

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

## **AUDIT COMMITTEE**

Meeting, Thursday, 24th September, 2015  
at 2.00 p.m. (Committee Room No. 4)

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

#### **PART ONE**

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

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

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

#### 4 Declarations of Interest

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

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

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

- 5 To confirm the Minutes of the meeting held on 18th June, 2015 (copy attached) (Pages 1-11).
6. Apologies for Absence/Attendance of Substitute Members.

#### **FOR DECISION**

- (D) 7. Craven House Roofing (Pages 12-13).
- (D) 8. Internal Audit Final Reports (Pages 14-15).

- (D) 9. Internal Audit Progress Report (Page 16).
- (D) 10. Monitoring Priority 1 Recommendations (Pages 17-18).
- (D) 11. Risk Management (Pages 19-20).
- (D) 12. Assurance Statement (Page 21-23).
- (D) 13. Statement of Accounts and Annual Governance Statement 2014-2015 (Pages 24-26).
- (D) 14. Local Government Ombudsman Annual Letter 2015 (Page 27).

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

**Membership of Committee**

Councillors Burns (Chair)  
Harkin (Vice-Chair)  
Callister  
Gawne  
Murray  
Seward

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

Sharron Rushton  
Democratic Services Officer  
Tel: 01229 876321  
Email: [srushton@barrowbc.gov.uk](mailto:srushton@barrowbc.gov.uk)

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## **AUDIT COMMITTEE**

Meeting Thursday 18th June, 2015  
at 2.00 p.m.

PRESENT:- Councillors Harkin (Vice-Chair), Callister, Gawne, Murray, Seward and Sweeney.

Officers Present:- Sue Roberts (Director of Resources), John Penfold (Corporate Support Manager), Ewan Holt (Apprentice) and Sharron Rushton (Democratic Services Officer).

Also present were Neil Krajewski from Grant Thornton and Keith Jackson from Internal Audit.

### **1 – Minutes**

The Minutes of the meeting held on 5th March, 2015 were taken as read and confirmed.

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

An apology for absence had been received from Councillor Burns (Chairman).

Councillor Sweeney had attended as a substitute for Councillor Burns for this meeting only.

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

The Director of Resources reported that the Audit Committee Terms of Reference which were set out in the Council's Constitution had been reported to this Committee to provide Members with the framework of the Committee's business and responsibilities. She advised that minor changes to the Terms of Reference had been made which reflected Management changes.

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

### **4 – Audit Committee Work Plan**

The Director of Resources set out the Audit Committee Work Plan for 2015-2016 and advised that it would be the basis for the agenda of the meetings in 2015-2016. A copy of the Audit Committee Work Plan for 2015-2016 had been appended to the report for information.

The items listed within the plan were not exclusive as other items could be brought to the Audit Committee as appropriate. Any recurring items would be built into the Work Plan.

The Work Plan was based on the Terms of Reference for the Audit Committee as set out in the Councils' Constitution. The reports were aligned to the relevant

area, together with the reporting officer and the reporting cycle noted in the final columns.

RESOLVED:- To agree the Work Plan for 2015-2016.

## 5 – External Audit Fee Letter 2015-2016

A copy of the External Audit fee letter for 2015-2016 had been appended to the report for information. Neil Krajewski of Grant Thornton attended the meeting to explain that the Main Audit fee was £51,119 for 2015-2016. This was a reduction from 2014-2015 of £17,040 which had come from the procurement exercises run by the Audit Commission across both Local Government and Health sectors.

Together with the Grant Certification fee of £13,360, the total External Audit fee was £64,479 for 2015-2016.

The Billing Schedule was as follows:-

<b>Main Audit Fee</b>	<b>£</b>
September 2015	12,779.75
December 2015	12,779.75
March 2016	12,779.75
June 2016	12,779.75
<b>Grant Certification</b>	
December 2016	13,360.00
<b>Total</b>	<b>64,479.00</b>

RESOLVED:- To note the External Audit Fee for 2015-2016.

## 6 – Internal Audit Final Reports

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

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

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

1. Accounts Receivable – Substantial Assurance;
2. Housing Rents – Substantial Assurance;
3. Kennels – Restricted Assurance; and
4. IT General Controls – Substantial Assurance.

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

RESOLVED:- To note the Internal Audit Final Reports.

## **7 – Soccer Centre Internal Audit Report**

The Director of Resources reported that Internal Audit reviews were performed in accordance with the approved Annual Plan. The Soccer Centre final report was presented to Members on 5th March, 2015 and this report provided an update to the Management responses relating to the Priority 1 issues raised.

The original Executive Summary had been appended to the report for information.

The following were the seven Priority 1 recommendations, along with responses against each point, relating to Management Board:-

- confirming that:
  - a) the nature of the financial relationship between Pulse Fitness and Pulse Soccer Limited is appropriate; and
  - b) Pulse Soccer Limited has a financial standing appropriate to a contract of this size; and

The Council was contracted with Pulse Soccer for the Soccer Centre. Pulse Fitness was a different company to Pulse Soccer. Based on the usual financial check that was completed prior to contracting, Pulse Soccer did not fulfil the criteria expected for a £600k capital project. It was unusual for this compliance not to be fulfilled prior to awarding. Management had put checks in place to ensure this did not recur.

- explaining how the contractual terms relating to the capital sum and its repayment terms were beneficial to the Council;

The Council recovered its funding costs through the income generated by the facility. In practice the costs of running the service were paid for from the income generated, following which the funding costs were repaid. Any surplus income was then shared between the Council and Pulse Soccer (80/20). The repayment of the investment would not be straight-line as the usage needed to be grown.

- explaining how the contractual arrangements for the treatment of Pulse Soccer's expenditure and overheads provided sufficient benefit to the Council;

The expenditure for the Soccer Centre for Pulse Soccer consisted of staffing the centre (including payroll), cleaning, administration and marketing. The marketing campaigns were agreed with the Council. The Council had contracted Pulse Soccer to run the Soccer Centre to fulfil resourcing and this was paid from the income generated.

- explaining how the contractual provisions relating to operating and termination costs were beneficial to, and protected the interests of, the Council;

The operating costs were paid in relation to the direct cost of running the Soccer Centre for the Council. The termination costs only apply if there was a breach of contract and early termination was triggered by the Council.

- explaining how the Council's financial interests had been protected in respect of potential operating losses in the Soccer Centre's operation;

As the Council had contracted Pulse Soccer to run the Soccer Centre it had a liability to pay for the expense of that service provision. Should the income generated not cover the costs of the service provision, then the Council would fund that shortfall. This should not impact on the recovery of the Council's initial investment as this would be recovered over the life of the contract (15 years). The staffing levels were discussed through management meetings and marketing campaigns were agreed with the Council.

- commenting on the apparent lack of transparency and detail in the costings and valuations provided to the Council, to substantiate the capital investment in the Soccer Centre; and

There was no obligation on Pulse Soccer to provide information beyond the invoices and valuation certificates that had been provided for the capital investment.

- assessing the cost estimate included within the Soccer Centre contract and commenting on its divergence from advice received from the Council's cost consultant.

The costs within the contract had been accepted by the Council when the contract was signed, this was after the advice from the quantity surveyor was considered and discussed with Pulse Soccer.

These priority 1 issues related solely to this contract and were also reported in the 'Monitoring of Priority 1 Recommendations' report within this agenda for completeness. There were no further actions to complete.

RESOLVED:- To note the Soccer Centre Internal Audit report.

## **8 – Internal Audit Annual Report 2014-2015**

The Council's Internal Audit Manager attended the meeting and presented the Internal Audit Annual Report for 2014-2015 to the Committee. He explained that the purpose of the Annual Report was to meet the Head of Internal Audit's Annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS). The Head of Internal Audit's formal annual report presented an opinion on the overall adequacy and effectiveness of the internal control environment; and:

- a) Included an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;

- b) Disclose any qualifications to that opinion, together with the reasons for the qualifications, including impairment or restriction in scope;
- c) Presented 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) Compared the work actually undertaken with the work that was planned; and
- f) Commented on compliance with these standards and the Internal Audit quality assurance programme.

The 2014-15 Year Opinion was that the Annual Report provided reasonable assurance that the organisation's framework of governance risk management and control predominantly operated satisfactorily during 2014-15. The detailed opinion was that, for the systems reviewed, the Council had basically sound systems of control in place, although there were weaknesses which put some of the system objectives at risk, these mainly related to areas of contract management and control. The profile of assurance was in Internal Audit's experience comparable to other Local Authorities, with the majority of Council systems receiving Substantial Assurance.

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

#### Progress Against 2014-15 Annual Plan

A detailed analysis of the current situation regarding the 2014-15 Plan had been appended to the Internal Audit Annual Report. The assessment of auditable areas had identified 74 systems, which covered the Council's operations. The audit coverage achieved in the period, compared to the Audit Plan, is set out in the table below. The difference in planned coverage compared to actual mainly related to changes made to the Audit Plan to accommodate requests for an increased number of contract audit reviews. In addition, Housing Benefit Grant Certification testing had been completed which was not reflected in these figures, all of which had been included within regular progress reports issued to this Committee.

	Percentage of systems covered		Percentage of risk covered	
	2014-15	2013-14	2014-15	2013-14
Planned	38%	34%	77%	70%
Achieved	39%	35%	80%	78%

The following table summarised the assurance levels recorded in final reports relating to the years 2014-15 and 2013-14. The majority of Council systems had achieved the level of Substantial Assurance:-

Final Reports	Total	Unqualified Assurance		Substantial Assurance		Restricted Assurance		No Assurance	
		No.	%	No.	%	No.	%	No.	%
2014-15	24	1	4	21	88	2	8	0	0
2013-14	22	2	9	20	91	0	0	0	0

A summary of the number of audit recommendations made in the Internal Audit Final Reports issued during 2014-15, along with the management responses were as follows:-

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made 2014-15	<b>110</b>	10	61	39
Fully Accepted	<b>89</b>	7	46	36
Partly Accepted	<b>21</b>	3	15	3
Not Accepted	<b>0</b>	0	0	0

During the year Internal Audit had reported on the implementation of 87 agreed audit recommendations made in previous reports. The results were as follows:-

	Fully Implemented	Not Implemented	Overtaken by Events	TOTAL
<b>2014-13</b>	37	36	14	87
<b>2013-14</b>	57	37	27	121

For the recommendations not fully implemented, revised dates had been agreed with management for their implementation. Internal Audit would further review progress on their implementation during 2015-16.

RESOLVED:- To note the Internal Audit Annual Report for 2014-15.

## 9 – Risk Management

The Corporate Support Manager reported that the Risk Management Policy had been reviewed and updated to reflect the recommendations made by Internal Audit. The policy was approved by Management Board at its meeting held on 5th June, 2015. The policy would be presented to the Executive Committee at their meeting on 24th June, 2015.

The Risk Register for June 2015 had been appended to the Corporate Support Manager's report for information. The Risk Register continued to focus on business critical risks which were under the control of the Council.

The Risk Register was reviewed by Management Board at their meeting on 5th June 2015 and the following changes were made:-

For Corporate Risk C4; the following were added to the mitigation column –

- An external review of Sickness Absence Policy would be undertaken
- An external review of the Occupational Health provision would be undertaken.

For Corporate Risk C7; the following changes were made –

- The risk title had been changed to: Delivery of Waterfront Barrow Regeneration Programme.
- An additional mitigating action had been added which was to commission market research from Gerald Eve and Bruce Owen.
- An additional mitigating action had been added which the LEP secured £750k to provide initial access into the site.

For Corporate Risk C9, the following mitigating action has been added –

- The Health and Safety Systems would be kept under review.

For Corporate Risk C12; the following were added to the mitigating actions –

- Symantec had been set up on all windows machines to provide a level of protection against virus', spyware and other threats.
- E-training for email and internet vigilance had been delivered to all staff.
- Virtual desktops provided more controlled environment which further limited the possibility of breaches.

For Corporate Risk C15; the following had been added to the mitigating actions –

- Off-site replicate server established.

Details of the Operational Risks had been included in the appendix to the Corporate Support Manager's report. It was noted that the operational risks would be used to inform the development of the Council's Business Continuity Plan.

For Operational Risk O6; the following has been added to the mitigating actions –

- A stock survey was conducted on a regular basis.
- The Housing Department's Maintenance Team closely monitored successful delivery of the maintenance contract.

RESOLVED:- To note the information.

## **10 – Annual Governance Statement**

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

The Annual Governance Statement was presented in draft form and some areas would be populated prior to the final version being presented in September.

The following members of staff were involved in preparing the Annual Governance Statement for 2014/15:-

Executive Director: Head of Paid Services;  
Director of Resources: S151 Officer;  
Assistant Director - Community Services;  
Assistant Director - Regeneration and the Built Environment;  
Assistant Director – Housing;  
Democratic Services Manager: Monitoring Officer;  
Internal Audit, Manager;  
Policy Review Officer; and  
The Governance Group.

The Annual Governance Statement and the supporting principles had been attached as appendices to the Corporate Support Manager's report.

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

## **11 – Monitoring Priority 1 Recommendations**

The Corporate Support Manager reported that Internal Audit undertook reviews of the Council's Systems as defined in the Annual Audit Plan. The audit conclusion may include Priority 1 recommendations which related to major issues that needed to be brought to the attention of Senior Management. Senior Managers could consider the recommendations and determined whether to accept or reject them. If the recommendation was accepted the Manager was agreeing to implement the recommendation.

To ensure all agreed Internal Audit Priority 1 recommendations were implemented in a timely manner they were now tracked by Management. There were seven Priority 1 recommendations from the Soccer Centre Audit report (CR77) and progress against these was detailed in the appendix to the Corporate Support Manager's report.

There was an outstanding Priority 1 recommendation from 2012-13 relating to the Council's Business Continuity arrangements and progress against this was detailed in the appendix attached to his report.

RESOLVED:- To note the information.

## **12 – Audit Committee Update**

The Director of Resources submitted a report providing an update on the 2014-15 Accounts together with an update on current issues and developments.

## Statement of Accounts

The Director of Resources reported that the ledgers had been closed for 2014-15 and the Finance Department were preparing the Statement of Accounts and supporting documentation.

The External Auditors had provided feedback from a 'cold review' of the 2013-2014 Statement of Accounts which had identified some potential amendments and some areas that would be considered for removal as they may be immaterial. There were some alterations to accounting policies which would be highlighted in September when the Statement of Accounts was presented to this committee.

## Audit Commission

The Audit Commission closed at 31st March, 2015. Appended to the report was a final letter from the Controller of Audit which explained what happened to all of the Commission's functions from 1st April, 2015:

<b>Function</b>	<b>Destination</b>
Audit contracts (appointments and monitoring)	PSAA
Setting of scale fees	PSAA
Certification work (HB only)	PSAA
VFM profile tools	PSAA
Code of audit practice	National Audit Office
VFM studies	National Audit Office
National fraud initiative	Cabinet Office
Counter fraud	CIPFA
Corporate governance inspections	DCLG

PSAA - Public Sector Audit Appointments Limited was incorporated by the Local Government Association (LGA) in August 2014. The Secretary of State for Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to PSAA by way of a letter of delegation issued under powers contained in the Local Audit and Accountability Act 2014.

The National Audit Office scrutinised public spending for the Government; the National Audit Office also performed the audits of the financial statements of all Government departments.

## Alternative Delivery Models - Spreading Their Wings

Grant Thornton previously published a report entitled 'Responding to the Challenge: Alternative Delivery Models in Local Government' which looked at the increased use of alternative models to protect and develop services. The 'Spreading Their Wings' follow-up report focused on Local Authority trading companies and was the first in a series looking at alternative service delivery models in more detail:

<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>

The report contained a number of case studies and identified recommendations to move forward.

The Director of Resources reported that this Council did not currently have any trading companies and there were no immediate plans for this to change. The report had been distributed to the Senior Officers of the Management Board.

### Easing the Burden

'Easing the Burden' was a report published by Grant Thornton regarding the impact of welfare reform on Local Government and the Social Housing Sector:

<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>

The report looked at how local welfare reform had developed over the last two years from the Local Authority and social housing point of view. It included a look at some of the innovative 'good practice' that Local Authorities were using to address the impact.

The Director of Resources reported that this Council continued working with the 'Cumbria Welfare Reform Task Group' (County-wide) and the 'Preparing for Welfare Reform Group' (local, includes the third-sector and DWP) was important. The Easing the Burden report had been passed to the Chairman of the 'Preparing for Welfare Reform Group'.

### Training

The Director of Resources reported that Grant Thornton provided Audit Committee training on 12th June, 2015. The Director of Resources thanked the staff who provided the training for Members and the Officers that attended. Should Members require any further training; this could be raised through the Personal Development Plan or with herself for specific Audit Committee requirements.

RESOLVED:- To note the information.

## **13 – External Audit - Committee Update**

Neil Krajewski attended the meeting to present the report to Members. The report provided the Committee with details on current issues and developments that had been produced by the External Auditors.

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

### Progress as at June 2015

- **2014-15 Accounts Audit Plan** – Members had been requested to note that the Audit Plan was included as an agenda item for this meeting (Minute No. 4);
- **Interim Accounts Audit** – This had been completed in March 2015;
- **2014-15 Final Accounts Audit** – Field work would commence on the Council's Accounts in July 2015;
- **Value for Money (VfM) Conclusion** – An initial risk assessment as part of the interim audit had been undertaken and the planned value for money work would be completed during the post statements visit. This would include consideration of the Council's outturn financial position compared to budget estimates and a review of the latest version of the medium term financial strategy;
- **Certification Audit** – The Council's completed Housing Benefits claim had been received prior to 30th April, 2015 deadline. Detailed testing of amounts paid out to claimants during the 2014-15 financial year had commenced.

RESOLVED:- To receive and note the External Audit Update for June 2015.

The meeting closed at 3.05 p.m.



<b>AUDIT COMMITTEE</b>	<b>(D) Agenda Item 7</b>
<b>Date of Meeting: 24th September, 2015</b>	
<b>Reporting Officer: Director of Resources</b>	
<p><b>Title: Craven House Roofing</b></p> <p><b>Summary and Conclusions:</b></p> <p>The Craven House roofing project was previously listed as a contract audit on the Internal Audit progress report. The purpose of this report is to summarise a report presented to the Executive Committee, explaining the removal of the project from the Internal Audit progress report. The report also provides a summary of the project review and an amendment to the Contract Standing Orders, proposed to Council.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to note the report.</p>	

### **Report**

A report submitted to the Executive Committee on the 9th September, 2015 is attached at **Appendix 1**. The report contained a project review for the Craven House roofing and an amendment to the Contract Standing Orders, proposed to Council.

The Borough Council own Craven House and has multiple tenants in occupation. When approached by the County Council to utilise the vacant top floors it became apparent that roofing works were required for the benefit of all tenants. The County Council discussed an internal refurbishment project with the Borough Council during which Borough Officers identified the roofing works. It was agreed at the Executive Committee of the 20th March, 2013, that the County Council procure and manage the project as a whole.

To summarise the project review report:

- £1.3m scheme of internal and external refurbishment by Cumbria County Council prior to occupancy of top floors;
- Selection of contractor in line with Borough Contract Standing Orders;
- Pre-tender estimate agreed with Borough Officers;
- Budget £300k, cost £290k; and
- Borough Council holds certificate of guarantee (25 years) for the roof coating system.

The project was delivered successfully and under budget. Usually at this stage Internal Audit would perform a contract audit based on the Responsible Officer completing the Contract Monitoring Checklist. On this occasion the Checklist is not appropriate for various reasons:

- The tendering was not performed by the Borough Council;
- The contract for works was not with the Borough Council;
- The contract was not managed by the Borough Council; and
- The project sign-off does not sit with the Borough Council.

These key events in a project are covered by the Contract Management Checklist. The Checklist would be largely incomplete.

The report to the Executive Committee includes a proposed amendment to the Borough Council Contract Standing Orders to allow the Executive Committee to consider and approve any future Contract Standing Order arrangements with public sector bodies. Any diversion from the Borough Council Contract Standing Orders in this respect will be specified at the outset for Executive Committee approval, and will identify any project falling outside the contract audit requirements placed on Internal Audit.

For the Craven House roofing project, the Executive Committee endorsed the Contract Management Checklist exemption and as reported there has been no deviation from the Borough Council Contract Standing Orders.

#### Background Papers

Nil

**APPENDIX 1**

**Part One**

<b>EXECUTIVE COMMITTEE</b>	<b>(R) Agenda Item 15</b>
<b>Date of Meeting: 9th September, 2015</b>	
<b>Reporting Officer: Executive Director</b>	
<b>Title: Craven House Roofing</b>	
<b>Summary and Conclusions:</b>	
<p>This is the project review report for the Craven House roofing project. The project was procured and managed by Cumbria County Council. The report sets out a proposed alteration to the Contract Standing Orders to enable the smooth running of contracts of this nature.</p>	
<b>Recommendations:</b>	
<p>Members are asked to recommend the Council:</p>	
<ol style="list-style-type: none"><li>1. Note this project review report.</li><li>2. Authorise the Monitoring Officer to append the additional text to Contract Standing Order 16 as set out in the report.</li><li>3. Endorse the exemptions applied to the Craven House Roofing project in terms of the requirements of the Contract Standing Orders.</li></ol>	

**Report**

At the Executive Committee on the 20<sup>th</sup> March, 2013, it was agreed that £300,000 of the capital programme be used to facilitate works to the roofing of Craven House. The budget was based on estimates prior to formal tender. The report stated that 'the works will be procured and managed by Cumbria County Council in accordance with the Borough Council Contract Standing Orders'.

The roofing works were tendered as part of Cumbria County Council's office refurbishment and reroofing works contract for the fourth floor of Craven House. There were 6 expressions of interest, 8 tender amendments issued and 4 valid tenders returned (no invalid tenders). Following the receipt of the tenders the detailed prices of the most economically advantageous tender were checked by NPS Group Limited; the technical check identified some amendments. There were also a number of required amendments to another tender, which were reflected in the cost evaluation. After the evaluations

against cost and quality, Esh Construction Limited was appointed by Cumbria County Council with a total contract value of just under £1.3m.

The roofing works were separated from the tender by NPS Group Limited as £370,221.02, including a provisional sum for concrete repairs of £65,000 which was not expected to be required; the Borough Council budget of £300,000 was not altered:

Preliminaries	£22,969.01
Roofing works	£261,296.10
<b>Total of roofing works</b>	<b>£284,265.11</b>
Design fees (6%)	£20,955.91
<b>Total including fees</b>	<b>£305,221.02</b>
Concrete repairs (provisional sum)	£65,000.00
<b>Total pre-tender estimate</b>	<b>£370,221.02</b>

The roofing works were completed in May 2014 and the Council holds the certificate of guarantee (25 years) for the roof coating system.

In October 2014, the Programme Manager from Cumbria County Council met with the Commercial Estates Manager to discuss completion of the final account. This resulted in the invoice for the roofing works being issued on the 9<sup>th</sup> January, 2015, for £289,660.38:

Preliminaries	£28,477.01
Roofing works	£261,183.37
<b>Total of roofing works</b>	<b>£289,660.38</b>
Design fees	£0.00
<b>Total including fees</b>	<b>£289,660.38</b>
Concrete repairs (provisional sum)	£0.00
<b>Total of project</b>	<b>£289,660.38</b>

The preliminaries increased by £5,508.00 - preliminaries are shared pro-rata based on the overall contract sum; the final account has yet to be presented to the County Council but no further payment is due from the Borough Council. The increase relates to an extension of time, which meant that the contractor was entitled to loss and expense in accordance with the contract.

The roofing works decreased by £112.73 which consisted of a reduction of £6,177.73 where existing covering was retained, there was a variation to the capping as well as additional steelwork; and costs of £6,065.00 for actual roof repairs carried out whilst the contractor was on-site.

Payment for the roofing works was released to Cumbria County Council on the 21<sup>st</sup> January, 2015. This was with the agreement of the Commercial Estates Manager as the works had been viewed and there were no snagging issues outstanding.

The Contract Management Checklist for this project was not been completed during the project lifecycle. County Council officers were requested to

complete the checklist at project initiation; after the project was completed the checklist was completed as far as possible and documentation was also supplied.

There is no project file held by a Borough Council officer, but together with the County Council information, a file has been assembled to support this report and to evidence the tendering and payment process. Our own internal control arrangements for contract audit depend upon the Contract Management Checklist being completed, however on this occasion it is not appropriate. This has meant that it has not been possible for Internal Audit to carry out any contract audit work.

There are no issues with the contract management processes of the County Council; the roofing works have been procured and managed in line with normal contracting practices, however this does not fulfil all of the requirements of the Borough Council's Contract Standing Orders.

It is proposed that Contract Standing Orders be amended such that works procured or managed by another Council on behalf of the Borough Council may be exempted from certain provisions of the Contract Standing Orders with the approval of the Executive Committee. The Executive Committee should judge each exemption separately and assess any risks involved. In these cases the Borough Council is not party to the works contract, so much of the Contract Management Checklist does not apply.

It is recommended that Members recommend that Council append the following text to the end of Contract Standing Order 16:

Where works are to be procured or managed by another public sector body, the Executive Committee may exempt certain provisions of these Contract Standing Orders; exemptions will be explicit in the report to Members. The reporting officer must ensure that Barrow Borough Council's interests are protected with sufficient evidence retained to demonstrate value for money and that project delivery has been achieved.

In the case of Craven House roofing, Members are recommended to endorse the following exemptions:

- No Contract Management Checklist required.
- Areas to be dealt with under County Council procedures:
  - Pre-tender estimate (subject to agreement)
  - Expressions of interest (minimum of four)
  - Contractor competencies
  - Invitations to tender
  - Opening of tenders (valid tenders only)
  - Tender evaluation
  - Contract award
  - Contract management (including variations up to 10%)

The project has been delivered at £290k of the £300k budgeted. The officers involved in both Councils remained in contact during the life of the project and the Borough Council has retained the certificate of guarantee for the roofing system.

Members are asked to recommend that Council note this as the project review report; authorise an addition to Contract Standing Order 16 and endorse the exemptions applied to the Craven House Roofing project.

(i) Legal Implications

The recommendation has no implications.

(ii) Risk Assessment

The recommendation has no significant implications.

(iii) Financial Implications

The recommendation has no implications.

(iv) Health and Safety Implications

The recommendation has no significant implications.

(v) Equality and Diversity

The recommendation has no detrimental impact on service users showing any of the protected characteristics under current Equalities legislation.

(vi) Health and Well-being Implications

The recommendation has no adverse effect on the Health and Wellbeing of users of this service.

Background Papers

Nil

		<b>Part One</b>
<b>AUDIT COMMITTEE</b>		<b>(D) Agenda Item 8</b>
<b>Date of Meeting:</b>	<b>24th September, 2015</b>	
<b>Reporting Officer:</b>	<b>Director of Resources</b>	
<p><b>Title: Internal Audit Final Reports</b></p> <p><b>Summary and Conclusions:</b></p> <p>Internal Audit performs audits in accordance with the approved Annual Plan. Final reports are presented to Members by the Head of Internal Audit.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to receive the Internal Audit Final reports and raise any questions.</p>		

### **Report**

There are three final reports for consideration by Members:

- 15-12 Car Park Meter Income **Appendix 2**
- 15-17 Procurement **Appendix 3**

IT Audit

- IT-58 Mobile Computing **Appendix 4**

These reports will be presented by the Head of Internal Audit.

For information, the assurance and recommendations assigned to Internal Audit reports are as follows:

The assurance levels are:

**None** – control is weak, causing the system to be vulnerable to error and abuse.

**Restricted** – significant weaknesses have been identified in the system of control, which put the system objectives at risk.

**Substantial** – while there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.

**Unqualified** – there is an adequate system of control designed to achieve the system objectives.

The recommendation levels assigned to issues identified are:

Priority 1 – **major issues** that Internal Audit considers need to be brought to the attention of senior management.

Priority 2 – **important issues** which should be addressed by management in their areas of responsibility.

Priority 3 – **minor issues** which provide scope for operational improvement.

**Previous issues** – are issues identified in a previous audit report that have not been entirely implemented at the time of this latest audit.

Background Papers

Nil

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT 15-12**  
**CAR PARK METER INCOME**

## Executive Summary

### Introduction

The Council's Parking Services Department is responsible for the collection of income from car park pay and display machines within the Borough. There are currently 22 machines, from which total income received during 2014/15 was £610,784, net of VAT. As an alternative to cash payment for parking, users can pay with a debit or credit card using the "RingGo" mobile phone facility.

The Department has recently been restructured following the transfer of responsibility for on-street parking enforcement to Cumbria County Council. It now operates with fewer staff and re-arranged cash collection duties, while reconciliation and monitoring of income is now the responsibility of the Corporate Support Department.

### Audit Objectives

An audit of this system forms part of the agreed 2015/16 programme. The audit objectives were to evaluate and test the internal controls over the car park machine income process. The scope and objectives of the audit were discussed and agreed in advance with the Car Parking and Admin Supervisor.

Audit work included a control evaluation of the system design, and testing of the operation of key controls.

Key Points
<b>Substantial Assurance</b>
<b>Two important issues</b>
<b>Three minor issues</b>
<b>One Previous recommendation</b>

### Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound system, there are weaknesses, which may put some of the system objectives at risk.

We have made two Priority 2 recommendations which relate to:

- considering, as a matter of urgency, whether the current collection arrangements for car park machine income meet the requirements of its insurers in respect of:
  - a) All Risks Insurance; and
  - b) Fidelity Guarantee Insurance,
 and taking any necessary action to ensure compliance; and
- the Council:
  - a) refining its car park income monitoring spreadsheets to include a clear audit trail of key reconciling figures;

- b) ensuring that the spreadsheets are completed accurately and dated where appropriate;
- c) ensuring that the formatting of the spreadsheets is consistent with their purpose;
- d) developing cumulative income monitoring for 2015/16 onwards, eg on a monthly or quarterly basis; and
- e) providing the Car Parking and Admin Supervisor with monitoring information.

In addition we have made three Priority 3 recommendations, which concern:

- ensuring that:
  - a) audit ticket total readings are correctly entered on to the 'Car Parks Ticket Machine Income' sheet;
  - b) the 'Car Parks Ticket Machine Income' sheet is consistently checked and signed by the Car Parking and Admin Supervisor; and
  - c) a member of Parking Services correctly identifies and investigates any discrepancies between the amount of the ticket reading and the amount received, with those over £5.00 being investigated by the Supervisor;
- ensuring that the cabinet containing keys for the car park cash boxes is locked at all times when the office is unoccupied; and
- ensuring that car parking charges are quoted correctly on the Council website and in internal procedures.

Internal Audit reviewed the three agreed recommendations made in audit report 14-12, dated May 2014. One recommendation has been implemented and a further recommendation has been overtaken by events. The remaining recommendation remains outstanding and concerns:

- ensuring that the receipts for the number of cash boxes received are accurately completed. (Priority 3)

Internal Audit also reviewed the outstanding recommendation made in audit report 11-12, dated July 2011. The recommendation has been implemented.

Finally, Internal Audit reviewed the one outstanding recommendation from audit report 10-13, dated July 2010. This recommendation has been overtaken by events.

### **Management Response**

We have received constructive management responses from the Car Parking and Admin Supervisor and the Corporate Support Manager accepting the five recommendations.

### **Acknowledgement**

Internal Audit would like to thank staff for their co-operation and assistance during the review.

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT 15-17**  
**PROCUREMENT**

## Executive Summary

### Introduction

The Council's Contract Standing Orders and Purchasing Procedure govern procurements valued above and below £100,000 respectively. The Procedure states that the Council has adopted the principle that it "aims to deliver value for money when procuring goods, services and supplies. This is balanced with consideration to sustainability, the local economy and fair competition to all providers."

This review examined procurement arrangements which would be covered by the Purchasing Procedure, i.e. those below £100,000. The Council uses framework agreements mainly obtained through competitive tendering for most commonly used items, while other supplies require differing numbers of quotations to be obtained, depending on their value. The Government has expressed a close interest in spending by local government, with its "financial transparency" initiative requiring the publication of all payments over £500 each month.

The Technical Services Unit has acted as a source of general expertise on procurement; while the Finance Department manages the ordering processes using the Oracle Financials system. The Council's Purchasing Procedure has been updated in May 2015.

### Audit Objectives

An audit of this system forms part of the agreed 2015/16 programme. However, it should be noted that the audit report details findings from both 2014/15 and 2015/16. The audit objectives were to evaluate and test controls relating to the Purchasing Procedure and ordering systems, particularly compliance with relevant competition requirements. The scope and objectives of the audit were discussed in advance with Technical Services and Financial Services.

<b>Key Points</b>
<b>Restricted Assurance</b>
<b>Three major issues</b>
<b>Five important issues</b>
<b>One previous recommendation</b>

### Audit Conclusion – *Restricted Assurance*

As a result of the audit we have concluded that significant weaknesses have been identified in the system of control which put the system objectives at risk.

We have made three Priority 1 recommendations which concern:

- ensuring that procurements/purchases are consistently made in accordance with the competition requirements of its Purchasing Procedure.
- formally tendering the contract for inspection and repair of the Borough's playgrounds in accordance with procurement regulations.
- ensuring that correctly authorised official purchase orders are issued for all relevant supplies in accordance with the Authority's procedures.

We have made five Priority 2 recommendations, which relate to:

- performing a regular review of total annual payments to suppliers to identify whether Contract Standing Orders should have been followed in specific instances. In addition, continual annual usage of a supplier – i.e. "whole scope of supply" should be taken into account when considering overall spend;
- ensuring that where agreements (including licenses etc.) with suppliers are set up by departments, a copy is forwarded to the Legal Services Department;
- ensuring that it's intranet site includes only the most up to date Procurement information and guidance; and out of date procedures are removed;
- giving consideration to formalising the approval process for continual/ongoing or "add-on" services through an appointed supplier, i.e. maintenance/upgrades etc. (In addition this provision should also be included within the agreement/contract.); and
- considering clarifying where overall responsibility for procurement and the necessary compliance sits within the Council's establishment.

Internal Audit also reviewed the four agreed recommendations made in Audit Report 11-18, dated June 2012. One recommendation has been implemented, one has been overtaken by events, one has been superseded by a replacement recommendation and one recommendation remains outstanding, which relates to:

- clarifying the correct procedure to be adopted when the required number of quotations for supplies cannot be obtained (Priority 2).

### **Management Response**

We have received a constructive management response from the Management Board, accepting eight recommendations and partially accepting one recommendation.

### **Acknowledgement**

Internal Audit would like to thank staff for their co-operation and assistance during the review.

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT IT 58**  
**MOBILE COMPUTING**

## Executive Summary

### Introduction

In accordance with the 2015/16 Internal Audit Plan, a review of the Council's mobile computing arrangements was commenced in June 2015. Mobility is clearly an increasing element in the future of computing. Smartphones and tablets are becoming more powerful and also more ubiquitous which may raise significant security issues. Smartphones pose special risks due to their size and portability, and the inherent weaknesses in SMS, MMS, Wi-Fi networks, and GSM. They are also vulnerable to attacks against "apps", web browsers, and operating systems. Most importantly, typical mobile device users tend to be unaware of or casual about security measures.

Topics covered within the audit were:

- Strategy, Policy and Standards
- Physical Security Management
- Vulnerability and Threat Management
- Application Security Management
- Data Security Management
- Training and Documentation
- Benefits Realisation

### Audit Objectives

The audit was agreed with management as part of the 2015/16 IT Audit coverage. The main objective of the audit was to assess whether the Council is adequately applying management and security controls around mobile computing arrangements; and to help identify any areas where further work may be necessary to improve such controls.

The scope of the audit was discussed and agreed with the IT Team Leader, before the start of the audit.

Key Points
<b>Substantial Assurance</b>
<b>Nine important issues</b>
<b>One minor issue</b>

### Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that there are a number of weaknesses which place some of the objectives at risk. We have identified nine important issues and one minor issue as listed below. These concerns apart however, we found the application of controls to be reasonable; and are therefore able to provide substantial assurance.

We also noted several examples of good practice. In particular, the decision to avoid data residing on devices greatly enhances and simplifies security.

We have made nine Priority 2 recommendations, as follows:

- Management should arrange for the IT Strategy to be updated to cover the increasing use of mobile computing.
- It is recommended that a more detailed project plan covering replacement of the Development Services back office system is prepared and agreed by the project board; and a decision point be included stating when notice may be served for termination of the Northgate contract.
- Management should ensure that when the next progress update on the Development Control system is provided to the IT Steering Group, the possible costs and savings be reviewed to ensure that both budget provision and savings remain realistic.
- In relation to the build of mobile devices, it is recommended that:
  - the Citrix Xen management tool is loaded on all mobile devices and that the build and lockdown of these devices be standardised;
  - the procedure for build and lockdown using Xen should be documented;
  - the current Xen licence usage should be checked against existing and known purchases and any shortfall be corrected; and
  - it should be ensured that all future mobile device purchase approvals reflect the necessary Xen licence costs.
- IT Management should arrange for all IT related assets (other than phones) to be included within a single register; also that smartphones are registered using the unique International Mobile Equipment Identity reference (IMEI) and that the existing spreadsheets are consolidated.
- It is recommended that the proposed method of transmitting photographs from remote devices back to central hosts is implemented as soon as possible (subject to completion of the necessary testing). This procedure should then be adopted for all processes requiring onsite photographs.
- As the Electoral Canvass system is yet to be delivered it cannot be certain what the training provision will cover. It is therefore recommended that the Democratic Services Manager should ensure that the canvass staff being recruited understand the security implications of mobile computing and are aware what to do in the event that a device is lost or stolen.
- The Streetcare Manager should ensure that all business procedures are documented as soon as possible.
- The Council should ensure that the current Development Services project is widened to include addressing the support skills shortfall and also the documenting of support tasks.

We have also made one Priority 3 recommendation, as follows:

- IT management should consider standardising on all future tablet purchases (as is the current practice for desktops, etc).

### **Management Response**

We have received constructive management responses from, the IT Team Leader, Property Information Manager, Democratic Services Manager, Corporate Support Manager and Streetcare Manager accepting the ten recommendations made.

### **Acknowledgement**

Internal Audit would like to thank the IT Services and other staff for their co-operation and assistance during the review.

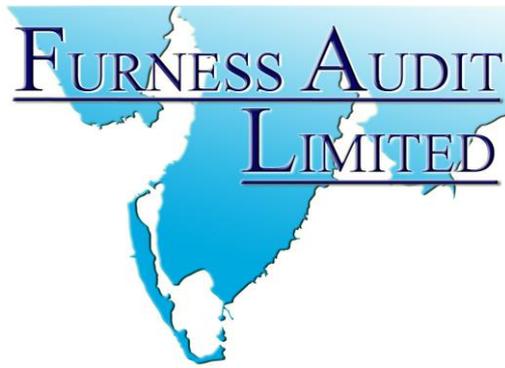
		<u>Part One</u>
<b>AUDIT COMMITTEE</b>		<b>(D) Agenda Item 9</b>
<b>Date of Meeting:</b>	<b>24th September, 2015</b>	
<b>Reporting Officer:</b>	<b>Director of Resources</b>	
<p><b>Title: Internal Audit Progress Report</b></p> <p><b>Summary and Conclusions:</b></p> <p>The Internal Audit Progress Report has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to receive the Internal Audit Progress report and raise any questions.</p>		

### **Report**

The Internal Audit Progress Report for the period 1st April, 2015 to 11th September, 2015 is attached at **Appendix 5** and will be presented to Members by the Head of Internal Audit.

### **Background Papers**

Nil



**APPENDIX 5**

***BARROW BOROUGH COUNCIL***

**INTERNAL AUDIT PROGRESS REPORT**

**April to September 2015**

**2015/16**

<b>CONTENTS</b>	<b>Page</b>
<b>EXECUTIVE SUMMARY</b>	<b>3</b>
<b>1. STATISTICAL SUMMARY OF RECOMMENDATIONS</b>	<b>4</b>
<b>2. ACCEPTED PRIORITY 1 RECOMMENDATIONS</b>	<b>5</b>
<b>3. REJECTED RECOMMENDATIONS</b>	<b>12</b>
<b>4. INTERNAL AUDIT COVERAGE:</b>	<b>13</b>
<b>5. CLASSIFICATIONS</b>	<b>16</b>
<b>6. PERFORMANCE</b>	<b>17</b>
<b>APPENDIX 1 – RESTRICTED ASSURANCE AUDITS</b>	<b>18</b>

# EXECUTIVE SUMMARY

## Purpose

The purpose of the report is to update Members of the Council's Audit Committee on:

- Internal Audit work performed up to 11<sup>th</sup> September 2015, including final reports issued relating to a previous reporting period; and
- Significant issues that have arisen during this period as a result of our work.

## Content

The information is presented in the following schedules:

1. *A Statistical Summary of Recommendations*

This schedule includes all audit recommendations to which Council management have responded between 1<sup>st</sup> April and 11<sup>th</sup> September 2015. The figures are analysed according to the 'priority' of the recommendations, and the extent to which each has been accepted by management for action.

2. *Accepted Priority 1 Recommendations*

This schedule provides details of all major recommendations which have been accepted by management.

3. *Rejected Recommendations*

This schedule provides details of major and significant (i.e. Priority 1 and Priority 2) recommendations, which have been rejected by Council Management.

4. *Audit Coverage*

Details of audit assignments carried out in the period, including any checks on external partner organisations.

5. *Classifications of Assurance and Recommendations*

An explanation of the classifications used for prioritising recommendations and assessing levels of assurance.

## 1. STATISTICAL SUMMARY OF RECOMMENDATIONS

The following table summarises the number of audit recommendations we have made in our final reports issued up to 11<sup>th</sup> September 2015; analysed by their priority, including whether accepted by management.

<b>Recommendations</b>	<b>Total</b>	<b>Priority 1</b>	<b>Priority 2</b>	<b>Priority 3</b>
Made	<b>42</b>	6	28	8
Fully Accepted	<b>41</b>	6	27	8
Partly Accepted	<b>1</b>	-	1	-
Not Accepted	<b>0</b>	-	-	-

## 2. ACCEPTED PRIORITY 1 RECOMMENDATIONS

There have been six Priority One recommendations since the previous Audit Committee, these relate to the following:

<b>Audit Report</b>	<b>14-19 Housing Rents</b>
<b>Recommendation</b>	The Business Support Manager should provide an explanation for the apparent divergence from Government guidance regarding annual rent increases; and confirm it is an isolated case.
<b>Rationale</b>	<p>From 2012/13 onwards, the Government's Rent Convergence policy provided for convergence with "market rents" by 2015/16; with rents increasing by RPI plus 0.5%, plus up to £2.00 per week until reaching target levels.</p> <p>In October 2013, the Government consulted on proposals to amend this policy from 2015/16. This was confirmed in May 2014, when the Government issued new guidance. This changed it's policy on rents to apply from April 2015: instead of annual increases based on RPI, rents are to increase by CPI plus 1.0%, with no £2.00 uplift.</p> <p>However, the Housing Management Forum agreed that the CPI formula should apply for 2014/15 and that rents should converge fully with market (target) rents in 2014/15. The report stated that no property's rent would exceed the £2.00 per week uplift limit.</p> <p>Internal Audit selected a sample of ten properties, extracted the 2013-14 rents and re-performed the rent increase calculations using the criteria approved by the Council i.e. CPI + 1%. Nine were found to have met the government guidelines that rents should increase by no more than uprating + £2.00. However in one case, the actual rent charged exceeded the government guideline rent increase, the increase in question was £2.03 per week.</p>
<b>Response</b>	<p>There was an error in the formula that applied the £2 limit to the 48 week rent not the 52 week rent. The error is not likely to be repeated as current &amp; future rent increases can now be entirely system generated rather than manually manipulated from a series of reports and spreadsheets generated outside of Inhouse.</p> <p>In that year a number of rents were changed as properties were found to have more or less bedrooms which may have impacted after the report was run - a full audit will be done and any other divergences from the £2 limit will be addressed case by case</p>

<b>Audit Report</b>	<b>14-30 Dog Kennels</b>
<b>Recommendation</b>	The Council should ensure that all receipt books are retained and are available for inspection when required.
<b>Rationale</b>	<p>The Council's Financial Regulations (Section 19 paragraph 3) state that 'All staff will... produce upon demand cash, stocks, documents or other property of the Council under their control'.</p> <p>Internal Audit identified during the Receipt Book Audit (14-06) that six receipt books had been issued to the Kennels since April 2009. The last time Internal Audit had reviewed a Kennel receipt book was September 2008; none had been presented since this date.</p> <p>Internal Audit requested receipt book 153 from the Street Care Manager as part of the spot check. This was done via email on 09/12/14, 15/12/14 and 18/12/14. As no reply was received Internal Audit contacted the Kennels directly and were advised by the Kennel Assistant that the receipt book had been returned to the Street Care Office in the Town Hall. On 23<sup>rd</sup> December 2014 Internal Audit called at the Street Care Office and were informed that the book was at the Salhouse Road depot; Internal Audit were later informed that on checking, the receipt book was not to be found at the Salhouse Road depot. The Street Care Manager advised Internal Audit on 08/01/15 that completed receipt books are retained in a central place, but at the moment he was unsure as to where this was. Further, investigations were being made to find the books and he agreed that the last two completed books would be passed to Internal Audit as quickly as possible. These books have not been provided to date; and the whereabouts of these and earlier books remain unknown.</p>
<b>Response</b>	Staff have now been instructed that when a receipt book is full, they will telephone the office. The van will then collect the completed book which will be placed into the filing cabinet in the Street Care office.

<b>Audit Report</b>	<b>14-30 Dog Kennels</b>
<b>Recommendation</b>	The Council should ensure that all receipts issued by officers are from an official receipt book provided by the Finance department.
<b>Rationale</b>	<p>The Council's Financial Regulations (Section 11 paragraph 4c) state that 'acknowledgement for money received must only be made on official Council receipts'. The Council's receipt books are carboned receipts, sequentially numbered, and are a significant part in the control of financial income for the Council.</p> <p>However, Internal Audit were informed that an unofficial receipt book was used at the Kennels for the period March to October 2013.</p> <p>Such action is a serious breach of Council procedure and rules.</p>
<b>Response</b>	I will organise a site visit where I will carry out an audit of the receipt books on site, to ensure the correct ones are being used.

<b>Audit Report</b>	<b>15-17 Procurement</b>
<b>Recommendation</b>	The Council should ensure that procurements/purchases are consistently made in accordance with the competition requirements of its Purchasing Procedure.
<b>Rationale</b>	<p>Internal Audit selected a sample of 83 applicable procurements/purchases during 2014 and 2015 and reviewed whether the documentation supporting the choice of supplier indicated compliance with the competition requirements of the Purchasing Procedure.</p> <p>i) For 48 supplies, the correct number of quotations (or more) had been obtained; sufficient tenders had been invited etc.</p> <p>ii) The remaining 35 supplies did not fulfil the Purchasing Procedure's requirements:</p> <ul style="list-style-type: none"> <li>• For two of the sample, although a framework agreement was in place, an alternative cheaper supplier had been used.</li> <li>• For eight of the sample, although quotes were obtained, these were not sufficient in number to comply with the requirements of the Purchasing Procedure. See also the previous outstanding recommendation.</li> <li>• Four of the sample were procured through the use of a specialist supplier; however, we were unable to obtain evidence that this was approved by a member of Management Board.</li> <li>• On one occasion, although it was stated quotes had been obtained, evidence of this could not be produced.</li> </ul> <p>Twenty further payments within the sample, were made without a framework agreement in place or quotes obtained; these did not appear to be unique/specialist services. Overall in excess of 40% of transactions did not comply with required procedure.</p>
<b>Response</b>	The use of any framework is not mandated by the Purchasing procedure. Officers may be aware of cheaper suitable alternatives through their own knowledge/experience. Purchase orders are not required for certain types of expenditure including utilities, repeating subscriptions, contracts and agreements; these are not listed in the Purchasing Procedure at present; this will be reviewed. Managers will be reminded of the procedure which permits Management Board to authorise certain purchases. Managers will be reminded to retain quotations and produce those on demand

<b>Audit Report</b>	<b>15-17 Procurement</b>
<b>Recommendation</b>	The Council should formally tender the contract for inspection and repair of the Borough's playgrounds in accordance with procurement regulations.
<b>Rationale</b>	<p>Internal Audit obtained a copy of the current agreement with the Council's current playground inspection and maintenance contractor.</p> <p>It was identified the contract was for the period 1<sup>st</sup> April 2004 to 31<sup>st</sup> March 2007 and has been 'rolled over' since this date, i.e. seven annual extensions awarded. During the previous four complete financial years (2010/11 to 2013/14) the total playground maintenance contract payments to the contractor have been in excess of £105,000. In addition, during this period, the contractor has been paid in excess of £193,000 relating to equipment purchase. Therefore, through this agreement, almost £300,000 has been paid to the contractor in a four year period.</p> <p>Extending a service provision for seven years without formal "market testing", which has involved significant expenditure, does not demonstrate the achievement of value for money for the Council; and further is significant non-compliance with procedure rules.</p> <p>Senior management need to be aware of this situation, in particular as the contract is ten years old and does not include fees, dates, or the provision of any extension clauses etc.</p> <p>The contractor provides a full service for the Sheltered Placement Playgrounds Team, including all associated supervision, works, cleaning etc. (This was linked to the Council restructuring in 2004). Subsequently the director of the contracted company is employed two days per week on the Council Payroll for the supervision element. These are clearly very close working arrangements, without establishing value for money or demonstrating transparency, i.e. a contractor is appointed and a director placed on the Council Payroll.</p>
<b>Response</b>	The arrangements for the inspection and repair of playgrounds have been changed since the audit took place. These new arrangements were agreed at Management Board and are with an alternative contractor as a temporary measure.

<b>Audit Report</b>	<b>15-17 Procurement</b>																			
<b>Recommendation</b>	The Council should ensure that correctly authorised official purchase orders are issued for all relevant supplies in accordance with the Authority's procedures.																			
<b>Rationale</b>	<p>The Council's Purchasing Procedure at the time of testing stated that:</p> <p>All purchases, where possible, shall be entered into the Council's ledger system (Oracle Financials).</p> <p>The only permitted exceptions are, long term service contracts, utilities, periodic payments of rent or rates, refunds and petty cash purchases, other exceptions are at the discretion of the Finance Department. Current exceptions are Procure Plus, Housing contractor links and DS orders for public building maintenance.</p> <p>An official Purchase Order shall be sent to the supplier stating the Oracle order number, delivery address, description of supply with costs per order line and applicable terms and conditions.</p> <p>The Council aims to have all invoices, apart from the permitted exceptions, quoting purchase order numbers when they are received in by the Finance Department.</p> <p>To raise an order, departments must complete and submit a requisition which should be processed by two different officers.</p> <p>Internal Audit reviewed a sample of 148 procurements of supplies made during 2014 and 2015. Eighteen of these fall within the permitted exceptions category. Purchase requisitions and orders had been raised for only 35 of the other 130 purchases; the nature of the remaining 95 items suggests that the majority should have been the subject of an official purchase order.</p> <p>Within the sample of invoices selected, the 93 without an Oracle order number being quoted, are detailed in the table below:</p> <table border="1"> <thead> <tr> <th><b>Department</b></th> <th><b>Frequency (2015)</b></th> <th><b>Frequency (2014)</b></th> </tr> </thead> <tbody> <tr> <td>Technical Services</td> <td>6</td> <td>39</td> </tr> <tr> <td>Housing Maintenance</td> <td></td> <td>20</td> </tr> <tr> <td>Community Services</td> <td>2</td> <td></td> </tr> <tr> <td>Legal</td> <td></td> <td>7</td> </tr> <tr> <td>Housing</td> <td></td> <td>3</td> </tr> </tbody> </table>		<b>Department</b>	<b>Frequency (2015)</b>	<b>Frequency (2014)</b>	Technical Services	6	39	Housing Maintenance		20	Community Services	2		Legal		7	Housing		3
<b>Department</b>	<b>Frequency (2015)</b>	<b>Frequency (2014)</b>																		
Technical Services	6	39																		
Housing Maintenance		20																		
Community Services	2																			
Legal		7																		
Housing		3																		

Rational (contd)	Department	Frequency (2015)	Frequency (2014)
	Environmental Health		3
	Strategy & Regeneration	1	3
	Parking	1	
	Town Hall	1	
	HR	1	
	IT		1
	Leisure Centre	1	1
	The Forum	1	1
	Dock Museum		1
	<p>Further, it is clear that invoices are regularly paid without being the subject of a Purchase Order.</p> <p>In addition, three of the 19 requisitions in 2014 had been requested and approved by the same officer (Manager 1) and two of the 16 requisitions in 2015 had been requested and approved by the same officer (Manager 2).</p> <p>(It should be noted that subsequent to the audit, Technical Services have been formally authorised to use their own "DS" range of order numbers and Housing Maintenance to use Procure Plus and contractor links.)</p>		
<b>Response</b>	<p>Managers will be reminded of the Purchasing Procedure and the expectation of their compliance. The items excluded from purchase order requirements will be reviewed as it would appear that repeating subscriptions and contracts and agreements are not currently excluded in the Purchasing Procedure, but Management would not expect to find purchase orders in all instances. Clarification will be inserted into the Purchasing Procedure. The arrangements for the managers creating and authorising purchase requisitions have been reviewed and addressed.</p>		

### **3. REJECTED RECOMMENDATIONS**

#### **3.1 PRIORITY ONE RECOMMENDATIONS**

There have been no rejected Priority One recommendations during the reporting period.

#### **3.2 PRIORITY TWO RECOMMENDATIONS**

There have been no rejected Priority Two recommendations during the reporting period.

#### 4. INTERNAL AUDIT COVERAGE:

##### APRIL – SEPTEMBER 2015

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	<b>ANNUAL AUDITS</b>			
15-01	Income Collection	1		
15-02	Housing Benefits	1		
15-03	Council Tax & Council Tax Support	1		
15-04	Business Rates (NNDR)	1		
15-05	Risk Management	1		
15-06	Cash Floats/Receipting Controls		Ongoing	
15-08	Fraud & Corruption Survey		Complete	
15-09	Performance Management	2		
15-10	Budgetary Control	2	Ongoing	
15-11	Treasury Management	2		
15-12	Car Park Meter Income	2	Final	Substantial
15-13	Payroll (inc. Expenses)	2		
15-14	Accounts Receivable	2		
15-15	Corporate Control/Governance	2		
15-16	Main Accounting System and Periodic Controls	2	Q1 complete	N/a
15-17	Procurement (inc. Ordering)	2	Final	Restricted
15-18	Accounts Payable	2		
15-19	Housing Rents	2		
15-20	Standing Orders/Financial Regs/Council Plans & Policies	2		
15-21	Housing Maintenance (Day to Day Repairs)	2		
15-22	NFI		Ongoing	
15-24	Licence Fee Review		Complete	
15-25	Benefit Certification		Complete	

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	<b>COMMUNITY ORGANISATIONS AND MAYOR'S ACCOUNT</b>			
-	Hawcoat		Complete	
-	Abbotsvale		Complete	
-	Dalton Community Association			
-	Barrow Playing Fields Users Association 2013-14		Complete	
15-23	Mayor's Account		Complete	
	<b>IT ENVIRONMENT AUDITS</b>			
IT58	Mobile Computing	1	Final	Substantial
IT59	Disaster Recovery	1		
	<b>CONTRACT AUDIT</b>			
CR80	Roa Island Jetty		Stage 3 review complete	
CR84	Barrow Cemetery NW Extension		Stage 4 review complete	
CR86	Town Hall Roof		Stage 4 review complete	
CR90	Re-Roofing Units 9 & 10 James Freel Close		Stage 4 review complete	
CR93	2014/14 CHP Roosegate Roofing		Stage 2 review complete	
CR94	2014 Devonshire Road Improvements		Commenced	
CR95	Town Hall Ground Floor Improvements		Stage 3 review complete	
CR96	West Shore Coastal Defences		Stage 5 review complete	
CR97	Maritime Streets Landscaping Design		Stage 3 review complete	

<b>Report Number</b>	<b>Audit Assignment</b>	<b>System Significance Band</b>	<b>Status</b>	<b>Assurance</b>
CR107	High level electrical repairs & festive lighting		Commenced	
CR108	Electrical reactive repairs & maintenance		Commenced	
<b>15-07</b>	<b>IMPLEMENTATION REVIEW</b>			
14-01	Income Collection (The Forum)			
09-23	Asset Management			
11-23	Leisure Centre			
11-28	Grounds Maintenance			
11-25	Insurance			
14-30	Dog Kennels			
IT49	Code of Connection			
IT51	Information Security Policy			
IT52	Infrastructure Management			
IT55	IT Infrastructure Library			
IT57	General Controls			

### **Fraud Hotline Calls**

	<b>Revenues/ Benefit related</b>	<b>Staff Related</b>	<b>Other</b>	<b>Total</b>
2015/16 (April – September)	21	0	2	<b>23</b>
2014/15 (Full year)	71	0	4	<b>75</b>

## 5. CLASSIFICATIONS

### 5.1 Classification of Assurance Levels

At the conclusion of each audit, we give an overall opinion on the level of assurance, which we consider is provided by the controls in place within the system audited. The following classification of assurance levels has been adopted:

<b>Level</b>	<b>Definition</b>
1. Unqualified Assurance	The controls appear to be consistently applied.
2. Substantial Assurance	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
3. Restricted Assurance	The level of non-compliance identified places the system objectives at risk.
4. None	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

### 5.2 Priority of Recommendations

Our audit recommendations are categorised by three priority levels: -

- Priority 1* Major issues that we consider need to be brought to the attention of senior management.
- Priority 2* Important issues which should be addressed by management in their area of responsibility.
- Priority 3* Detailed issues of a relatively minor nature.

## 6. PERFORMANCE

The Public Sector Internal Audit Standards (PSIAs) require Internal Audit to be measured in terms of performance. The indicators below provide information over the arrangements and effectiveness of Internal Audit.

<b>Indicator</b>		<b>2015/16</b>
1	Percentage of Draft reports issued within 10 working days of completion of audit fieldwork.	100%
2	Percentage of Management Responses received within 20 working days of issue of the Draft report.	57%
3	Percentage of Final reports issued within 10 working days of receipt of management response.	100%
4	Percentage of Priority 1 and Priority 2 Recommendations acceptable to the audit client.	100%

### Draft Reports issued

<b>Ref</b>	<b>Audit</b>	<b>Date issued</b>

## APPENDIX 1 – RESTRICTED ASSURANCE AUDITS

		Recommendations			Previous Recommendations			Total	Date Issued
Ref	Audit	P1	P2	P3	P1	P2	P3		
14-30	Dog Kennels	2	4	1	n/a			7	5 <sup>th</sup> June 2015
15-17	Procurement	3	5	0	n/a			8	10 <sup>th</sup> September 2015

		<b>Part One</b>
<b>AUDIT COMMITTEE</b>		<b>(D) Agenda Item 10</b>
<b>Date of Meeting:</b>	<b>24th September, 2015</b>	
<b>Reporting Officer:</b>	<b>Corporate Support Manager</b>	
<p><b>Title:     Monitoring Priority 1 Recommendations</b></p> <p><b>Summary and Conclusions:</b></p> <p>Monitoring the implementation of all agreed Internal Audit, Priority 1 recommendations.</p> <p><b>Recommendations:</b></p> <p>Members are invited to consider the report and determine whether further action is required</p>		

**Report**

Internal Audit undertakes reviews of Council’s systems as defined in the annual audit plan. The audit conclusion may include priority 1 recommendations which relate to major issues that need to be brought to the attention of senior management. Senior managers consider the recommendations and determine whether to accept or reject them. If the recommendation is accepted the manager is agreeing to implement the recommendation.

To ensure all agreed Internal Audit Priority 1 recommendations are implemented in a timely manner they are now tracked by Management.

There were two Priority 1 recommendations in the kennels report 14-30.

1. The Council should ensure that all receipt books are retained and are available for inspection when required.

The Streetcare Manager has a process in place for retaining the kennels receipt book but at this stage there isn’t a written procedure. The current receipt book is in operational use at the kennels and is available for inspection.

2. The Council should ensure that all receipts issued by officers are from an official receipt book provided by the Finance department.

The Streetcare Manager was issued with an official receipt book in June 2015 which is currently in operational use at the kennels.

There was also a Priority 1 recommendation in the Housing Rents report 14-19.

The Business Support Manager should provide an explanation for the apparent divergence from Government guidance regarding annual rent increases; and confirm it is an isolated case.

The Business Support Manager explained that:

The correct increase was applied. Authority to bring forward convergence to target rents was sought and granted through the correct channels. This was because we became aware that the opportunity to converge would end. We will continue to make recommendations/listen to representations which are for the good of the HRA and ultimately tenants

The Government provide guidance on rent setting-not an instruction.

There is an outstanding priority recommendation from the Business Continuity report 11-08:

The Council should produce a formally approved and up to date Business Continuity Plan.

ICT disaster recovery arrangements are in place and are being tested. A regular testing programme is being developed to ensure that the arrangements are robust. Testing will take place in October 2015.

#### Background Papers

Nil.

		<b>Part One</b>
<b>AUDIT COMMITTEE</b>		<b>(D) Agenda Item 11</b>
<b>Date of Meeting:</b>	<b>24th September, 2015</b>	
<b>Reporting Officer:</b>	<b>Corporate Support Manager</b>	
<p><b>Title: Risk Management</b></p> <p><b>Summary and Conclusions:</b></p> <p>Provide Members with an update on changes to the Council's risk register.</p> <p><b>Recommendations:</b></p> <p>Members are invited to consider the report and determine whether further action is required.</p>		

**Report**

The risk register for 2014/15 is attached at **Appendix 6** it continues to focus on those business critical risks which are under the control of the Council.

The Risk Register was reviewed by Management Board at their meeting in August 2015 and the following change was agreed:

Corporate Risk C1

**Previous impact:** 75% of the Services income is received through Housing Benefit. At 2012 rents this equated to £7.1m. Of the 2700 tenancies 2039 receive help with their housing cost through Housing Benefit. The introduction of Universal Credit and changes to how tenants receive support with housing costs, including no direct payments to landlords, poses a risk to the Services income. The loss of housing benefit for under occupation of bedrooms is also having an impact on tenants.

**Updated impact:** Imposed 1% rent reduction year on year for 4 years (est. total loss in budget of c10% over the 4 years)

- welfare reform changes, in particular the continued impact of the bedroom tax, and the implementation of universal credit. (70% of tenants are dependant on welfare benefits, and for example, we estimate c£116k of rent arrears are attributable to bedroom tax. Although the numbers on universal credit remain low experience is showing it is proving difficult to collect rent from such recipients)

**Previous mitigation:** A six point plan will be progressed to mitigate the risk focusing on the introduction of Universal Credit, new under-occupation rules, changes to non-dependant deductions and a Communication Plan.

The Service has recently reviewed its Income Strategy. It will operate a firm but fair approach to assist tenants during the changes whilst ensuring rents due are collected. A new post has been created to assist with income recovery it is anticipated that this post will be cost neutral.

Housing Officers carry out a pre-tenancy interview to understand who their customers are and how it will be best to engage with them in the future.

**Updated mitigation:** The Housing Service is drafting its next Business Plan which will agree the Service will deal with the threats to income over the next four years in particular.

- The Housing Service has and is implementing a range of initiatives within its operational arrangements to deal with welfare reform. This ranges from the change in focus of Housing officers and up-skilling to engagement with potential residents with emphasis on ensuring they have budget plans in place from the start of their new tenancy. Equal priority is also afforded to existing tenants to ensure they have the necessary budget plans and arrangements in place to meet their Housing costs. New Technology solutions are also being progressed to improve the management of tenancies.

### **Operational Risks**

Management has agreed a number of operational risks and these are presented at **Appendix 7**. Minor changes to the wording of Operational risks 6 and 7 have been made.

### Background Papers

Nil.

Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
C1 Legislative changes will impact on the Housing Revenue Account Income.	5	5	25	Imposed 1% rent reduction year on year for 4 years. (est total loss in budget of c10% over the 4 years) - welfare reform changes, in particular the continued impact of the bedroom tax, and the implementation of universal credit. (70% of tenants are dependant on welfare benefits, and for example, we estimate c£116k of rent arrears are attributable to bedroom tax. Although the numbers on universal credit remain low experience is showing it is proving difficult to collect rent from such recipients)	The Housing Service is drafting its next Business Plan which will agree The Service will deal with The threats to income over The next four years in particular. - The Housing Service has and is implementing a range of initiatives within its operational arrangements to deal with welfare reform. This ranges from The change in focus of Housing officers and up-skilling to engagement with potential residents with emphasis on ensuring they have budget plans in place from The start of their new tenancy. Equal priority is also afforded to existing tenants to ensure they have The necessary budget plans and arrangements in place to meet their Housing costs. new Technology solutions are also being progressed to improve The management of tenancies.	Assistant Director - Housing	5	4	20

C2	Future financial stability and sustainability of the Council.	5	5	25	<p>Without sufficient funding plans discretionary services may be at risk of reduction or closure.</p> <p>Statutory services may be delivered with reduced service levels.</p> <p>Staff redundancies may not be avoidable.</p> <p>Funding to external bodies may be reduced.</p> <p>The Council's capital programme and treasury management strategy must be affordable and reduced revenue resources may impact on the Council's plans.</p> <p>The overall capacity of the Council to deliver services may need to be scaled down and may fall below users expectations.</p>	<p>The Council has an approved Budget Strategy to 2015-2016. The policies within the Strategy are the basis for the Council's General Fund revenue budget and its Medium Term Financial Plan.</p> <p>The Budget Strategy led to a restructuring of services and the Council as a whole, but recognised that further restructuring was required to achieve the desired balanced budget by 2015-2016.</p> <p>The Council has planned to use its reserves to set the pace of change but should its main funding reduce further than expected, this will impact on its plans.</p> <p>The Council produced a longer term financial plan in 2014-2015</p> <p>The impact of restructuring is closely monitored by Management Board, including recruitment and resourcing challenges in statutory services. The Council has a Workforce Strategy.</p> <p>The Council continues to bid for funding of all kinds when it becomes available and although this is not sustainable funding, it does support the delivery of the Councils Priorities.</p> <p>The incoming Administration of May 2015 will agree a new Budget Strategy for 2016-2017 to 2019-2020.</p>	Executive Director and Director of Resources	4	4	16
C3	Failure of external partner, service providers or contractors	3	5	15	This is likely to result in the suspension of some service while alternative service providers are identified	<p>The Council monitors the position of service providers through regular client meetings and will undertake company checks on our contractors</p> <p>The Council retains the intellectual property and assets that will support continuity of services</p>	Management Board	3	4	12

C4	Level of sickness worsens	4	4	16	A significant increase may impact on the Council's capacity to deliver services.	The Council has put a number of measures in place to reduce the current levels of sickness. Details of sickness management will be reported to Management Board on a quarterly basis. The Council will undertake an external review of its sickness absence policy. The Council will undertake an external review of its occupational health provision.	Director of Resources	4	3	12
C5	Performance of service delivery contractors.	3	3	9	Failure to deliver key services. Public dissatisfaction with the service. Public health risk.	The Council has agreed contingency plans with the contractor which are incorporated in the contracts. Protracted industrial action is covered in the contract. The Council is proactively monitoring service delivery and development	Assistant Director - Community Services	3	3	9
C6	Impact of Welfare Reform changes	4	4	16	Increasing numbers of residents experience low incomes and risk homelessness.	<ol style="list-style-type: none"> <li>1. Continue to support and work with advice agencies throughout the Borough to assist residents to receive appropriate advice.</li> <li>2. Maximise the Discretionary Housing Payments fund and assist residents in the most challenging financial circumstances to look for longer-term solutions to their problems.</li> <li>3. The Council has developed a Homeless Strategy based on our approach of preventative work to assist residents under threat of losing their homes and assist those who are homeless, to resolve their issues. Reduced grants for Local Government Council Tax Reduction Scheme are not passed on as reduction in entitlement. Continue to invest in group repair schemes to enhance the properties and environment. Continue to offer disabled facilities grants and disabled adaptations.</li> </ol>	Assistant Director - Housing	4	3	12

C7	Delivery of the water front regeneration programme	4	4	16	Failure to deliver the programme will damage the profile of Barrow as a place to live and work. There will be a loss of local confidence and ineffective use of private sector resources	The Council is committed to complete the site assembly. The project can progress in phases subject to the availability of funding. The Council has commissioned market research from Gerald Eve and Bruce Owen. The LEP have secured 750k to provide initial access into the site.	Executive Director	3	4	12
C8	Not having appropriate governance arrangements in place	2	3	6	The Council may lose focus on the purpose of the authority and the wider outcomes for the community The Council may face legal challenge, receive an adverse opinion from the external auditors or experience reputational damage.	The Constitution, Local Code of Governance and Annual Governance Statement. The Council continues to monitor and strengthen its governance arrangements. These include: Audit and scrutiny functions. Treasury management Asset management Resource management through the workforce development strategy Performance management Risk management	Executive Director	2	2	4
C9	Maintain H&S arrangements	2	5	10	Members of the public and Council employees could be put at risk by Council operations	The establishment of the Technical Services Team and the Health & Safety Management Group has strengthened the Council's H&S arrangements. Health & Safety systems will be kept under review. All staff have received electronic H&S training. Agreed H&S improvement plan in the process of implementation.	Executive Director	2	3	6
C10	Capacity to undertake statutory inspections, investigations and enforcement action.	5	5	25	Compliance with statutory targets may be compromised. Response time for investigations and enforcement action may be compromised.	Consultancy services are brought in as required for specific issues or to backfill where Council officers deal with complex cases	Assistant Director - Regeneration and Built Environment	4	4	16
C11	Legal challenge to Procurement of contracts	2	3	6	Unexpected legal costs and fines. Potentially no agreed contract to cover service due to previous contract lapsing.	Training of staff involved in high value procurement and audit checklists. The Council has introduced corporate logging of contracts	Assistant Director - Regeneration and Built Environment	1	3	3

C12	Information Technology security breach	3	5	15	Corrupt systems and loss of data. Withdrawal of Public Sector Network access. System downtime impacting on service delivery.	Up-to-date Information Security Policy. Staff using email and internet sign up to the Policy. Management overview of email and internet usage. Individual virtual servers for discrete business areas. Business continuity plan. Symantec has been set up on all windows machines to provide a level of protection against virus', spyware and other threats. E-training for email and internet vigilance has been delivered to all staff. Virtual desktops provide more controlled environment which further limits the possibility of breaches.	Director of Resources	1	3	3
C13	Incidents of fraud, bribery or corruption	2	2	4	It would indicate a failure of the Council's systems. Loss of money. Loss of reputation and confidence.	Fraud and corruption policy in place for staff and Members. Effective whistle blowing policy in place. Monitoring of standards and checks by Internal Audit	Director of Resources	1	2	2
C14	Major incident affecting service delivery	1	5	5	Widespread damage due to fire, flooding or severe weather.	Business continuity plan. Contingency plans. Remote access to Council systems	Executive Director	1	4	4
C15	Major incident affecting ICT systems	1	4	4	Damage to Council's ICT infrastructure due to fire or flooding. Failure of ICT systems may adversely affect service delivery.	Disaster recovery plan Business continuity plan. Contingency plans. Remote access to Council systems Offsite replicate server has been established.	Director of Resources	1	3	3

Operational risks June 2015

	Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
O1	Not having adequate staffing to deliver key services.	4	5	20	Key services, including statutory services and demand led services cannot be delivered.	<p>The main key services apart from housing, leisure and enforcement are contracted out.</p> <p>Management Board co-ordinate leave to ensure that senior management is available.</p> <p>Staff holiday planning is undertaken by the managers within departments.</p> <p>Consultancy services are used where unplanned absences will result in statutory services being adversely affected. The Council has also agreed mutual aid arrangements for professional support with other local authorities.</p> <p>The Council has a Business Continuity Plan.</p>	Management Board	3	4	12
O2	Access to operational buildings.	2	5	10	Key services, including statutory services and demand led services cannot be delivered.	<p>Services that are contracted out do not depend on the Council's premises being accessible.</p> <p>The leisure services are not statutory - no access would be inconvenient and prevent users from enjoying the facilities.</p> <p>Key back office functions performed in the Town Hall can be carried out from other operational buildings.</p> <p>There are several key holders for each operational building.</p>	Executive Director	1	3	3

Operational risks June 2015

	Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
O3	Inadequate cashflow for operational purposes.	2	5	10	<p>Unable to make payments to benefit recipients, pay staff, pay contractors or suppliers.</p> <p>See item O5 relating to benefit payments.</p> <p>Services may be suspended or withdrawn should the Council not pay its debts.</p>	<p>The Council's cashflow is monitored daily against projections that are made for the year.</p> <p>The Council pays by BACS and CHAPS and does not issue cheques which can cause fluctuations in cashflow depending on when they are presented by the payee.</p> <p>The Council has an overnight account with its bank with a sufficient balance to cover unexpected payments.</p> <p>It is possible to call investments back before maturity; this incurs a penalty.</p> <p>The Council has headroom within its borrowing limit to draw down either a temporary or long term loans.</p>	Director of Resources	1	2	2
O4	Unable to collect household waste.	3	5	15	<p>Households would potentially have side waste if the refuse container filled up due to delays in collections.</p> <p>There are health and safety issues with holding waste and particularly side waste for householders.</p>	<p>The waste collection service is contracted out.</p> <p>There is a waste management snow plan.</p> <p>There is capacity within the week to put on additional collections to catch up from any delays.</p>	Assistant Director - Community Services	2	3	6
O5	Unable to pay housing benefits to claimants.	3	5	15	<p>Housing benefit recipients would be unable to pay their rent and this may jeopardise their tenancies.</p>	<p>The BACS file is produced by the Council's contractor a day ahead of time.</p> <p>The Council has support for BACS from its supplier and from its bank.</p> <p>Payments can be made by alternative methods in exceptional circumstances.</p>	Director of Resources	2	2	4

Operational risks June 2015

	Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
O6	Reduced income may challenge the Council's ability to focus on any more than the decent homes standard and delay investment in the wider environment or the upkeep of communal areas on estates	2	5	10	The Housing Service seeks to ensure the majority of its investment is delivered through a procurement club which adds value, capacity and ensure value for money.	Regular stock surveys are completed and communication with tenants ensures available resources are focused appropriately.	Assistant Director - Housing	1	3	3
O7	Welfare reform changes will impact on the cost of the Council providing temporary accommodation and the up-turn in the local economy is impacting on the availability of the private sector accommodation such as Bed and Breakfast.	4	4	16	The Council will find it increasing difficult to provide suitable temporary accommodation.	The Council will carryout a review of the options of providing temporary accommodation and seek a model that ensures suitable accommodation is provided and full cost recovery from recipients.	Assistant Director - Housing	4	3	12
O8	Unplanned outage of the cremator.	2	5	10	Services are pre-booked and there would be disruption to users in rescheduling or transferring the services. There would be a loss of income.	The cremator is regularly checked by crematorium staff and by the contracted maintenance provider. Arrangements exist with a neighbouring crematorium for the planned outage that occurs when the Council's cremator is re-lined.	Assistant Director - Community Services	2	3	6

Operational risks June 2015

	Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
O9	Failure of swimming pool filters or other breakage.	2	4	8	<p>The swimming pool would be unavailable to users until fixed.</p> <p>If the outage ran over weeks, the gym &amp; swim members may request a partial refund.</p> <p>There would be a loss of income.</p>	<p>The daily checks carried out on the swimming pool and associated plant would identify potential areas of concern and the appropriate contractor would be brought in to address the issues raised.</p>	Assistant Director - Community Services	2	3	6

<b>AUDIT COMMITTEE</b>		<b>Part One (D) Agenda Item 12</b>
<b>Date of Meeting: 24th September, 2015</b>		
<b>Reporting Officer: Corporate Support Manager</b>		
<p><b>Title: Assurance Statement</b></p> <p><b>Summary and Conclusions:</b></p> <p>Provide Members with the output from the analysis of the departmental assurance statements from 2014/15.</p> <p><b>Recommendations:</b></p> <p>Members are invited to consider the report.</p>		

### **Report**

To provide evidence to support the Annual Governance Statement service managers complete assurance statement to demonstrate that they are aware of assurance controls that need to in place.

The responses from these assurance statements have been reviewed and the output is detailed below:

To support the AGS service managers where requested to complete an assurance questionnaire which demonstrates that they are aware of assurance controls that need to in place. The questionnaires also provided an overview of whether staff are aware of and know how access a range of key Council policies.

This year 17 of the 17 service areas returned completed questionnaires and although this does not provide a complete picture of assurance there is sufficient data to provide an overview of the level of assurance.

The out puts from the questionnaire were analysed by the Assurance group. Analysis of this information indicated that there were not any significant assurance issues but that there was scope for some improvement and an action plan will be developed to address this.

It was clear that all managers undertake some form of risk assessment, financial management and performance management. They have mechanisms in place to deal with issues and complaints. Where applicable they have some mechanism for monitoring the performance of contractors.

An analysis of the questionnaires is shown in Table 1 below.

The outputs indicate a significant improvement in officers understanding of our governance arrangements based on the responses to the questionnaire. In 2015 the Assurance Group will identify a different set of questions to help broaden officers understanding.

Table 1: Output from assurance gathering questionnaires

Question	Available evidence
Do you assess the risks to service delivery and agree mitigating actions with your line manager?	94% of managers review operation risks with their through regular meetings compared to 93% in 2014.
Do you know where to find the budget for your service and how to find out what funds are available?	All managers know how to access their budget information. 88% of managers have regular contact with their budget account officer compared to 79% in 2014.
Do you monitor the performance of your service and record actions to improve service delivery?	All managers undertake some form of performance management. In most cases this is based on financial performance and responding to customer feedback. Some managers have more comprehensive performance management systems in place.
Do you review the outcomes of improvement initiatives and projects?	All managers review outcomes. Some are recorded formally depending on the size of the projects
Do you have a mechanism in place to record and respond to service complaints?	94% of departments use the corporate complaints procedure and departmental procedures for dealing with complaints. ICT does not have a complaints procedure.
Do you have a register of relevant contracts for service delivery and support services?	Larger contracts are recorded in a register. Most smaller contracts are recorded on a less formal basis
Do you monitor and record the performance of contractors to ensure they are meeting key contract specifications?	Larger contracts are monitored formally. Most smaller contracts are monitored on a less formal basis
Are your staff aware of the general content of the following corporate policies that are relevant to them and are able to access them? Contract / tendering procedures Employee Code of Conduct Data Protection Policy Financial Regulation	All staff are aware where to find policies. Most staff understand the content of these policies where applicable The main area of weakness continues to be corporate performance, risk policies and key financial policies but this has improved since 2014.

Health and Safety policy Information Security Policy Medium term Financial Strategy Registers of interests and hospitality Risk Management Policy Business insurance policy Whistle blowing policy	
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Background Papers

Nil

<b>AUDIT COMMITTEE</b>	<b>(D) Agenda Item 13</b>
<b>Date of Meeting: 24th September, 2015</b>	
<b>Reporting Officer: Director of Resources and Corporate Support Manager</b>	

**Title: Statement of Accounts and Annual Governance Statement 2014-2015**

**Summary and Conclusions:**

This report presents the audited 2014-2015 accounts for approval and the report of the External Auditors; the Audit Findings Report. The report also contains the Annual Governance Statement for separate consideration and approval, and the Letter of Representation for approval.

**Recommendations:**

Members are recommended:

1. To receive the Statement of Accounts for 2014-2015.
2. To receive the External Auditor's Audit Findings Report and raise any questions.
1. To approve the audited accounts and authorise the Chairman of this Committee to sign on behalf of the Council.
2. To receive the Annual Governance Statement and raise any questions.
3. To approve the Annual Governance Statement and authorise the Chairman of this committee to sign on behalf of the Council.
4. To approve the Letter of Representation and authorise the Chairman of this committee and the Director of Resources to sign on behalf of the Council.

**Report**

In accordance with the Accounts and Audit Regulations the draft Statement of Accounts were made available to the External Auditors by 30<sup>th</sup> of June, 2015, and were published on the Council's website. The audited Statement of Accounts must be approved by 30<sup>th</sup> September, 2015, by this committee, and be published alongside the Annual Governance Statement.

This item will be presented as follows:

- Statement of Accounts – Director of Resources
- Audit Findings Report – Grant Thornton
- Annual Governance Statement – Corporate Support Manager
- Letter of Representation – Director of Resources

### **The Statement of Accounts**

The Statement of Accounts summarises the transactions for 2014-2015 and the Council's financial position at 31<sup>st</sup> March, 2015. The Statement of Accounts is intended to provide readers with clear information about the Council's finances and comply with the Code of Practice.

The audited Statement of Accounts is attached at **Appendix 8**. In approving the Statement of Accounts, Members are asked to undertake a review using their knowledge of the Council together with the External Auditor's report and raise any questions.

The Explanatory Foreword summarises the key issues in the accounting statements. The General Fund result for the year was a contribution to the Restructuring Reserve of £74k and a contribution to the fund balance of £300k; bringing the General Fund balance to the risk-assessed minimum. For the Housing Revenue Account the result was a surplus was £36k which increased the fund balance.

The Council's net worth has decreased from £94m to £92.8m. This is largely due to an increase in the pension liability offset by increases in the value of property, plant and equipment and the balance of short term investments at year-end.

The outturn for 2014-2015 was reported to the Executive Committee on the 29<sup>th</sup> July, 2015 and a separate session was held with Members of the Audit Committee on 16<sup>th</sup> September, 2015.

### **Audit Findings Report**

The Audit Findings Report is attached at **Appendix 9** and is intended to highlight any significant items arising from the audit for the benefit of the Audit Committee.

The External Auditor is required to issue the report at the conclusion of the audit, noting any adjustments made to the draft accounts as published.

Subject to Members agreeing the Letter of Representation, the External Auditor will give an unqualified audit opinion.

The External Auditors have undertaken the audit in a professional and constructive manner and I would like to take the opportunity to pass on my thanks to the audit team.

Members are asked to approve the audited Statement of Accounts and authorise the Chairman to sign on behalf of the Council.

### **Annual Governance Statement**

The Annual Governance Statement (AGS) is a self-assessment of how effective the Council considers its governance arrangements to be. The Council has responsibility for ensuring that its business is conducted in line with the law and proper standards, and that public money is safeguarded and properly accounted for.

The AGS has to be published alongside the Statement of Accounts, although it does not form part of it. The AGS was presented to this Committee on 18<sup>th</sup> June, 2015 and following discussions with Management Board, the Assurance Group, the Monitoring Officer, the Head of Internal Audit and the External Auditor, minor amendments have been made.

The AGS is attached at **Appendix 10** for Members to approve and authorise the Chairman to sign on behalf of the Council.

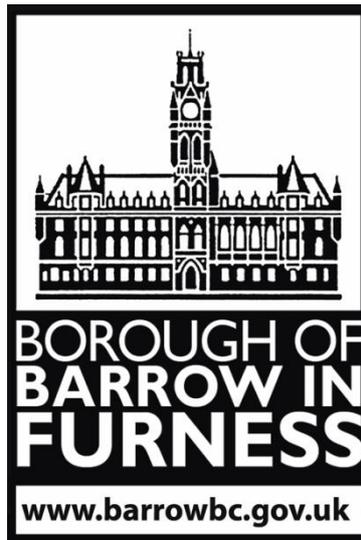
### **Letter of Representation**

The purpose of this letter is to provide assurance to the External Auditors on relevant and significant matters relating to the financial year. The Letter of Representation is issued to disclose the material facts affecting the 2014-2015 transactions of the Council; the letter is at **Appendix 11**. There are no significant issues to highlight.

Members are asked to approve the Letter of Representation and authorise the Chairman of this committee and the Director of Resources to sign on behalf of the Council.

### **Background Papers**

Nil



## APPENDIX 8

# Statement of Accounts 2014/15

### Contents:

	<b>Page</b>
Explanatory Foreword to the Accounts	1 to 10
Statement of Responsibilities	11
Main Accounting Statements	
• Movement in Reserves Statement	12 to 13
• Comprehensive Income and Expenditure Statement	14
• Balance Sheet	15
• Cash Flow Statement	16
Index of Notes to the Main Account Statements	17
Notes to the Main Account Statements	18 to 69
Supplementary Statements	
• Housing Revenue Account and Notes	70 to 75
• Collection Fund and Notes	76 to 79
Independent Auditor's Report to Members	80 to 82
Glossary	83 to 89

### 1. Introduction

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

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

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

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

The 2014/15 accounting statements have been prepared in compliance with the CIPFA Code of Practice on Local Authority Accounts in the United Kingdom which is based on International Financial Reporting Standards (the Code) and consist of:

- **Statement of Responsibilities** (page 11) – this precedes the accounting statements and sets out the responsibilities of the authority and of the Director of Resources in respect of the Statement of Accounts. The purpose of the Statement of Responsibilities is to confirm that the Statement of Accounts has been prepared in accordance with proper practices.
- **Movement in Reserves Statement** (pages 12 and 13) – this shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting and the Housing Revenue Account for dwelling rent setting purposes. The Net (Increase)/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the authority.
- **Comprehensive Income and Expenditure Statement** (page 14) – this shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation. Authorities raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The local taxation position is shown in the Movement in Reserves Statement
- **Balance Sheet** (page 15) - this shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the

assets are sold; and the reserves that hold the timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

- **Cash Flow Statement** (page 16) – this shows the changes in the authority's cash and cash equivalents during the year. This Statement shows how the authority generates and uses cash and cash equivalents by classifying the cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the authority are funded by way of local taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (borrowing) to the authority.
- **Notes to the Main Accounting Statements** (pages 18 to 69) – these include a summary of the significant accounting policies and other explanatory information.
- **Housing Revenue Account and Notes** (pages 70 to 75) – this reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989. It essentially contains income from house rents and expenditure related to managing and maintaining council dwellings. The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.
- **Collection Fund and Notes** (pages 76 to 79) – this is an agent's statement that reflects the statutory obligation for the authority, as a billing authority, to maintain a separate Collection Fund. The Statement shows the transactions for council tax and non-domestic rates and the way these have been distributed; the council tax preceptors being Cumbria County Council, the Police and Crime Commissioner for Cumbria and the General Fund; the non-domestic rates being shared proportionately between central government (50% share), Cumbria County Council (10%) and the General Fund (40%).

## 2. Net Assets of the Authority

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

## 3. General Fund Outturn

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

In September 2014 the budget was revised to incorporate the recurring items from the 2013/14 final accounts. The net effect of the revisions removed the need to use the Restructuring Reserve and

contribute £0.258m instead; to support future budget pressures. The revised budget was approved by Full Council on the 15 October 2014 as £12.057m. The financial reserves at the 31 March 2015 were estimated to be £8.671m.

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 4. Housing Revenue Account Outturn

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

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

Savings and reductions of £837k:

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

Of which £625k used for:

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

#### 5. Revenue Reserves and Balances

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

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

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

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

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

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

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

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

## **6. Capital Expenditure and Financing**

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

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

This expenditure was financed by:

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

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

- Capital receipts
  - At 1 April 2014 £0.2m
  - Plus usable receipts of £0.5m from:
    - Burlington House
    - Dundalk Street centre
    - 2 non-HRA residential properties
    - 1 small piece of land
    - 15 dwellings under the Right to Buy
  - At 31 March 2015 £0.7m
- Capital grants
  - At 1 April 2014 £4.1m
  - Plus grants of £0.2m from:
    - Disabled Facilities Grant
    - Environment Agency
  - Less grants used in financing in 2014/15 £0.8m
  - At 31 March 2015 £3.5m
    - £2.9m of this balance relates to Clusters of Empty Homes

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

### 7. Treasury Management

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

### 8. Collection Fund

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

### 9. Business Rates Retention Scheme

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

accounts, principally in the Collection Fund and the Comprehensive Income and Expenditure Account.

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

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

### **11. Material Assets and Liabilities**

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

### **12. Pensions Reserve**

International Accounting Standard (IAS) 19 requires the authority to account for its liability under the pension (defined benefits) scheme as it arises. The authority is a member of the Cumbria Local Government Pension Scheme Fund. At 31 March 2015, the actuarial valuation showed a net liability of £30.5m (2013/14 £24.7m). This is explained in detail in Note 36 to the accounting statements (page 65). Part of the authority's employer contributions to the Fund is to recover this deficit. The deficit on the pension scheme has varied substantially in recent years and reflects the volatile nature of financial markets. The deficit at 31 March 2015 was £30.5m, an in year increase of £5.8m.

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

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

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

### **14. Accounting Policies**

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

### **15. Provisions and Contingencies**

The provision established in 2012/13 for the Municipal Mutual Scheme of Arrangement reflects the 15% levy due by the authority for the estimated outstanding claims.

The authority established a provision for business rate appeals in 2013/14 with the introduction of the Business Rate Retention Scheme. The provision reflects the authority's share of the estimated settlement of appeals lodged at the 31 March 2015.

### 16. Material Events After the Accounting Date

The Statement of Accounts was originally authorised for issue by the Director of Resources on the 30 June 2015 and is now authorised for issue on the 15 September 2015, after incorporating revisions from the audit. Events taking place after this date are not reflected in the accounting statements or notes. No events have been identified.

### 17. Financial Resilience

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

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

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

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

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

- The authority's four year Budget Strategy was approved on the 24 January 2012 and aimed to reduce the core budget deficit by over £5m by the end of 2015/16. The five key components identified to drive down the authority's funding requirement are the prudent use of balances, efficiency measure, reducing staff costs, increasing income and service cost reductions. The policies implemented through the Budget Strategy have generated the £5m required; the majority of changes were made in the initial year of the Strategy in order to strengthen reserves for future financial risks.
- There is a commitment from the Administration to establish a new four year Budget Strategy and Medium Term Financial Plan; 2016/17 to 2019/20.
- The authority is part of the Cumbria Local Enterprise Partnership and is linked with projects included in the Strategic Economic Plan which sets out how Local Growth Funding will be

spent to boost the local economy in the County. The economic impacts of the Strategic Economic Plan are beneficial to the longer term finances of the authority.

- The authority joined a Business Rates Retention Scheme pool from 2014/15 with Cumbria County Council and four other Cumbrian districts. For 2014/15 this realised additional income of £0.2m.
- The authority has chosen to react positively to the financial challenges by taking the opportunity to do things differently. The broad strategy is to concentrate on three issues; generating income, transforming services to make them more efficient and cost effective, and supporting economic growth and development. The authority has established a Business Improvement Team to continue the Budget Strategy policy themes.
- The authority has secured £0.865m for the delivery of the Coastal Communities Fund Supply Chain Strengthening Project; receivable across 2015/16 and 2016/17. The authority is acting as the accountable body and the Furness Economic Development Forum will oversee project delivery. The project outputs of jobs secured and support to local businesses will be beneficial to the Borough and the authority in the medium and long term.

At the end of 2014/15 the authority held the minimum General Fund balance of £2.3m and reserve of £0.6m for losses; these core reserves are important in the financial resilience of the authority and required to address any unexpected spending pressures and to cushion any cash flow impacts. The authority's ability to replenish its reserves is very limited. Apart from the ring-fenced and revenue grant reserves £1.3m, the majority of the £7.6m of other General Fund reserves is currently planned to be used over the four year Budget Strategy period with £0.4m remaining at the 31 March 2020 in the current Medium Term Financial Plan.

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

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

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

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

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

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

### **19. Acknowledgement**

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

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

### The Authority's Responsibilities

The authority is required to:

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

### The Director of Resources' Responsibilities

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

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

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

The Director of Resources has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the authority for 2014/15 and of its expenditure and income for the year ended 31 March 2015.

**S M Roberts CPFA, ACMA**  
**Director of Resources**  
**Section 151 Officer**  
**30 June 2015**  
**Revised 15 September 2015**

**Councillor Mrs A Burns**  
**Audit Committee Chairman**  
**24 September 2015**

**Movement in Reserves Statement 2014/15**

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

**Movement in Reserves Statement 2013/14**

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

## Comprehensive Income and Expenditure Statement

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

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

## Balance Sheet

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

The unaudited accounts were issued on the 30 June 2015, and the audited accounts were authorised for issue on the 15 September 2015.

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

## Cash Flow Statement

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

## Index of Notes to the Main Accounting Statements

<b>Note</b>	<b>Name</b>	<b>Page</b>
1	Accounting Policies	18
2	Accounting Standards that have been issued but have not yet been adopted	30
3	Critical Judgements in applying Accounting Policies	30
4	Assumptions made about the future and other major Sources of Estimation Uncertainty	31
5	Material items of Income and Expenditure	32
6	Events after the Balance Sheet Date	32
7	Adjustments between accounting basis and funding basis under regulations	33
8	Earmarked Reserves	36
9	Other Operating Expenditure	37
10	Financing and Investment Income and Expenditure	37
11	Taxation and Non Specific Grants Income	38
12	Grant Income	38
13	Property, Plant and Equipment	39
14	Heritage Assets	42
15	Capital Expenditure and Capital Financing	46
16	Leases	47
17	Financial Instruments	48
18	Short Term Debtors	52
19	Cash and Cash Equivalents	52
20	Short Term Creditors	52
21	Provisions	53
22	Unusable Reserves	53
23	Other Long Term Liabilities	56
24	Contingent Liabilities	56
25	Contingent Assets	57
26	Long Term Debtors	57
27	Cash Flow Statement – Adjustments to the net surplus or deficit on the provision of services for non-cash movements	57
28	Cash Flow Statement – Adjustments to the net surplus or deficit on the provision of services that are investing and financing activities	58
29	Cash Flow Statement – Operating Activities	58
30	Cash Flow Statement – Investing Activities	58
31	Cash Flow Statement – Financing Activities	58
32	Amounts reported for resource allocation decisions	59
33	Related Parties	62
34	Members Allowances	63
35	Officers Remuneration	63
36	Defined Benefit Pension Scheme	65
37	External Audit Costs	69
38	Trust Funds	69

## Note 1. ACCOUNTING POLICIES

### a. General Principles

The Statement of Accounts summarises the authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. The Regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards and Financial Reporting Standards.

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

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

### b. Accruals of Income and Expenditure

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

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

### c. Cash and Cash Equivalents

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

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

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

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

**e. Exceptional Items**

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

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

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

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

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

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

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

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

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

### **h. Employee Benefits**

#### Benefits Payable During Employment

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

#### Termination Benefits

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

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

#### Post-Employment Benefits

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

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

#### The Local Government Pension Scheme

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

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

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

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

### Discretionary Benefits

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

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

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

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

### **j. Financial Instruments**

#### Financial Liabilities

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

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

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

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

Where premiums and discounts have been charged to the Housing Revenue Account, regulations state that the impact on the Housing Revenue Account Balance must be spread over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, restricted to a term of 10 years.

#### Financial Assets - Loans and Receivables

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

subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

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

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

### **k. Foreign Currency Translation**

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

### **l. Government Grants and Contributions**

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

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

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

recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

### **m. Efficiency Support Grant**

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

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

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

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

### **o. Leases**

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

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

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

#### The Authority as Lessee

##### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not

match the pattern of payments (for example, there is a rent-free period at the commencement of the lease).

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

### The Authority as Lessor

#### Operating Leases

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

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

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

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

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

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

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

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

#### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

The authority does not capitalise borrowing costs.

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

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

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

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

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

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

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

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

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

### Impairment

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

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

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

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

### Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

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

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

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

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

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

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

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

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

#### Provisions

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

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

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

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

### Contingent Liabilities

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

### Contingent Assets

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

### **s. Reserves**

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

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

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

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

### **u. VAT**

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

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

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

- IFRS 13 Fair Value Measurement – This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.
- IFRIC 21 Levies - This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.
- Annual Improvements to IFRSs (2011–2013 Cycle) - These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts.

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

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

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

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

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

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

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

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

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

Assets are depreciated based on useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to maintain the expenditure on repairs and maintenance resulting in uncertainty in the useful lives assigned to assets by the valuers. If the useful life of assets is reduced depreciation increases and the carrying amount of assets falls. Some of the authority's assets are carried at an impaired value (revaluation loss), awaiting an improvement in their market; these are council dwellings and some properties rented out on a commercial basis. The impaired values then have useful lives applied to calculate the depreciation charge. If the impairment increased or if there was a reversal of the previous loss, the value of the asset and the related depreciation would be over or under stated. For instance if the useful life of the council dwellings was determined to be 25 years, rather than the current 30 years, the depreciation charge to the HRA for 2014/15 would be £1.98m rather than £1.65m.

##### **Pensions liability**

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

The effects of the net pensions liability of changes in individual assumptions can be measured. These assumptions interact in complex ways, but some examples of their sensitivity based on 31 March 2015 figures are:

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

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

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

### Financial instruments

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

If interest rates had been 1% higher with all other variables held constant, the financial effect would be to decrease the fair value of fixed rate borrowing liabilities by £7.21m. A 1% fall would increase the fair value by the same amount. Borrowings are not carried at fair value, so nominal gains and losses on fixed borrowings would not impact on the (Surplus) or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

### Note 5. MATERIAL ITEMS OF EXPENSE AND INCOME

The Comprehensive Income and Expenditure Statement includes the following items:

#### In Relation to 2013/14

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

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

The Statement of Accounts was originally authorised for issue by the Director of Resources on the 30 June 2015 and is now authorised for issue on the 15 September 2015, after incorporating revisions from the audit. Events taking place after this date are not reflected in the accounting statements or notes. Where any other events taking place before this date provided information about conditions existing at the 31 March 2015, the figures in the accounting statements and notes have been adjusted in all material respects to reflect the impact of this information. No events have been identified.

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

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

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

### General Fund Balance

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

### Housing Revenue Account Balance

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

### Major Repairs Reserve

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

### Capital Receipts Reserve

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

### Capital Grants Unapplied

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

## Notes to the Main Accounting Statements

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

## Notes to the Main Accounting Statements

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

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

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

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

The Council has the following earmarked reserves:

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

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

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

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

**Other earmarked reserves** – these consist of:

- **Contingency reserve** – this reserve holds the funds set aside to cover one-off items that are not set in the revenue budget, including business rate volatility.
- **Apprenticeships reserve** – this reserve holds the funds set aside for the five apprentice positions created in 2014/15.
- **CCTV** – this reserve holds the funds set aside for the CCTV service; CCTV will be provided by the Police and Crime Commissioner during 2015/16.
- **Welfare support reserve** – this reserve holds the funds set aside to support discretionary housing payments and transitional assistance for supported welfare organisations.
- **Ring-fenced properties** – this reserve holds the excess income from operating industrial units funded by the North West Development Agency (now Homes and Communities Agency); the reserve is ring-fenced for expenditure or investment in these industrial units.
- **Revenue grants** – this reserve holds the revenue grants income which have no claw-back conditions attached and are yet to be applied to matching expenditure.

#### Note 9. OTHER OPERATING EXPENDITURE

The authority's other operating expenditure consists of:

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

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

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

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

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

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

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

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

**Note 12. GRANT INCOME**

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

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

## Note 13. PROPERTY, PLANT &amp; EQUIPMENT

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

Notes to the Main Accounting Statements

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

Depreciation

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

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

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

Capital Commitments

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

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

Revaluations

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

Not all assets were revalued in 2014/15. Each year the Authority's initial asset valuation list is reviewed. At this stage assets not due to be revalued are added where there is evidence of a recent material change. A subsequent review of valuation changes is also undertaken: this includes those changes arising from environmental, impairment or asset related expenditure factors. This review concluded that the fair value of assets are not materially different from the carrying value at the balance sheet date.

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

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

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

#### Note 14. HERITAGE ASSETS

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

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

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

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

Notes to the Main Accounting Statements

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

## Notes to the Main Accounting Statements

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

Depreciation

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

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

Revaluations

All non-operational heritage asset valuations, as implemented by the 2011/12 code, have been carried out by Bonhams, International Auctioneers and Valuers. Further 2012/13 & 2013/14 assets acquired have been valued by The Treasure Valuation Committee or, for non-material assets, the Authority's Museum Curator.

Financial Year	Valuer	Value £000	Total £000
<b>Carried at market value:</b>			
2011/12	Bonhams International Auctioneers & Valuers	632	
<b>Total fair value of assets valued in 2011/12</b>			<b>632</b>
2012/13	Treasure Valuation Committee	49	
	Authority's Museum Curator	2	
<b>Total fair value of assets valued in 2012/13</b>			<b>51</b>
2013/14	Authority's Museum Curator	7	
<b>Total fair value of assets valued in 2013/14</b>			<b>7</b>
<b>Total fair value of assets valued in 2014/15</b>			<b>0</b>
<b>Assets carried at historical cost</b>			<b>9</b>
<b>Net Book Value at 31 March 2015</b>			<b>699</b>

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

Five Year Summary of Transactions

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

## Notes to the Main Accounting Statements

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

### Note 15. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

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

**Note 16. LEASES**

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

Authority as Lessee - Operating Leases

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

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

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

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

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

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

Authority as Lessor - Operating Leases

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

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

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

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

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2014/15 £76k of contingent rents were receivable by the authority (£41k in 2013/14).

**Note 17. FINANCIAL INSTRUMENTS**Categories of Financial Instruments

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

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

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

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

## Income, Expense, Gains and Losses

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

## Fair Values of Assets and Liabilities

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

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

The fair values calculated are as follows:

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

The fair value of the liabilities is higher than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2015) arising from a commitment to pay interest to lenders below current market rates.

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

## Nature and Extent of Risks Arising from Financial Instruments

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

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

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

### Credit Risk

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

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

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

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

The authority's maximum exposure to credit risk in relation to its investments in building societies of £14m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the authority's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

No credit limits were exceeded during the reporting period.

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

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

Liquidity Risk

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

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

The maturity analysis of financial liabilities is as follows:

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

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

Market Risk

*Interest Rate Risk*

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

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

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

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

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

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

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

*Price Risk*

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

*Foreign Exchange Risk*

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

**Note 18. SHORT TERM DEBTORS**

The short term debtors held by the authority consist of:

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

**Note 19. CASH AND CASH EQUIVALENTS**

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

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

**Note 20. SHORT TERM CREDITORS**

The short term creditors held by the authority consist of:

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

**Note 21. PROVISIONS**

The provisions held by the authority consist of:

	<b>Business Rate Appeals Provision</b>	<b>MMI Provision</b>	<b>Early Retirement Provision</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2014</b>	<b>(409)</b>	<b>(35)</b>	<b>(29)</b>	<b>(473)</b>
Additional provisions made in 2014/15	(333)	-	-	(333)
Amounts used in 2014/15	340	5	6	351
Reduction in provision in 2014/15	-	10	-	10
<b>Balance at 31 March 2015</b>	<b>(402)</b>	<b>(20)</b>	<b>(23)</b>	<b>(445)</b>

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

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

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

**Note 22. UNUSABLE RESERVES**

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

**i. Revaluation Reserve**

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

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

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

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

## ii. Capital Adjustment Account

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

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

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

### iii. Financial Instruments Adjustment Account

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

2013/14		2014/15
£000		£000
27	<b>Balance at 1 April</b>	62
35	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(11)
62	<b>Balance at 31 March</b>	51

### iv. Pensions Reserve

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

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

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

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

### v. Collection Fund Adjustment Account

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

2013/14				2014/15		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000		£000	£000	£000
(42)	0	(42)	<b>Balance at 1 April</b>	(134)	274	140
(92)	274	182	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(70)	(45)	(115)
<b>(134)</b>	<b>274</b>	<b>140</b>	<b>Balance at 31 March</b>	<b>(204)</b>	<b>229</b>	<b>25</b>

**vi. Accumulated Absences Account**

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

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

**Note 23. OTHER LONG TERM LIABILITIES**

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

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

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

**Note 24. CONTINGENT LIABILITIES**

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

MMI Scheme of Arrangement

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

Business Rate Appeals

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

**Note 25. CONTINGENT ASSETS**

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

**Note 26. LONG TERM DEBTORS**

The long term debtors held by the authority consist of:

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

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

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

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

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

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

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

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

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

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

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

The investing activities consist of:

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

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

The financing activities consist of:

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

**Note 32. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

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

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

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

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

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

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

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

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

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

Reconciliation to Subjective Analysis

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

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

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

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

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

### Note 33. RELATED PARTIES

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

#### Central Government

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

#### Members

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

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

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

Officers

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

Cumbria Housing Partnership

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

**Note 34. MEMBERS' ALLOWANCES**

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

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

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

**Note 35. OFFICERS' REMUNERATION**

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

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

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

Annualised Salaries 2014/15

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

A redundancy payment was made on departure.

**Remuneration Bands**

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

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

These employees left the authority on voluntary redundancy.

Exit Packages

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

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

Termination Benefits

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

**Note 36. DEFINED BENEFIT PENSION SCHEMES****Participation in Pension Schemes**

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

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

**Transactions Relating to Post-Employment Benefits**

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

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

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

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

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

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

Pension scheme assets comprised:

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

Basis for Estimating Assets and Liabilities

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

The Local Government Pension Scheme has been assessed by Mercer Limited an independent firm of actuaries, estimates for the County Council Fund being based on the latest actuarial valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

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

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

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

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

Impact on the Defined Benefit Obligations in the Scheme

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

Impact on the Authority's Cash Flows

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

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

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

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

**Note 37. EXTERNAL AUDIT COSTS**

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

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
67	Fees payable to external audit with regard to external audit services carried out by the appointed auditor for the year	6768
19	Fees payable to external audit for the certification of grant claims and returns for the year	18
<b>86</b>	<b>Total</b>	<b>86</b>

**Note 38. TRUST FUNDS**

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

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

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

## Housing Revenue Account Income and Expenditure Statement

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

### Movement on the HRA Statement

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

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

### Notes to the Housing Revenue Account

#### 1. HRA Self-Financing

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

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

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

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

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

- Use a notional MRA figure as a measure of the assessment for depreciation, which is equal to the assumption about the need to spend on major repairs used in the self-financing valuation for 2012/13 and each of the next four years;
- Utilise a credit transfer for any excess of housing stock (Council dwellings) depreciation above an amount equal to the notional MRA;
- Reverse revaluation and impairment losses on housing stock (Council dwellings) out of the HRA where the HRA revaluation reserve cannot meet the loss.

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

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

## 2. Dwelling Stock

The dwelling stock held by the authority consists of:

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

## 3. HRA Non-Current Assets

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

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

## 4. Vacant Possession of Dwellings

In accordance with Government guidance, the valuation of Council dwellings has been reduced by a regional adjustment factor in recognition of their status as social housing. The regional adjustment factor for the North West is 35%. As a consequence the Council recognises dwellings at a value of £62.693m on the Balance Sheet. At vacant possession the same dwellings would have a value of £179.120m with the difference of £116.427m being the cost of providing Council housing at less than open market rents. The reduced Balance Sheet value for Council dwellings also reflects the secure tenancy rights which differ from other tenancies, including the Right to Buy and the right to assign the property or apply for a transfer.

31 March 2014		31 March 2015
£000		£000
61,397	Balance Sheet value EUV-SH	62,693
114,023	Difference of EUV-SH and EUV-VP	116,427
<b>175,420</b>	<b>Value of dwelling stock at EUV-VP</b>	<b>179,120</b>

## 5. Depreciation and Revaluation of Dwellings

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

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

## 6. Depreciation and Revaluation of Other HRA Property

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

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

## 7. HRA Capital Financing Requirement

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

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

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

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

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

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

### 9. HRA Non-Current Asset Disposals

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

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

### 10. Major Repairs Reserve

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

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

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

## 11. Transactions Relating to Post-employment Benefits

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

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

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

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

## 12. Rent Arrears

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

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

## 13. HRA Balance

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

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

## Collection Fund Income and Expenditure Statement

2013/14				2014/15		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£000	£000	£000		£000	£000	£000
			<b>Income</b>			
(28,688)	-	(28,688)	Income from Council Tax	(29,321)	-	(29,321)
-	(23,556)	(23,556)	Income collectable from business ratepayers	-	(23,105)	(23,105)
-	(108)	(108)	Transitional Protection Payment	-	27	27
<b>(28,688)</b>	<b>(23,664)</b>	<b>(52,352)</b>	<b>Total Income</b>	<b>(29,321)</b>	<b>(23,078)</b>	<b>(52,399)</b>
			<b>Expenditure</b>			
			<i>Precepts demand &amp; shares:</i>			
-	11,527	11,527	- Central Government	-	11,731	11,731
20,366	2,305	22,671	- Cumbria County Council	20,763	2,345	23,108
3,824	9,222	13,046	- Barrow Borough Council	3,971	9,385	13,356
3,588	-	3,588	- Cumbria Police & Crime Commissioner	3,729	-	3,729
			<i>Charged to the Collection Fund</i>			
(226)	(79)	(305)	- Write off of uncollectable amounts	(190)	(141)	(331)
317	252	569	- Increase/(decrease) in bad debt provision	389	(12)	377
-	1,022	1,022	- Increase/(decrease) in provision for appeals	-	(16)	(16)
-	99	99	- Costs of collection	-	98	98
<b>27,869</b>	<b>24,348</b>	<b>52,217</b>	<b>Total Expenditure</b>	<b>28,662</b>	<b>23,390</b>	<b>52,052</b>
<b>(819)</b>	<b>684</b>	<b>(135)</b>	<b>(Surplus)/Deficit for the year</b>	<b>(659)</b>	<b>312</b>	<b>(347)</b>
			<b>Collection Fund balances</b>			
(309)	-	(309)	Balance brought forward at 1 April	(963)	684	(279)
165	-	165	Distribution of previous years surplus/deficit	143	(423)	(280)
<b>(819)</b>	<b>684</b>	<b>(135)</b>	<b>(Surplus)/Deficit for the year (as above)</b>	<b>(659)</b>	<b>312</b>	<b>(347)</b>
(963)	684	(279)	Balance carried forward at 31 March	(1,479)	573	(906)
			<i>Allocated to</i>			
(134)	274	140	- Barrow Borough Council	(204)	229	25
(703)	68	(635)	- Cumbria County Council	(1,081)	57	(1,024)
-	342	342	- Central Government	-	287	287
(126)	-	(126)	- Cumbria Police & Crime Commissioner	(194)	-	(194)
<b>(963)</b>	<b>684</b>	<b>(279)</b>	<b>Balance carried forward at 31 March</b>	<b>(1,479)</b>	<b>573</b>	<b>(906)</b>

## **Notes to the Collection Fund**

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

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

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

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

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

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

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

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

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2015. As such authorities are required to make a provision for these amounts. Appeals are charged and provided for in the proportion of the precepting shares. The total net reduction of the provision charged to the collection fund for 2014/15 has been calculated at £16k.

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

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

A small business rate relief scheme was also introduced on the 1 April 2005 whereby, providing certain conditions are met, occupiers of properties with a rateable value of less than £15k pay a reduced rate of 47.1 pence in the pound (46.2 pence in the pound for 2013/14) and can also qualify for rate relief.

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

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

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

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

The Council's share of the balances are:

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

#### 4. Cumbria Business Rates Pool

From 1 April 2014, the authority participated in the Cumbria Business Rates Pool. The pool consists of Barrow Borough Council, Cumbria County Council, Carlisle City Council, Allerdale Borough Council, Eden District Council and South Lakeland District Council. The levy for 2014/15 is paid into the Cumbria Business Rates Pool and together the members share the levy and it is redistributed. Without the Pool the levy would be paid to DCLG and not retained in the area.

The total amount of retained growth kept by the Pool in 2014/15 is £2.056m. The retained levy for the authority paid into the pool was £350k and the distribution of the retained levy to the authority was £163k, these are shown within the Comprehensive Income and Expenditure Statement. The authority's share of the pool volatility reserve, £40k, is held in the Balance Sheet as an earmarked reserve.

#### 5. Council Tax Base

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

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

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

## Notes to the Collection Fund

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

The Council Tax base for the year was set as:

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

The total of the precepts and demands on the collection fund is divided by the tax base to arrive at the band D Council Tax, and by applying the standard factor to each band the tax figures are calculated.

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

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

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

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

### **Respective responsibilities of the Director of Resources and auditor**

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

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

### **Opinion on other matters**

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

### **Matters on which we report by exception**

We are required to report to you if:

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

We have nothing to report in these respects.

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

#### ***Respective responsibilities of the Authority and the auditor***

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

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

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

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

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

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

**Conclusion**

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

**Certificate**

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

Jackie Bellard

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

4 Hardman Square  
Spinningfields  
Manchester M3 3EB

September 2015

### **Accounting Policies**

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

### **Accruals Basis**

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

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

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

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

### **Amortisation**

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

### **Asset**

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

### **Asset register**

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

### **Audit of Financial Statements**

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

### **Balance Sheet**

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

### **Budget**

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

### **Capital Adjustment Account**

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

### **Capital contributions**

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

### **Capital expenditure**

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

### **Capital Financing Requirement**

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

### **Capital programme**

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

### **Capital receipt**

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

### **Capital Receipts Reserve**

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

### **Capital resources**

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

### **Cash Flow Statement**

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

### **Collection Fund**

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

### **Collection Fund Adjustment Account**

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

### **Community Asset**

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

### **Comprehensive Income and Expenditure Account**

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

### **Contingent Asset**

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

### **Contingent Liability**

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

### **Corporate and Democratic Core**

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

### **Creditors**

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

### **Current Asset**

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

### **Debtors**

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

### **Deferred Liability**

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

### **Department for Communities and Local Government (DCLG)**

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

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

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

### **Depreciation**

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

### **Donated Asset**

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

### **Earmarked Reserves**

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

### **Employee Benefits**

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

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

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

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

### **Exceptional Items**

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

### **Fair Value**

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

### **Finance Lease**

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

### **Financial Instruments Adjustment Account**

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

### **Financial Regulations**

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

### **General Fund**

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

### **Government Grants**

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

### **Grants and Contributions**

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

### **Heritage Asset**

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

### **Housing Benefits**

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

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

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

### **Impairment Loss**

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

### **Intangible Asset**

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

### **International Accounting Standards (IAS)**

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

### **International Financial Reporting Standards (IFRS)**

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

### **Investing Activities**

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

### **Inventory**

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

### **Investment Strategy**

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

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

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

### **Lease**

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

### **Liability**

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

### **Major Repairs Reserve**

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

### **Material**

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

### **Members' Allowances**

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

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

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

### **Movement in Reserves Statement**

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

### **Non Current Asset**

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

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

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

### **Operating Activities**

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

### **Pension Reserve**

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

### **Precept**

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

### **Provision**

A provision is a liability of uncertain timing or amount.

### **Prudential Indicators**

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

### **Related Party**

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

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

### **Reporting Period**

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

### **Reserves**

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

### **Revaluation Reserve**

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

### **Revenue Expenditure**

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

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

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

### **Risk**

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

### **Risk management**

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

### **Statement of Accounts**

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

### **Treasury Management**

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

### **Trust Funds**

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

### **Usable Reserves**

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

### **Unsupported (Prudential) Borrowing**

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

### **Write off**

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



# The Audit Findings for Barrow Borough Council

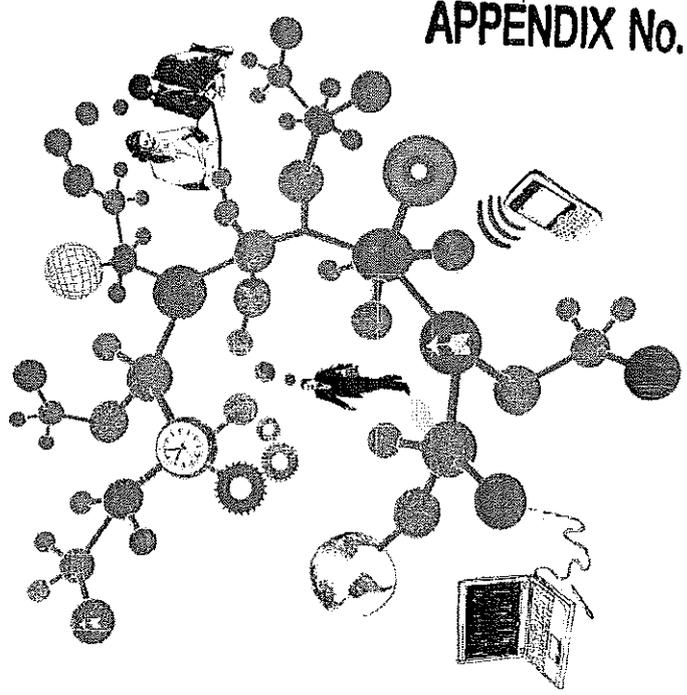
Year ended 31 March 2015

24 September 2015

Jackie Bellard  
Engagement Lead  
T 0161 234 6394  
E [jackie.bellard@uk.gt.com](mailto:jackie.bellard@uk.gt.com)

Neil Krajewski  
Engagement Manager  
T 0161 234 6371  
E [neil.p.krajewski@uk.gt.com](mailto:neil.p.krajewski@uk.gt.com)

Maeve Morgan  
In-Charge Auditor  
T 0161 953 6446  
E [maeve.t.morgan@uk.gt.com](mailto:maeve.t.morgan@uk.gt.com)





Barrow Borough Council  
Town Hall,  
Duke Street,  
Barrow-In-Furness, Cumbria, LA14 2LD

Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
Manchester, M3 3EB  
T 0161 953 6900  
www.grant-thornton.co.uk

September 2015

Dear Sir/Madam

**Audit Findings for Barrow Borough Council for the year ending 31 March 2015**

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Barrow Borough Council, the Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Yours sincerely

Jackie Bellard

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# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	5
2. Audit findings	8
3. Value for Money	19
4. Fees, non-audit services and independence	26
5. Communication of audit matters	28
<b>Appendices</b>	
A Action plan	30
B Audit opinion	31

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# Section 1: Executive summary

**01. Executive summary**

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

## Executive summary

### **Purpose of this report**

This report highlights the key matters arising from our audit of Barrow Borough Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

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

### **Introduction**

We communicated our proposed approach to you in our Audit Plan which we presented to the Audit Committee on 5 March 2015. Since producing our audit plan, we made some changes to our approach to the audit of housing benefit expenditure to ensure the approach complies with relevant auditing standards as explained on page 8 of this report. No new risks have been identified and there have been no other changes to our approach.

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

- review of the final version of the financial statements;
- obtaining and reviewing the final management letter of representation;

- review of final version of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion; and
- Whole of Government Accounts

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

### **Key issues arising from our audit Financial statements opinion**

We anticipate providing an unqualified opinion in respect of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- management continue to produce high quality financial statements which are free from material error and are supported by well-prepared working papers

We have identified no adjustments affecting the Council's reported financial position. The draft and final financial statements for the year-ended 31 March 2015 recorded net income of £1.649M. We have, however, agreed one amendment to the primary statements which has no overall impact on the outturn position. We also agreed with management three adjustments to disclosures to ensure full compliance with the CIPFA Code of Practice and relevant accounting standards. One of these amendments is material.

Further details are set out in section two of this report.

### **Value for Money conclusion**

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

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

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

The National Audit Office has set a testing threshold which determines whether any detailed work is required in respect of Whole of Government Accounts. The Council's return is below this threshold so no testing is required. We will be submitting the appropriate return which confirms that this is the case after we have issued our opinion on the financial statements.

### **Controls**

#### **Roles and responsibilities**

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

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

### **Findings**

We draw your attention in particular to control issues identified in relation to:

- weaknesses in the configuration of the Oracle accounting system which could lead to officers having excessive access to processing and authorisation functions

Further details are provided within section two of this report.

### **The way forward**

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

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

### **Acknowledgment**

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

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## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

## Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 5 March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

### **Changes to Audit Plan**

We have made one change to the Audit Plan which we reported to you on 5 March 2015. This concerns our approach to the audit of housing benefits where changes to International Standards on Auditing prevent us from relying on internal audit's detailed testing of housing benefit.

### **Audit opinion**

Our proposed audit opinion is set out in Appendix B.

## Audit findings against significant risks

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

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, after considering the risk of improper revenue recognition we rebutted the risk on the basis that there was insufficient evidence of an incentive to manipulate revenue recognition, limited opportunities to improperly recognise revenue to a material extent and a prevailing culture within the Council which does not tolerate fraud. Details of the work undertaken in relation to other significant risk is set out below.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>Management override of controls</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk of management override of controls</p>	<ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management;</li> <li>• testing of journal entries; and</li> <li>• review of unusual significant transactions.</li> </ul>	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

## Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Operating expenses</b></p>	<p>Creditors understated or not recorded in the correct period (Operating expenses understated)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle;</li> <li>tested both expenditure transactions and a sample of creditors and accruals to ensure "cut-off" is correct (ie. that they are recorded in the right period); and</li> <li>tested a sample of payments made in the 2015-16 financial year to confirm that these had been accounted for correctly according to whether they related to the 2015-16 financial year or the prior financial year.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p><b>Employee remuneration</b></p>	<p>Employee remuneration accrual understated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>reviewed the systems and controls that the Council has in place to ensure that its employees are paid the correct amount based on hours worked and their contractual entitlement, including arrangements to accrue for amounts outstanding but not yet paid at the year-end. This included consideration of the Council's contract with Selima, its outsourced payroll provider;</li> <li>tested a sample of 2014-15 payroll transactions to confirm employees received the salary and wages due to them;</li> <li>completed analytical procedures to identify any discrepancies in monthly payrolls and consideration as to whether payroll expenditure is in line with our expectations based on supporting evidence; and</li> <li>tested the reconciliation between the payroll system and the amounts recorded in the financial statements.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

## Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare expenditure	Welfare benefit expenditure improperly computed	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• walked-through a transaction to update our understanding of the benefits system and ensure there are appropriate controls in place that are designed effectively;</li> <li>• tested the reconciliation between the benefits system and the amounts recorded in the financial statements;</li> <li>• confirmed that the correct parameters have been input to the benefits system and the benefits claim for 2014/15 has been prepared in accordance with the software supplier's instructions; and</li> <li>• tested a sample of benefits payments to confirm that the claimant was eligible to receive housing benefit and the amount received was correctly calculated.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

# New issues and risks identified during the course of the audit

This section provides commentary on new issues and risks which were identified during the course of the audit and were not previously communicated in the Audit Plan

Issue	Commentary
<p>1. Our Business Risk services department undertook a detailed review of the configuration of Oracle, the Council's main accounting system. This identified some weaknesses in the Council's arrangements, specifically:</p> <ul style="list-style-type: none"> <li>• some users had considerable access to the system which was, in some cases, perceived to be excessive;</li> <li>• in some cases users could assign themselves additional responsibilities without formal approval being obtained;</li> <li>• there were some generic user accounts within the system which had significant access rights allocated; and</li> <li>• the Council had not enabled 'audit-logging' so that inappropriate use of the system could be detected.</li> </ul>	<p>The Council's financial systems have been designed to incorporate both manual controls operated by staff and automated controls which form part of the main accounting software system used by the Council. To address the weaknesses highlighted within the Oracle system, we have designed our transactional testing to ensure that the manual controls which would prevent and/or detect inappropriate use by staff of their access to the system are in place and have operated in this financial year. However, the weaknesses within Oracle we found undermine the Council's information governance arrangements and could present a significant risk to the Council if an override of manual controls were to occur. Senior management recognise the need to make changes so that officers only have the level of access they require and any additional access is approved on an 'as required' basis with that access being removed as soon as it ceases to be needed.</p> <p>Two recommendations relating to the weaknesses identified are set out in the Action Plan included at Appendix B to this report.</p> <p><b>Management response</b></p> <p>The Business Risk review of Oracle Financials highlighted a number of areas for the Council to review where system alterations could enhance the manual controls that are currently operated. The users with considerable access fall into two categories, the system administrators (the 3 senior finance managers) and the Finance Department staff. The review identified that for some functions there is a facility within the system 'the process tab' which although not used by anyone, would allow an officer to perform a function outside their responsibility; these facilities are being removed. The system administrators are also users of Oracle Financials, so have access to the modules, however it is necessary to add other modules or responsibilities from time to time in order to administer the system or when resolving issues that have arisen. The access to perform this (system administration) cannot be removed as it would impact on the usability of the system, but it is agreed that alterations to the system administrator access should be logged and approved by another senior finance manager. Audit-logging is a tool within the system which basically records keystrokes and there are certain forms within the system where this would allow greater checking to be performed, such as amendments to supplier bank accounts; here there are manual controls to ensure that only valid changes are performed and audit-logging would enhance that. Audit-logging does increase the data stored within the database, so will not be switched on globally. Finance will assess the key areas that will benefit most from audit-logging.</p>

## Accounting policies, estimates & judgements

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

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>The Council recognises revenue from a range of sources including fees and charges, grants and taxation. Revenue from exchange transactions, principally fees and charges, is recognised when the risks and rewards of ownership have been transferred to the purchaser and it is probable that economic benefit will flow to the Authority. For non-exchange transactions, principally taxation and grants, revenue is recognised when it is probable that economic benefit will transfer to the Council.</li> </ul>	<p>We have reviewed the accounting policy adopted and are satisfied that it is consistent with the CIPFA Code of Practice and relevant accounting standards</p>	 <p><b>GREEN</b></p>
<b>Estimates and judgements</b>	<ul style="list-style-type: none"> <li>Key estimates and judgements include:                             <ul style="list-style-type: none"> <li>pension fund valuations and settlements;</li> <li>useful life of capital equipment;</li> <li>PPE valuations; and</li> <li>provision for business rate appeals.</li> </ul> </li> </ul>	<p>We have reviewed the approach taken by management to produce the material estimates included in the accounts. The valuation estimates relating to Property, Plant and Equipment, pension assets and pension liabilities are all based on information provided by appropriately-qualified and experienced experts. We have reviewed the approach taken by the nominated expert and concluded that it is reasonable and any assumptions made are appropriately supported.</p> <p>The provision relating to business rate appeals is based on data provided by the Valuation Office Agency. We have confirmed that the Council has made appropriate use of the data provided to them by the Valuation Office Agency.</p>	 <p><b>GREEN</b></p>

### Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

## Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Directors have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Directors' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	 GREEN
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	 GREEN

### Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

## Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

Issue	Commentary
1. Matters in relation to fraud	<ul style="list-style-type: none"> <li>We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.</li> </ul>
2. Matters in relation to laws and regulations	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
3. Written representations	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council.</li> </ul>
4. Disclosures	<ul style="list-style-type: none"> <li>We identified and have agreed some minor changes to disclosures in the accounts which have been agreed with management.</li> </ul>
5. Matters in relation to related parties	<ul style="list-style-type: none"> <li>We identified three related party transactions which had not been disclosed. The revised accounts have been updated to include the omitted disclosures.</li> </ul>
6. Confirmation requests from third parties	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to a number of financial institutions for bank and investment balances. This permission was granted and the necessary confirmations were received..</li> </ul>

## Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses and Housing Benefits as set out on pages 10-11 above. These walkthroughs did not identify any matters which we need to report. The only weakness in internal control identified which we need to report concerns the findings of our IT audit work, as set out earlier in this report on page 12.

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

## Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management. There are no unadjusted misstatements this year and no unadjusted misstatements have been brought forward from the prior year.

### Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account	Balance Sheet	Impact on total net expenditure
1 Our audit testing identified that the Council had recognised income in the Comprehensive Income and Expenditure Statement (CIES) in relation to a corporate recharge where the Housing Revenue Account was making a contribution towards General Fund overheads. Whilst we agreed that the recharge was reasonable, the impact of recharges should be excluded from the CIES on the basis that it does not reflect true income and expenditure of the Authority.	Gross Income and Gross Expenditure are overstated by £178K. This has no impact on the Net Cost of Services.	£Nil	£Nil
<b>Overall impact</b>	£Nil	£Nil	£Nil

## Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value	Account balance	Impact on the financial statements
1 Disclosure	£3,760,000	Leases – Minimum Lease Payments Receivable (Note 16)	Our testing identified that the draft accounts overstated the income due to the Council in future years in respect of assets leased out under the terms of operating leases. The accounts have been amended so that the disclosure of the minimum lease payments receivable reflects the income to which the Council is contractually-entitled after taking account of relevant break clauses in the lease.
2 Misclassification	£48,000	Property Plant and Equipment – Disposals and Derecognitions (Note 13)	Our testing identified that de-recognitions of £48,000 had been disclosed as a disposal in error. This has been corrected in the revised statements.
4 Disclosure	Various	Related Party Transactions (Note 33)	After discussing the CIPFA guidance relating to the disclosure of related party transactions, we agreed with management that three related party transactions had been omitted from the accounts. The revised accounts have been updated to include the required disclosure.

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## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Fees, non-audit services and independence

05. Communication of audit matters

# Value for Money

## Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

**The Council has proper arrangements in place for securing financial resilience** - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

**The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness** - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work highlighted that the Council has a good track-record of achieving the necessary savings required to cope with the reduction in central government by funding. Historically, the Medium Term Financial Plan has been underpinned by robust and prudent assumptions about future levels of funding, income from fees and charges and service expenditure. However, management need to update the plan to take account of the local finance settlement due later this year. The approach to agreeing the strategy for future financial years has been designed so that stakeholders have the opportunity to contribute.

### Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources; and
- Improving efficiency & productivity

Our work highlighted that the Council has a good understanding of its cost base and the factors which drive those costs. Significant cost reductions have been secured through reducing management costs. Now that these reductions have been achieved, the Council needs to ensure that it has appropriate resources and mechanisms in place to drive forward and monitor the achievement of the objectives set out in the Council's value for money strategy.

### Overall VfM conclusion

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

Value for Money

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

<b>Green</b>	Adequate arrangements
<b>Amber</b>	Adequate arrangements, with areas for development
<b>Red</b>	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
<b>Key indicators of performance</b>	<p>The Council achieved a positive variance on budget of £0.857M, equivalent to 6.8% of the final budget. This is similar to the cost-reductions and additional income realised in the 2013/14 financial year which was £0.974M, after excluding one-off items. Net expenditure on cost of services in 2014/15 was largely unchanged at £7.865M in 2014/15 compared to £7.832M in 2013/14. The Council retains healthy reserve balances and there was limited use of reserves in 2014/15. Total useable reserves reduced from £19.518M to £19.255M and this included a £300K contribution to the General Fund Balance after the Council assessed that a balance of £2.3M was required to provide the necessary coverage for unexpected cost pressures and/or short-term cash-flow issues.</p> <p>The level of sickness absence deteriorated in 2014/15 after an improvement in 2013/14. The average number of days lost to sickness per employee in 2014/15 was 12.32 compared to 10.79 in 2013/14. Management Board receive detailed reports analysing the type of sickness absences recorded. There are monitoring arrangements in place to ensure return-to-work interviews are undertaken. We understand that management have commissioned a review of the Council's approach to sickness absence and the outcome of that review is due to be considered shortly.</p>	<b>Green</b>

Theme	Summary findings	RAG rating
<p><b>Strategic financial planning</b></p>	<p>The Council's Medium Term Financial Strategy is a comprehensive document which forecasts the Council's financial position over the coming four-year period. The most recent version of the Strategy was published in March 2015. Officers and members are working together to produce a new version of the strategy which coincides with the four-year political mandate secured by the Councillors elected in May 2015.</p> <p>A significant proportion of the Council's costs relate to external contracts. Management have made detailed assumptions relating to these contracts, including a prudent forecast of the impact of any forthcoming re-tenders. Funds are set aside in the General Fund to mitigate the risk that assumptions relating to contracts prove to be overly optimistic. Similarly, assumptions relating to non-contract expenditure are appropriately supported.</p> <p>Like all local authorities, the Council is awaiting the outcome of the comprehensive spending review which is due to be published in November 2015. The Council has assumed a nominal year-on-year decrease in Revenue Support Grant and retained Non Domestic Rates of around 4% for the period 2015-16 – 2019-20. Management recognise that the actual decreases will probably be greater. Whilst the Council's prudent approach to setting funds aside in reserves in previous years provides some contingency, officers and management will nevertheless need to move quickly to design and implement the savings needed to adjust to any further reductions in government funding.</p> <p>One of the significant uncertainties affecting local authorities concerns their retained income from business rates. This amounts to approximately £3M in income per year which is over 25% of the total income received by the Council to finance revenue expenditure. Since the partial localisation of business rates in 2013/14, local authorities have assumed greater risk as they are dependent on business rates generated in the locality for a significant portion of their income. The Council has sought to mitigate this risk by establishing reserves to smooth the impact of any volatility in business rates. Membership of the business rates pool hosted by Cumbria County Council also enables the Council to retain a greater share of increases in business rates generated locally than would otherwise be the case.</p> <p>Following its election, the Government announced that social housing providers, including local authorities, must reduce their rents in real terms by 1% from 2016/17. Management have assessed that the Housing Revenue Account (-HRA) can remain in surplus in the short-term. However, implementing the reduction will nevertheless reduce rental income by around £1M over four-years. Whilst areas for HRA savings have been identified, these policy changes mean these savings plans will need to deliver cost reductions.</p>	<p><b>Amber</b></p>

Theme	Summary findings	RAG rating
<p><b>Financial governance</b></p>	<p>The Council's Director of Resources has overall responsibility for financial governance within the Council and this officer is the nominated S151 officer. The Director of Resources' portfolio of responsibilities expanded in 2014/15 following the departure of the Deputy Executive Director in August 2014. The Director of Resources and the Executive Director meet regularly with members to ensure that the political leadership and management fully recognise and grasp the Authority's financial position and the associated challenges this presents. The Director of Resources is supported by an experienced finance team, the majority of whom have worked at the Council for several years. Additionally, the Council has a business improvement team which is led by the Corporate Support Manager. Staff working in Business Improvement have recently received project management training and the team are making good progress on two projects assigned to them.</p> <p>The Audit Committee is chaired by an experienced Councillor who has been the Chair for several years. The Committee receive reports on a range of matters relating to financial governance, including reports from Internal Audit and a copy of the strategic risk register. The Audit Committee are also appropriately involved in the production of the Annual Governance Statement and have access to relevant training</p>	<p><b>Green</b></p>
<p><b>Financial control</b></p>	<p>The Council has robust arrangements in place to monitor its financial performance against budget, seek explanation for variances and take appropriate corrective action. Detailed quarterly reports are taken to meetings of the Executive Committee and plain-English explanations are provided for variance against budget. To date, schemes to deliver savings and/or realise additional income have largely delivered the expected outcomes within a relatively short period of time, i.e by reducing the establishment following a series of voluntary redundancies and by agreeing commercial tenancies for Council-owned properties. Future savings may have a longer lead time and it will be important to ensure that all stakeholders are aware of the progress made on these schemes and the level of savings achieved compared to that projected.</p> <p>The Council's collection rates for council tax and business rates improved slightly in 2014-15 compared to the previous year. 96.8% of all Council Tax due in respect of 2014-15 had been collected by 31 March 2015 and the equivalent figure for business rates was 98.1%. Performance in both areas was consistent with the national average although slightly inferior to the average for district councils nationally.</p>	<p><b>Green</b></p>

Theme	Summary findings	RAG rating
<p><b>Prioritising resources</b></p>	<p>The Council agreed a budget strategy in January 2012 which pledged to balance the budget over the four years to 31 March 2016 by reducing net expenditure by £5M. Savings of £4M have been achieved through cost reductions with the balance being achieved through generating additional income of £1M. The savings were front-loaded and the Council's organisational structure has evolved as senior staff have vacated their positions. Management overheads borne by Directorates have reduced significantly from £4.6M in 2010/11 prior to the implementation of the strategy to an estimated £2.9M in 2015/16, a reduction of 37%. The Council has sought to maximise the benefits it is able to realise from its property portfolio, investing in upgrades and improvements to the estate where necessary. This has resulted in securing long-term leases with Cumbria County Council and BAE. Front-line services are largely delivered under contract and although the Council had made some changes to these contracts there is no evidence to indicate that the cost reductions sought by the Council have had a negative impact on service delivery. The housing department remains an in-house service and there is evidence of workforce planning to reduce overheads and simplify the delivery of the service.</p>	<p><b>Green</b></p>
<p><b>Improving efficiency &amp; productivity</b></p>	<p>The Council understands its cost-base and works to understand key cost drivers. Historically, costs have been similar to those of statistically similar authorities and our analysis suggests this remains the case. There is evidence of ongoing work being undertaken to review the Council's approach to service delivery, i.e. within its leisure facilities and through the use of mobile technology by planning officers and street patrols.</p> <p>There are, however, two areas of comparatively high spend. Expenditure on cultural and leisure services is higher than average but this is offset by higher than average income generated in relation to these services. The outsourced housing benefit service is also comparatively high cost, as we have reported in previous years. There is currently limited use of benchmarking information to assist with the identification of further efficiencies. Officers and Members might wish to consider how the Council can seek to learn from other authorities experience as it develops savings plans to be incorporated into the medium term financial strategy.</p>	<p><b>Green</b></p>

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# Section 4: Fees, non-audit services and independence

01. Executive summary
02. Audit findings
03. Value for Money
<b>04. Fees, non-audit services and independence</b>
05. Communication of audit matters

## Fees, non-audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

### Fees

	Per Audit plan £	Actual fees £
Council audit	67,259	68,159
Grant certification on behalf of Audit Commission	22,300	18,310
<b>Total audit fees</b>	<b>89,559</b>	<b>86,469</b>

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

There was an error in our original audit plan concerning the audit fees. The actual fees stated above corrects that error.

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## Section 5: Communication of audit matters

01. Executive summary
02. Audit findings
03. Value for Money
04. Fees, non-audit services and independence
<b>05. Communication of audit matters</b>

# Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices

## Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Ensure that staff are only allocated access to the Oracle system which is commensurate with their responsibilities	Medium	A procedure and control sheet has been introduced whereby additional responsibility requests are logged. In emergency situations (usually on advice from the Managed Support provider) this will be authorised retrospectively. Additional responsibilities given will be monitored on a quarterly basis.	Implemented, Financial Services Manager
2	Establish audit logging within the Oracle system so that management can detect instances where users may have made inappropriate use of their access to the system.	Medium	Advice has been sought from the Managed Service provider regarding the effect on system performance from enabling audit-logging. Key areas will be identified and audit-logging implemented accordingly.	November 2015, Financial Services Manager
3	Expand budget monitoring reports to the Executive Committee so that they provide details of the progress made towards achieving the savings agreed as part of the forthcoming budget strategy.	Medium	Once the Budget Strategy is established a separate section within the quarterly finances report will be established to report the achievement of savings and reductions.	July 2016, Director of Resources
4	Produce a comprehensive action plan to address the Council's deteriorating sickness absence and ensure progress against that action plan is appropriately monitored	Medium	The absence management policy and procedure is currently under review by an external consultant with the expectation that the policy changes will come through the consultation and committee during 2015-2016. These will then be rolled out with training for all managers and supervisors early in 2016.	March 2016, HR Manager
5	Consider the use of benchmarking information from comparator organisations to challenge existing ways of working and deliver further savings	Low	The Council will consider the use of benchmarking information after the Budget Strategy is established. Having achieved and sustained a £5m reduction over the last four years, the service review process used in 2010 will take place again to create the Budget Strategy options. The Budget Strategy is owned by Members and reflects their aspirations for the services that the Council can provide into the medium and long term. Once that is established then benchmarking will be considered. The current benchmarking that is carried out is largely around competitor pricing; the reductions in cost have come from policy decisions and not from cost comparators.	July 2016, Management Board

# Appendix B: Audit opinion

**We anticipate we will provide the Council with an unmodified audit report**

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

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

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

### Respective responsibilities of the Director of Resources and auditor

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

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information

in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

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

### Opinion on other matters

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

### Matters on which we report by exception

We are required to report to you if:

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

We have nothing to report in these respects.

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

### Respective responsibilities of the Authority and the auditor

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

## Appendices

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:  
securing financial resilience; and  
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

### *Conclusion*

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

### **Certificate**

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

Jackie Bellard

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

4 Hardman Square  
Spinningfields  
Manchester M3 3EB

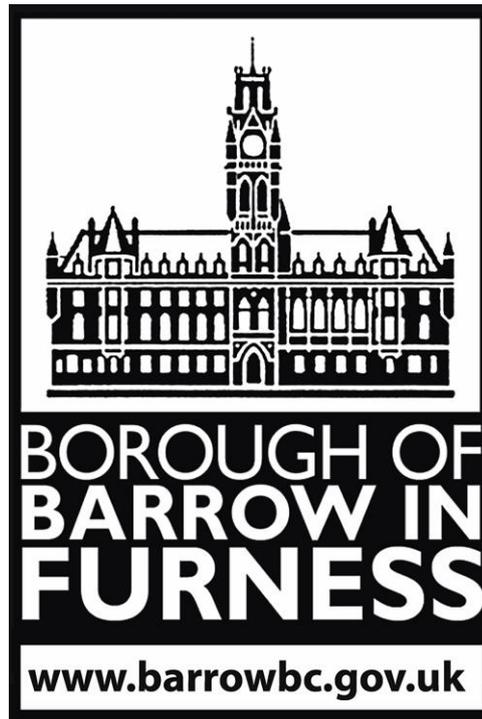
September 2015



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## **Annual Governance Statement – 2014-2015**

### **Scope and Responsibility**

Barrow Borough Council is responsible for delivering a wide range of statutory and discretionary services to the public and organisations in the area of the Borough. The Council is responsible for ensuring that its business is conducted in accordance with law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

### **Governance**

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

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

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

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

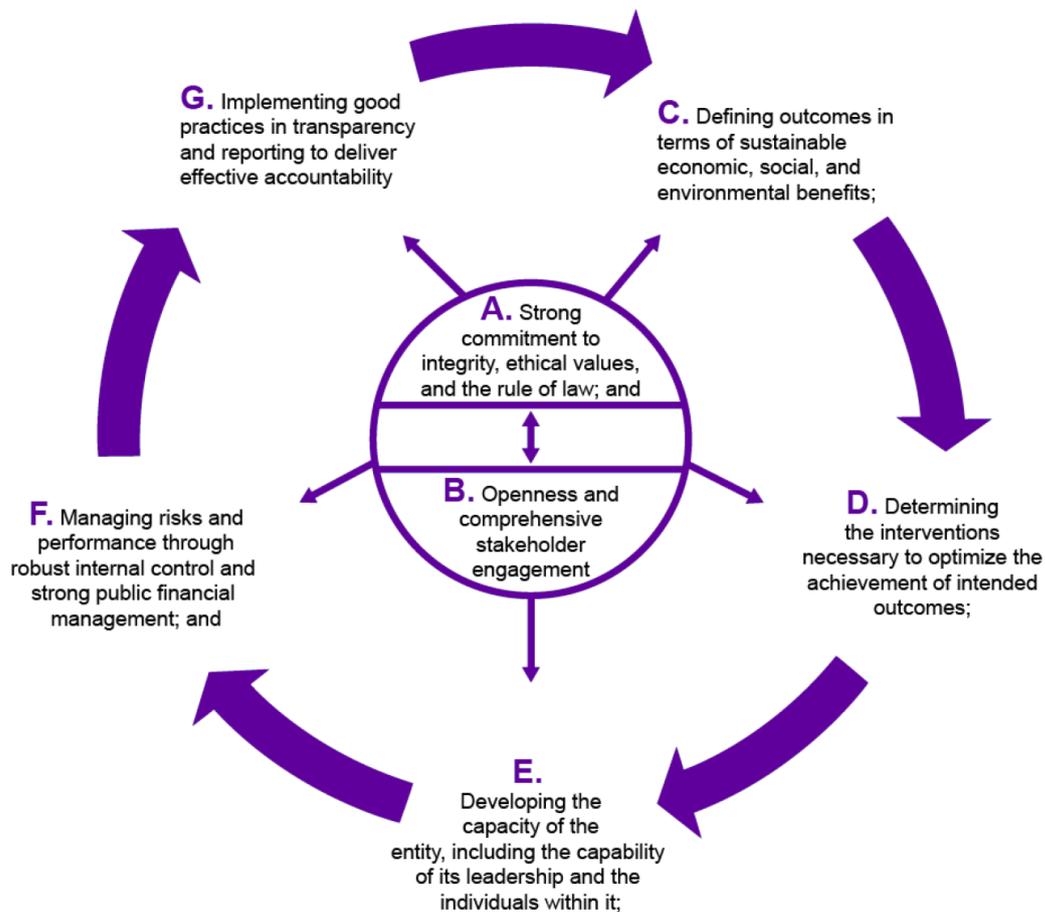
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and proportionate level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Barrow Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

CIPFA has developed a framework for good governance in the public sector, based on the 2014 *Good Governance Standard for Public Services*, produced in the UK by the Independent Commission on Good Governance in Public Services. The framework comprises of seven principles of good governance.

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

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

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



## **Review of Effectiveness**

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

A group of senior manager consisting of the following Officers were involved in compiling this Annual Governance Statement which reviews the effectiveness of our governance framework for 2014-2015:

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

In compiling the Annual Governance Statement the group considered recommendations from the Internal Audit annual report and Grant Thornton's Audit Findings Report.

## **Self-Assessment**

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

In order to demonstrate that the existing arrangements are fit for purpose and are complied with when carrying out the responsibilities and functions of the Council, a self assessment process has been undertaken and this is supported by an assurance statement completed by the members of the Management Group.

In addition the Council has established a Governance Group who annually collect assurance information using questionnaires which were completed by departmental managers.

Analysis of this information indicated that there were not any significant assurance issues but that there was scope for some improvement and an action plan will be developed to address this.

Based on the self assessment the Council considers its governance arrangements to be improving and of a higher standard than previous years.

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

The Council's governance arrangements are aligned to the seven principles defined the CIPFA framework for good governance in the public sector, based on the 2014 *Good Governance Standard for Public Services*. We produce an annual Local Code of Corporate Governance which defines what we do to deliver effective governance arrangements.

### **A: Strong commitment to integrity, ethical values, and the rule of law**

The Council is responsible for using national resources collected through local and national taxation to provide services for our citizens. We are accountable not only for how much we spend but also for the way we use the resources with which we have been entrusted. In addition, we have an overarching mission to serve the public interest, in adhering to the requirements of legislation and government policies.

Ethical values and standards are defined in the Council's Constitution and should form the basis for all our policies, procedures and actions as well as the behaviour of our Members and officers.

Council officers may be involved with interpreting laws; such activities demand a high standard of conduct that prevents these roles being brought into disrepute. We should demonstrate a strong commitment to the rule of law as well as compliance with all relevant laws.

This makes it essential that we can demonstrate the integrity of all our actions and that we have mechanisms in place that encourage and enforce a strong commitment to ethical values and legal compliance at all levels.

1. The Council maintains shared values including leadership values (openness, support and respect) both for the Council and its officers. These are defined in the constitution and reflect public expectations about the conduct and behaviour of individuals.
2. We use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the Council. We demonstrate this by adherence to the constitution.
3. We annual adopt formal codes of conduct defining standards of personal behaviour for Members and officers.
4. We maintain the Audit Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the Council's culture. Their remit includes the functions formally undertaken by the Standards Committee.

5. We have put in place arrangements to ensure that Members and staff of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests and anti-corruption policies.
6. We ensure that systems and processes for financial administration and control, protection of the Council's resources and assets, comply with ethical standards; and are subject to monitoring of their effectiveness.
7. We ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making if appropriate. We have appointed an acting Principal Legal Officer to provide support in accessing professional advice.
8. The Council has appointed statutory officers:  
The Executive Director is the Proper Officer.  
The Director of Resources is the S151 Officer.  
The Democratic Services Manager is the Monitoring Officer.
9. Officers actively recognise the limits of lawful activity placed on them but also strive to utilise their powers to the full benefit of their communities.
10. Officers observe all specific legislative requirements placed upon the Council as well as the requirements of general law, and in particular integrate the key principles of administrative law – rationality, legality and natural justice into the procedures and decision making.
11. We have put in place effective systems to protect the rights of staff. That policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place. The whistle-blowing service is administered independently by the Internal Audit manager.
12. We have established a Governance Group with the remit of collecting assurance information across all departments.
13. We publish an Annual Governance Statement, certified by the Executive Director and the Chair of the Audit Committee to confirm that we are satisfied that we have effective governance arrangements in place.

## **B: Openness and comprehensive stakeholder engagement**

The Council operates for the public good and recognises there is a need for openness about our activities as well as clear channels of communication and engagement with all stakeholders. We must demonstrate that we act in the public interest at all times to maintain public trust and confidence. We should demonstrate clear reasoning for decision making and ensure that this is formally recorded for retrospective public scrutiny.

1. We ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.
2. We maintain culture of accountability so that Members and Officers understand to whom they are accountable and for what.
3. We will strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public.
4. In 2015 we will put in place arrangements to enable the Council to engage effectively with the wider community. These arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands. The Council is improving its website to provide more opportunities for engagement.
5. We publish an annual report giving information on the Council's vision, strategy, plans and financial statements as well as information about outcomes and achievements.
6. We will continue to deliver effective scrutiny of the Council's business as appropriate and produce an annual report on the activities of the scrutiny function.
7. We will ensure that the Council as a whole is open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings. We will attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.

**C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.**

The Council has prepared and published a plan which sets out the Council's priorities; a Medium Term Financial Plan which is a financial representation of the Council's Vision and supports the priorities and a Workforce Strategy which demonstrates how we will develop the capability and capacity to deliver the priorities. We will review these documents on a regular basis to ensure they reflect the vision of the Council.

1. We make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.
2. We publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance.
3. We ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.
4. We identify and monitor service performance indicators which

demonstrate how the quality of service for users is to be measured. This includes a phased introduction of an effective data collection system for all priority services.

5. We maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved.
6. We ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management.

**D: Determining the interventions necessary to optimise the achievement of intended outcomes.**

The Council clearly defines its priorities and plans which are aimed at delivering the outcomes that the Council intends. These will focus on delivering effective and efficient services for the residents. We assess the risks of not achieving those outcomes and ensure that there are mitigating actions in place to support the achievement of intended outcomes. The Council's financial management arrangements ensure that there is adequate resource available to deliver those outcomes. The Council reviews progress against delivering those outcomes through its performance management arrangements. The Council has developed a workforce strategy to ensure that staff have the right skills to achieve our intended outcomes.

1. We make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.
2. We have risk management arrangements in place including mitigating actions to support the achievement of the Council's intended outcomes.
3. We have put effective arrangements in place to monitor service delivery.
4. We have put in place effective arrangements to deal with a failure in service delivery and explore options for improving service delivery and outcomes for our residents.
5. We have prepared contingency arrangements including disaster recovery plan, business continuity plan and arrangements for delivering services during adverse weather conditions.
6. We provide senior managers and Members with timely financial and performance information.
7. We ensure that budget calculations are robust and reserves are adequate.
8. We align financial and non-financial data to provide an overall understanding of performance.

## **E: Developing the capacity of the Council including the capability of its leadership and the individuals within it.**

The Council will develop and retain a management structure that provides leadership and creates the opportunity for staff to work effectively and efficiently to achieve the Council objectives. We will provide training and support to enable staff to develop their skills so they can achieve their full potential.

1. Through the constitution we have set out a clear statement of the respective roles and responsibilities of the Council's Executive Committee and the Members individually.
2. We have set out a clear statement of the respective roles and responsibilities of the Council's other committees and senior officers.
3. We have developed protocols to ensure effective communication between Council Members and officers in their respective roles.
4. We have developed protocols to ensure that the Leader and Executive Director negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained.
5. We have set out the terms and conditions for remuneration of Members and officers and publish an Annual Pay Policy Statement in accordance with the requirements of the Localism Act 2011.
6. We have determined a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required.
7. We have put effective management arrangements are in place throughout the organisation.
8. The Head of Paid Services is the Executive Director who is responsible and accountable to the Council for all aspects of operational management.
9. The Chief Financial Officer is a member of the Council's Senior Management Board, with access to the Executive Director and other members of the leadership team.
10. The Section 151 Officer responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
11. We have appointed a professionally qualified and experienced Chief Financial Officer, who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds; together with professional accountability for finance staff throughout the Council.
12. The Monitoring Officer is responsible to the Council for ensuring that the constitution is adhered to in terms of lawfulness and legality.

13. We assess the skills required by Members including the understanding of financial systems. We will agree a personal development plan to develop skills and address any training gaps, to enable roles to be carried out effectively.
14. We assess the skills required by officers through the appraisal process and address any training gaps, to enable roles to be carried out effectively.
15. We continue to develop skills to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.
16. We ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.
17. We will review the scope of the Chief Financial Officer's non-financial areas of responsibility to ensure financial matters are not compromised.
18. We provide the Chief Financial Officer with the resources, expertise and systems necessary to perform the role effectively within the Council.

**F: Managing risks and performance through robust internal control and strong public financial management.**

The Council recognises the need to implement an effective performance management system that allow us to deliver services effectively and efficiently. We understand that risk management, internal control and strong financial management are essential for us to achieve our objectives and we have put appropriate arrangements in place.

1. We maintain an effective Audit Committee which is independent of the executive and scrutiny functions.
2. The Chief Financial Officer is enabled to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained.
3. Risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their job.
4. We ensure our arrangements for financial and internal control and management of risk to be formally addressed within the annual governance reports.
5. We have effective internal control arrangements exist for sound financial management systems and processes.
6. We have established a performance reporting mechanism to ensure that Members and managers are provided with accurate and meaningful performance information.

## **G: Implementing good practices in transparency and reporting to deliver effective accountability.**

The Council recognises that effective accountability is concerned not only with reporting on actions completed but ensuring stakeholders are able to understand and respond as the Council plans and carries out its activities in an open manner.

1. We comply with the local government transparency code and publish all required and other frequently requested information in a timely manner.
2. We have established a medium term business and financial planning process in order to deliver - a financial strategy ensuring sustainable finances, a robust annual budget process ensuring financial balance and an adequate monitoring process; all of which are subject to regular review.
3. We have put in place effective transparent and accessible arrangements for dealing with complaints.
4. We will continue to maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall;
5. We maintain an effective Audit Committee which is independent of the Executive and Scrutiny committees.
6. We ensure an effective internal audit function is resourced and maintained.
7. We maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.
8. We will attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.
9. We have put in place arrangements for whistle-blowing to which staff and all those contracting with the Council have access.
10. We produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council.
11. We have effective arrangements for determining the remuneration of senior staff and publish an Annual Pay Policy Statement in accordance with the requirements of the Localism Act 2011.

## **Internal Audit opinion**

An important part of the governance arrangements is the maintenance of an Internal Audit function, which operates in accordance with Public Sector Internal Audit Standards.

The effectiveness of the Internal Audit function is examined on an annual basis.

The Internal Audit function examines and evaluates the adequacy of the Council's system of internal controls as a contribution to ensuring that resources are used in an economical, efficient and effective manner. The work is delivered through a risk-based approach to the Internal Audit planning process; resulting in the production of an Annual Audit Plan which is approved by the Audit Committee.

The effectiveness of the Internal Audit function is subject to review through the Council's Audit Committee; in addition the Council's External Auditor will place reliance wherever possible on the work carried out by Internal Audit.

The opinion of Internal Audit Manager has been extracted from the Internal Audit Annual Report:

“My detailed opinion is that, for the systems reviewed, the Council has basically sound systems of control in place, although there are weaknesses which put some of the system objectives at risk, these mainly relate to areas of contract management and control. The profile of assurance is in our experience comparable to other local authorities, with the majority of Council systems receiving Substantial Assurance. Weaknesses found as a result of the audit plan are dependent on the contribution of the Council's staff as audit clients. I would like to record our appreciation for the involvement and commitment of staff, and for their critical appraisal of our recommendations during the year. I would also like to acknowledge the support shown by the Audit Committee in the delivery of our plan.”

## **Financial management**

The Director of Resources is the Officer charged with statutory responsibility for the proper administration of the Council's financial affairs, this statutory role is the Chief Financial Officer.

In 2010 CIPFA issued a Statement on the Role of the Chief Financial Officer in Local Government, which sets out five principles that define the core activities and behaviours that belong to the role of the Chief Financial Officer and the governance requirements needed to support them. The Council's financial management arrangements conform to the governance requirements of the Statement.

Director of Resources:

- Leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- Ensures that budget calculations are robust and reserves and balances are adequate in accordance with CIPFA guidance and best practice.
- Ensures that the appropriate financial information systems, functions and controls are in place so that finances are kept under review on a regular basis.

The Director of Resources has established a Medium Term Financial Plan based on the Council's Budget Strategy in order to meet the challenge of reduced Central Government funding.

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

There were no recommendations relating to the Annual Governance Statement in the 2013-2014 Annual Audit Letter. There is one on-going action from the previous year regarding the outstanding Business Continuity Plan.

The Council has identified arrangement for ICT disaster recovery and these have been implemented. This will facilitate the Council's business continuity arrangements and the Business Continuity Plan has been prepared. Disaster recovery arrangements are in place to allow priority services to operate if the Town Hall cannot be used. Replicate data is collected in real time and stored off-site. Comprehensive testing of this system is on-going to provide confidence that these arrangements are effective.

Other areas highlighted for improvement during the review of 2014-2015 which will be part of the ongoing actions in 2015-2016, but are not judged to be significant relate to sickness absence, performance appraisal and financial resilience. These areas support the overall governance of the Council's business and are included for completeness.

### **Action Plan 2015/16**

<b>Action</b>	<b>Responsible officer</b>	<b>Due date</b>
Comprehensive testing of disaster recovery arrangements.	Corporate Support Manager	October 2015
Cascade of Business Continuity Plan.	Corporate Support Manager	January 2016
Review absence management policies	HR Manager	January 2016
Re-launch performance appraisal scheme	HR Manager	Commenced
Prepare budget strategy beyond 2016	Executive Director	2016

## **J. Certification Statement**

The review of the governance arrangements for the financial year 2014-2015 has not highlighted any areas of major concern for the Council. We believe that the existing arrangements are fit for purpose and are adequate to meet the Council's corporate aims.

**Councillor Mrs A Burns**  
**Chairman of the Audit Committee**

**P Huck**  
**Executive Director**

Evidence to support compliance with the seven principles:

**A: Strong commitment to integrity, ethical values, and the rule of law.**

Demonstrating integrity	We have adopted formal codes of conduct defining standards of personal behaviour for Members and officers.	The Council's <a href="#">Constitution</a> part 5 contains codes of conduct for Members and officers.
	We maintain the Audit Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the Council's culture.	The Council's <a href="#">Constitution</a> part 3 defines the terms of reference of the Audit Committee
	We have put in place arrangements to ensure that Members and staff of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests and anti-corruption policies.	The Council's <a href="#">Constitution</a> part 4 sets out the Council's rules of procedure.  The Council's <a href="#">local code of governance</a> defines how we manage this.  The Council publishes an <a href="#">anti-corruption policy</a> on its website
	We have established a governance group with the remit of collecting assurance information across all departments.	The Council's assurance group meets routinely to review governance arrangements (assurance group minutes)
	We will publish an Annual Governance Statement, signed by the Executive Director and the Chair of the Audit Committee to confirm that we are satisfied that we have effective governance arrangements in place.	The Council's <a href="#">Annual Governance Statement</a> is published on its website.
Strong commitment to ethical values	The Council will maintain shared values including leadership values (openness, support and respect) both for the Council and its officers. These are defined in the constitution and reflect public expectations about the conduct and behaviour of individuals.	The Council's <a href="#">Constitution</a> defines the Council's values
	We use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the Council.	The Council's <a href="#">Constitution</a> defines the Council's values
	We ensure that systems and processes for financial administration and control, protection of the Council's resources and assets, comply with ethical standards; and are subject to monitoring of their effectiveness.	The Council undertakes an annual review of financial regulations and contract standing orders are set out in Part 4 of the <a href="#">Constitution</a>

	We have put in place effective systems to protect the rights of staff. Ensure that policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place.	The Council has Human resources policies to protect staff.  The Council has antifraud arrangements in place and <a href="#">fraud hotline</a>
Strong commitment to the rule of law	We will ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making if appropriate.	The Council provides a legal service with access to professional advice to support decision making.
	Officers will actively recognise the limits of lawful activity placed on them but also strive to utilise their powers to the full benefit of their communities.	Officers routinely make use of legal service when carrying out their duties.
	Officers will observe all specific legislative requirements placed upon the Council as well as the requirements of general law, and in particular integrate the key principles of administrative law – rationality, legality and natural justice into the procedures and decision making.	Assessments of the legal implications for all decisions are presented to the Executive Committee as part the executive reporting template.

## **B: Openness and comprehensive stakeholder engagement**

Openness	We will maintain culture of accountability so that Members and Officers understand to whom they are accountable and for what.	The roles and responsibilities of Members and Officers are clearly defined in articles 2 & 3 of the Council's <a href="#">Constitution</a>
	We will deliver effective scrutiny of the Council's business as appropriate and produce an annual report on the activities of scrutiny function.	The Council operates an effective scrutiny function which submits an <a href="#">annual scrutiny report</a> (item 8) of activities to Full Council.
	We will ensure that the Council as a whole is open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings. We will attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.	The Council strive to publish all committee report under part one on the agenda. There may be exemptions under schedule 12 of the Local Government Act 1972.

Engaging individual citizens and service users effectively	In 2014 we will put in place arrangements to enable the Council to engage effectively with the wider community. These arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands.	
	We will publish an annual report giving information on the Council's vision, strategy, plans and financial statements as well as information about outcomes, achievements.	The Council publishes an <a href="#">Annual Report</a> .
	We will strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public.	
Engaging comprehensively with institutional stakeholders	We will ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.	The <a href="#">Council's Plan</a> is developed by senior managers who have a good knowledge of the priorities of other stakeholders and is agreed by the Executive Committee item 11.

**C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.**

Defining outcomes	We will make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.	The purpose of the Council is clearly defined in the <a href="#">Constitution</a>  The <a href="#">Council's Plan</a> is developed by senior managers and identifies the Council's service priorities.
	We will publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance.	The Council publishes an <a href="#">Annual Report</a> that communicates the Council's activities, achievements and financial position
	We will ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.	Assessments of financial and non-financial information for all decisions are presented to the Executive as part the executive reporting template. <a href="#">Example Executive Report</a>
Sustainable economic, social	We will identify and monitor service performance indicators which demonstrate how the quality of service for users is to be	The Council has a limited number of performance indicators which are currently

and environmental benefits	measured. This will include a phased introduction of an effective data collection system for all priority services.	reported to the <a href="#">Overview and Scrutiny committee</a> (item 9). We are developing a suite of meaningful indicators to reflect its priorities.
	We maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved.	The Council's prudential framework is defined in the Budget Strategy. Budgetary control is strictly observed and monitoring reports are presented to Management Board and the Executive Committee on a quarterly basis.  <a href="#">Corporate Financial Monitoring</a>
	We ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management.	Prudential indicators agreed with Members prior to each financial year and monitored as part of the Council's quarterly <a href="#">Corporate Financial Monitoring</a> process

**D: Determining the interventions necessary to optimise the achievements of intended outcomes.**

Robust decision making mechanism	We will make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.	The purpose of the Council is clearly defined in the <a href="#">Constitution</a>  The <a href="#">Council's Plan</a> is developed by senior managers and identifies the Council's service priorities.
Planning interventions	We have risk management arrangements in place including mitigating actions to support the achievement of the Council's intended outcomes.	The Council has prepared <a href="#">a risk management policy</a> and a <a href="#">risk register</a> which is updated by Management Board and presented to Audit Committee on a quarterly basis
	We will ensure that there are effective arrangements in place to monitor service delivery.	The Council monitors service delivery through its CRM system and point of use monitoring.
	We will put in place effective arrangements to deal with a failure in service delivery and explore options for improving service delivery and outcomes for our residents.	The Council has effective arrangements for monitoring service failure through its <a href="#">CRM</a>

		<a href="#">system</a> and <a href="#">complaints procedure</a> .
Optimising achievement of intended outcomes	We ensure that budget calculations are robust and reserves are adequate.	<p>The Chief Finance Officer ensures that the budget estimates are robust and based on reasonable assumptions.</p> <p>The reserves and balances are reviewed at budget time and when closing the accounts. The CFO issues an assurance at these times in line with CIPFA recommended practice.</p> <p>All financial systems function in a controlled environment and are subject to regular Internal Audit review.</p>
	We will align financial and performance data to provide an overall understanding of performance.	The <a href="#">Council's Plan</a> aligns financial and performance information
	We have prepared contingency arrangements and are currently developing disaster recovery, business continuity plan and arrangements for delivering services during adverse weather conditions.	
	We will provide senior managers and Members with timely financial and performance information.	<p>The Executive Committee and Management board are presented with financial information as part of the Council's quarterly <a href="#">Corporate Financial Monitoring</a> process (Item 15).</p> <p>Performance information is presented to Scrutiny Committee and Management Board on a quarterly basis.</p>

**E: Developing the capacity of the Council including the capacity of its leadership and the individuals within it.**

Developing the capacity of the	We have determined a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required.	The scheme of delegated and reserved powers defined in Part 3 of the <a href="#">Constitution</a>
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entity	<p>We will ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.</p>	<p>The skills required to undertake a role are identified in job specifications.</p> <p>Skill gaps and development opportunities are identified through the appraisal process.</p> <p>All staff have access to training and development pages on the Intranet.</p>
	<p>We will review the scope of the Chief Financial Officer's non-financial areas of responsibility to ensure financial matters are not compromised.</p>	<p>The scope of the CFO's roles is reviewed as part of the appraisal process</p>
	<p>We provide the Chief Financial Officer with the resources, expertise and systems necessary to perform the role effectively within the Council.</p>	<p>The recent restructure provides the Chief Financial Officer with the resources, expertise and systems necessary to perform the role effectively within the Council.</p>
Developing the entity's leadership	<p>Through the constitution we have set out a clear statement of the respective roles and responsibilities of the Council's Executive Committee and the Members individually.</p>	<p>The roles and responsibilities of the Executive Committee are clearly defined in Part 3 of the Council's <a href="#">Constitution</a></p>
	<p>We have set out a clear statement of the respective roles and responsibilities of the Council's other committees and senior officers.</p>	<p>The roles and responsibilities of other Committee are clearly defined in Part 3 of the Council's <a href="#">Constitution</a></p>
	<p>We have developed protocols to ensure effective communication between Council Members and officers in their respective roles.</p>	<p>Protocols to ensure effective communication are clearly defined in Part 5 of the Council's <a href="#">Constitution</a></p>
	<p>We have developed protocols to ensure that the Leader and Executive Director negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained.</p>	<p>Protocols to ensure effective communication are clearly defined in Part 4&amp;5 of the Council's <a href="#">Constitution</a></p>
	<p>We will ensure that effective management arrangements are in place at the top of the organisation.</p>	<p>Management arrangements are clearly defined in Part 3 of the Council's <a href="#">Constitution</a></p>
	<p>The Executive Director is responsible and accountable to the Council for all aspects of operational management.</p>	<p>The Executive Directors responsibilities and accountability are clearly defined in Part 3 of</p>

		the Council's <a href="#">Constitution</a>
	The Chief Financial Officer is a member of the Council's Senior Management Board, with access to the Executive Director and other members of the leadership team.	The CFO is a member of the Council's Management Board
	The Section 151 Officer responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.	The Borough Treasurer has been appointed as Section 151 officer.  Statutory provision is set out in the financial regulations in part 4 of the <a href="#">Constitution</a> .  The Council produces annual statutory reports including a statement of accounts, budget setting report council tax setting report and a treasury policy.
	We have appointed a professionally qualified and experienced Chief Financial Officer, who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds; together with professional accountability for finance staff throughout the Council	The Council has a CIPFA qualified and experienced chief financial officer.
	The Monitoring Officer responsible to the Council for ensuring that the constitution is adhered to.	The Council has appointed a Monitoring Officer to ensure adherence the Constitution
Developing the capability of individuals within the entity	We will assess the skills required by Members including understanding of financial systems. We will agree a personal development plan to develop skills and address any training gaps, to enable roles to be carried out effectively.	The Council has a development strategy for Members. All Members have a Personal Development Plan supported by a learning programme.  The Council has induction programmes for Members
	We will assess the skills required by officers through the appraisal process and address any training gaps, to enable roles to be carried out effectively.	The skills required to undertake a role are identified in job specifications.

		Skill gaps and development opportunities are identified through the appraisal process.
	We will develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.	The Council continues to develop skills through its training programme and provides specialist expertise if required
	We have set out the terms and conditions for remuneration of Members and officers and publish an Annual Pay policy statement in accordance with the requirements of the Localism Act 2011.	Officers pay and conditions are set out in line with the NJC green book.  Chief Officers pay and conditions are set out in line with the NJC purple book.  The members allowance scheme is defined in part 6 of the <a href="#">Constitution</a>  The Council has appropriate pay and conditions policies in place.

**F: Managing risks and performance through robust internal control and strong public financial management.**

Managing risk	We will ensure that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their job.	The Council has prepared <a href="#">a risk management policy</a> and a <a href="#">risk register</a> which is updated by Management Board and presented to Audit Committee on a quarterly basis
Managing performance	We will maintain an effective Audit Committee which is independent of the executive and scrutiny functions.	The Council has an effective <a href="#">Audit Committee</a> and an <a href="#">Overview and Scrutiny committee</a>
	We will enable the Chief Financial Officer to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained.	The CFO is a director of the Council and is a member of the Council's Management Board
Robust internal control	We will ensure our arrangements for financial and internal control and management of risk to be formally addressed within the annual governance reports.	

	<p>We will ensure effective internal control arrangements exist for sound financial management systems and processes.</p>	<p>The Chief Financial Officer manages the Council's finances within the Financial Regulation framework that is set out in the <a href="#">Constitution</a></p> <p>The council adopts professional accounting standards on reporting. We comply with legislation and statutory requirements relating to financial matters.</p>
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**G: Implementing good practices in transparency and reporting to deliver effective accountability.**

<p>Implementing good practices in transparency</p>	<p>We have established a medium term business and financial planning process in order to deliver - a financial strategy ensuring sustainable finances, a robust annual budget process ensuring financial balance and an adequate monitoring process; all of which are subject to regular review.</p>	<p>The <a href="#">medium Term Financial Plan</a> is a financial representation of the Council's vision and supports its' Council's Priorities.</p>
	<p>We have put in place effective transparent and accessible arrangements for dealing with complaints.</p>	<p>The Council has effective arrangements for dealing with complaints through its <a href="#">complaints procedure</a>.</p>
	<p>We will maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall;</p>	<p>The Council has an effective <a href="#">Overview and Scrutiny committee</a></p>
	<p>We will maintain an effective Audit Committee which is</p>	<p>The Council has an effective <a href="#">Audit Committee</a></p>

	independent of the Executive and Scrutiny committees.	
	We will ensure an effective internal audit function is resourced and maintained.	The Council has effective Internal Audit arrangements
	We will maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.	The Council has effective decision making arrangements through the <a href="#">Executive Committee</a>
	We will put in place arrangements for whistle-blowing to which staff and all those contracting with the Council have access.	The Council has effective whistle blowing arrangements through the <a href="#">fraud hotline</a>
Implementing good practices in transparency reporting	We comply with the local government transparency code and publish all required information in a timely manner.	This Council complies with the Local Government <a href="#">Transparency</a> code
	We will attempt to publish all committee agenda items under “part 1” unless there is the need to preserve confidentiality where it is proper and appropriate to do so.	The Council strive to publish all committee report under part one on the agenda. There may be exemptions under schedule 12 of the Local Government Act 1972.
	We will produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council.	Budget holders have access to a member of the accounts department and financial information is available on-line
	We will maintain effective arrangements for determining the remuneration of senior staff and publish an Annual Pay Policy statement in accordance with the requirements of the Localism Act 2011.	Officers pay and conditions are set out in line with the NJC green book.  Chief Officers pay and conditions are set out in line with the NJC purple book.  <a href="#">Pay Policy</a>



Grant Thornton LLP  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

**Barrow Borough Council**

**Resources Directorate**

TOWN HALL · DUKE STREET  
BARROW-IN-FURNESS · CUMBRIA LA14 2LD  
Tel: (01229) 876543  
DX 63917 BARROW-IN-FURNESS  
Email: [customerservices@barrowbc.gov.uk](mailto:customerservices@barrowbc.gov.uk)  
[www.barrowbc.gov.uk](http://www.barrowbc.gov.uk)

Our Ref: SMR/LoR

Contact Name: Susan Roberts

Date: 24/09/2015

Your Ref: -

Dear Sirs

**Barrow in Furness Borough Council**

**Financial Statements for the year ended 31 March 2015**

This representation letter is provided in connection with the audit of the financial statements of Barrow in Furness Borough Council for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 an applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ("the Code"); which give a true and fair view in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

- vi. We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.
- vii. Except as stated in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent;
  - b. none of the assets of the Council has been assigned, pledged or mortgaged;
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x. All events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

## Information Provided

- xv. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## **Annual Governance Statement**

xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

## **Approval**

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on **24 September 2015**.

## **Signed on behalf of the Council**

**S M Roberts CPFA, ACMA**  
**Director of Resources**  
**24 September 2015**

**Councillor Mrs A Burns**  
**Audit Committee Chairman**  
**24 September 2015**

**Part One**

<b>AUDIT COMMITTEE</b>	<b>(D) Agenda Item 14</b>
<b>Date of Meeting: 24th September, 2015</b>	
<b>Reporting Officer: Executive Director</b>	
<b>Title: Local Government Ombudsman Annual Letter 2015</b>	
<b>Summary and Conclusions:</b>	
To consider the Ombudsman's Annual Review Letter for 2015.	
<b>Recommendations:</b>	
Members are invited to note the report.	

**Report**

The Ombudsman issues an annual review letter to Council's reviewing complaints against the Authority. A copy of the letter and the annual statistics are attached at **Appendix 12**.

During 2014/15, a total of nine complaints/enquiries were received as shown in the review letter. The ombudsman has not provided the detailed breakdown of complaints/enquiries.

**Background Papers**

Nil.

18 June 2015

*By email*

Mr Phil Huck  
Executive Director  
Barrow-in-Furness Borough Council

Dear Mr Huck

### **Annual Review Letter 2015**

I am writing with our annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO) about your authority for the year ended 31 March 2015. This year's statistics can be found in the table attached.

The data we have provided shows the complaints and enquiries we have recorded, along with the decisions we have made. We know that these numbers will not necessarily match the complaints data that your authority holds. For example, our numbers include people who we signpost back to the council but who may never contact you. I hope that this information, set alongside the data sets you hold about local complaints, will help you to assess your authority's performance.

We recognise that the total number of complaints will not, by itself, give a clear picture of how well those complaints are being responded to. Over the coming year we will be gathering more comprehensive information about the way complaints are being remedied so that in the future our annual letter focuses less on the total numbers and more on the outcomes of those complaints.

### **Supporting local scrutiny**

One of the purposes of the annual letter to councils is to help ensure that learning from complaints informs scrutiny at the local level. Supporting local scrutiny is one of our key business plan objectives for this year and we will continue to work with elected members in all councils to help them understand how they can contribute to the complaints process.

We have recently worked in partnership with the Local Government Association to produce a workbook for councillors which explains how they can support local people with their complaints and identifies opportunities for using complaints data as part of their scrutiny tool kit. This can be found [here](#) and I would be grateful if you could encourage your elected members to make use of this helpful resource.

Last year we established a new Councillors Forum. This group, which meets three times a year, brings together councillors from across the political spectrum and from all types of local authorities. The aims of the Forum are to help us to better understand the needs of councillors when scrutinising local services and for members to act as champions for learning from complaints in their scrutiny roles. I value this direct engagement with elected members and believe it will further ensure LGO investigations have wider public value.

## **Encouraging effective local complaints handling**

In November 2014, in partnership with the Parliamentary and Health Service Ombudsman and Healthwatch England, we published '*My Expectations*' a service standards framework document describing what good outcomes for people look like if complaints are handled well. Following extensive research with users of services, front line complaints handlers and other stakeholders, we have been able to articulate more clearly what people need and want when they raise a complaint.

This framework has been adopted by the Care Quality Commission and will be used as part of their inspection regime for both health and social care. Whilst they were written with those two sectors in mind, the principles of '*My Expectations*' are of relevance to all aspects of local authority complaints. We have shared them with link officers at a series of seminars earlier this year and would encourage chief executives and councillors to review their authority's approach to complaints against this user-led vision. A copy of the report can be found [here](#).

## **Future developments at LGO**

My recent annual letters have highlighted the significant levels of change we have experienced at LGO over the last few years. Following the recent general election I expect further change.

Most significantly, the government published a review of public sector ombudsmen in March of this year. A copy of that report can be found [here](#). That review, along with a related consultation document, has proposed that a single ombudsman scheme should be created for all public services in England mirroring the position in the other nations of the United Kingdom. We are supportive of this proposal on the basis that it would provide the public with clearer routes to redress in an increasingly complex public service landscape. We will advise that such a scheme should recognise the unique roles and accountabilities of local authorities and should maintain the expertise and understanding of local government that exists at LGO. We will continue to work with government as they bring forward further proposals and would encourage local government to take a keen and active interest in this important area of reform in support of strong local accountability.

The Government has also recently consulted on a proposal to extend the jurisdiction of the LGO to some town and parish councils. We currently await the outcome of the consultation but we are pleased that the Government has recognised that there are some aspects of local service delivery that do not currently offer the public access to an independent ombudsman. We hope that these proposals will be the start of a wider debate about how we can all work together to ensure clear access to redress in an increasingly varied and complex system of local service delivery.

Yours sincerely



Dr Jane Martin  
Local Government Ombudsman  
Chair, Commission for Local Administration in England

## Local authority report – Barrow-in-Furness Borough Council

For the period ending – 31/03/2015

For further information on interpretation of statistics click on this link to go to <http://www.lgo.org.uk/publications/annual-report/note-interpretation-statistics/>

### Complaints and enquiries received

Local Authority	Adult Care Services	Benefits and tax	Corporate and other services	Education and children's services	Environmental services and public protection	Highways and transport	Housing	Planning and development	Total
Barrow BC	0	3	2	1	3	0	0	0	9

### Decisions made

Local Authority	<u>Detailed investigations carried out</u>		Advice given	Closed after initial enquiries	Incomplete/Invalid	Referred back for local resolution	Total
	Upheld	Not Upheld					
Barrow BC	0	1	0	4	2	3	10

Barrow BC

Complaints received in period (Apr 2014 - Mar 2015)

	Ref	Authority	Category	Received Date
1	14000238	Barrow BC	Benefits & Tax	04/Apr/2014
2	14000655	Barrow BC	Benefits & Tax	14/Apr/2014
3	14001294	Barrow BC	Environmental Services & Public Protection & Regulation	24/Apr/2014
4	14004035	Barrow BC	Corporate & Other Services	10/Jun/2014
5	14008068	Barrow BC	Corporate & Other Services	13/Aug/2014
6	14012701	Barrow BC	Benefits & Tax	31/Oct/2014
7	14013903	Barrow BC	Environmental Services & Public Protection & Regulation	20/Nov/2014
8	14018384	Barrow BC	Education & Childrens Services	18/Feb/2015
9	14020910	Barrow BC	Environmental Services & Public Protection & Regulation	30/Mar/2015

Barrow-in-Furness BC  
Decisions made in period (Apr 2014 - Mar 2015)

Ref	Authority	Category	Decision date	Decision
1	Barrow BC	Environmental Services & Public Protection & Regulation	10/Apr/2014	Referred back for local resolution
2	Barrow BC	Benefits & Tax	22/Apr/2014	Closed after initial enquiries
3	Barrow BC	Environmental Services & Public Protection & Regulation	24/Apr/2014	Referred back for local resolution
4	Barrow BC	Benefits & Tax	08/May/2014	Closed after initial enquiries
5	Barrow BC	Corporate & Other Services	04/Jul/2014	Incomplete/Invalid
6	Barrow BC	Benefits & Tax	01/Sep/2014	Not Upheld
7	Barrow BC	Corporate & Other Services	03/Sep/2014	Closed after initial enquiries
8	Barrow BC	Benefits & Tax	31/Oct/2014	Incomplete/Invalid
9	Barrow BC	Environmental Services & Public Protection & Regulation	15/Dec/2014	Closed after initial enquiries
10	Barrow BC	Environmental Services & Public Protection & Regulation	30/Mar/2015	Referred back for local resolution