
Date of Meeting: 29th June, 2009		Agenda
Reporting Officer: Borough Treasurer		Item
		7
<p>Title: Final Accounts for the Year ended 31st March, 2009</p> <p>Summary and Conclusions:</p> <p>The Accounts and Audit Regulations 2003 require the approval of the Statement of Accounts by 30th June 2009 and publication by 30th September 2009.</p> <p>This report presents the Council's Statement of Accounts for the year ended 31st March 2009.</p> <p>Recommendations:</p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> 1. Review and scrutinise the annual statement of accounts. To consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statement that need to be brought to the attention of the Council. 2. Formally approve the Statement of Accounts for 2008-2009 and agree its submission to the Audit Commission. 3. Authorise the chairman of this committee to sign the accounts on behalf of the Council. 		

Report

The statement of accounts for the year (subject to audit) – **TO FOLLOW.**

Local Authority accounts are prepared to comply with Generally Accepted Accounting Principles (GAAP) in the United Kingdom. This means that public sector accounts are moving towards alignment with company accounts. The professional accounting body for the public sector the Chartered Institute of Public Finance and Accountancy (CIPFA) issues Statement of Recommended Practice (SORP) and guidance to authorities on the best way of producing the accounts.

In preparing the accounts for 2008-2009, your officers have complied with recommended practice and all the relevant legislations.

The results for the financial year ended 31st March 2009 are:

The General Fund:

Members will recall that the 2008-2009 original General Fund (GF) net revenue budget was set at £13,092,000. The net GF expenditure for the year is £13,145,927. The **deficit** for the year is £53,927.

The GF balance as at the 31st March 2009 is £1,971,258. This is a prudent level of balance to maintain and represents around 15% of the net revenue budget.

The actual expenditure is compared to the original budget and the difference forms part of the GF balance.

The main variations from the original budget have been reported to the Executive Committee on a quarterly basis throughout 2008-2009. The full year variations are detailed below:

A. Major under-spends / Over-recovery of income	£
Concessionary travel	460,931
Net Area Based Grant – not in original budget carried forward	357,098
Direct staff costs – including holiday purchase scheme £28,095	164,513
Refuse / Bulk waste collection	148,378
Net exceptional items	146,341
Telephone calls and rentals	58,161
Net treasury activities – investments and borrowing	36,549
Car parking income	22,687
Local Authority Business Growth Initiative grant	13,636
Net other items	165,508
(A)Total Major Under-spends	1,573,802
B. Major over-spends / Under-recovery of income	
Benefits net of subsidy	443,776
Land searches income net of related expenditure	108,451
Building control fees	42,869
(B)Total Major Over-spends	595,096
C. Utilisation of Surplus	
Contribution to earmarked reserves	1,165,628
Contribution from earmarked reserves	(132,995)
(C) Total Net Contributions	1,032,633
Decrease in GF Balance (A-B-C)	(53,927)

The Housing Revenue Account:

The Housing Revenue Account (HRA) original budget for 2008-2009 was set at a surplus of £29,820. The outcome for the year was a surplus of £120,556.

The HRA balance as at the 31st March 2009 is £845,980.

The main reasons are:

Major Variations	£
Dwelling rents	(59,243)
Reduced contribution to bad debt provision	(29,339)
Housing subsidy	(45,528)
Net other items	13,554
Increase in HRA Balance	(120,556)

The Collection Fund:

The Collection Fund (CF) resulted in a deficit of £260,788 for the year with an overall CF balance of £389,136. This deficit will be shared in 2010-2011 amongst the Borough Council, Cumbria County Council and the Police Authority in proportion to their precepts for 2009-2010.

Share of deficit to be incorporated in setting the 2010-2011 tax:	£
Cumbria County Council	193,691
Cumbria Police Authority	31,989
Barrow Borough Council	35,108
Total	260,788

Reserves:

The available reserves as at the 31st March 2009 are:

- The Opportunity Reserve at £1,195,552. In the year approved amounts totalling £78,470 were used for the following:

Approved used of the Opportunity Reserve:	£
Waste minimisation project	73,470
Barrow community trust (year 2) - Executive Committee 14/11/2007	5,000
Total	78,470

- The general reserve stood at £461,623.
- Other earmarked reserves amounted to £1,348,798.

Other earmarked reserves:	£
Balance brought forward	237,694
Contribution in the year	1,165,628
Used in the year	(54,524)
Balance carried forward	1,348,798

Main contributions to earmarked reserves:	£
Budget setting support	500,000
Area Based Grant carried forward	357,098
Leisure Centre loss of income support	300,000
Used for:	
Leisure Centre loss of income support	(29,679)
Festival fund for the year	(24,845)

- The Usable Capital Receipts at the year end were £1,572,673.
- The Major Repairs Reserve for the HRA was fully used in the year.

More detailed information and analysis of the accounts can be obtained from the attached full Statement of Accounts.

Legal Implications: The Accounts and Audit Regulations 2003 require the approval of the Statement of Accounts by 30th June 2009 and publication by 30th September 2009.

Financial Implications: Included in the report

Health and Safety Implications: None
Key Priorities or Corporate Aims: None
Risk assessment: None
Equal Opportunities: None

Background Papers

Nil

AUDIT COMMITTEE	Part One (D) Agenda Item 8
Date of Meeting: 29 th June, 2009	
Reporting Officer: Borough Treasurer	
<p>Title: Annual Governance Statement 2008-2009</p> <p>Summary and Conclusions:</p> <p>The Accounts and Audit Regulations 2006, Regulation 4(2), requires the Council to carry out an annual review of its governance arrangements. The outcome of this review results in the production of the Annual Governance Statement (AGS).</p> <p>Recommendations:</p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> 1. Approve the authority's AGS for 2008-2009 and action plan to be implemented in 2009-2010. 2. To authorise the chairman of this committee to sign the statement on behalf of the Council. 	

Report

The Annual Governance Statement is the mechanism used to demonstrate that, during the financial year ended 31st March 2009, the Council has an adequate governance regime in place and all business was conducted in compliance with the existing arrangements. Instances of non-compliance or weakness identified require an action plan to eliminate re-occurrence.

The AGS including a proposed action plan to be implemented in 2009-2010 – **TO FOLLOW.**

Legal Implications: None

Financial Implications: None

Health and Safety Implications: None

Key Priorities or Corporate Aims: None

Risk assessment: None

Equal Opportunities: None

Background Papers

Nil

AUDIT COMMITTEE	Part One (D) Agenda Item 9
Date of Meeting: 29th June, 2009	
Reporting Officer: Borough Treasurer	
<p>Title: Internal Audit Annual Report 2008-2009</p> <p>Summary and Conclusions:</p> <p>The head of internal audit is required to produce an annual report at the end of each financial year. For the year 2007-2008, the full report is reproduced below.</p> <p>Recommendations:</p> <ol style="list-style-type: none"> 1. Members are recommended to note the annual report for 2007-2008. 2. Members are also invited to comment on or question any part of the report. 	

Report

The report of the head of Internal Audit is attached.

Legal Implications: None

Financial Implications: None

Health and Safety Implications: None

Key Priorities or Corporate Aims: None

Risk assessment: None

Equal Opportunities: None

Background Papers

Nil



Barrow Borough Council

Statement of Accounts for 2008-09 (Subject to audit)

Contents List

	Page(s)
Explanatory Foreword to the Accounts	1-4
Statement of Accounting Policies	5-10
Statement of Responsibilities for the Statement of Accounts	11
Accounting Statements:	12-16
Income and Expenditure Account	12
Statement of the Movement on the General Fund Balance	13
Statement of Total Recognised Gains and Losses	14
Balance Sheet	15
Cash Flow Statement	16
Notes to the Core Financial Statements	17-43
Supplementary Statements	44-54
Housing Revenue Account (HRA) Income and Expenditure Account and Statement of Movement on the HRA Balance (and notes)	44-51
Collection Fund (and notes)	52-54
Annual Governance Statement	TBC

Issued by:
The Borough Treasurer's Department
Barrow Borough Council
Town Hall
Duke Street
Barrow-in-Furness
Cumbria
LA14 2LD

financialservices@barrowbc.gov.uk
www.barrowbc.gov.uk

Published June 2009

A Explanatory Foreword to the Accounts

Introduction

The Statement of Accounts summarises the Council's transactions for the 2008-09 financial year and its position at the year-end 31 March 2009. 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 Council's finances. It discloses the cost of Council services in the year, where the money came from to pay for the services and what the assets and liabilities were at the year-end.

The accounting statements consist of core financial statements followed by a consolidated set of notes covering all of the core statements. Supplementary statements are presented (with their own notes) after the notes on the core statements.

The Statement of Accounts comprises:

- Statement of Accounting Policies
- Statement of Responsibilities for the Statement of Accounts
- Accounting Statements:
 - The Core Financial Statements:
 - Income and Expenditure Account
 - Statement of the Movement on the General Fund Balance
 - Statement of Total Recognised Gains and Losses
 - Balance Sheet
 - Cash Flow Statement
- Notes to the Core Financial Statements
- Supplementary Statements:
 - Housing Revenue Account (HRA) Income and Expenditure Account and Statement of Movement on the HRA Balance
 - Collection Fund
- Annual Governance Statement.

Statement of Accounting Policies

The purpose of this statement is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. The accounting policies and estimation techniques disclosed are those that are significant to the understanding of the Statement of Accounts (**Pages 5 to 10**).

Statement of Responsibilities for the Accounts

This statement sets out the Council's responsibilities for the accounts under local government legislation and other requirements, and the Borough Treasurer's legal and professional responsibility for the accounts (**Page 11**).

Accounting Statements

The Income and Expenditure Account (**Page 12**) brings together all of the functions of the Council and summarises all of the resources that have been generated, consumed or set aside in providing services during the year.

The Statement of Movement on the General Fund Balance (**Page 13**) takes the surplus or deficit from the Income and Expenditure Account and then applies certain statutory items that are taken into account in determining the Council's budget requirement and in turn its Council Tax demand. This results in the General Fund Balance.

The Statement of Total Recognised Gains and Losses (**Page 14**) brings together all gains and losses recognised by the Council in the financial year.

The Balance Sheet (**Page 15**) sets out the Council's financial position as at the 31 March 2009. It shows balances and reserves at the Council's disposal, its long-term indebtedness, and the long-term and net assets employed in its operations, together with summarised information on the fixed assets held.

The Cash Flow Statement (**Page 16**). This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes for the financial year.

Notes to the Core Financial Statements

The notes to the core financial statements (**Pages 17 to 43**) add to and interpret the content of the individual accounting statements. They provide more explanation and analysis where matters of financial significance cannot adequately be shown in the statements themselves.

Supplementary Statements

The Housing Revenue Account (**Pages 44 to 51**) reflects the statutory obligation to account separately for Council housing provision. The HRA has two statements. The HRA Income and Expenditure Account show the HRA services in more detail than the whole authority statement. The Statement of Movement on the HRA Balance adjusts the HRA Income and Expenditure surplus or deficit by applying statutory items. This results in the year end HRA balance.

The Collection Fund (**Pages 52 to 54**) reflects the statutory requirement to maintain a separate record of transactions in relation to council tax and non-domestic rates, and illustrates the way in which these have been distributed to precepting authorities, the national non-domestic rates pool and the General Fund.

Annual Governance Statement

The Annual Governance Statement is the mechanism used to demonstrate that, during the financial year ended 31 March 2009, the Council had an adequate governance regime in place and that all business was conducted in compliance with the existing arrangements. (**Pages TBC**).

Comparison with revenue budget

The Council's original spending plans (budget) in overall terms and the actual outturn for 2008-09 are shown below:

2007-08			2008-09	
Budget	Actual		Budget	Actual
£			£	
12,729,110	12,305,622	Net General Fund budget approved by Council on the 25 February 2008	13,092,000	13,145,927
423,488		Movement in the General Fund balance for the year	(53,927)	
		To be funded by:		
8,672,680		Central Government	8,887,317	
4,056,430		Council Tax	4,204,683	

The net actual expenditure for 2008-09 is £53,927 above the Council's net General Fund budget. There was a net under-spend on the General Fund services of £978,707, including £357,098 of Area Based Grant. A net contribution to earmarked reserves of £1,032,634 was made leaving the overall deficit of £53,927.

For the Housing Revenue Account the original spending plans (budget) and the actual outturn for 2008-09 are shown below:

2007-08			2008-09	
Budget	Actual		Budget	Actual
£			£	
17,140 surplus	1,851,136 deficit	Housing Revenue Account budget approved by Council on the 25 February 2008	29,820 surplus	120,557 surplus

The main reason for the surplus of £120,557 for 2008-09 is higher than budgeted dwelling rents.

Balances and reserves

The balances and reserves available to the Council at the 31 March 2009:

	31 March 2008	31 March 2009
	£	£
General Fund revenue balance	(2,025,186)	(1,971,258)
General Fund earmarked reserves	(1,973,339)	(3,005,972)
HRA revenue balance	(725,423)	(845,980)
Collection Fund balance <i>Page 53 Note 4</i>	(22,187)	52,185
Usable capital receipts reserve	(1,728,568)	(1,572,673)
Total usable reserves and balances	(6,474,703)	(7,343,698)

Retirement benefits

The Balance Sheet (*Page 15*) shows the Council's pension liability matched by the pension reserve at the balance sheet date. This reflects the Council's future liability for pensions relating to current and previous staff. There is no overall effect from pension liabilities on Council Tax or housing rent levels.

Prudential code

The Council adopted the Prudential Code for Capital Finance in Local Authorities in 2004-05. This sets out a framework for the self-regulation of capital expenditure within the restrictions of prudential indicators designed to maintain affordability, prudence and sustainability.

Capital programme

The Council's capital investment for 2008-09 and how it has been financed is shown below, together with the current debt outstanding and the prudential limit on external borrowing.

2007-08		2008-09
£		£
12,741,814	Capital investment	15,656,880
(1,366,076)	Financed by borrowing	(2,115,177)
(6,689,167)	Financed by grant	(10,817,391)
(912,707)	Financed by capital receipts	(642,407)
(3,773,864)	Financed by balances and reserves	(2,081,905)
(12,741,814)		(15,656,880)
(39,000,000)	Authorised limit for external debt	(39,000,000)
(29,000,000)	Total of external loans	(29,000,000)

Group accounts

Where the Council has a group relationship with a separate entity it is required to consolidate both sets of accounts and prepare group accounting statements. During 2008-09 the Council has not had a group relationship with any organisations, therefore there are no group accounting statements or disclosures in the Statement of Accounts.

Accounting policies

These accounts comply with relevant accounting practices and present fairly the financial performance and position of the Council. The accounting policies adopted by the Council are reviewed annually to ensure that the financial information presented is relevant, reliable, comparable and understandable. In 2008-09 a new category of expenditure has been introduced to replace deferred charges. This is Revenue Expenditure Funded From Capital Under Statute (REFFCUS). This has been treated as a change in accounting policy and therefore requires some of the 2007-08 figures to be restated See **Page 16, Note 25** and **Note 45**.

The credit crunch

During the financial year the international banking system faced major liquidity difficulties caused by the American sub-prime mortgage markets which affected the rest of the world banking institutions. A number of banks needed central governments intervention to stabilise the situation. In addition signs of an economic slow down were already becoming apparent. In this country a recession was officially confirmed towards the end of this financial year. The impact of the banking crisis and the recession will affect localities to various extents.

This Council was fortunate not to lose funds unlike a number of local authorities and public bodies.

There were no significant financial implications for the Council during this financial year. The Council exceeded its budget for earned interest on investments and there was no noticeable decline in other income. The effect of the credit crunch may be more apparent in the next financial year.

International Financial Reporting Standards (IFRS)

New financial reporting standards are being introduced from the financial year 2010-11 to comply with IFRS requirements, as required by HM Treasury. For comparative purposes the current year balance sheet has to be restated using the IFRS requirements in preparation for full compliance in 2010-11.

B Statement of Accounting Policies

General

The accounts have been prepared in accordance with the following:

- Code of Practice on Local Authority Accounting in the United Kingdom 2008 (SORP), published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority Scottish Accounts Advisory Committee (LASAAC);
- Guidance issued by CIPFA on the application of UK Accounting Standards:
 - Statements of Standard Accounting Practice (SSAP);
 - Financial Reporting Standards (FRS);
- Best Value Accounting Code of Practice (BVACOP); and
- Prudential Code on Capital Finance in Local Authorities.

Accruals of income and expenditure

Customer and client receipts that appear in the accounts as sales, fees, charges and rents are accrued into the period that they relate to. Basic employee costs are charged to the period within which the employee worked. Expenses and any additional working are paid in the following month and are accounted for in the accounting period they are paid in.

Interest payable on external loans and external interest earned is accrued and accounted for in the period it relates to, reflecting the overall economic effect in the accounting period. The accumulated interest due but not paid or due but not yet received at the 31 March is aggregated to the principal outstanding in the Balance Sheet.

The cost of supplies and services is accrued and accounted for in the period of consumption or receipt. Accruals are made on an estimated or actual basis for all material amounts unpaid at the year-end for goods and services received or works completed.

Bad debt provisions are created to adjust the carrying amount of debtors for doubtful and uncollectable debts. The Council annually reviews the amount held in each provision to reflect the current best estimate, primarily based on the age of the debts.

Acquired/discontinued operations

Any material income and expenditure directly related to acquired or discontinued operations is shown as a separate item in the Income and Expenditure Account.

Any liability in respect of discontinued operations is disclosed as a separate item in the Balance Sheet.

Contingent assets and liabilities

Where the Council has contingent assets and liabilities they are disclosed as a note to the accounts if an economic benefit or obligation is probable.

Contingent assets and liabilities are not included in the accounting statements. Should contingent assets or liabilities materialise then the resulting transaction will be accounted for appropriately.

Events after the balance sheet date

Where an event after the balance sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the balance sheet date occurs (adjusting event) the amounts recognised in the Statement of Accounts are adjusted.

Where an event that occurs after the balance sheet date is indicative of conditions that arose after the balance sheet date (non-adjusting event) the amounts recognised in the Statement of Accounts is not adjusted. For each material category of non-adjusting event after the balance sheet date, the nature of the event and an estimate of the financial effect (or a statement that such an estimate cannot be made reliably) are disclosed.

Events after the balance sheet date are reflected up to the date the Statement of Accounts is authorised for issue. The date when the Statement of Accounts was authorised for issue by the Borough Treasurer is disclosed in the Notes to the Accounts, including confirmation of the date up to which events after the balance sheet date have been considered.

Exceptional items, extraordinary items and prior period adjustments

Exceptional items are part of the ordinary activities of the Council and are included in the cost of the service they relate to, unless they would materially distort the service's cost and its use as a comparative. Where necessary they are disclosed separately in the Income and Expenditure Account and explained in Notes to the Accounts.

Extraordinary items are shown separately in the Income and Expenditure Account after the Council's ordinary activities, and are disclosed in a note to the accounts.

Prior period adjustments arise from corrections and adjustments from estimations and accounting treatments used in the accounting process. Where practicable, the comparative figures for the previous period are restated in the accounting statements and an explanatory note included in the accounts.

Financial instruments

The accounting treatment of financial instruments is covered by three Financial Reporting Standards (FRS's). FRS 26 deals with recognition and measurement, FRS 25 with presentation and disclosures, and FRS 29 replaces the disclosures part of FRS 25.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Financial instruments therefore, cover both financial assets and financial liabilities. In a local authority context and particularly for the Council, financial liabilities include; trade payables (creditors) and borrowings. Financial assets include; trade receivables (debtors), bank deposits and investments.

Financial liabilities are included in the accounts when, in the case of trade payables, the goods or services are received. Borrowing is recognised in the accounts when the amount borrowed is received.

Financial assets are included in the accounts when, in the case of trade receivables, the goods or services have been delivered or rendered. Investments and deposits are recognised at the contract date.

Financial assets and liabilities are included in the accounts at fair value less any transactions costs relating to the acquisition or issue of the financial instrument. Fair value is defined as the amount for which financial assets could be exchanged or a financial liability settled under normal market conditions.

The accounting treatment of financial instruments depends on the classification used and the Council adopts the following classification:

- Financial liabilities – amortised cost
- Financial assets – loans and receivables

Amortised cost using the effective interest rate is a method of determining the Balance Sheet carrying amount and the charges to the Income and Expenditure Account for the financial instrument.

The carrying amount of loans and receivables and the interest income are measured using the effective interest rate method, except for short duration receivables with no stated interest that are measured at the original invoice amount.

Where statutory requirements dictate a different treatment for the carrying amounts relating to premiums and discounts resulting from the early repayment and replacement of loans, the Income and Expenditure Account will be charged or credited with the amount calculated using the effective interest rate method, with a matching adjustment made to the Financial Instruments Adjustment Account (FIAA) to reflect the statutory requirements.

Other types of financial instruments such as financial guarantees, soft loans, equities and derivatives are not currently used by the Council.

Foreign currency translation

Income and expenditure arising from foreign currency transactions would be translated into pounds sterling at the exchange rate on the transaction date.

Any assets or liabilities at the balance sheet date would be shown at the closing rate if no other exchange rate were fixed.

Government grants and other contributions

Grants and other contributions are accounted for on an accruals basis.

Revenue grants are credited against the appropriate service revenue account to match the expenditure they relate to.

Government grants that finance either all or part of an addition to the Council's assets follow the deferred credit method. Capital grants are credited to a government grants unapplied account. Where the grant is used to finance the creation, acquisition or enhancement of a fixed asset, amounts equivalent to the grants applied in financing are transferred to a government grants-deferred account and as depreciation is charged over the life of the asset, the grant is released to the service revenue account over the useful life of the asset, to match the depreciation of the asset it relates to.

Similar accounting treatment has been adopted for grants and contributions from other bodies, using a private grants-deferred account.

However, capital grants relating to Revenue Expenditure Funded From Capital Under Statute (REFFCUS) are credited to the revenue account to match the expenditure charged under this category.

Group accounts

Group accounting requires the consolidation of separate entities accounts where a group relationship exists with the Council. Where such relationships do exist group accounting statements are prepared in addition to the Council's own, separate entity, accounts.

Intangible assets

Intangible assets are held at cost and amortised over their economic lives subject to a maximum of 20 years.

The Council annually reviews the economic lives of each intangible asset to reflect the current best estimate.

Service revenue accounts are charged with a provision for amortisation and where required, impairment, to reflect their use of assets in the course of providing their services.

Leases

The capital value and future liabilities of items acquired by operational leases are recorded as a note to the Income and Expenditure Account. Annual lease payments are charged to the appropriate service revenue account.

Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding obligation. The finance charge is allocated and charged to revenue over the term of the lease.

Overheads

In accordance with CIPFA guidance the costs of corporate and democratic management are not recharged to services, they are shown as a separate objective heading in the Income and Expenditure Account. Similarly non distributed costs are not recharged to services and are shown separately in the Income and Expenditure Account.

The cost of support services are allocated or charged to individual services using the most appropriate basis including staff time, number of employees or floor space; reflecting the nature and type of service provided.

If any overheads are not charged or apportioned, the reason together with the details are disclosed in a note to the Income and Expenditure Account.

Pension costs

The Council contributes to the Local Government Pension Scheme managed by Cumbria County Council. It is a multi-employer, funded defined benefit scheme.

The pension costs charged to service revenue accounts are equal to the current service costs rather than the contributions paid to the fund.

The contributions paid into the fund on behalf of current employees together with costs arising in respect of pensions paid to retired employees are set off against the current service cost with any compensating adjustment coming from a transfer with the Pensions Reserve.

There is no impact on the bottom line of the Income and Expenditure Account.

The pension costs are determined on the basis of contribution rates that are set to meet the known liabilities of the fund. Triennial valuations are carried out to determine the level of contributions required.

The treatment and reporting of retirement benefits complies with the accounting and disclosure requirements of FRS 17 – Retirement Benefits.

Provisions

Provisions are created to meet potential liabilities or losses that have been incurred but where timing or amounts are uncertain.

Revenue expenditure funded from capital under statute (REFFCUS)

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the creation of a fixed asset. The purpose of this is to enable this type of expenditure to be funded from capital resources rather than being a charge on the council tax. These items are generally grants and expenditure on property not owned by the authority,

and amounts directed under section 16(2) of Part I of the Local Government Act 2003. This type of expenditure will be charged to the Income and Expenditure Account but reversed out in the Statement of Movement on the General Fund Balance to neutralise the impact on the Council Tax.

This replaces the Deferred Charges category used in previous years.

Research and development

Expenditure on research and development is written off as it is incurred as part of the continuing operations of the Council.

Reserves

Reserves are used to earmark funds to cover future expenditure. Expenditure should not be charged directly to any reserve.

Capital reserves are not available for revenue purposes and certain reserves can only be used for specific statutory purposes.

The Major Repairs Reserve is a statutory account and relates to the Housing Revenue Account. The account can be used to finance HRA capital expenditure or repay the principal of any amounts borrowed.

Stocks

Stocks are included in the Balance Sheet at the lower of cost and net realisable value in accordance with SSAP 9 – Stocks and long-term contracts.

Tangible fixed assets

All expenditure on the creation, acquisition or enhancement of tangible fixed assets is capitalised. This includes any assets acquired under finance leases that have been capitalised and included in the Balance Sheet on the basis of the outstanding obligation to make future rental payments.

All asset values shown in the Balance Sheet are net of depreciation. Council dwellings are included at their Existing Use Value – Social Housing Value. Operational assets are included at the lower of net current replacement value or net realisable value in existing use. Non-operational assets are included at the lower of net current replacement value or net realisable value. Infrastructure assets, equipment and community assets are included at historical cost. Assets under construction are held at cost as non-operational assets until they are commissioned.

The Council appoints qualified valuers to undertake the revaluation of its assets every five years. The asset values used in the accounts are based on the last valuation certificates issued. For the HRA assets this was at 1 April 2008 and was carried out in accordance with specific government guidance on stock valuation issued in July 2005. For all other assets the last valuation was at the 1 April 2008 and those valuations were carried out in accordance with guidelines issued by CIPFA and the Royal Institute of Chartered Surveyors ('RICS'). The valuation covered all major assets valued over the £10,000 de-minimus level.

Additions to the Council's fixed assets are initially included in the accounts at their cost of acquisition until they fall into the next valuation or impairment review.

Where the disposal of a fixed asset results in a gain or a loss, the equivalent amount is transferred to the Income and Expenditure Account. In order to comply with the statutory restrictions on the use of capital receipts the gain or loss is then reversed in the Statement of Movement on the General Fund or HRA Balance. Disposal proceeds are subject to a de-

minimum value of £10,000, except the sale of Council dwellings that are all treated as capital receipts.

In accordance with FRS 11 – Impairment of Fixed Assets and Goodwill – the value at which each category of asset is included in the Balance Sheet is reviewed annually. Where there is a material change between the carrying amount and the recoverable amount, an impairment adjustment is made in the accounts.

In accordance with FRS 15 – Tangible Fixed Assets – all assets are depreciated except land. Assets are not depreciated in the year of their acquisition or creation; they are depreciated in the year of their disposal. Assets are depreciated for full years and not for interim periods if disposed of part way through a year. Assets are depreciated on a straight-line basis and are calculated on the opening balance.

Due to the requirements of the current statutory framework the depreciation charges are replaced with the statutory requirement for the repayment of external loans.

All financial transactions relating to fixed assets in the balance sheet are reflected in a Capital Adjustment Account and a Revaluation Reserve.

The Capital Adjustment Account records all transactions relating to the financing of capital expenditure.

The Revaluation Reserve reflects the valuation gains on fixed assets owned by the Council. The reserve holds information relating to individual assets and their accumulated balance, created from revaluations, can only be used in the impairment and disposal of the individual assets. No individual asset can have a negative balance within the Revaluation Reserve. Impairment and disposal entries can only be charged against the balance built up from revaluation gains.

Value Added Tax

VAT is only included in the accounts where it is deemed to be irrecoverable.

C Statement of Responsibilities for the Accounts

The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the 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/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

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

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

The Borough Treasurer has also:

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

We certify that the accounts set out on **Pages 12 to 54** of this Statement of Accounts presents fairly the financial position of the Council for 2008-09 and its income and expenditure for the year ended 31 March 2009.



M Saleh CFPA, BA, M.Litt
Borough Treasurer
22 June 2009

Councillor J D Heath
Audit Committee Chairman
29 June 2009

D Accounting Statements

Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the period.

Previous Year Net Spend £		Gross Spend £	Gross Income £	Net Spend £
1,835,297	Central services to the public	8,316,608	(6,694,397)	1,622,211
7,766,197	Cultural, environmental and planning services	22,406,274	(8,136,617)	14,269,657
827,651	Highways, roads and transport services	2,999,402	(1,492,984)	1,506,418
(801,165)	Local authority housing (HRA)	16,072,122	(8,806,042)	7,266,080
(310,396)	Other housing services	18,826,888	(17,873,278)	953,610
125,453	Exceptional items Note 4	45,790	(192,131)	(146,341)
1,472,034	Corporate and democratic core	1,551,342	(71,837)	1,479,505
358,864	Non distributed costs	17,179	0	17,179
11,273,935	Net Cost of Services	70,235,605	(43,267,286)	26,968,319
(45,485)	Loss/ (Gain) on the disposal of fixed assets			406,155
(78,075)	Gain on the disposal of contingent assets Note 5			(3,258)
99,700	Parish council precepts			108,500
2,320,177	Interest payable and similar charges Note 6			1,276,500
1,407,928	Contribution of housing capital receipts to Government Pool Note 7			235,905
(624,145)	Interest and investment income Note 6			(462,405)
297,000	Pensions interest cost and expected return on pensions assets Note 8			1,276,000
14,651,035	Net Operating Expenditure			29,805,716
(4,147,973)	Demand on the Collection Fund			(4,273,918)
(8,157)	Collection fund (surplus) / deficit			(39,265)
(1,246,300)	Revenue Support Grant			(1,086,006)
(7,426,380)	Non-domestic rates redistribution			(7,801,311)
(161,971)	Local Authority Business Growth Incentive			(13,635)
0	Area Based Grant			(2,809,693)
1,660,254	Deficit for the year			13,781,888

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from usable capital receipts rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance:

Previous Year		Current Year
£		£
1,660,254	Deficit for the year on the Income and Expenditure Account	13,781,888
(2,083,742)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year Note 3	(13,727,961)
(423,488)	(Increase)/decrease in General Fund Balance for the Year	53,927
(1,601,698)	General Fund Balance brought forward	(2,025,186)
(2,025,186)	General Fund Balance carried forward	(1,971,259)

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Previous Year £		Current Year £
1,660,254	Deficit for the year on the Income and Expenditure Account	13,781,888
(17,684,000)	Surplus arising on the revaluation of fixed assets Note 42	(14,688,294)
7,633,000	Actuarial (gains)/losses on pension fund assets and liabilities Note 8	(1,461,000)
0	Actuarial loss on restatement of pension fund assets and liabilities to fair value at 31 March 2008 Note 8	116,000
25,236	Deficit on the Collection Fund—Barrow share Page 53 Note 4	74,372
(8,365,510)	Total recognised gains for the year	(2,177,034)

In 2008-09 the actuarial loss for 2007-08 of £7,633,000 has been revised to £7,627,000. The Statement of Total Recognised Gains and Losses (STRGL) for 2007-08 has not been restated (**Note 8**). The cumulative amount of actuarial gains and losses recognised in the STRGL is £3,696,000.

The Balance Sheet figures for 31 March 2008 have been adjusted from those included in the Statement of Accounts for 2007-08 to accommodate the change in accounting treatment for the Collection Fund balance (**Note 1**).

Balance Sheet

31 March 2008		31 March 2009
£		£
	Tangible Fixed Assets <i>Notes 19 to 29</i>	
	Operational assets:	
95,994,027	Council dwellings	80,370,912
24,408,379	Other land and buildings	45,015,665
1,528,377	Equipment	2,198,441
1,542,476	Infrastructure assets	1,877,376
5,596,759	Community assets	9,466,305
	Non-operational assets:	
28,005,335	Commercial and other properties	14,314,845
1,088,929	Assets under construction	10,565,905
6,761,374	Surplus assets, held for disposal	8,182,464
164,925,656	Total fixed assets	171,991,913
9,425	Long-term debtors Note 30	7,367
164,935,081	Total long-term assets	171,999,280
	Current assets	
26,547	Stocks Note 31	30,586
6,937,989	Debtors Note 32	8,456,783
4,934,751	Investments Note 6	4,303,412
564,118	Cash and bank	288,982
		13,079,763
177,398,486	Total assets	185,079,043
	Current liabilities	
(6,509,463)	Creditors Note 35	(7,111,927)
		(7,111,927)
170,889,023	Total assets less current liabilities	177,967,116
(29,633,282)	Long-term borrowing Note 6	(29,633,282)
(698,146)	Provisions Note 36	(509,095)
(2,626,899)	Unapplied grants Note 44	(3,020,970)
(33,692,522)	Grants deferred Note 44	(39,011,597)
(22,822,190)	Liability related to defined benefit pension scheme Note 8	(22,199,154)
81,415,984	Total assets less liabilities	83,593,018
	Financed by: (Note 38)	
(82,504,574)	Capital adjustment account Note 39	(69,836,971)
905,791	Financial instruments adjustment account Note 40	664,718
(16,155,263)	Revaluation reserve Note 42	(29,268,854)
(1,728,568)	Usable capital receipts reserve Note 43	(1,572,673)
(9,425)	Deferred capital receipts	(7,367)
22,822,190	Pensions reserve Note 8	22,199,154
0	Major repairs reserve Page 50 Note 13	0
(2,025,186)	General Fund balance	(1,971,258)
(725,423)	Housing Revenue Account balance	(845,980)
(22,187)	Collection Fund balance	52,185
(1,973,339)	Earmarked reserves Note 41	(3,005,972)
(81,415,984)	Total net worth	(83,593,018)

Cash Flow Statement

2007-08		2008-09	
£		£	£
Revenue activities			
Cash outflows			
8,148,925	Cash paid to and on behalf of employees	8,343,296	
25,192,604	Other operating cash payments	19,599,566	
8,852,186	Housing Benefit paid out	10,451,953	
19,982,734	NNDR payments to national pool	20,293,169	
26,633,936	Precepts paid	27,954,964	
1,570,878	Payments to the Capital Receipts Pool	521,021	
Cash inflows			
(2,427,735)	Rents		(2,614,842)
(25,452,390)	Council Tax receipts		(26,790,280)
(7,714,303)	NNDR receipts from national pool		(7,801,311)
0	NNDR prior year settlement		(1,112,864)
(19,788,299)	NNDR receipts		(20,731,504)
(1,246,300)	Revenue Support Grant		(1,086,006)
(20,435,180)	DWP grants for benefits		(21,354,908)
0	Area Based Grant		(2,809,693)
(8,404,021)	Other government grants Note 48		(3,013,165)
(5,816,630)	Cash received for goods and services		(4,567,106)
(903,595)	Net movement on revenue activities <i>Note 49</i>		(4,717,710)
Returns on Investments and Servicing of Finance			
Cash outflows			
1,267,187	Interest paid	1,276,500	
Cash inflows			
(599,359)	Interest received		(493,277)
667,828	Net movement in servicing of finance		783,223
Capital Activities			
Cash outflows			
3,360,517	Purchase of fixed assets	5,560,775	
7,701,137	Other capital cash payments	8,526,239	
Cash inflows			
(2,615,806)	Sale of fixed assets		(798,601)
(12,244,574)	Capital grants received Note 50		(8,445,373)
(146,752)	Other capital cash receipts Note 51		(33,417)
(3,945,478)	Net movement on capital activities		4,809,623
(4,181,245)	Net cash (inflow)/outflow before financing <i>Note 52</i>		875,136
Management of liquid resources			
3,400,000	Net increase/(decrease) in short-term deposits		(600,000)
4,065	Net increase/(decrease) in other liquid resources	104	
3,404,065	Net movement on liquid resources		(599,896)
Financing			
Cash outflows			
3,595,000	Repayments of amounts borrowed	2,000,000	
Cash inflows			
(3,595,000)	New loans raised		0
0	New short-term loans		(2,000,000)
0	Net movement on financing		0
(777,180)	Net (increase)/decrease in cash		275,240

The 2007-08 figures have been restated to reflect the change in accounting policy relating to the treatment of REFFCUS see **Note 25** and **Note 45**. Also the DWP grants for benefits line, for 2007-08 has been restated to include all benefit grants which were included in the other government grants line previously.

E Notes to the Core Financial Statements

1. Prior period adjustments

- In 2008-09 a review of service classification in accordance with the Best Value Accounting Code of Practice (BVACOP) 2008 was carried out to ensure compliance with the code.

In previous years, the Market Hall and the Outdoor Market were classified as trading operations. However, following the review, it was decided to incorporate these two services within the Cultural, environmental and planning services grouping.

For 2007-08 the net expenditure for the Cultural, environmental and planning services, has been restated to include the Market Hall and Outdoor Market. The restated total is £7,766,197 and the restated total for the Net Cost of Services is £11,273,935. The line, in the income and expenditure account, and the note relating to trading operation have therefore been removed.

- In previous years, the Collection Fund balance was included in the balance sheet to show the total amount attributable to the Borough and the two precepting authorities, Cumbria County Council and Cumbria Police Authority. A review of this accounting treatment resulted in separating the Borough's share and showing this amount as the Collection Fund balance in the net worth section of the balance sheet. The amounts relating to the precepting authorities are included in the balance sheet as debtors or creditors. The effect of this on the 2007-08 figures is:

2007-08 Before restatement		2007-08 After restatement
£		£
(162,094)	Collection fund balance	(22,187)
(6,369,556)	Creditors	(6,509,463)
(6,531,650)		(6,531,650)

2. Explanation of the significance of the Statement of Movement on the General Fund Balances

The Income and Expenditure Account discloses the income receivable and expenditure incurred in running the Council for the year. The surplus or deficit achieved on the Income and Expenditure Account represents the amount by which income is greater than or less than expenditure.

However, the items of income and expenditure that are required to be credited or charged to the General Fund and which therefore must be taken into account in determining the Council's budget requirement and in turn its Council Tax demand is determined by statute and non-statutory practices rather than in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

The surplus or deficit on the Income and Expenditure Account is the best measure of the Council's financial result for the year in accordance with UK GAAP, the movement on the General Fund Balance is also an important aspect of the Council's stewardship.

To arrive at the Movement on the General Fund Balance it is necessary to include the following areas:

- Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.
- Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year.

- Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year.

The summation of these items is the net effect of statutory provisions that specify the net expenditure that authorities need to take into account when setting local taxes. This net expenditure is applied to the surplus or deficit on the Income and Expenditure Account to arrive at the Movement on the General Fund Balance in accordance with statutory and non-statutory proper practices.

3. Breakdown of reconciling items in the Statement of Movement on the General Fund Balance

The amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non-statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance are as follows:

Previous Year		Current Year	
		£	£
(1,349,540)	Depreciation of fixed assets	(1,466,433)	
(1,912)	Impairment of fixed assets	(17,042,270)	
448,480	Grants deferred amortisation	2,870,884	
(328,062)	Revenue Expenditure Funded From Capital Under Statute net of grant Note 45	(35,003)	
45,485	Net gain/(loss) on sale of fixed assets	(406,155)	
78,075	Net gain on sale of contingent assets	3,258	
(1,561,000)	Net charges made for retirement benefits in accordance with FRS 17 Note 8	(2,354,000)	
(905,791)	Differences between amounts charged to income and expenditure for premiums and discounts and the charge for the year determined in accordance with statute	241,073	
(3,574,265)	Total to be excluded from Income and Expenditure account		(18,188,646)
720,146	Minimum revenue provision for the repayment of debt Note 33	813,984	
(1,407,928)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool Note 7	(235,905)	
1,985,674	Capital expenditure charged to revenue	1,223,263	
1,546,839	Employer's contributions payable to the Superannuation Pension Fund and retirement benefits payable direct to pensioners Note 8	1,632,035	
2,844,731	Total to be included in Income and Expenditure account		3,433,377
(1,851,136)	HRA balance Page 45	120,557	
(187,060)	Transfers to or from the Major Repairs Reserve	(125,882)	
683,988	Net transfer to or from earmarked reserves Note 41	1,032,633	
(1,354,208)	Total movement in reserves		1,027,308
(2,083,742)	Net additional amount required to be credited to the General Fund balance for the year		(13,727,961)

The previous year figures have been restated to enable comparison with the current year after the HRA statement of movement items have been incorporated into this statement.

4. Exceptional items

The exceptional items for 2008-09 are shown in the table below.

2007-08		2008-09
£		£
	Exceptional expenditure items:	
84,317	VAT treatment of Fitness Suite income	0
74,376	Costs of Pay and Grading review	0
0	Employment tribunal	15,000
0	Consultant fees for VAT claim	30,789
	Exceptional income items:	
(33,240)	Bank of Credit and Commerce International dividend	(38,181)
0	VAT repaid including interest cultural services	(153,949)
125,453		(146,341)

5. Contingent assets

Contingent assets represent proceeds to the Council where a dwelling sold under the tenant's Right To Buy is sold on within five years of the purchase from the Council. There is a statutory calculation to effectively claw back a proportion of the discount originally awarded to the tenant purchasing the dwelling from the Council.

6. Financial instruments

Financial instruments balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-term		Current	
	31 March 2008	31 March 2009	31 March 2008	31 March 2009
	£	£	£	£
Financial liabilities at amortised cost				
Trade creditors <i>Note 35</i>	0	0	(3,284,103)	(4,263,075)
Long-term borrowing	(29,633,282)	(29,633,282)	0	0
Total borrowings	(29,633,282)	0	(3,284,103)	(4,263,075)
Loans and receivables				
Trade debtors <i>Note 32</i>	0	0	800,418	1,594,998
Investments	0	0	4,934,751	4,303,412
Total investments	0	0	5,735,169	5,898,410

Financial instruments gains and losses

The gains and losses recognised in the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses in relation to financial instruments are as follows:

2008-09	Financial liabilities: measured at amortised cost	Financial assets: loans and receivables	Total
	£	£	£
Interest payable	(1,276,500)	0	(1,276,500)
Interest and investment income	0	462,405	462,405
Net gain/(loss) for the year	(1,276,500)	462,405	(814,095)

2007-08	Financial liabilities: measured at amortised cost	Financial assets: loans and receivables	Total
	£	£	£
Interest payable	(1,270,693)	0	(1,270,693)
Losses on derecognition	(1,049,484)	0	(1,049,484)
Interest payable and similar charges	(2,320,177)	0	(2,320,177)
Interest income	0	624,145	624,145
Interest and investment income	0	624,145	624,145
Net gain/(loss) for the year	(2,320,177)	624,145	(1,696,032)

Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables 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 interest rates at 31 March 2009 of 3.97% to 4.15% for loans from the PWLB.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the 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 2008			31 March 2009	
Carrying amount	Fair value		Carrying amount	Fair value
£	£		£	£
(29,633,282)	(30,985,366)	PWLB debt	(29,633,282)	(30,993,447)
(3,284,103)	(3,284,103)	Trade creditors	(4,263,075)	(4,263,075)
(32,917,385)	(34,269,469)	Total Financial Liabilities	(33,896,357)	(35,256,522)
4,934,751	4,934,751	Money market loans	4,303,412	4,303,412
800,418	800,418	Trade debtors	1,594,998	1,594,998
5,735,169	5,735,169	Total Loans and Receivables	5,898,410	5,898,410

The fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above market rates increases the amount that the Council would have to pay if an early repayment of the loans was made.

Nature and extent of risks arising from financial instruments

The Council'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 Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks.

The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum for exposures of the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported at least annually to Members.

These policies are implemented by the Treasurer. The Council maintains 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 through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

The Council achieves the objectives it has set itself within Treasury Risk Management by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates, exchange rates or inflation.

The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

Credit risk

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

This 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, in accordance with the Fitch, Moody's and Standard and Poors Ratings Services.

The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category.

Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined below:

Type	Fitch	Moody's	Standard & Poor's	Asset size	Time limit	Value limit
Specified investments:						
Short term only						
Banks and building societies	F1	P1	A1	-	Up to 1 year	£5 million
Non-specified investments:						
Short term						
Building societies	-	-	-	In excess of £1 billion	Up to 1 year	£5 million
Building societies	-	-	-	Between £250 million and £1 billion	Up to 1 year	£4 million
Building societies	-	-	-	Less than £250 million	Up to 1 year	£3 million
Long term						
Banks and building societies	A (including +/- or equivalent)	A (including +/- or equivalent)	A (including +/- or equivalent)	-	Up to 2 years	£3 million
Banks and building societies	AA (including +/- or equivalent)	AA (including +/- or equivalent)	AA (including +/- or equivalent)	-	Up to 4 years	£4 million
Banks and building societies	AAA	AAA	AAA	-	Up to 5 years	£5 million
Local authorities	-	-	-	-	-	£3 million
Bank subsidiaries	Subject to the parent bank having necessary credit rating to qualify in its own right.					

The following analysis summarises the Authority's maximum exposure to credit risk. The table (from Fitch) gives details of global corporate finance, average cumulative default rates (including financial organisations) for the period 1990 – 2007 on investments out to 5 years.

	Amount at 31 March 2009	Historical experience of default	Adjustment for market conditions at 31 March 2009	Estimated maximum exposure to default
	a	b	c	a x c
Deposits with banks and financial institutions				
AA rated counterparties:				
HSBC Bank	£4,303,412	0.06%	0.06%	£2,582

No breaches of the Council's counterparty criteria occurred during the financial year and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council is exposed to credit risk from non-payment by trade debtors and the maximum risk is calculated and set aside as a bad debt provision, held in the Balance Sheet. The bad debt provision is based on the age of the debt and is weighted to reflect the recoverability of the debts owed to the Council.

The provision is reviewed annually to ensure that it reflects the experience as well as the history of default and uncollectability:

Debt outstanding	Default and uncollectability provision
Less than 3 months	50%
Three months to six months	75%
Six months to one year	100%
More than one year	100%

The Council does not generally allow credit for customers, such that £488,520 of the £1,594,998 balance owed by trade debtors is past its due date for payment (£467,559 of the £800,418 for 2007-08). The past due amount can be analysed by age as follows:

31 March 2008		31 March 2009
£	Debt outstanding	£
226,836	Less than 3 months	232,339
38,257	Three months to six months	40,407
62,072	Six months to one year	74,176
140,394	More than one year	141,598
467,559	Total	488,520

Liquidity risk

As the Council has ready access to borrowings from 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 Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The Council will ensure that its borrowing is negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.

The maturity analysis of financial liabilities is as follows:

31 March 2008		31 March 2009
£	Analysis of loans by type	£
(29,000,000)	PWLB loans	(29,000,000)
(633,282)	PWLB interest due but not paid	(633,282)
	Analysis of loans by maturity	
(633,282)	Within 1 year: PWLB interest	(633,282)
(10,000,000)	Between 20 and 30 years	(10,000,000)
(19,000,000)	More than 30 years	(19,000,000)
(29,633,282)		(29,633,282)

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

Market risk

The Council is exposed to interest rate movements on its borrowing and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowing at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- Borrowing at fixed rates – the fair value of the borrowing will fall;
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- 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 rate borrowings would not impact on the Income and Expenditure Account or Statement of Total Realised Gains and Losses. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the Statement of Total Realised Gains and Losses.

The Council manages its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in

its budgetary arrangements. As required by the Local Government Bill 2003, the Council must approve before the beginning of each financial year the Treasury Management Strategy and prudential indicators. The interest rates used in the budget setting process are based on the Council's Treasury Management Strategy.

For 2008-09 (and 2007-08) the Council did not hold any variable rate borrowings or investments. The Treasury Management Strategy sets out the maximum proportion of borrowings and investments that may be held in variable rate instruments.

For 2008-09 (and 2007-08) the Council held fixed rate borrowings with the Public Works Loans Board and short-term fixed rate investments.

Price risk

The Council does not invest in equity shares and thus has no exposure to loss arising from movements in the stock markets.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies, therefore there is no exposure to loss arising from movements in the exchange rates.

7. Contribution to housing pooled capital receipts

Since the 1 April 2004 authorities are required to pay a proportion of specified housing related capital receipts into a Government pool for redistribution.

This levy does not have an impact on council tax as it is funded by a transfer from usable capital receipts in the Statement of Movement on the General Fund Balance.

8. Retirement benefits

As part of the terms and conditions of employment of its officers the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council 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 Pension Scheme administered by Cumbria County Council – this is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Change of accounting policy

Under the 2008 SORP the Council has adopted the amendment to Financial Reporting Standard 17 (FRS17). As a result, quoted securities held as assets in the pension scheme are now valued at bid price rather than mid-market value.

The effect of this change is that the value of the scheme assets at 31 March 2008 has been revised from £56,287,000 to £56,171,000 a decrease of £116,000 which is reflected in a higher pension deficit.

This adjustment has been treated as an actuarial loss on assets in 2008-09.

Transactions relating to retirement benefits

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge which is required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund Balance during the year:

	Local Government Pension Scheme	
	£	
	2007-08 As Revised	2008-09
Income and Expenditure Account		
Net Cost of Services:		
current service cost	914,000	1,078,000
past service (gain) cost	350,000	0
Net Operating Expenditure:		
- interest cost	3,863,000	4,761,000
- expected return on assets in the scheme	(3,559,000)	(3,485,000)
Net Charge to the Income and Expenditure Account	1,568,000	2,354,000
Statement of Movement on the General Fund Balance:		
- reversal of net charges made for retirement benefits in accordance with FRS 17	(1,358,144)	(1,942,594)
Statement of Movement on the HRA Balance:		
- reversal of net charges made for retirement benefits in accordance with FRS 17	(209,856)	(411,406)
	(1,568,000)	(2,354,000)
Actual amount charged against General Fund Balance for pensions in the year:		
- employers' contributions payable to scheme	997,197	1,074,593
- retirement benefits payable to pensioners	321,858	308,198
	1,319,055	1,382,791
Actual amount charged against HRA Balance for pensions in the year:		
- employers' contributions payable to scheme	208,280	227,587
- retirement benefits payable to pensioners	19,504	21,658
	227,784	249,245
Total actual pensions paid in the year	1,546,839	1,632,036

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gain of £1,461,000 (a loss of £7,633,000 in 2007-08, revised to £7,627,000) was included in the Statement of Total Recognised Gains and Losses (STRGL). The cumulative amount of actuarial gains and losses recognised in the STRGL is £3,696,000.

Assets and liabilities in relation to retirement benefits

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March are as follows:

	Local Government Pension Scheme	
	2007-08	2008-09
Present Value of the scheme liabilities:	£	£
1 April	72,669,000	79,108,000
Current service cost	914,000	1,078,000
Interest cost	3,863,000	4,761,000
Contributions by scheme members	335,000	371,000
Actuarial (gains) and losses	4,498,000	(15,111,000)
Benefits paid	(3,521,000)	(3,557,000)
Past service costs	350,000	0
31 March	79,108,000	66,650,000

	Local Government Pension Scheme	
	2007-08	2008-09
Fair Value of the scheme assets:	£	£
1 April	57,379,000	56,171,000
Expected return on assets	3,559,000	3,485,000
Actuarial gains and (losses)	(3,129,000)	(13,650,000)
Employer contributions	1,548,000	1,625,000
Contributions by scheme members	335,000	371,000
Benefits paid	(3,521,000)	(3,557,000)
31 March	56,171,000	44,445,000

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 in the respective markets.

The actual return on scheme assets in the year was £10,165,000 (£220,000 in 2007-08).

Scheme history

All in £'s	2004-05*	2005-06*	2006-07 As Revised	2007-08 As Revised	2008-09
Present Value of liabilities	67,555,000	74,245,000	72,669,000	79,108,000	66,650,000
Fair Value of assets	47,255,000	55,540,000	57,379,000	56,171,000	44,445,000
Scheme deficit	20,300,000	18,705,000	15,290,000	22,937,000	22,205,000

* The Council has elected not to restate the fair value of assets for 2004-05 and 2005-06 as permitted by FRS17.

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The net liability of £22,205,000 at 31 March 2009 (£22,937,000 at 31 March 2008) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy as it will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The total contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2010 is £1,765,520.

Basis for estimating assets and liabilities

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

The liabilities have been assessed by Mercer Human Resources Consulting Limited, an independent firm of actuaries, estimates for the Cumbria County Council fund being based on the latest full valuation of the scheme as at 31 March 2007.

The main assumptions used in their calculations have been:

	Local Government Pension Scheme	
	2007-08	2008-09
Rate of inflation	3.6%	3.3%
Rate of increase in salaries	5.35%	5.05%
Rate of increase in pensions	3.6%	3.3%
Rate for discounting scheme liabilities	6.1%	7.1%
Take-up of option to convert annual pension into retirement grant	50%	50%

11. Expenditure on publicity

Under the requirements of section 5(1) of the Local Government Act 1986, the Council's expenditure on publicity was:

2007-08		2008-09
£		£
7,279	Recruitment advertising	7,845
74,148	Publicity	55,732
58,666	Other advertising	81,726
140,093	Total	145,303

12. Members allowances

The Council has 36 (38 in 2007-08) councillors, the details of allowances and expenses are:

2007-08		2008-09
£		£
86,478	Basic allowance	81,644
33,128	Extra responsibility allowance	33,106
13,943	Expenses	13,646
4,500	Mayoral expenses	5,020
138,049	Total	133,416

13. Officers emoluments

Regulation 7(2) of the Accounts and Audit Regulations 2003 specifically requires disclosure of amounts paid to officers whose remuneration fell in each bracket of a scale in multiples of £10,000 starting with £50,000.

Remuneration band	2007-08	2008-09
	Number of employees	Number of employees
£50,000 - £59,999	1	1
£60,000 - £69,999	2	1
£70,000 - £79,999	0	1
£80,000 - £89,999	0	0
£90,000 - £99,999	1	1

14. Audit costs

In 2008-09 the Council incurred the following fees relating to external audit:

2007-08		2008-09
£		£
Fees payable to the Audit Commission:		
116,534	For external audit services carried out by the appointed auditor	117,166
35,250	For the certification of grants and claims	40,270
1,250	National Fraud Initiative	1,150
153,034	Total	158,586

15. Value Added Tax

There is £2,510 of irrecoverable VAT within the Central Services to the Public, Net Cost of Services line, relating to the VAT element of officer and Member mileage claims; £2,458 for 2007-08. The Council has decided that it is more beneficial to the Council not to recover this VAT element. The cost of administration would outweigh the amount foregone.

16. Building Control

The building control service operates under the requirements of the Building Act 1984 and the Local Authority Building Control Regulations (Statutory Instrument 1998/3129).

The statutory requirement for charging schemes is that charges are fixed so that income will not be less than expenditure over a three-year period.

Certain activities performed by the building control service cannot be charged for, such as providing general advice and liaising with other statutory authorities.

The statement below shows the financial performance of the building control service divided between the chargeable and non-chargeable activities.

2007-08		2008-09
£		£
	Non-chargeable	
167,606	Expenditure	223,934
(31,590)	Income	(32,458)
136,016	Deficit or surplus	191,476
	Chargeable	
202,522	Expenditure	163,179
(198,919)	Income	(164,037)
3,603	Deficit or surplus	(858)
	Chargeable three-year period	
7,951	2005-06	
(11,963)	2006-07	(11,963)
3,603	2007-08	3,603
	2008-09	(858)
(409)		(9,218)

17. Related parties

The Council is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have restricted another party's ability to bargain freely with the Council.

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with government departments are set out in **Note 48** and **Note 50**.

27 senior officers and all 36 members were asked to declare any direct financial relationships, other than remuneration, with the authority.

For 2008-09 there was 1 officer and 4 members receiving housing benefit as a private landlord and there was 1 member that transacted business as a supplier of the Council.

In 2007-08 there was 1 officer and 3 members receiving housing benefit as a private landlord and there was 1 member that transacted business as a supplier of the Council.

The value of the transactions with the Council is shown below.

2007-08		2008-09
£		£
	Officers	
3,513	Received housing benefit as a private landlord	3,650
	Members	
132,666	Received housing benefit as a private landlord	39,408
850	Traded with the Council as a supplier	70,047
<u>137,029</u>		<u>113,105</u>

18. Other items of Income and Expenditure

The Council does not currently have any transactions relating to leases, acquired or discontinued operations, foreign currency translation or research and development.

19. Tangible fixed assets – reclassification of assets

Several assets have changed in classification and these changes can be seen in **Note 21** movement on operational fixed assets and **Note 22** movement on non-operational fixed assets. The movements are the values as at 1 April 2008, historic net book value and are summarised below:

Asset classification	Moved out of this asset classification	Depreciation	Moved into this asset classification	Depreciation	Net movement
	£	£	£	£	
Operational assets:					
Land and buildings	0	0	219,646	0	219,646
Community assets	0	0	3,528,111	(8,650)	3,519,461
Infrastructure	0	0	401,337	0	401,337
Non-operational assets:					
Commercial and other properties	(8,732,660)	32,250	0	0	(8,700,410)
Assets under construction	0	0	4,751,085	(23,600)	4,727,485
Surplus assets, held for disposal	(167,519)	0	0	0	(167,519)
Net movement	<u>(8,900,179)</u>	<u>32,250</u>	<u>8,900,179</u>	<u>(32,250)</u>	<u>0</u>

20. Tangible fixed assets – transfer and merge of assets

A number of assets were transferred and merged together where applicable:

Asset classification	Moved out of this asset classification	Moved into this asset classification	Total Gross movement
	£	£	
Operational assets:			
Land and buildings	0	212,490	212,490
Community assets	0	73,466	73,466
Non-operational assets:			
Commercial and other properties	(403,534)	0	(403,534)
Assets under construction	0	457,771	457,771
Surplus assets, held for disposal	(340,193)	0	(340,193)
Net movement	<u>(743,727)</u>	<u>743,727</u>	<u>0</u>

21. Movement on operational fixed assets

	Council dwellings £	Land and buildings £	Equipment £	Infra-structure £	Community assets £	Total £
Balance sheet value						
At 31 March 2008	97,853,957	24,872,559	2,180,397	1,599,986	5,612,169	132,119,068
Eliminate 2007-08 depreciation*	(32,880)	0	0	0	0	(32,880)
Reclassification of assets	0	219,646	0	401,337	3,528,111	4,149,094
Transfer and merge of assets	0	212,490	0	0	73,466	285,956
Items written down to revenue	0	(132,319)	0	0	(135,920)	(268,239)
Eliminate depreciation on assets written down to revenue	0	(10,013)	0	0	0	(10,013)
Eliminate depreciation on revaluation	(3,786,051)	(955,755)	0	0	0	(4,741,806)
Revaluations 1/4/2008	(2,379,026)	19,557,643	0	0	10,340	17,188,957
Acquisitions in year	0	0	1,181,716	0	0	1,181,716
Enhancements in year	1,977,594	1,251,414	152,105	0	428,185	3,809,298
Disposals in year	(163,200)	0	0	0	0	(163,200)
Impairment 31/3/2008	(13,099,482)	0	0	0	0	(13,099,482)
At 31 March 2009	80,370,912	45,015,665	3,514,218	2,001,323	9,516,351	140,418,469
Depreciation						
At 31 March 2008	(1,859,930)	(464,180)	(652,020)	(57,510)	(15,410)	(3,049,050)
Eliminate 2007-08 depreciation*	32,880	0	0	0	0	32,880
Reclassification of assets	0	0	0	0	(8,650)	(8,650)
Charged in the year	(1,959,001)	(501,588)	(663,757)	(66,437)	(25,986)	(3,216,769)
Items written down to revenue	0	10,013	0	0	0	10,013
Eliminate depreciation on revaluation	3,786,051	955,755	0	0	0	4,741,806
At 31 March 2009	0	0	(1,315,777)	(123,947)	(50,046)	(1,489,770)
Net Book Value at 31 March 2008	95,994,027	24,408,379	1,528,377	1,542,476	5,596,759	129,070,018
Net Book Value at 31 March 2009	80,370,912	45,015,665	2,198,441	1,877,376	9,466,305	138,928,699
Estimated useful economic life	30 years	5-75 years	1-45 years	3-47 years	17-25 years	

*Accumulated depreciation on dwellings sold in 2007-08, not eliminated in the year.

22. Movement on non-operational fixed assets

	Commercial and other properties	Assets under construction	Surplus assets, held for disposal	Total
	£	£	£	£
Balance sheet value				
At 31 March 2008	28,273,665	1,088,929	6,761,374	36,123,968
Reclassification of assets	(8,732,660)	4,751,085	(167,519)	(4,149,094)
Transfer and merge of assets	(403,534)	457,771	(340,193)	(285,956)
Items written down to revenue	(750,057)	0	0	(750,057)
Eliminate depreciation on assets written down to revenue	(4,455)	0	0	(4,455)
Eliminate depreciation on revaluation	(548,371)	0	0	(548,371)
Revaluations 1/4/2008	(2,683,388)	72,855	(799,173)	(3,409,706)
Acquisitions in year	762,810	1,230,000	2,386,250	4,379,060
Enhancements in year	523,436	3,625,369	568,135	4,716,940
Disposals in year	(126,101)	(626,494)	(226,410)	(979,005)
Eliminate depreciation on disposal	0	(18,950)	0	(18,950)
Impairment 31/3/2008	(1,996,500)	0	0	(1,996,500)
At 31 March 2009	14,314,845	10,580,565	8,182,464	33,077,874
Depreciation				
At 31 March 2008	(268,330)	0	0	(268,330)
Reclassification of assets	32,250	(23,600)	0	8,650
Charged in the year	(316,746)	(10,010)	0	(326,756)
Items Written down to revenue	4,455	0	0	4,455
Eliminate depreciation on revaluation	548,371	0	0	548,371
Eliminate depreciation on disposal	0	18,950	0	18,950
At 31 March 2009	0	(14,660)	0	(14,660)
Net Book Value at 31 March 2008	28,005,335	1,088,929	6,761,374	35,855,638
Net Book Value at 31 March 2009	14,314,845	10,565,905	8,182,464	33,063,214
Estimated useful economic life	5-50 years	Not applicable	Not applicable	

Depreciation of all fixed assets is calculated to write down the value of an asset less its residual value over the economic life of that asset. Depreciation is calculated on a straight line basis and charged to the appropriate revenue service.

23. Tangible fixed assets – assets written down to revenue

Some assets have been written down to revenue to remove them from the Council's asset base.

These changes can be seen in **Note 21** movement on operational fixed assets and **Note 22** movement on non-operational fixed assets.

The movements are summarised below:

Asset classification	Written down to revenue £
Operational land and buildings	(132,319)
Community assets	(135,920)
Commercial and other properties	(750,057)
Net movement	(1,018,296)

24. Tangible fixed assets - disposals

2007-08		2008-09	
£		£	£
	Sale proceeds:		
(1,923,640)	Dwellings	(236,000)	
(773,666)	Commercial and other properties	(126,101)	
0	Assets under construction	(205,000)	
0	Surplus assets, held for disposal	(150,000)	
(2,697,306)	Total sale proceeds		(717,101)
	Carrying value:		
1,923,640	Dwellings	163,200	
728,181	Commercial and other properties	126,101	
0	Assets under construction	607,544	
0	Surplus assets, held for disposal	226,410	
2,651,821	Total carrying value		1,123,255
(45,485)	(Gains)/losses on disposals of fixed assets		406,154

25. Capital Financing Requirement

2007-08		2008-09	
£		£	
30,520,281	Opening Capital Financing Requirement	32,573,297	
1,407,086	Write out adjustment A (see note below)	0	
31,927,367	Capital Financing Requirement unabated	32,573,297	
	Capital investment:		
6,475,847	Operational assets	4,562,830	
4,585,807	Non-operational assets	523,436	
0	Surplus assets	2,954,385	
0	Assets under construction	5,618,179	
0	Community assets	428,185	
1,680,160	Revenue Expenditure Funded From Capital Under Statute (REFFCUS)	1,569,865	
	Sources of finance:		
(912,707)	Capital receipts	(642,407)	
(5,096,691)	Government grants and contributions	(9,282,529)	
(1,592,476)	Grants relating to REFFCUS	(1,534,862)	
(3,773,864)	Balances, reserves and revenue contributions	(2,081,905)	
(720,146)	Minimum revenue provision	(813,984)	
32,573,297	Closing Capital Financing Requirement	33,874,490	
	Explanation of movements in year:		
1,366,076	Increase in underlying need to borrow	2,115,177	
(720,146)	Increase in provision to repay borrowing	(813,984)	
645,930	Increase in Capital Financing Requirement	1,301,193	

REFFCUS expenditure and related grants form part of the deficit on the Income and Expenditure Account.

The write out of adjustment A in the table above is a one off exercise in 2007-08 that came as a result of changes to the calculation for the provision to repay debt by the Department for Communities and Local Government.

Historically, Councils borrowing was controlled through credit approvals from Central Government that were added annually to form a credit ceiling; the limit on borrowing activities. The credit ceiling was used to calculate the Minimum Revenue Provision each year; the amount to set aside into the provision to repay external borrowing.

From the 1 April 2004, the Prudential Code came into force and it set out the framework for the self-regulation of capital expenditure and borrowing powers. The calculation of the Minimum Revenue Provision was changed to be based on the Capital Financing Requirement, an aggregation of items from the Balance Sheet that reflect the underlying need to borrow. There was a provision within the Prudential Code to remove any difference between the old credit ceiling value and the new Capital Financing Requirement; known as adjustment A. For the Council, the Capital Financing Requirement as calculated at the 1 April 2004 was £1,407,086 higher than the credit ceiling.

The Department for Communities and Local Government issued new regulations during 2007-08, providing optional ways to calculate the Capital Financing Requirement for previous years and future years. The Council has opted to base the Minimum Revenue Provision on the actual Capital Financing Requirement from 2007-08 onwards.

26. Valuation information

Valuations as at 1st April 2008 have been undertaken by the following:

External Valuers

Mr R Bulger BSc (Hons) FRICS of the Valuation Office Agency

Mr S Adams BSC (Hons) FRICS of Peill and Company

Mr M Messenger MRICS of Norfolk Property Services

Internal Valuer

Mr D Joyce MRICS, ACES, the Council's Projects and Property Manger

Equipment and infrastructure assets were not part of the valuation exercises and are held in the Balance Sheet at historical cost. The following statement shows the Council's latest valuation information:

	Council Dwellings	Other Operational Land and Buildings	Commercial and other property	Surplus Assets	Assets Under Construction	Total of valuation certificate
	£	£	£	£	£	£
Valuation basis:						
Depreciated Historical Cost at 1 April 2008	0	37,121,653	702,424	0	0	37,824,077
Current Value at 31 March 2009	80,370,912	0	6,945,500	0	0	87,316,412
Current Value at 1 April 2008	0	3,176,450	5,585,776	341,400	273,000	9,376,626
Existing Use Value at 1 April 2008	0	3,729,750	10,000	0	0	3,739,750

Valuation certificates	£
District Valuer	84,967,708
Norfolk Property Services	39,568,751
Peill and Company	9,000,000
Internal Valuer	4,720,406
Total	138,256,865

Following advice from the Valuers concerned, the following assets types have been impaired for the twelve months to 31st March 2009 as show below:

Asset class	Impairment
Dwellings	12%
Depot	21%
Non-Operational Offices	0% - 27%
Industrial Land and Buildings	0% - 26%

27. Assets numbers

	Number as at 31 March 2008	Number as at 31 March 2009
Operation fixed assets:		
Dwellings	2,739	2,735
Arches	1	1
Artificial Pitch	1	1
Arts Centre	1	1
Car Parks	13	14
Cemetery Buildings	4	4
Conveniences	11	8
Dog Kennels	1	1
Community Centres	13	12
HRA Garages	487	487
Leisure Centre	1	1
Markets	2	2
Museums	1	1
Operational Offices	2	2
Parks Buildings	4	4
Equipment	40	52
Community Assets	96	98
Infrastructure Assets	11	11
Non-Operation fixed assets:		
Commercial and other property	89	76
Surplus assets	98	142
Assets under construction	10	14

28. Information on major assets held

2007-08 £		Valuation base	Expected life	2008-09 £
Operational assets				
4,280,808	Town Hall	Depreciated Historic Cost	75 years	8,970,619
4,087,307	Park Leisure Centre	Depreciated Historic Cost	50 years	8,832,016
5,155,520	Forum 28	Depreciated Historic Cost	30 years	8,528,153
2,630,329	Dock Museum	Depreciated Historic Cost	25 years	5,796,786
2,173,721	Market and Mall complex	Net Current Replacement Cost	25 years	1,929,449
2,571,194	Crematorium	Net Current Replacement Cost	20 years	1,814,624

29. Capital commitments

As at 31 March 2009 the Council was contractually committed to capital works which amounted to £169,662. Capital commitments at 31 March 2008 were £2,505,126.

31 March 2008	Capital projects	31 March 2009
£		£
34,492	Housing IT system	8,501
107,824	Hindpool Urban Park phase 1 & 2	0
430,407	Environmental improvements	0
988,593	Building refurbishment	34,292
891,238	New build	0
52,572	Retentions held	126,869
2,505,126		169,662

30. Long-term debtors

Long-term debtors relates to the outstanding mortgage principal for Council dwellings purchased under the Right To Buy scheme.

31. Stocks

At the Balance Sheet date the Council had the following stocks:

31 March 2008		31 March 2009
£		£
8,718	Tourist Information Centre	11,854
9,730	Dock Museum shop	11,220
8,099	Other stocks held for internal issue	7,512
26,547		30,586

32. Debtors

At the Balance Sheet date the Council had the following debtors:

31 March 2008		31 March 2009
£		£
5,632,217	Collection Fund arrears	5,905,196
456,769	HRA rent arrears	404,706
3,873,289	Government departments	4,315,757
800,418	Trade debtors	1,594,998
783,377	Sundry debtors	877,985
0	Benefit overpayments	511,050
242,079	Payments in advance	266,176
(4,850,160)	Provision for bad and doubtful debt	(5,419,085)
6,937,989		8,456,783

33. Minimum Revenue Provision

The Minimum Revenue Provision (MRP) is the statutory requirement for the Council to make provision to repay external debt. The calculation is prescribed by statute and is set as 4% of the General Fund Capital Financing Requirement each year.

34. Interests in companies

The Council holds no interests in companies.

35. Creditors

In 2007-08 it was relevant for the Council to provide for a potential claw back of benefit subsidy, as a number of previous year's claims were not settled by the Department of Works and Pensions. In 2008-09 this is no longer necessary as all previous year's outstanding claims have been settled. Therefore, the creditor was reversed back into the Income and Expenditure account.

At the Balance Sheet date the Council had the following creditors:

31 March 2008		31 March 2009
£		£
(842,640)	Government departments	(216,795)
(208,557)	Potential benefit subsidy claw back	0
(904,907)	Collection Fund	(1,591,444)
(3,284,103)	Trade creditors	(4,263,075)
(1,269,256)	Receipts in advance	(1,040,613)
(6,509,463)		(7,111,927)

36. Provisions

The Council established an early retirement provision in 2005-06. This provides for the payment of annual amounts due to be paid following early retirements from 2005-06 onwards.

The Council established an insurance provision in 2006-07. This provides for the payment of potential insurance claims for which the Council is not insured; also see Contingent Liabilities (**Note 47**). The movements on provisions for the year were:

2007-08		2008-09
£		£
	Early retirement provision	
(72,324)	Brought forward	(66,106)
6,218	Provision used during the year	6,217
(66,106)		(59,889)
	Insurance provision	
(312,040)	Brought forward	(632,040)
(320,000)	New provision made	0
0	Provision used during the year	182,834
(632,040)		(449,206)
(698,146)	Total of provisions	(509,095)

37. Analysis of net assets employed

To provide an indication of the level of resources employed in providing the main services of the Council, the net assets employed are split between General Fund, the HRA and Collection Fund.

2007-08		2008-09
£		£
(4,921,224)	General Fund	15,178,675
86,315,021	HRA	68,803,479
22,187	Collection Fund	(389,136)
81,415,984	Total net assets	83,593,018

38. Reserves

The Council keeps a number of reserves in the Balance Sheet.

Some reserves are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

The movements on reserves for the year were:

	Balance 1 April 2008	Net Movement in Year	Balance 31 March 2009	
Reserve	£	£	£	Purpose of Reserve
Capital Adjustment Account Note 39	(82,504,575)	12,667,604	(69,836,971)	Store of capital resources set aside to meet past expenditure
Financial Instruments Adjustment Account Note 40	905,791	(241,073)	664,718	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments
Revaluation Reserve Note 42	(16,155,263)	(13,113,591)	(29,268,854)	Store of gains on revaluation of fixed assets not yet realised through sales
Usable Capital Receipts Reserve Note 43	(1,728,568)	155,896	(1,572,672)	Proceeds of fixed asset sales available to meet future capital investment
Pensions Reserve Note 8	22,822,190	(623,036)	22,199,154	Balancing amount to allow inclusion of Pensions Liability in the Balance Sheet
Major Repairs Reserve Page 50 Note 13	0	The full amount of the reserve was used in the year	0	Resources available to meet capital investment in council housing
General Fund Balance Page 13	(2,025,186)	53,927	(1,971,259)	A prudent level of balance maintained for potential emergency/ extraordinary expenditure on non-housing services
HRA Balance Page 45	(725,423)	(120,557)	(845,980)	A prudent level of balance maintained for potential emergency/ extraordinary expenditure on Council housing services
Earmarked Reserves Note 41	(1,973,339)	(1,032,634)	(3,005,973)	Revenue set aside for specific purposes
Total	(81,384,373)	(2,253,464)	(83,637,837)	

The movement notes referred to in this table may sometimes differ by rounding. This occurs when transactions are shown separately for presentation.

39. Movement on Capital Adjustment Account

2007-08		2008-09
£		£
1,349,540	Depreciation of General Fund assets	1,466,433
1,967,840	Depreciation of HRA assets	2,077,092
1,912	Impairment of assets	17,042,270
(274,240)	Conversion of current value depreciation to historic cost depreciation	(1,505,467)
2,651,821	Carrying value of assets on disposal	1,123,256
(1,254,497)	Revaluation gains for assets on disposal	(69,235)
328,062	Revenue Expenditure Funded From Capital Under Statute (REFFCUS) net of grant	35,003
(912,707)	Capital receipts used in capital financing	(642,407)
0	Grants used in capital financing	(1,092,569)
(1,985,674)	Revenue used in capital financing	(57,225)
(1,788,189)	Reserves used in capital financing	(2,024,680)
(720,146)	Minimum Revenue Provision	(813,984)
(448,480)	Deferred grants released to revenue	(2,870,884)
(1,084,758)		12,667,603

40. Movement on Financial Instruments Adjustment Account

The movement for 2007-08 includes the derecognition of deferred premiums and discounts from the early repayment of debt, previously held on the Balance Sheet. These relate to the Housing Revenue Account (HRA) and are amortised to the HRA in line with the subsidy determination. Further details about the Council's financial liabilities and financial assets are contained in **Note 6** and the Statement of Total Recognised Gains and Losses **Page 14**.

2007-08		2008-09
£		£
	Premiums from the early repayment of debt:	
(1,231,468)	Deferred premiums from previous years amortised to the HRA	0
980,218	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to premiums on the early repayment of debt	(249,970)
(251,250)	Premiums from the early repayment of debt charged to the HRA in accordance with statutory provisions	(249,970)
	Discounts from the early repayment of debt:	
63,878	Deferred discounts from previous years amortised to the HRA	0
(74,427)	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to discounts on the early repayment of debt	8,897
(10,549)	Discounts from the early repayment of debt charged to the HRA in accordance with statutory provisions	8,897
(261,799)		(241,073)

41. Movement on Earmarked reserves

2007-08		2008-09
£		£
(788,800)	New contributions made	(1,165,628)
104,812	Reserve used in the year	132,995
(683,988)		(1,032,633)

42. Movement on Revaluation Reserve

2007-08		2008-09	
£		£	
(17,684,000)	Gains on the revaluation of fixed assets	(33,620,580)	
0	Loss on the revaluation of fixed assets	8,728,905	
0	Loss on the impairment of fixed assets	10,203,381	(14,688,294)
1,254,497	Gains written out on the disposal of fixed assets		69,235
274,240	Conversion of current value depreciation to historic cost depreciation		1,505,467
(16,155,263)			(13,113,592)

43. Movement on Usable Capital Receipts reserve

2007-08		2008-09
£		£
(1,923,640)	Proceeds from the sale of Council dwellings	(236,000)
(3,887)	Proceeds from the repayment of mortgage principal	(2,058)
(78,075)	Proceeds from the repayment of Right To Buy discount	(3,258)
(773,666)	Proceeds from the sale of fixed assets	(481,101)
912,707	Receipts used in capital financing	642,408
1,407,928	Share of receipts paid to Capital Receipts Pool	235,905
(458,633)		155,896

44. Unapplied grants and grants deferred

All capital grants and contributions claimed and received in the year have been credited to an unapplied grant accounts. Capital grants used to finance capital expenditure are transferred to grants-deferred accounts. Amounts are released to the relevant revenue service in line with any depreciation charged on the assets financed by those grants.

31 March 2008	Unapplied grants	31 March 2009
£		£
(861,523)	Balance brought forward	(2,626,899)
(9,155,668)	Grants receivable for the year	(8,838,491)
7,390,292	Grants applied to finance capital expenditure	8,444,420
(2,626,899)	Balance carried forward	(3,020,970)

31 March 2008	Deferred grants	31 March 2009
£		£
(29,117,175)	Balance brought forward	(33,692,522)
521,344	Grants released to revenue	2,870,884
(5,096,691)	Grants applied to finance capital expenditure	(8,189,959)
(33,692,522)	Balance carried forward	(39,011,597)

45. Revenue Expenditure Funded From Capital Under Statute (REFFCUS)

This is a new category of expenditure which has been introduced to replace the previously categorised Deferred Charges. Legislation allows some expenditure, which does not create a fixed asset, to be classified as capital for funding purposes. This will enable the authority to use capital resources and not impact on the Council Tax.

This type of expenditure will be charged, with any related grants, to the Income and Expenditure Account and neutralised in the Statement of Movement on General Fund Balance (SMGFB).

46. Trust funds

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

2007-08		2008-09
£		£
91,310	Assets	90,727
(19,202)	Gross income	(18,445)
16,038	Gross expenditure	26,004
(3,164)	Net (surplus)/deficit for the year	7,559

47. Contingent liabilities

The Council is aware that there is the potential to receive claims for uninsured risks, particularly for events in the past.

As far as possible the insurance provision (**Note 36**) reflects the quantifiable liability, but there may remain unquantifiable liabilities.

48. Analysis of other revenue government grants

The other revenue government grants received on a cash basis by the Council were:

2007-08		2008-09
£		£
(62,136)	Concessionary travel	(364,814)
(383,651)	Housing Benefit administration subsidy	(361,969)
(354,131)	Council Tax Benefit administration subsidy	(334,128)
0	European Regional Development Fund	(145,670)
(60,000)	Homelessness funding	(85,000)
0	NHS Life check roll out grant	(70,000)
(228,565)	West Lakes Renaissance housing market renewal	(158,157)
(200,899)	Planning Delivery Grant	(56,114)
(4,038,598)	Safer, Stronger Communities Fund	(45,034)
(29,351)	Work step sheltered placement scheme	(27,598)
0	Free swimming grant	(21,750)
(161,971)	Local Authority Business Growth Incentive	(13,635)
(7,515)	Discretionary Housing	(10,686)
0	Council tax leaflet efficiency grant	(9,581)
0	Coast protection grant	(8,047)
0	Tenants survey grant	(8,000)
0	Local Strategic Partnership support	(7,200)
0	Domestic violence grant	(4,650)
0	Empty property relief grant	(3,318)
0	Big lottery	(2,419)
0	Waste contamination grant	(989)
(73,863)	Contaminated land grant	(842)
(1,838,382)	Neighbourhood Renewal Fund	0
(537,702)	Housing Capital Grant	(922,564)
(282,056)	Disabled Facilities Grant	(351,000)
(101,606)	Local Housing Allowance implementation grant	0
(35,120)	Smoke free grant	0
(8,475)	Gypsy travellers research grant	0
(8,404,021)		(3,013,165)

49. Reconciliation to the net deficit on the Income and Expenditure Account

This reconciliation takes the deficit on the Income and Expenditure account and the Collection Fund, which are prepared on an accruals basis, to a net cash inflow or outflow from revenue activities. The non cash transactions are shown in detail for 2008-09 only.

2007-08		2008-09	
£		£	£
	(Surplus)/deficit for the year		
1,660,254	- Income and Expenditure account	13,781,888	
186,536	- Collection Fund	551,230	
1,846,790	Net movement for the year		14,333,118
(4,710,501)	Non cash transactions - capital charges, FRS 17 and provisions		
	Depreciation		(1,466,433)
	Impairment		(17,042,270)
	Grants released to revenue		2,870,884
	Loss on sale of fixed assets		(406,155)
	Gain on sale of contingent assets		3,258
	Bad debt provision		(591,321)
	Early retirement provision		6,218
	Council tax bad debt provision		(322,381)
	NNDR bad debt provision		(248,716)
	NNDR paid from Income and Expenditure account		(594,525)
	Festival fund		(24,846)
	Effect of FRS17 pension accounting		(721,964)
	Interest payable – shown elsewhere		(1,276,500)
	Interest receivable – shown elsewhere		462,405
4,440	Accruals - (decrease)/increase in stocks		4,039
974,459	Accruals - (decrease)/increase in debtors		1,181,843
1,259,997	Accruals - decrease/(increase) in creditors		(742,371)
24,785	Accruals – (decrease)/increase in interest receivable		(31,339)
(3,506)	Accruals - decrease/(increase) in interest payable		0
(300,059)	Other items		(110,654)
(903,595)	Net cash (inflow)/outflow from revenue activities		(4,717,710)

50. Analysis of capital grants received

The capital grants received by the Council on a cash basis were:

2007-08		2008-09	
£		£	
(6,056,083)	West Lakes Renaissance	(5,062,439)	
(2,573,298)	Housing Capital Grant	(1,374,436)	
(768,950)	European Regional Development Fund	(1,080,709)	
0	Cumbria County Council	(526,640)	
(7,944)	Disabled Facilities Grant	0	
0	Department of Health	(120,000)	
(9,825)	Big Lottery	(104,081)	
(1,957,199)	Urban Renewal Fund	(92,020)	
0	Planning Delivery Grant	(27,018)	
0	Marine Fisheries Agency	(20,000)	
0	Sport England	(19,500)	
(831,275)	Safer, Stronger Communities Fund	(15,511)	
0	Coast Protection	(3,019)	
(40,000)	Arts Council	0	
(12,244,574)		(8,445,373)	

51. Analysis of other capital cash receipts

The other capital cash received by the Council on a cash basis came from:

2007-08		2008-09
£		£
0	Emlyn Hughes House insurer	(18,601)
0	Furness Maritime Trust	(9,500)
(78,075)	Proceeds from the repayment of Right To Buy discount	(3,258)
(3,887)	Proceeds from the repayment of mortgage principal	(2,058)
(64,790)	Northern Housing Consortium Charitable Trust	0
(146,752)		(33,417)

52. Movement in cash reconciled to the movement in net debt

2007-08		2008-09	
£		£	£
Balances brought forward			
(215,049)	- Bank	562,131	
1,524,469	- Liquid resources	4,901,987	
(29,000,000)	- Borrowing	(29,000,000)	
(27,690,580)	Total brought forward		(23,535,882)
Balances carried forward			
562,131	- Bank	286,891	
4,928,534	- Liquid resources	4,302,091	
(29,000,000)	- Borrowing	(29,000,000)	
(23,509,335)	Total carried forward		(24,411,018)
4,181,245	Net (increase)/decrease for the year		(875,136)
777,180	Net movement on bank		(275,240)
3,404,065	Net movement on liquid resources		(599,896)
0	Net movement on financing		0
4,181,245	Net movement for the year		(875,136)

53. Reconciliation of liquid resources to the Balance Sheet

Liquid resources are cash in hand and short-term investments. From 2008-09 stocks do not fall within the definition of liquid resources. At the Balance Sheet date the Council held the following liquid resources:

31 March 2008		31 March 2009
£		£
26,547	Stocks	0
1,987	Cash	2,091
4,900,000	Investments – principal only (all short term)	4,300,000
4,928,534		4,302,091

54. Authorisation of accounts for issue

These accounts were originally authorised for issue by the Borough Treasurer on 22 June 2009.

55. Events after the Balance Sheet date

There have been no transactions between the Balance Sheet date and the date these accounts were authorised for issue by the Borough Treasurer that meets the definition of a post balance sheet event.

D Supplementary Statements**HRA Income and Expenditure Account**

2007-08		2008-09	
£		£	£
	Income		
(7,793,980)	Dwelling rents	(8,098,913)	
(292,745)	Non-dwelling rents	(284,759)	
(397,155)	Charges for services and facilities	(394,829)	
(26,868)	Contribution from another Local Authority	(27,540)	
(8,510,748)	Total Income		(8,806,041)
	Expenditure		
2,688,647	Contribution to the housing repairs account Note 4	2,918,874	
2,676,258	Supervision and management	2,905,578	
331,371	HRA subsidy payable Note 3	(3,718)	
1,821,582	Depreciation and impairment of dwellings Note 5 and Note 9	10,036,430	
107,910	Depreciation and impairment of other HRA assets Note 9	118,091	
17,160	Debt Management Costs	16,595	
66,654	Increase in bad debt provision	80,271	
7,709,582	Total Expenditure		16,072,121
(801,166)	Net Cost of HRA Services		7,266,080
0	Gain or loss on sale of fixed assets	(72,800)	
	Gain on sale of contingent assets	(3,258)	
517,744	Interest payable	488,446	
1,134,260	Amortisation of premiums and discounts	0	
(738)	Interest income - mortgages	(467)	
51,000	Pensions interest cost and expected return on pensions assets	223,000	
901,100	(Surplus) or deficit for the year on HRA services		7,901,001

Statement of Movement on the HRA Balance

The Income and Expenditure Account shows the HRA's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise rent on a different accounting basis, the main difference being:

- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The HRA Balance compares the council's spending against the rent that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the HRA Balance:

2007-08		2008-09
£		£
901,100	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	7,901,001
950,036	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year Note 2	(8,021,558)
1,851,136	(Increase)/decrease in the HRA Balance	(120,557)
(2,576,559)	HRA Balance brought forward	(725,423)
(725,423)	HRA Balance carried forward Note 8	(845,980)

Notes to the HRA

1. Explanation of the significance of the Statement of Movement on the HRA Balance

The HRA Income and Expenditure Account shows in more detail the income and expenditure on HRA services included in the whole authority Income and Expenditure Account. The surplus or deficit achieved on the HRA Income and Expenditure Account represents the amount by which income is greater or less than expenditure.

However, the items of income and expenditure that are required to be credited or charged to the HRA are defined in accordance with Part 6 of the Local Government and Housing Act 1989 (1989 Act) rather than in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

To arrive at the Movement on the HRA Balance it is necessary to include the following items:

- Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the Movement on the HRA Balance for the year.
- Amounts not included in the HRA Income and Expenditure Account but required to be included by statute when determining the Movement on the HRA Balance for the year.
- Transfers to or from the HRA Balance that are required to be taken into account when determining the Movement on the HRA Balance for the year.

This net additional amount is applied to the surplus or deficit on the HRA Income and Expenditure Account to arrive at the Movement on the HRA Balance in accordance with Part 6 of the 1989 Act.

2. Breakdown of reconciling items in the Statement of Movement on the HRA Balance

The amounts in addition to the HRA Income and Expenditure Account surplus or deficit for the year that are required by Part 6 of the 1989 Act to be charged or credited to the HRA in determining the movement on the HRA Balance for the year are:

2007-08		2008-09	
£		£	£
(1,912)	Impairment of fixed assets	(8,118,999)	
40,260	Grants deferred amortisation	41,570	
	Gain on sale of HRA fixed assets	72,800	
	Gain on sale of contingent assets	3,258	
(905,791)	Differences between amounts charged to income and expenditure for premiums and discounts and the charge for the year determined in accordance with statute	241,073	
(208,919)	Net charges made for retirement benefits in accordance with FRS 17 Note 10	(411,406)	
(1,076,362)	Total to be excluded from Income and Expenditure account		(8,171,704)
(187,060)	Transfer to/(from) Major Repairs Reserve Note 13	(125,882)	
227,784	Employer's contributions payable to the Superannuation Pension Fund and retirement benefits payable direct to pensioners Note 10	249,244	
1,985,674	Capital expenditure funded by the HRA	26,784	
2,026,398	Total to be included in Income and Expenditure account		150,146
950,036	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		(8,021,558)

3. HRA subsidy payable

The subsidy payable from the HRA to Government is composed of elements of subsidy payable and receivable for the financial year. The breakdown comes from the general formula in paragraph 3.1 of the General Determination of HRA Subsidy 2008-09, issued by the DCLG.

2007-08		2008-09	
£		£	£
(1,752,002)	Allowance for management	(1,825,782)	
(2,779,604)	Allowance for maintenance	(3,061,765)	
(1,780,780)	Major Repairs Allowance	(1,951,210)	
(1,076,677)	Charges for capital	(1,141,842)	
(25,663)	Rental constraint allowance	0	
(7,414,726)	Total allowance for expenditure	(7,980,599)	
7,745,261	Rent receivable	7,998,282	
836	Interest on receipts	836	
331,371	Net subsidy payable for the year	18,519	
0	Previous year adjustments	(22,237)	
331,371	Total HRA subsidy in the year	(3,718)	

4. Housing Repairs Account

The Housing Repairs Account operates within the HRA ring-fence and is a separate record of income and expenditure on repairs and maintenance of all HRA properties. The Housing Repairs Account is funded by a contribution from the HRA and any balance at the end of the financial year is returned to the HRA. Any unused contribution is earmarked as funds committed for ongoing housing maintenance.

5. Depreciation and impairment of dwellings

The depreciation and impairment of dwellings is an aggregation of the following:

2007-08		2008-09
£		£
1,859,930	Depreciation of dwellings	1,959,001
(40,260)	Deferred grants releases to revenue	(41,570)
1,912	Impairment of dwelling values	8,118,999
<u>1,821,582</u>		<u>10,036,430</u>

6. HRA tangible fixed asset disposals

2007-08		2008-09
£		£
	Sale proceeds:	
(1,923,640)	Dwellings	(236,000)
	Carrying value:	
1,923,640	Dwellings	163,200
<u>0</u>	(Gains)/losses on the sale of fixed assets	<u>(72,800)</u>

7. HRA Capital Financing Requirement (CFR)

2007-08		2008-09
£		£
9,010,011	Opening CFR	9,010,011
	Capital investment:	
3,781,625	Council dwellings	1,977,594
861	Other operational buildings	400
25,262	Operational equipment	25,991
54,429	Non-operational buildings	0
	Sources of finance:	
(88,314)	Government grants and other contributions	(25,991)
(3,773,863)	Balances and reserves	(1,977,994)
<u>9,010,011</u>	Closing CFR	<u>9,010,011</u>

8. HRA balance

The balance carried forward on the HRA contains an element of funds committed to ongoing housing maintenance. This occurs when the contribution to the Housing Repairs Account for the year is not fully spent; any under-spend remains as maintenance funding.

31 March 2008		31 March 2009
£		£
(725,423)	Total HRA balance carried forward	(845,980)
(24,897)	Of which: committed to ongoing housing maintenance	(72,000)

9. HRA tangible fixed assets

	Council dwellings	Other operational buildings	Equipment	Commercial and other properties	Total
	£	£	£	£	£
Balance sheet value					
At 31 March 2008	97,853,957	1,283,861	70,508	725,119	99,933,445
Eliminate prior year depreciation*	(32,880)	0	0	0	(32,880)
Transfer and merge of assets	0	54,370	0	0	54,370
Eliminate depreciation on revaluation	(3,786,051)	(148,944)	0	(38,474)	(3,973,469)
Revaluations 1/4/08	(2,379,026)	337,963	0	64,775	(1,976,288)
Acquisitions in year	0	0	21,790	0	21,790
Enhancements in year	1,977,594	400	4,201	0	1,982,195
Disposals in year	(163,200)	0	0	(36,420)	(199,620)
Impairment review 31/3/09	(13,099,482)	0	0	0	(13,099,482)
At 31 March 2009	80,370,912	1,527,650	96,499	715,000	82,710,061
Depreciation					
At 31 March 2008	(1,859,930)	(74,450)	(15,080)	(18,380)	(1,967,840)
Eliminate prior year depreciation	32,880	0	0	0	32,880
Current year charge	(1,959,001)	(74,493)	(23,504)	(20,094)	(2,077,092)
Eliminate depreciation on revaluation	3,786,051	148,943	0	38,474	3,973,468
At 31 March 2009	0	0	(38,584)	0	(38,584)
Net Book Value at 31 March 2008	95,994,027	1,209,411	55,428	706,739	97,965,605
Net Book Value at 31 March 2009	80,370,912	1,527,650	57,915	715,000	82,671,477
Estimated useful economic life	30 years	10-20 years	3 years	30 years	

*Accumulated depreciation on dwellings sold in 2007-08, not eliminated in the year.

Depreciation is calculated on a straight line basis and charged to the HRA.

10. Retirement benefits

As part of the terms and conditions of employment of its officers the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme administered by Cumbria County Council – this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions relating to retirement benefits

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge which is required to be made to the HRA is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the HRA Balance.

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

	Local Government Pension Scheme	
	£	
	2007-08 As Revised	2008-09
HRA Income and Expenditure Account		
Net Cost of Services:		
current service cost	(157,919)	(39,181)
Net Operating Expenditure:		
- interest cost	(667,000)	(832,000)
- expected return on assets in the scheme	616,000	609,000
Net Charge to the Income and Expenditure Account	(208,919)	(262,181)
Statement of Movement on the HRA Balance		
- reversal of net charges made for retirement benefits in accordance with FRS 17	208,919	262,181
	208,919	262,181
Actual amount charged against HRA Balance for pensions in the year:		
- employers' contributions payable to scheme	(208,280)	(227,587)
- retirement benefits payable to pensioners	(19,504)	(21,658)
Total actual pensions paid in the year	(227,784)	(249,245)

11. Rent arrears

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

2007-08		2008-09
£		£
456,769	Arrears	404,707
345,177	Provision for bad and doubtful debts	300,143
76%	Percentage of provision	74%

12. Dwelling stock

The Council was responsible for managing 2,735 dwellings in 2008-09. 4 properties were sold during 2008-09; 42 properties were sold in 2007-08.

	31 March 2008	Movement in year	31 March 2009
Houses			
1 bedroom	143	0	143
2 bedroom	392	(3)	389
3+ bedroom	927	(1)	926
Flats			
1 bedroom	962	0	962
2 bedroom	307	0	307
3+ bedroom	8	0	8
Total			
Houses	1,462	(4)	1,458
Flats	1,277	0	1,277
Dwelling stock	2,739	(4)	2,735

13. Major Repairs Reserve

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

2007-08		2008-09	
		£	£
	MRR transfers in the year:		
(1,859,930)	From HRA for depreciation of dwellings	(1,959,000)	
(107,910)	From HRA for depreciation of other fixed assets	(118,091)	
79,150	Difference between MRA received and depreciation of dwellings	7,790	
107,910	To HRA for depreciation of other fixed assets	118,091	
(1,780,780)	MRA subsidy receivable for the year		(1,951,210)
	Capital expenditure financed by MRR:		
706,336	Heating and insulation	812,411	
594,049	Kitchens and bathrooms	801,645	
308,942	Rewires	274,200	
178,862	Roofs	62,954	
1,788,189	Total capital expenditure		1,951,210
(7,409)	Balance brought forward		0
0	Balance carried forward		0

14. Extraordinary and exceptional items

There were no extraordinary or exceptional items in the HRA for the year.

15. Vacant possession value of dwellings

Council dwellings are held in the Balance Sheet at a value that reflects the nature of occupancy in public sector housing; this is known as the Existing Use Value of Social Housing ('EUV-SH'). The EUV-SH shows the economic cost to the Government of providing Council housing at less than open market rents.

Lower public sector rent levels and the Right To Buy ('RTB') option for tenants are determining factors in establishing the social housing valuation.

The valuation in the Balance Sheet of the dwellings would be higher, if the Existing Use Value in Vacant Possession value ('EUV-VP') that reflects market conditions was used.

The Existing Use Value of Social Housing at the Balance Sheet date was:

31 March 2008		31 March 2009
£		£
95,994,027	Balance Sheet value EUV-SH of dwellings	80,370,912
103,993,529	Difference of dwellings EUV-SH and EUV-VP: economic cost	87,068,488
199,987,556	Value of dwelling stock at EUV-VP	167,439,400

Collection Fund

2007-08		2008-09	
£		£	
	Income		
(25,366,452)	Income from Council Tax	(26,448,363)	
	<i>Transfers from General Fund:</i>		
(5,610,701)	- Council Tax benefits Note 1	(5,733,613)	
(18,973,337)	Income collectable from business ratepayers Note 2	(19,922,338)	
(49,950,490)	Total Income		(52,104,314)
	Expenditure		
	<i>Precepts and demands:</i>		
22,877,259	- Cumbria County Council	23,977,059	
4,147,973	- Barrow Borough Council	4,273,918	
3,656,977	- Cumbria Police Authority	3,869,405	
	<i>Business rate:</i>		
18,869,870	- Payment to national pool	19,819,743	
103,467	- Costs of collection	102,595	
	<i>Bad and doubtful debts: Note 3</i>		
(156,344)	- Write offs	(227,638)	
579,636	- Provisions	550,019	
	<i>Contributions:</i>		
58,188	- Towards previous year's estimated Collection Fund surplus	290,443	
50,137,026	Total Expenditure		52,655,544
186,536	(Surplus) or deficit for the year		551,230
(348,630)	Balance brought forward		(162,094)
(162,094)	Balance carried forward Note 4		389,136

Notes to the Collection Fund

1. Council Tax benefits

Government regulations provide for specific reductions to be made to the Council Tax payable by people that satisfy certain criteria, such as low income. These are Council Tax benefits and they are mostly subsidised by central government.

2. 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 2009 was £48,770,384 (£48,118,720 at the 31 March 2008).

The national non-domestic rate multiplier for 2008-09 was 46.2 pence in the pound (44.4 pence in the pound for 2007-08).

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

£15,000 pay a reduced rate of 45.8 pence in the pound (44.1 pence in the pound for 2007-08) and can also qualify for rate relief.

3. Bad and doubtful debts

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

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

31 March 2008		31 March 2009	
£		£	
Council Tax			
4,385,677	Arrears	4,534,984	
2,938,189	Provision for bad and doubtful debts	3,032,932	
67%	Percentage of provision	67%	
Business ratepayer			
1,246,540	Arrears	1,370,212	
1,012,846	Provision for bad and doubtful debts	1,074,151	
81%	Percentage of provision	78%	

4. 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 two year gap between establishing the balance for the year and returning the surplus or deficit.

The collection fund balance for the financial year 2007-08 will be returned to the precepting authorities in 2009-10 and the balance for the financial year 2008-09 will be returned in 2010-11.

	Cumbria County Council	Barrow Borough Council	Cumbria Police Authority	Total
	£	£	£	£
Balance for:				
2006-07 to be returned 2008-09	(216,560)	(39,265)	(34,618)	(290,443)
2007-08 to be returned in 2009-10	95,809	17,078	15,462	128,349
At 31 March 2008	(120,751)	(22,187)	(19,156)	(162,094)
Balance returned in 2008-09	216,560	39,265	34,618	290,443
2008-09 to be returned in 2010-11	193,691	35,107	31,989	260,787
At 31 March 2009	289,500	52,185	47,451	389,136

5. 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 2008-09 as it was in 2007-08.

The Council Tax base for the year was set as:

2007-08 Band D equivalent number of chargeable dwellings	Band	Standard factor	2008-09 Band D equivalent number of chargeable dwellings
29	Disabled reductions		27
10,752	A	6/9	10,853
3,815	B	7/9	3,832
3,677	C	8/9	3,710
2,038	D	9/9	2,075
1,071	E	11/9	1,085
317	F	13/9	312
109	G	15/9	106
3	H	18/9	1
21,811	Equivalent chargeable dwellings		22,001
21,375	98% of which gives the Council Tax base		21,561

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.

2007-08 Council Tax £	Band	Property value	2008-09 Council Tax £
953.85	A	Up to £39,999	989.79
1,112.84	B	£40,000 to £51,999	1,154.76
1,271.81	C	£52,000 to £67,999	1,319.72
1,430.79	D	£68,000 to £87,999	1,484.69
1,748.73	E	£88,000 to £119,999	1,814.62
2,066.69	F	£120,000 to £159,999	2,144.55
2,384.64	G	£160,000 to £319,999	2,474.48
2,861.57	H	£320,000 and over	2,969.38

ANNUAL GOVERNANCE STATEMENT

Governance – How the Council ensures that the right things are done in the right way, for the right people at the right time, in an open, honest and accountable manner.

Annual Statement - The Accounts and Audit Regulations 2006, Regulation 4(2), requires the Council to carry out an annual review of its governance arrangements. The outcome of this review results in the production of the Annual Governance Statement (AGS).

Scope and responsibility

Barrow Borough Council is responsible for ensuring that its business is conducted in accordance with legal requirements and proper standards, and that public money is safeguarded, 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 its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Barrow Borough Council is also responsible for maintaining proper arrangements for the governance of its affairs, which facilitate the effective exercise of the Council's functions, including arrangements for the management of risk.

Barrow Borough Council has completed the Corporate Governance Compliance checklist which is consistent with the principles of the Delivering Good Governance in Local Government framework set out in the governance framework below.

The Council's statutory officers are:

The Chief Executive – Head of Paid Service;

The Borough Treasurer - Section 151 Officer under the Local Government Act 1972;

The Director of Corporate Services – Monitoring Officer.

The purpose of the governance framework

The governance framework comprises the culture and values, systems and processes used by the Council to direct and control its activities, enabling it to engage, lead and account to the community.

The framework allows the Council to monitor the achievement of its strategic objectives and to consider whether appropriate, cost effective services have been delivered.

A significant part of the framework is the Council's system of internal control which is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Barrow Borough Council for the year ended 31 March 2009, and up to the date of approval of the accounts.

The governance framework

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) identified six principles of corporate governance that underpin the effective governance of all local authorities. Barrow Borough Council has used these principles when assessing the adequacy of its governance arrangements. The main elements that contribute to these arrangements are listed below each core principle:

Core Principle 1: focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

- Love Barrow was initiated by the Regeneration Publicity Team, which represents business, tourism, the Urban Regeneration Company (West Lakes Renaissance), further and higher education and other regeneration organisations in the Borough
- The Council's policies, aims and objectives are well established and monitored at various levels, for example Corporate Business plan, annual service budget planning process and personal performance appraisals
- Regular consultation is undertaken on a range of issues
- The Local Strategic Partnership provides a partnership review forum
- Consultation informs our Sustainable Community Strategy which is available to the public
- The Sustainable Community Strategy and Annual Report articulate the Council's activities and achievements
- The Medium Term Financial plan underpins corporate aims
- The Council's budget shows financial plans at a detailed level for the financial year
- Effective Budget Monitoring takes place regularly
- Cashable and non-cashable savings under 'Gershon' have exceeded targets
- Performance management and reporting is embedded, including quarterly reporting to the Management Board and the Executive Committee and review by the Overview and Scrutiny Committees
- Scrutiny reviews have delivered tangible outcomes

Core Principle 2: members and officers working together to achieve a common purpose with clearly defined functions and roles

- Members attend meetings for several strategic working groups within the Council
- Official Member spokespersons for strategic objectives
- The Council's Constitution clearly states the roles and responsibilities of members and senior officers
- Terms of reference for Committees and the Council are clearly defined in the Constitution
- Clear delegations and accountabilities are laid down in the Constitution
- Joint Board meetings with Members and Management Team
- Executive Committee pre-agenda meetings with Members and Management Team
- Management Team and heads of service attend monthly Management Board
- Officers are appointed with clear job descriptions
- Adoption of statutory and professional standards
- Compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by the Council
- Financial administration procedures are agreed by the Borough Treasurer
- Appropriate segregation of duties and management supervision

Core Principle 3: promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- The Council's vision and aims statement exemplifies its priorities and values
- A Member / Officer protocol is set out within the Constitution
- There are codes of conduct in place for Members and Officers

- There is an established and effective Standards Committee
- Anti-fraud and corruption policy
- The Council has adopted the Payment Card Industry Data Security Standard with a statement of procedure to ensure that valuable cardholder account data is always secure
- The Council participates in the Audit Commissions National Fraud Initiative, an exercise that matches electronic data within and between audited bodies to prevent and detect fraud; including police authorities, local probation boards and fire and rescue authorities as well as local councils
- A whistle blowing policy is in place and available on the Council's web site
- Member and officer registers of declared interests, and hospitality and gift register

Core Principle 4: taking informed and transparent decisions which are subject to effective scrutiny and management of risk

- There are established and effective Overview and Scrutiny Committees, for corporate services and for regeneration
- There is an established and effective Audit Committee
- Decisions taken are formally minuted
- The Corporate Business plan is rolled forward and reviewed
- Active risk management, including
 - risk identification, registers and actions plans
 - Risk Management group
 - official Member spokesperson for risk management
 - guidance and training on risk management for members and staff
 - involvement of members in monitoring corporate risks
 - consideration of risk implications in committee reports and the decision making process.
- Active health and safety arrangements, including a robust policy, official Member spokesperson, consideration of issues at the quarterly Health and Safety Management Board; the membership includes Management Team, Members and other relevant officers.
- Continuous managerial review of services to ensure continuous improvement and the economic, effective and efficient use of resources
- Evolved financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures. Elements include:-
 - financial awareness training and working closely with service accountants in all aspects of financial management and administration
 - monthly review by officers and the appropriate service manager of budgetary control information, comparing expected and actual performance
 - formal quarterly budget monitoring reports to the Executive Committee
- Active performance management arrangements
- A robust complaints / compliments procedure is in place and is widely publicised
- Freedom of Information requests are dealt with in accordance with established protocols
- All committee reports include reference to the potential impact on the Council's key priorities or corporate aims, and address as appropriate any financial, risk, legal, health and safety and equal opportunities

Core Principle 5: developing the capacity and capability of members and officers to be effective

- An induction programme is in place for Officers and Members
- A Member training and development programme is in operation
- Deputy section 151 and Monitoring Officers are in place
- Officer's training requirements are considered at each personal performance appraisal
- Supervisor training is available
- European Computer Driving Licence training is available
- Members attend leadership residential training course run by Achieving Cumbria Excellence

Core Principle 6: engaging with local people and other stakeholders to ensure robust public accountability

- The Sustainable Community Strategy is positively used
- There is regular community engagement and participation both in general and for specific community groups and services provided, including Parish Councils
- The Council has a Consultation Policy to make sure that community consultation is effective, efficient and consistent
- Community Voice is the name for the Citizens' Panel for Cumbria; Citizen's Panels are made up of a representative sample of local residents who have agreed to take part in research over a given period of time
- Consultation for specific services, through bodies such as the Housing Forum, tenants and residents associations, landlord forum and trade unions are consulted on issues which affect Council staff
- Talking Point is Barrow Borough Council's new online service to help the people of Barrow Borough contact us about local issues
- Committee and Council meetings are open to the public, with papers available on the internet
- The Council Tax leaflet, issued annually, gives further information on the Council priorities and principal outcomes on delivering strategic objectives; these are sent to people's homes with the Council Tax bills
- Clear and colourful publications, including Annual Report, residents' magazine, tenants newsletter, A-Z of Council Services
- The Council engages by various means with hard to reach groups, such as the Citizens Advice Bureau, Furness Multicultural Forum, the Disability Association, Age Concern and the Blind Society
- Other harder to reach groups are served by the Cumbrian forums:
 - AWAZ (Cumbria), promotes the active participation of minority ethnic people and groups
 - Cumbria Disability Network
 - OutREACH Cumbria, is a new strategic partner working on equality issues
- The Council uses a computerised Customer Relationship Management system that includes a calls handling system and queuing and appointment systems
- Govmetrics is used online and at the main Council offices, this is a quick and easy way to collect customer satisfaction using expressions: ☺ ☹ ☹ to find out how customers rate information and services

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. This responsibility is in practice carried out by Management Team and managers, with the Chief Executive informing the Executive Committee of any significant matters warranting their attention.

The Council's Overview and Scrutiny Committees exercise a general non-executive review role which in 2008-09 included specific work on:

- Corporate services: equalities performance, health and safety, and reviewing the Council's void commercial properties
- Regeneration and Community services: allotment management, off-street car parking, rent collection, and waste collection and recycling; this committee also receives Performance Information

The review of effectiveness of the system of internal control is informed by three main sources: the work of internal audit; by managers who have responsibility for the development and maintenance of the internal control environment and also by comments made by external auditors and other review agencies / inspectorates.

Internal audit

Barrow's responsibility for maintaining an effective Internal Audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2003. This responsibility is delegated to the Borough Treasurer. The

Internal Audit function has no operational responsibilities; this ensures that its duties are performed impartially.

Internal Audit operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives, and contributes to the proper, economic, efficient and effective use of resources. All audit reports go to the Audit Committee who review any recommendations and monitor their implementation. Members receive a quarterly and an annual report of internal audit activity and approve the annual risk-based audit plan for the forthcoming year.

During 2008-09 Internal Audit completed 450 days of review, which was spent undertaking 50 audits, 30 of which have had final reports issued. Of these 1 was assessed as being able to offer unqualified levels of assurance, 17 substantial assurance, and 12 were found to have restricted assurance. Internal Audit also performed agreed additional audit work commissioned by the Borough Treasurer, which did not require an assurance level.

In respect of the internal control arrangements, it should be noted that 9 of the completed audits are for contracted project works and all contain the same themes. Of these, 8 were assessed as being able to offer restricted assurance and only 1 was found to have substantial assurance. These audits relate to contracts let in previous financial years and although these have been helpful in shaping the proposed amendments to the Council's Contract Standing Orders. Assurance may be taken that these weaknesses are being addressed.

Taking the remaining system based audits, 81% of the reviews account for substantial or reasonable assurance, whilst only 19% of reviews placed a restricted assurance on the system of internal control in operation at the time of the review. The outcomes of these Internal Audit reviews are reported to the Audit Committee on a quarterly basis, giving Members an opportunity to understand the Council's compliance with key controls and to discuss any areas of concern with the Auditors.

Managers

Individual managers are responsible for establishing and maintaining an adequate system of internal control within their own sections and for contributing to the control environment on a corporate basis. There are a number of significant internal control areas which are subject to review by internal audit. All managers acknowledge their responsibilities and confirm annually that they have implemented and continuously monitored various significant controls. This is done on a checklist covering: management structures and reporting lines, strategy and planning, risk management, ethics, service delivery, performance management, policies and procedures, and financial controls. This checklist is reviewed by the Management Team.

External auditors and other review agencies / inspectorates

External auditors are appointed to the Council by the Audit Commission. They are required to conduct their audit work to the strictest standards as laid down by the Audit code of Practice, which ensures that they approach the work with the highest level of objectivity. The external auditors undertake a series of thorough and comprehensive audits that cover matters including financial reporting, financial stewardship and the Council's approach to its use of resources.

Each year the Council receives a report from its external auditor on the quality of its financial and management administrative arrangements. The most recent audit letter, which was presented for Members' consideration at the Audit Committee meeting on the 18 March 2009, indicated that the Council's has arrangements in place for securing continuous improvement or failures in corporate governance with no significant weaknesses identified that would prevent improvement levels being sustained.

In March 2009 the Council was advised that it had achieved an overall level 2 in Use of Resources Assessment under the Comprehensive Performance Assessment which means that the Council is judged to be performing adequately. In terms of internal controls issues within the report, there were two areas where the auditors identified areas for improvement; these related to strengthening the arrangements for ensuring appropriate use of resources and ensuring that business planning could be measured against priorities.

During 2008 the benefits service, outsourced to Liberata UK Limited in 1998, was inspected by the Audit Commission. Following a formal appeal by the Council, the Audit Commission judgement remained that the service was poor with poor prospects for improvement. The Council has expanded its service improvement plan for benefits to incorporate the actions identified by the inspection and will continue to build a better service for the community in partnership with the contractor. The Barrow / Liberata Strategic Board continue to monitor the improvement plan.

A cross cutting review of health inequalities was completed during 2007-08 involving local government and health organisations. The report concluded that organisations in Cumbria have a strong commitment to tackling health inequalities and an increasing focus on collaborative action.

Other external reviews during the year included:

- ISO9001 accreditation for the building control services
- Investors in People accreditation
- Health and Safety Executive engagement programme
- North West Employers award for elected members development

Significant governance and internal control issues

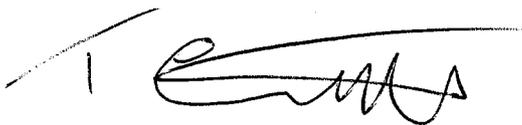
The review of the governance arrangements has not identified any significant weaknesses. We believe that the existing governance arrangements are fit for purpose and are adequate to discharge the Council's legal responsibilities and to meet the Council's corporate aims.

The following governance issues were identified during 2008-09 as a result of the review of arrangements and by the work of external and internal audit:

- monitoring the performance of the housing benefit service and the implementation of the improvement plan
- monitoring the implementation of a new pay and grading system
- developing a workforce strategy
- monitoring of areas with restricted assurance Internal Audit by Audit Committee
- implementing the processes and systems for the transition to International Financial Reporting Standards in 2010-11
- establishing a corporate governance group

The issues identified above will be dealt with by the responsible officers and progress will be monitored by the Management Board and the Audit Committee when appropriate.

We propose over the coming year to take steps to address the above matters to 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 an operation as part of our next annual review.



T O Campbell
Chief Executive
22 June 2009

Councillor J D Heath
Audit Committee Chairman
29 June 2009



BARROW BOROUGH COUNCIL

INTERNAL AUDIT ANNUAL REPORT

2008/2009

June 2009

CONTENTS	Page
EXECUTIVE SUMMARY	1
1. SERVICE BACKGROUND	4
2. REVIEW OF PERIOD	6
3. ANNUAL STATEMENT OF ASSURANCE	7
4. RECOMMENDATIONS AND FOLLOW UP IN THE YEAR	8
5. QUALIFICATIONS TO THE OPINION	9
APPENDIX A PROGRESS AGAINST AUDIT PLAN 2008/2009	100

EXECUTIVE SUMMARY

Background

The purpose of this report is 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 should present an opinion on the overall adequacy and effectiveness of the internal control environment, and:

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

The Code states that "the Head of Internal Audit should provide a written report to those charged with governance timed to support the Statement on Internal Control" (which has now been replaced with the requirement to produce an Annual Governance Statement). Therefore, in setting out how it meets the reporting requirements, this report also outlines how the Internal Audit function has supported the Council in meeting the requirements of the Accounts and Audit (Amendment) (England) Regulations 2006, and the 2007 CIPFA/SOLACE Framework and Guidance notes; with regard to internal control.

Additionally the CIPFA Audit Panel has produced a document "the review of the Effectiveness of the System of Internal Audit" which refers to the "system of Internal Audit" and the need for the Head of Internal Audit to acquire an understanding of all sources of assurances; and assessing such the assurance available.

Scope of Responsibility

The Council is responsible for ensuring its business is conducted in accordance with law and proper standards. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal audit. The review of the effectiveness of the system of internal audit is informed by the work of the internal auditors and the senior managers within the authority who have responsibility for the development and maintenance of the internal control environment; and also by comments made by the external auditors and other review agencies and inspectorates in the annual audit letter and other reports.

Basis of Assurance

We have conducted our audits in accordance with professional standards and good practice contained within the Code and additionally from our own internal quality assurance systems. We have also outlined any limitations in the scope of our audit work in “qualifications to the opinion” within the detail of this report.

In addition, Internal Audit have undertaken a self assessment against the requirements of the Code, and can confirm compliance. This is supported by the work undertaken by the Council’s External Auditor, the Audit Commission.

Head of Internal Audit Annual Opinion Statement

This opinion statement is provided in support of the Council’s Annual Governance Statement (formally Statement on Internal Control) as required under the Accounts and Audit (Amendment) (England) Regulations 2006. Our opinion is derived from work carried out by Internal Audit during the year as part of the agreed internal audit plan for 2008/2009. The Internal Audit plan for 2008/2009 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the internal control environment.

The Code states that the internal control environment comprises three key areas, internal control, governance and risk management processes. Our opinion on the effectiveness of the internal control environment is based on an assessment of each of these key areas.

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

2008/2009 Year Opinion

Our overall 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. There are a number of systems receiving low assurance the

majority of which relate to contract letting and management. The profile of assurance is in our experience comparable to other local authorities, with the majority of Council systems receiving Substantial Assurance, with exceptions mentioned above. 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 as an Appendix to the Annual Governance Statement and reflect the assurance provided from all sources both internal and external.

There are however, sixteen areas where only restricted assurance can be provided, these relate to:

- Replacement of windows, overcladding and concrete repairs to North and West elevations Craven House;
- Barrow Gateway Office Development;
- New Access Road for future developments Flass Lane;
- Conversion of accommodation and refurbishment of elevations Market Hall;
- Procurement;
- Information Security Policy;
- Client Monitoring (Revenues & Benefits);
- Streetcare;
- Waterside House;
- Hindpool Urban Park;
- Painting and Prepainting repairs 2007/08;
- Housing Maintenance -day to day repairs;
- Barrow Park (*awaiting management response*);
- Barrow Public Park Heritage Restoration Project (*awaiting management response*);
- Alterations & Refurbishment of 77-79 Duke Street (*awaiting management response*); and
- Housing & Council Tax Benefits (*Initial Draft report*).

Co-operation

The successful achievement of the audit plan is dependent on the contribution of the Council's staff as audit clients. We would like to record our appreciation for the involvement and commitment of staff, and for their critical appraisal of our recommendations during the year. We would also like to acknowledge the support shown by the Audit Committee in the delivery of our Plan.

1. SERVICE BACKGROUND

1.1 Our reporting lines

Furness Audit provide the Council's Internal Audit service under the direction of the Borough Treasurer with access to the Chief Executive and elected members if, in exceptional circumstances, we consider this necessary.

The Head of Internal Audit Keith Jackson, meets with the Borough Treasurer, on a regular basis to discuss progress; in addition to attendance at External Audit liaison meetings. He also attends Audit Committee on a regular basis, which includes presentation of progress reports and an analysis of significant agreed recommendations.

1.2 Professional standards

We aim to exceed the professional standards throughout our work, providing your internal audit service in accordance with the statements, standards and guidelines published by CIPFA (in particular the Code) and the Institute of Internal Auditors.

1.3 Our audit process

We adopt a risk-based approach to identify, and evaluate the application of, financial and other management controls.

Our process includes a computerised matrix evaluation approach. This approach is a practical process for documenting efficiently, and in an easily assimilated form, a rigorous analysis of the potential causes of risk and an assessment of the strength of controls against these risks. In addition, it can be used to demonstrate clearly the effect of implementing recommendations to address weaknesses. It allows for ready identification of control weaknesses, and of key controls, which are critical for the achievement of the systems objectives, as well as unnecessary or excessive controls. Our methodology specifically includes a rigorous quality assurance programme to ensure compliance with this process.

The level and mix of staff utilised for the internal audit service is matched to the complexity of each assignment, with specialists, such as computer auditors and contract auditors, utilised where appropriate. However, continuity of audit staffing is a key feature of the service provided throughout the contract.

1.4 2008/2009 Audit Plan

The Audit Plan for 2008/2009 was derived from a needs assessment of all agreed auditable areas within the Council. Each area is prioritised by significance band of which there are 5, with band 1 being the highest. This has resulted in an annual plan which concentrates on reviewing all significance band 1 and 2 audits (annual audits) with the remaining time allocated on a risk assessed and cyclical basis. This assessment and resultant plan may be reviewed by Internal Audit during the year as required.

During the year, the specific scope and objective of each audit assignment was discussed with the relevant Line Manager prior to the commencement of each audit.

We will continue to monitor closely any new issues which may arise and will work closely with the Client Officer in rescheduling priorities where required.

2. REVIEW OF PERIOD

2.1 Progress against 2008/2009 Annual Plan

We have carried forward one audit, a review of Procurement, from the 2008/2009 Audit Plan into the 2009/2010 programme of work.

A detailed analysis of the current situation regarding the 2008/2009 Plan is provided in Appendix A.

The assessment of auditable areas has identified 73 systems, which cover the Council's operations. The audit coverage achieved in the period, compared to the audit plan, is set out in the table below. The slight reduction of actual compared to planned coverage mainly relates to the performance of a significant number of unplanned contract audits, with the associated cancellation of planned work.

2008/2009	Percentage of systems covered	Percentage of risk covered
Planned	37%	81%
Achieved	34%	72%

2.2 Liaison with external audit

We have liaised with the Audit Commission throughout the year; providing detailed information and documentation to assist in the delivery of their work.

Our aim is to maximise the benefit from the Internal Audit service by avoiding duplication of coverage and facilitating where appropriate the Audit Commissions approach, in order to provide maximum assurance.

3. ANNUAL STATEMENT OF ASSURANCE

In order to help management evaluate the significance of each assignment, we allocate each audit into a significance band which is simply a method of assessment and prioritisation. For example significance band 1 audits have the greatest “significance” or priority in terms of audit coverage. 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
Unqualified Assurance	The controls appear to be consistently applied.
Substantial Assurance	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
Restricted Assurance	The level of non-compliance identified places the system objectives at risk.
None	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

The majority of Council systems, see Appendix A, have achieved the level of Substantial Assurance. However, sixteen systems have been classified as Restricted Assurance, (three reports are awaiting a management response and one report is an initial draft, and are therefore not in the statistics below).

Final Reports Issued	Unqualified Assurance		Substantial Assurance		Restricted Assurance		No Assurance	
	No.	%	No.	%	No.	%	No.	%
30	1	3	17	57	12	40	0	0

With the exception of the contract audit work undertaken, this achievement demonstrates the Council’s commitment to operating within a control environment that should minimise the risk of loss to the Authority.

The conclusions and assurance levels specified for each audit are used to support the Council’s governance review arrangements, as required by the Accounts and Audit (Amendment) (England) Regulations 2006, and the 2007 CIPFA/SOLACE Framework and Guidance notes.

4. RECOMMENDATIONS AND FOLLOW UP IN THE YEAR

4.1 Introduction

Our audit recommendations are categorised by three priority levels. These categorisations are described below.

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.

4.2 Recommendations made

The following table summarises the number of audit recommendations made during the year in our Final Reports, and the management responses, analysed in accordance with the above categories.

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made	237	18	153	66
Fully Accepted	231	16	152	63
Partly Accepted	2	0	1	1
Not Accepted	4	2	0	2

In addition, there are a further 17 Priority 2 recommendations and 21 Priority 3 recommendations made, where a draft report has been issued, and is awaiting a management response.

4.3 Implementation of recommendations

During the year we have reported on the implementation of 78 agreed audit recommendations made in previous reports. The results are as follows:

Fully Implemented	Not Implemented	Overtaken by events	TOTAL
42	22	14	78

For recommendations not fully implemented revised dates have been agreed with management for their implementation. Internal Audit will further review progress on their implementation during 2009/2010.

5. QUALIFICATIONS TO THE OPINION

Internal Audit has had unrestricted access to all areas and systems across the authority and has received appropriate co-operation from officers and members.

APPENDIX A

PROGRESS AGAINST AUDIT PLAN 2008/2009

ANNUAL AUDITS		STATUS	ASSURANCE
Performance Management	1	Planning	
Risk Management	1	Cancelled replaced with Contract Audit	
Income Collection	1	Final	Substantial
Financial Information System	1	Draft	Substantial
Housing and Council Tax Benefits	1	Initial Draft	Restricted
Council Tax	1	Final	Substantial
Business Rates (NNDR)	1	Final	Substantial
Corporate Control/Governance	2	Fieldwork ongoing	-
Procurement	2	Postponed	-
Standing Orders and Financial Regulations	2	Complete	-
Budgetary Control	2	Final	Substantial
Treasury Management	2	Final	Unqualified
Payroll	2	Final	Substantial
Sundry Debtors	2	Draft	Substantial
Periodic Checks (inc. VAT)	2	Complete	-
Payables	2	Draft	Substantial
Car Park Meter Charges	2	Final	Substantial
Housing Rents	2	Draft	Substantial
Housing Maintenance (Day to day repairs)	2	Final	Restricted
VFM Reviews/Other Projects/Spot Checks			
Receipt Book Checks	-	Draft	Substantial
Petty Cash Spot Checks	-	Complete	-
RISK ASSESSED SYSTEMS			
Client Monitoring (Revenues and Benefits)	3	Final	Restricted
Insurance	3	Final	Substantial

		STATUS	ASSURANCE
Housing Strategy Cumbria HIP	3	Cancelled replaced with Contract Audit	
Building Control	3	Final	Substantial
Capital Programme	3	Cancelled replaced with Contract Audit	
Development Control	3	Final	Substantial
Streetcare (including Grounds Maintenance)	4	Final	Restricted
Right to Buy (Discounts)	5	Final	Substantial
Data Protection (Client Protection System)	*	Final	Substantial
Work in Default	*	Complete	
Barrow Park	*	Draft	Restricted
Pulse Review	*	Complete	
COMPUTER ENVIRONMENT AUDITS			
Information Security		Final	Restricted
IT Asset Management		Fieldwork complete	
Code of Connection		Cancelled replaced with IT Security Support	
IT Security Support		Complete	-
CONTRACT AUDIT			
New Access Road for Future Developments, Flass Lane		Final	Restricted
Abbotsvale Community Centre extension & Landscape Feature Duke St/Cavendish St Tender Review		Final	Substantial
Barrow Public Park Heritage Restoration Project		Draft	Restricted
Waterside House		Final	Restricted
Painting and Pre-painting Repairs 2007/08		Final	Restricted
Alterations and Refurbishment of 77-79 Duke Street		Draft	Restricted
Hindpool Urban Park		Final	Restricted

		STATUS	ASSURANCE
AGREED ADDITIONAL WORK			
Community Centre Accounts			
Hawcoat	-	Complete	-
Askam & Ireleth	-	Complete	-
Abbotsvale	-	Complete	-
Dalton Community Association	-	Complete	-
Roosegate	-	Complete	-
Barrow Playing Fields Users Association	-	Complete	-
Mayors Account	-	Complete	-
Grant Funding Review ERDF 60 Hindpool Urban Park		Complete	-
Grant Funding Review ERDF 60 James Freel Close		Complete	-
Grant Funding Review ERDF 60 Forge Close		Complete	-
ERDF 50 Final Claim Check		Complete	-
External Funding Checks			
Shoreline Films	-	Complete	-
Age Concern	-	Complete	-
Ashton Group	-	Complete	-
National Fraud Initiative			
	-	Ongoing	-
Implementation Review			
Contract Payment Procedures/Contract Register	-	Complete	n/a
Tourist Information Centre	-	Complete	n/a
Disabled Facilities Grants	-	Complete	n/a
Legal Services	-	Complete	n/a
Allotments	-	Complete	n/a
Market	-	Complete	n/a

CONTINGENCY <i>(Previous year draft and final reports issued during period)</i>		STATUS	ASSURANCE
Periodic Checks	2	Final	Substantial
Housing & Council Tax Benefits	1	Final	Substantial
Receipt Book Checks	-	Final	Substantial
Grant Funding	3	Final	Substantial
Park Leisure Centre	3	Final	Substantial
Procurement	2	Final	Restricted
Replacement of windows, overcladding and concrete repairs to North and West elevations Craven House	1	Final	Restricted
Barrow Gateway Office Development	1	Final	Restricted
Conversion of Accommodation and Refurbishment of Elevations – Market Hall	1	Final	Restricted