



# **Copeland Borough Council**

## **Statement of Accounts**



**For the Year Ended 31 March 2007**

[www.copeland.gov.uk](http://www.copeland.gov.uk)

**COPELAND BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2007**

**Contents**

Audit Certificate and Opinion	2
Explanatory Foreword	3
Statement of Accounting Policies	8
Statement of Responsibilities for the Statement of Accounts	15
Statement on the System of Internal Control	16
Income & Expenditure Account	23
Statement of Movement on the General Fund Balance	25
Statement of Total Recognised Gains and Losses	26
Balance Sheet	27
Cash Flow Statement	28
Notes to the Core Financial Statements	29
Housing Revenue Account	50
Collection Fund	51
Glossary of Terms	53

Copies of this and previous years' accounts are available for viewing, along with other information on the Authority's services, on the Authority's website at [www.copeland.gov.uk](http://www.copeland.gov.uk) or from Copeland Borough Council, Copeland Centre, Catherine Street, Whitehaven, Cumbria, CA28 7SJ

Awaiting inclusion of audit certificate and opinion

## EXPLANATORY FOREWORD

### 1. Introduction

This document provides a brief overview of the Council's financial activities for the financial year ending 31 March 2007 as compared against budget, as a foreword to the Council's statutory annual Statement of Accounts. The Statement of Accounts comprises of various financial and non-financial statements as outlined in the commentary below.

The purpose of the core financial statements is summarised below:

- **Income & Expenditure Account** covers income and expenditure on services for which the Council is responsible
- **Statement of Movement on the General Fund Balance** reconciles the Authority's actual financial performance as accounted for in the Income & Expenditure Account with the statutory provisions relating to how an Authority sets its budget
- **Statement of Total Recognised Gains and Losses** aggregates all the gains and losses of the Authority for the year to determine any changes in its net worth
- **The Balance Sheet** sets out the financial position as at 31 March 2007 in respect of balances, reserves, long term indebtedness, fixed and current assets employed in its operations
- **Cash Flow Statement** summarise the overall inflows and outflows of cash in the year for revenue and capital purposes
- **Notes to the Core Financial Statements** explain the key figures outlined in the core financial statements.

The following supplementary Financial Statements and supporting notes are included also:

- **Housing Revenue Account** reflects a 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
- **Collection Fund** shows the level of non-domestic rates and council tax that has been received by the Authority during the period.

The following non-financial statements also form part of the statement of accounts:

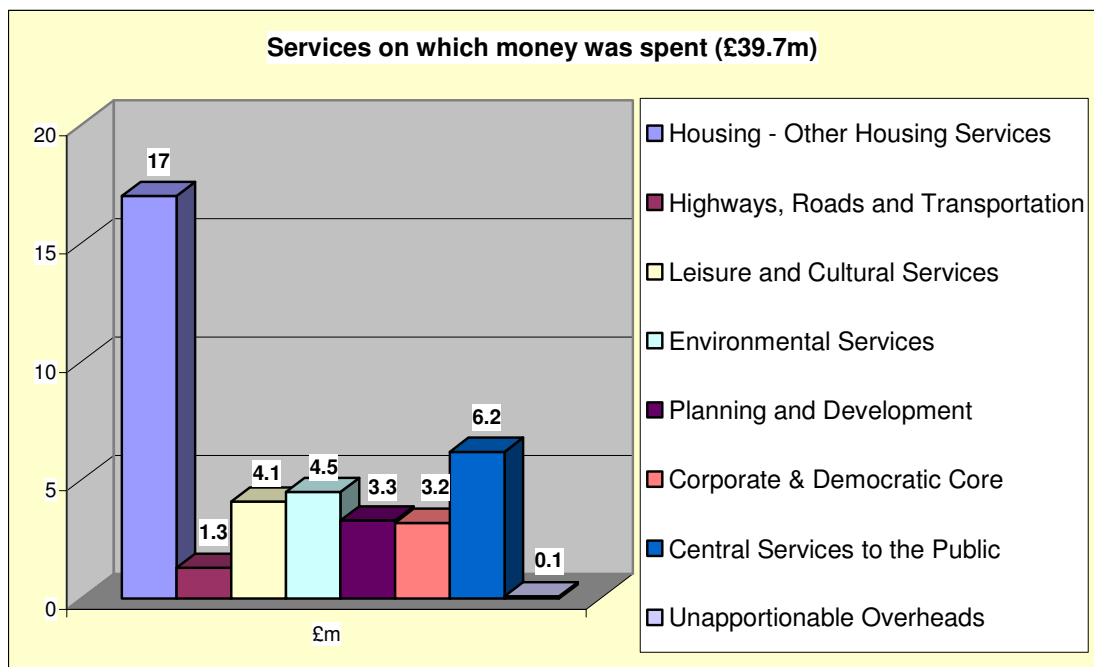
- **Statement of Responsibilities** identifies the Officer who in legislation is responsible for the proper administration of the Authority's financial affairs and hence the production of the statement of accounts
- **Statement on the System of Internal Control** identifies: (a) the systems that the Authority has in place to ensure that its business is conducted in accordance with the law and proper standards; (b) that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- **Statement of Accounting Policies** details the policies adopted by the Council for accounting purposes.

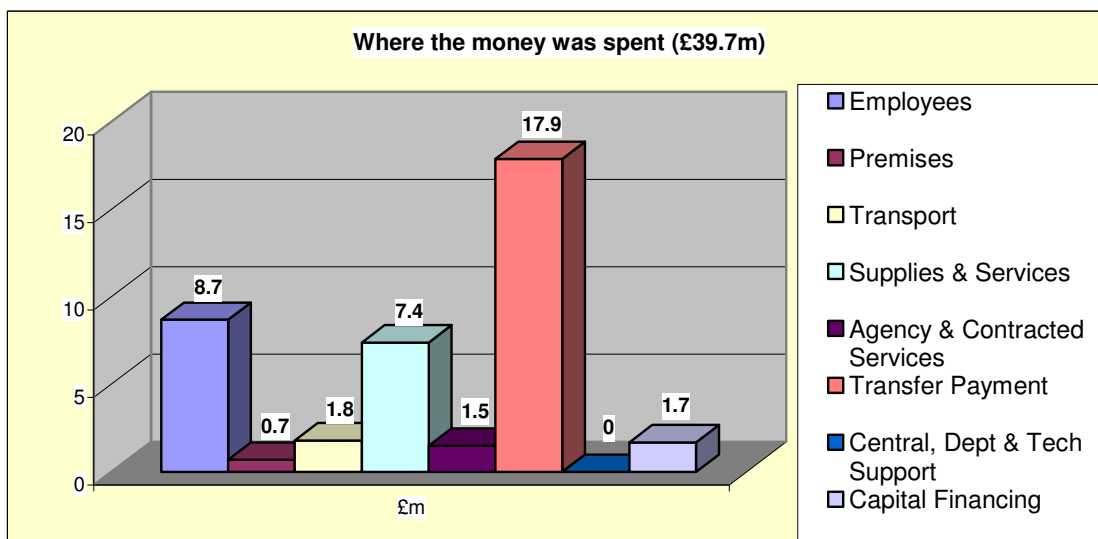
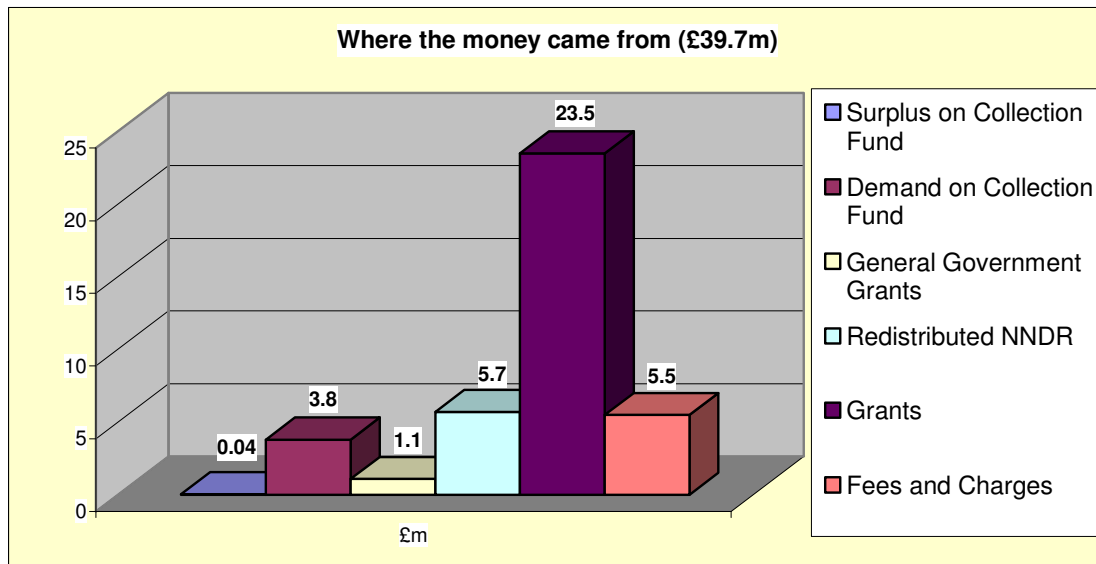
## 2. Revenue Expenditure and Income

During 2006/07 the Authority incurred expenditure of £40m on its services to the public, and after discounting the impact of notional capital charges and approved expenditure of £551,207 for carry forward, there was a net underspend against budget of £187,909 which is equivalent to 1.4% of the budget.

The table below shows how actual spending compared with the revised budget:

	<b>Revised Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
Net expenditure on services	10,510	11,566	(1,056)
Contribution to / (from) balances	(168)	(1,224)	1,056
<b>Budget level met by:</b>	<b>10,342</b>	<b>10,342</b>	
Council tax	3,506	3,506	
Business rates	5,693	5,693	
Revenue support grant	1,099	1,099	
Collection Fund	44	44	
	<b>10,342</b>	<b>10,342</b>	





The main elements of income are:

**Council Tax £3.5m** – this is the council tax collected from local taxpayers.

**Non-Domestic Rates £5.7m** – a tax on domestic properties collected by local authorities and paid into a national “pool” which the Government then shares out to local authorities according to a fixed amount per head of population.

**Other Government Grants £24.6m** – these are grants from the Government for support on a range of specific services including Housing Benefits (£15.0m), Council Tax Benefits (£5.0m), Private Sector Housing Renewal and Disabled Facilities Grant (£1.5m), Safer Stronger Communities Fund (£1.4m), and various other (£1.7m).

**Sales, Fees and Charges, and Other Income £5.5m** – these are fees and charges for services provided, ranging from planning applications to car park fines.

**Other Income £1.2m** – this is interest receivable for the financial year.

The Council, as at the end of the financial year, had a number of earmarked reserves set aside for specific purposes along with capital reserves to fund future capital projects. A large majority of these reserves have already been committed in the budget planning process for future spending.

Earmarked reserves for revenue expenditure total £6.5m including:

- £1.7m relating from the Right to Buy sales of Council Properties after transfer
- £0.7m for future payments to the PFI provider.

The following table shows the movement in reserves during 2006/07:

	<b>01 April 2006</b>	<b>31 March 2007</b>
	<b>£'000</b>	<b>£'000</b>
General fund	2,755	2,650
Other earmarked reserves	4,242	4,737
<b>Total</b>	<b><u>6,997</u></b>	<b><u>7,387</u></b>

### 3. Capital Expenditure

The annual capital programme of £4.2m is summarised below:

	Expenditure £m	Financing		Use of Earmarked Reserves £m
		Grants / Contributions £m	Capital Receipts £m	
Tangible and Intangible Assets	3.0	2.0	0.5	0.5
Private Sector Renovation	1.2	1.5	(0.3)	0.0
<b>Total</b>	<b><u>4.2</u></b>	<b><u>3.5</u></b>	<b><u>0.2</u></b>	<b><u>0.5</u></b>

For comparison purposes the total capital programme for 2005/06 was £3.9m.

### 4. Collection Fund

Council Tax, Business Rates and residual Community Charges are paid into the Collection Fund. Payments are made to the National Business Rate Pool (for redistribution to Local Authorities) and precepts to Cumbria County Council, Cumbria Police Authority, Parish Councils and the Council's General Fund.

Band D Council Taxes were set as follows:

	<b>£</b>
Copeland Borough Council	158.37
Cumbria County Council	1,019.43
Cumbria Police Authority	163.08
<b>Total</b>	<b><u>1,340.88</u></b>

## **5. Investments and Borrowing**

The Council's authorised limit for external debt for 2006/07 was £8.5m, with an operational limit of £5.5m.

Investments at financial year end amounted to £19.11m. Borrowing at the financial year end stood at £5m.

The Council has adopted the four key clauses of the CIPFA Code of Practice for Treasury Management.

## **6. Pension Reserve**

The Authority has fully implemented Financial Reporting Standard (FRS17), Retirement Benefits, whose objective is to ensure that the Authority's financial statements reflect the fair value of future pension liabilities that have been incurred and the extent to which assets have already been set aside to fund them. This has resulted in the recognition of a pension liability and pension reserve of £7.6 m as at 31 March 2007.

When included in the Authority's Balance Sheet, the net pension liabilities decrease the overall level of reserves. However this does not represent a reduction in the cash reserves and does not impact on Council Tax levels.

Capital reserves total £5.4m:

- £2.6m from capital receipts from sale of assets and repayment of third party loans
- £1.4m VAT sharing receipt following the Housing Stock Transfer
- £1.4m from Right to Buy sales of Council Housing pre Housing Stock Transfer

The Council has entered into a PFI scheme with London and Regional (Copeland) Limited, for 25 years, for office accommodation in Whitehaven. This is part funded from a PFI credit from Central Government. Details of the operating lease payments are shown as note 18 on page 36 in the notes to the core financial statements.

**Paul Robson**  
**Acting Accountancy Services Manager**  
**Copeland Borough Council**

**26 June 2008**



## STATEMENT OF ACCOUNTING POLICIES

### 1 General Principles

The accounts are published in accordance with the Accounts and Audit Regulations 2006 and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice (the SORP) and Best Value Accounting Code of Practice 2006. Unless mentioned below the accounts comply with the relevant Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS) in so far as they are applicable to local authority accounts. The accounts are based on the historical cost convention modified by the revaluation of specific categories of tangible fixed assets.

The 2006 SORP consolidates statutory provisions for the preparation of financial statements and requirements of UK financial reporting standards (FRS), including FRS 17 Retirement Benefits and FRS 18 Accounting Policies, except to the extent that the latter conflicts with specific aspects of statute, so that the Authority's accounts "present fairly" the financial position and transactions of the Authority.

There have been no material changes in the Council's Accounting Policies as a result of the significant changes in the SORP in relation to the format and content of the Statement of Accounts.

### 2 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:

- Fees, charges and rents due from customers are accounted for as income at the date the Authority provides the relevant goods or services
- Supplies are recorded as expenditure when they are consumed, and where there is a gap between the date supplies are received and their consumption they are carried as stocks on the Balance Sheet
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet
- Interest payable on borrowings and receivable on investments is accounted for in the year to which it relates on a basis that reflects the overall effect of the loan or investment
- Where income and expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected
- Income and expenditure is credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

### **3 Provisions**

Provisions are made where a liability of uncertain amount or timing has arisen as the result of a decision or event having taken place that places an obligation (either legal or constructive) on the authority to settle the liability at some time in the future, but only where a reliable estimate can be made of the financial impact of settling that obligation.

A provision is made in the accounts to reflect the possibility of non-payment of doubtful debts, and the debtor figure in the Balance Sheet is reduced to reflect the provision. Uncollectible debts are written off in the Income and Expenditure Account when they become known.

### **4 Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies for budgeting purposes. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance and hence are classified as budgeted expenditure, but are not accounted for in the Income and Expenditure account until utilised. When expenditure to be financed from reserves is incurred, it is charged to the appropriate service revenue account in that year and hence is accounted for in the net cost of services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

In addition to the above the Code of Practice requires the following two reserve accounts, neither of which can be used to support spending, to be shown on the Balance Sheet:

- Fixed Asset Restatement Account reflects the deficit or surplus balance arising from the periodic revaluation of fixed assets
- Capital Financing Account represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or repay external loans and certain other capital financing transactions.

### **5 Government Grants and Contributions (Revenue)**

Whether paid on account, by instalments, or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution. There is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general revenue expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

### **6 Retirement Benefits**

Employees of the Authority are members of the Local Government Pension Scheme administered by Cumbria County Council. The scheme provides defined benefits to members, retirement lump sums and pensions earned as employees work for the Authority.

Detailed information on the operation and valuation of the pension scheme is provided in note 37 in the Notes to the Core Financial Statements.

Statutory provisions limit the Authority to raising council tax to cover the amounts payable by the Authority to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the pension's reserve, to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

The Authority also has restricted powers to make discretionary awards of retirement benefit 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.

## **7 Value Added Tax**

Income and expenditure excludes any amounts related to VAT, except where this is considered to be irrecoverable. All VAT collected is payable to HM Revenue and Customs, and all VAT paid is (in the majority of circumstances) recoverable from them.

## **8 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 Best Value Accounting Code of Practice 2006. 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 multi-functional, democratic organisation
- Non-distributed costs – the cost of discretionary benefits awarded to employees retiring early.

These two costs are accounted for as separate headings in the Income and Expenditure Account as part of net cost of services.

## **9 Intangible Fixed Assets**

Expenditure on assets that do not have a physical substance, but are identifiable and controlled by the Authority (e.g. software licences), is capitalized when it will bring benefits to the Authority for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

## 10 Tangible Fixed assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

### Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Authority and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of the asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

### Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet, using the following measurement bases:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- Land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- Infrastructure and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Fixed Asset Restatement Account to recognise unrealised gains.

### Impairment

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review, or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- Otherwise – written off against the Fixed Asset Restatement Reserve.

## **Disposals**

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

Amounts in excess of £10,000 are categorised as capital receipts. Capital receipts are credited to the usable Capital Receipts Reserve, and can then be used in accordance with the provisions of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 for new capital investment, or to set aside to reduce the Authority's underlying need to borrow the capital financing requirement. Receipts are appropriated to the reserve from the Statement of Movement on the General Fund Balance.

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 Financing Account from the Statement of Movement on the General Fund Balance.

## **Depreciation**

Depreciation is provided for on all assets with a determinable finite life, except for investment properties, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the remaining life of the property as estimated by an authorised valuer
- Vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Community assets and non operational assets – no depreciation is provided on these classes of assets.

## **Grants and contributions**

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the government grants deferred account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

## **11 Charges to revenue for fixed assets**

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service
- Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to cover depreciation, impairment losses or amortisations. However it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Financing Account for the difference between the two.

## **12 Deferred charges**

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Deferred charges incurred during the year are written off as expenditure to the relevant service revenue account in the year. Where the Authority determines to meet the cost of the deferred charges from existing capital resources, or by borrowing, a transfer is made to the Capital Financing Account to reverse out the amount charged in the Statement of Movement on General Fund balance so there is no impact on the level of council tax.

## **13 Leases**

The Authority accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Authority.

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

## **14 Repurchase of borrowing**

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to net operating expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However where repurchase has taken place as part of restructuring of the loan portfolio with substantially the same overall effect when viewed as a whole, gains and losses are recognised on the Balance Sheet and written down to revenue on a straight line basis over the term of the replacement loans.

## **15 Investments**

Surplus collection fund and general fund monies are invested with outside bodies in accordance with the Authority's treasury management strategy.

Investments are carried at cost. If the value of an investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss made in the Income and Expenditure Account if this is unlikely to be a temporary fall.

## **16 Stocks and work in progress**

Stocks are included in the Balance Sheet at the latest price paid, with an allowance made in relation to the price rises since purchase. This is a departure from the requirements of the code of practice and SSAP9, which require stocks to be shown at actual cost or net realisable value if lower. The effect of the different treatment is not considered to be material.

## **17 Interests in Companies and other entities**

The Authority has no material interests in companies and other entities that have the nature of subsidiaries, associates, and joint ventures, and therefore there is no requirement to prepare group accounts.

## **18 Public Finance Initiative**

In accordance with SSAP21 and FRS5, the terms of the PFI payments with regard to the Copeland Centre, are equivalent to an operating lease, in that transactions are dealt with purely within the revenue account, and no asset is recognised on the Balance Sheet.

Government grants received for the PFI scheme, in excess of current in year expenditure, are carried forward as an earmarked reserve to fund future contract expenditure.

## **19 Prior period adjustment**

Material adjustments relating to previous years, arising from changes in accounting policies or for the correction of fundamental errors, are accounted for by restating the comparative figures for the previous period in the statement of accounts and notes, and adjusting the balance of reserves for the cumulative effect.

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's Responsibilities**

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts and authorise their issue.

Acting in the capacity of the Council's Accountancy Services' Manager during the period in which the accounts were finalised, I am responsible for the preparation of the Authority's Statement of Accounts, which in terms of the CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

In preparing this Statement of Accounts I have:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code
- 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 Balance Sheet as at 31 March 2007 and the Income and Expenditure Account for the year 2006/07 presents fairly the financial position of the Borough of Copeland.

Paul Robson  
Accountancy Services' Manager

26 June 2008

### **Audit Committee Approval:**

The statement of Accounts was approved by the Audit Committee on 26 June 2008

On behalf of the Audit Committee:

Chair of Audit Committee

26 June 2008



## STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

### 1 Scope of Responsibility

Copeland Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Copeland Borough 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, Copeland Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Copeland Borough Council's functions and which includes arrangements for the management of risk.

### 2 The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Copeland 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.

Internal controls have continued to be developed through the year and up to the date of approval of the annual report and accounts.

### 3 The Internal Control Environment

The key elements of the internal control environment are described below:

#### ***3.1 Establishing and monitoring the achievement of the Authority's objectives***

- A revised Corporate Plan 2005/07 was submitted to the Executive on 21/02/06, prior to full Authority approval. This was succeeded by a 5 year Council Plan, adopted on 17 April 2007
- Key objectives are published in the annual Best Value Performance Plan (BVPP) and in the Corporate Plan
- Individual Service Plans, linked to the Corporate Plan, set out key objectives. Service Plans for 2006/07 were in place by April 2006, and the majority of Service Plans for 2007/08 have been developed in parallel with the 5 year Council Plan to reinforce deliverability
- Targets and objectives are reviewed quarterly. Performance against Corporate Plan objectives is reported to the Executive quarterly. Service key objectives are monitored by the Chief Executive /relevant Director
- Achievement of the main objectives is also reported annually in the BVPP.

### ***3.2 The facilitation of policy and decision-making***

- The Authority's Constitution provides a general framework for governance and is reviewed annually
- The Executive meets at least monthly to facilitate prompt decision-making, with a "call in arrangement", preventing decisions being implemented for 5 working days, to allow for effective scrutiny
- Individual Portfolio Holders have delegated powers
- Four Overview and Scrutiny Committees, based on cross-cutting themes, have work plans which provide a mechanism for feeding into policy making
- The Forward Plan details key decisions to be made by the Executive.

### ***3.3 Ensuring compliance with established policies, procedures, laws and regulations and the role of risk management***

- The Head of Legal and Democratic Services is the Monitoring Officer
- The Audit Committee was established in May 2006 as a dedicated resource to support compliance with established policies, procedures, laws and regulations and the role of risk management
- General Standing Orders, the Scheme of Delegation and Contract Standing Orders are regularly reviewed. Contract Standing Orders were revised in February 2005. Financial Regulations were revised in June 2006
- The Authority adopted the Good Governance Standard for Public Services in July 2005, drawing up an action plan for improvement
- Full Council 28/02/06 approved the Comprehensive Equality Policy, a Disability Equality Scheme on 12 December 2006 and a Gender Equality Policy on 17 April 2007
- Level 1 of the Equality Standard for Local Government achieved by April 2006. Plan to achieve Level 2 was agreed by Improvement Board, with requirement for Equality Impact Assessments of services and policies
- There is an approved Anti-Fraud and Corruption Strategy. Training on Public Interest Disclosure Act was carried out during summer 2006, and the Whistle-Blowing Policy was reissued to employees and contractors during 2006/07
- Internal audit carry out annual audits of the main financial systems and cyclical audits of minor financial and operational systems, based on an annual risk analysis
- Reports on audit activity were made to the Audit Committee

- A revised Risk Management Strategy and Framework was approved by the Executive on 25/04/06. This includes monitoring of the Corporate Risk Register and Service Operational Risk Registers. Reports on progress with implementation were made to Overview and Scrutiny Committees and Executive
- The Project Manager for any major project has to submit a Project Initiation Document (PID) to the Improvement Board for approval. The PID includes an evaluation of the risks and documents how they will be managed
- Councillors completed personal development assessments in 2005/06. This resulted in a programme of training for 2006/07
- The Authority's managers undertook a corporate management training programme during 2006/07
- A dedicated post of Health and Safety Officer was appointed as part of the restructure in 2005/06. The Authority's managers undertook Managing Safely IOSH accredited courses. A comprehensive programme of health and safety training was delivered for employees in all services and new guidance issued to managers. The 2004/05 Health & Safety Policy was revised and agreed by Executive in September 2006
- An IT Security Policy was issued in December 2005 and all existing and new Councillors and employees are required to sign up to the Policy
- A revised Code of Conduct was issued to employees in January 2006 and all employees were required to sign up to this new Code.

### ***3.4 Ensuring the economical, effective and efficient use of resources and the drive for continuous improvement***

- Some standards and targets have been established for many years. There is a recognised need to extend these and to use them to improve performance
- Standards for customer service were adopted by Management Group in September 2005 and were formally approved by the Executive 21/02/06. Work continued in 2006/07 to refine and embed these
- Performance against national Best Value Performance Indicators (BVPI's) and implementation plans for all Best Value Reviews are monitored through individual service performance reports and, corporately, by Performance Improvement. Quarterly reports are made to Executive on progress against the BVPI's. Where performance falls below target, corrective action has to be approved, and specific targets are included in Service Plans
- An improvement plan was drawn up following the 2003/04 Corporate Performance Assessment (CPA). Progress continued to be monitored in 2006/07 by the Improvement Board
- Developments in the Comprehensive Performance Assessment process have been consulted upon and responded to by the Authority. Progress in meeting the new requirements has been reported to the Improvement Board and Overview and Scrutiny Committee Performance and Resources

- The Resources Steering Group ensures that resources are allocated to Authority priorities
- A Procurement Strategy has been prepared and adopted, together with an improvement action plan. A Procurement Officer started work in October 2006
- A Communications Manager was appointed following the restructure in 2005 and the Communications Strategy was approved in May 2006 by Executive. The Communications Strategy includes reviewing existing methods of consultation and feedback on performance, and an initial evaluation of progress was made in January 2007.

### ***3.5 Financial management of the Authority and the reporting of financial management***

- The S.151 Officer (the Head of Finance & Business Development) is responsible for ensuring that appropriate officer advice is given, throughout the Authority, on all financial records and accounts and for ensuring an effective system of internal financial control
- Monthly budget monitoring reports are issued to budget holders and variances are reported to the Executive on a quarterly basis
- Quarterly reports are made to the Executive on treasury management and on financial progress of the capital programme
- Financial Regulations are regularly reviewed. The last review in April 2006 was approved by the Executive and Full Council in June 2006.

### ***3.6 Performance management of the Authority and the reporting of performance management***

- Quarterly performance monitoring reports for the Corporate Plan and PI's are considered by the Executive. These report against key objectives and against the national BVPI's
- Quarterly monitoring of performance against Service Plan objectives is carried out by Heads of Services and reported to the Chief Executive / relevant Director. This includes a review of operational risk registers. From April 2006, this also included the monitoring of outstanding audit recommendations
- Annual employee development interviews link individual performance to the service objectives
- The CoValent Performance Management system was procured and introduced in 2006/07, with the first quarterly report produced on it going to Executive in February 2007. This has increased the efficiency and effectiveness on performance reporting.

#### 4 Review of Effectiveness

Copeland Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

- Full Council reviewed the Constitution in April 2006, and it was approved in June 2006. The Authority approved further changes in April 2007 to take account of the Local Government White Paper “Strong and Prosperous Communities”
- The Audit Committee considered the annual Audit & Inspection Letter (Audit Commission) in March 2007 and an annual report on compliance with the Good Governance Standard for Public Services (internal audit) on 31 May 2007
- The Executive received regular reports on corporate performance throughout 2006/07 and approved the Best Value Performance Plan
- The Audit Committee monitored internal and external audit work, including reviewing the adequacy of internal controls
- Risk management and progress on developing a business continuity plan was monitored regularly by Corporate Team. Completing a full and tested business continuity plan is regarded as a priority for 2007/08
- Overview & Scrutiny Committees - there was one significant control issue arising from the “call in” of decisions. The Enforcement Service’s budgetary imbalance was subject of call-in, review and developing options for future delivery of the service
- The Improvement Board continued to monitor progress on the improvement plan drawn up following the Comprehensive Performance Assessment inspection in 2003/04
- Individual Heads of Service provided an annual assurance statement on the operation of controls in their service area
- There were no S.151 reports issued in 2006/07
- No Monitoring Officer reports were produced in 2006/07, other than periodic reports to Corporate Team on review of risks
- Internal Audit updated a review of the arrangements for Corporate Governance in 2006/07 and reported to the Audit Committee on 31 May 2007. Internal Audit also submitted an Annual Report on Internal Control to the Audit Committee on 31 May 2007

- External Audit published the Annual Audit and Inspection Letter which was presented to Councillors on 23 March 2007. Other Audit Commission reports included the Auditor's report on the Best Value Performance Plan, the Direction of Travel Report and the Use of Resources Judgement
- The Benefits Fraud Inspectorate inspected the housing and council tax benefits services. An action plan previously agreed with the Benefits Fraud Inspectorate in 2005/06 was delivered in 2006/07
- There were no adverse Ombudsman reports in 2006/07.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by all of those mentioned above. Plans to address weaknesses and ensure continuous improvement of the system are in place.

## 5 SIGNIFICANT INTERNAL CONTROL ISSUES

### 5.1 *Outstanding Items*

There are two issues which may seriously prejudice or prevent achievement of principal objectives:

- The draft Business Continuity Plan should be approved, tested and include all services
- A corporate resource plan should co-ordinate the resources needed to ensure there is the capacity to deliver the Authority's objectives to timescale.

.....  
Signature of the Leader of Copeland Borough Council

.....  
Date

.....  
Signature of the Mayor, Chair of the Council

.....  
Date

.....  
Signature of the Chief Executive

.....  
Date

.....  
Signature of the Head of Finance and Business Development

.....  
Date

# **CORE FINANCIAL STATEMENTS**

## INCOME & EXPENDITURE ACCOUNT

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

2005/06		2006/07	2006/07	2006/07	
Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Note
948	Central services to the public	6,225	(5,744)	481	
7,122	Cultural, environmental and planning services	12,181	(5,117)	7,064	
362	Highways, roads and transport services	1,321	(296)	1,025	
1,268	Housing services	17,024	(16,341)	683	
1,142	Corporate and democratic core	2,368	(18)	2,350	
(753)	Non distributed costs	69		69	
<b>10,089</b>	<b>TOTAL CONTINUING OPERATIONS</b>	<b>39,188</b>	<b>(27,516)</b>	<b>11,672</b>	
<b>90</b>	<b>Discontinued operations – Careline services</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>54</b>	<b>Discontinued operations – Housing stock</b>	<b>0</b>	<b>0</b>	<b>0</b>	3
<b>10,233</b>	<b>NET COST OF SERVICES</b>			<b>11,672</b>	
	(Gain) / loss on the disposal of fixed assets			(29)	
315	Parish council precepts			335	
378	Interest payable and similar charges			378	
90	Contribution of housing capital receipts to government pool			4	
(1,306)	Interest and investment income			(1,180)	
316	Pension interest costs and expected return on pension assets			142	37
<b>10,026</b>	<b>NET OPERATING EXPENDITURE</b>			<b>11,322</b>	
(3,765)	Demand on the Collection Fund			(3,885)	
	Transfer to insurance reserves				
(3,892)	General government grants			(1,099)	
(2,005)	Non-domestic rates redistribution			(5,693)	
<b>364</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>			<b>645</b>	



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

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

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

The reconciliation statement on the next page summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2005/06 £'000		2006/07 £'000	NOTE
364	(Surplus)/deficit for the year in the Income & Expenditure Account	645	
(792)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(540)	
<b>(428)</b>	<b>(Increase)/decrease in General Fund Balance for the Year</b>	<b>105</b>	
<b>(2,327)</b>	General Fund Balance brought forward	<b>(2,755)</b>	
<b>(2,755)</b>	<b>General Fund Balance carried forward</b>	<b>(2,650)</b>	

### NOTE OF RECONCILING ITEMS

2005/06 £'000		2006/07 £'000	NOTE
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year</b>		
(159)	Amortisation of intangible assets	(133)	19
(770)	Depreciation and impairment of fixed assets	(1,118)	19
176	Government grants deferred amortization	643	
(1,051)	Write down of deferred charges to be financed from capital resources		
	Net gain on sale of fixed assets	29	
(565)	Net charges made for retirement benefits in accordance with FRS17	(1,126)	37
<b>(2,369)</b>	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on general fund balance for the year</b>	<b>(1,705)</b>	
	Minimum revenue provision for capital financing	(111)	12
50	Capital expenditure charged in year to general fund balance	48	
(90)	Transfer from usable capital receipts for payment to housing capital receipts pool	(4)	
1,039	Employer's contributions payable to Cumbria Superannuation Fund	1,103	37
<b>(1,370)</b>		<b>(669)</b>	
	<b>Transfers to or from the general fund balance required to be taken into account when determining the movement on the general fund balance for the year</b>		
(54)	Housing Revenue Account balance	(86)	
632	Net transfer to or from the earmarked reserves/other statutory funds	215	
<b>(792)</b>	Net additional amount required to be credited to the general fund balance for the year	<b>(540)</b>	

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

<b>2005/06</b>		<b>2006/07</b>	<b>Note</b>
<b>£'000</b>		<b>£'000</b>	
364	(Surplus)/deficit for the year on the Income & Expenditure Account	645	
322	(Surplus)/deficit for the year arising the revaluation of fixed assets	(11,214)	
(255)	Actuarial (gains)/losses on the Pension Fund Assets and Liabilities	(2,855)	
34	(Surplus) / deficit on the Collection Fund relating to Copeland Borough Council	39	
(32)	Other movement in reserves not reflected in Income and Expenditure Account		
<b>433</b>	<b>Total recognised (gains)/losses for year</b>	<b>(13,385)</b>	
<b>23,011</b>	<b>Net worth as at 1 April 2006</b>	<b>22,578</b>	
<b>22,578</b>	<b>Net worth as at 31 March 2007</b>	<b>35,963</b>	
<b>433</b>	<b>Movement in year</b>	<b>(13,385)</b>	

## BALANCE SHEET

2005/06 £'000		2006/07 £'000	£'000	Note
	<b>Fixed assets</b>			
511	<b>Intangible assets</b>		378	20
	<b>Tangible fixed assets</b>			
	<b>Operational assets:</b>			
12,835	Other land and buildings	19,899		
1,248	Vehicles, plant and equipment	1,109		
2,569	Infrastructure assets	2,472		
			23,480	13,14,16,17,19
4,953	<b>Non-operational assets:</b>		8,549	13,14,16,17,19
<b>22,116</b>	<b>TOTAL FIXED ASSETS</b>		<b>32,407</b>	
10	Long term investments	6,010		23
2,222	Long-term debtors	84		24
			6,094	
<b>24,348</b>	<b>TOTAL LONG TERM ASSETS</b>		<b>38,501</b>	
	<b>Current assets</b>			
59	Stocks and work in progress	79		25
5,271	Debtors	5,557		26
18,366	Investments	13,103		27
0	Cash and bank	0		
			18,739	
<b>48,044</b>	<b>TOTAL ASSETS</b>		<b>57,240</b>	
	<b>Current liabilities</b>			
(4)	Short-term borrowing	(4)		
(3,703)	Creditors	(3,893)		29
(2,888)	Bank overdraft	(1,227)		
			(5,124)	
<b>41,449</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>52,116</b>	
	<b>Long-term liabilities</b>			
(5,000)	Long-term borrowing	(5,000)		30
(620)	Provisions	(631)		31,32
(2,592)	Government grants deferred	(2,436)		
(10,448)	Liability related to defined benefit pension scheme	(7,617)		37
(211)	Deferred grants unapplied	(461)		
			(16,145)	
<b>22,578</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>35,971</b>	
	<b>Financed by:</b>			
(29,566)	Fixed asset restatement account	(19,164)		
50,526	Capital financing account	48,270		
4,913	Usable capital receipts reserve	7,078		
44	Deferred capital receipt	31		
(10,448)	Pension reserve	(7,618)		37
2,755	General fund balance	2,650		21
86	Housing Revenue Account balance	0		21
4,242	Earmarked reserves	4,737		21
26	Earmarked reserve – Collection Fund	(13)		21
<b>22,578</b>	<b>TOTAL NET WORTH</b>		<b>35,971</b>	33

## CASH FLOW STATEMENT

2005/06 £'000	2005/06 £'000		2006/07 £'000	2006/07 £'000	Note
		<b>REVENUE ACTIVITIES</b>			
		<b>Cash outflows</b>			
8,029		Cash paid to and on behalf of employees	8,658		
11,820		Other operating cash payments	12,476		
44		Payments to capital pool	4		
14,399		Housing benefit paid out	14,216		
27,491		National non-domestic rate	27,978		
25,477		Precepts paid	26,839		
	<u>87,260</u>			<u>90,171</u>	
		<b>Cash inflows</b>			
0		Rents (after rebates)	0		
(23,857)		Council tax receipts	(25,217)		
(25,533)		National non-domestic rate	(27,425)		
(3,892)		Revenue support grant	(1,099)		
(2,005)		NNDR receipt from the pool	(5,693)		
(15,460)		DWP grants for benefits	(14,425)		
(6,929)		Other government grants	(7,694)		38
(7,048)		Cash received for goods and services	(7,587)		
(523)		Other operating cash receipts	(98)		
	<u>(85,247)</u>			<u>(89,238)</u>	
		<b>Net cash outflow / (inflow) on revenue activities</b>		<b>933</b>	<b>38</b>
	2,013	<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
		<b>Cash outflows</b>			
378		Interest paid	378		
		<b>Cash inflows</b>			
(1,335)		Interest received	(1,294)		
	(957)			(916)	
		<b>CAPITAL ACTIVITIES</b>			
		<b>Cash outflows</b>			
567		Purchase of fixed assets	600		
1,137		Payment of renovation and other grants	1,239		
		<b>Cash inflows</b>			
(551)		Sale of fixed assets	(812)		
(502)		Capital grants received	(1,263)		
(84)		Other capital receipts	(2,179)		
	<u>567</u>			<u>(2,415)</u>	
		<b>NET CASH OUTFLOW / (INFLOW) BEFORE FINANCING</b>		<b>(2,398)</b>	<b>38</b>
	1,623	<b>MANAGEMENT OF LIQUID RESOURCES</b>			
	2,246	Net increase / (decrease) in short term deposits		(2,115)	
		<b>FINANCING</b>			
		<b>Cash outflows</b>			
0		Repayment of amounts borrowed	0		
		<b>Cash inflows</b>			
0		New loans raised	0		
	<u>0</u>			<u>0</u>	
	<u><u>3,869</u></u>	<b>Net (increase) / decrease in cash</b>		<u><u>(4,513)</u></u>	

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **1 Continuing/Acquired Operations**

During 2006/07 there were no acquired operations affecting the Authority, and there were no outstanding liabilities on any previously discontinued services.

### **2 Prior Year, Exceptional / Extraordinary Items**

With regard to 2006/07, there are no prior year, exceptional or extraordinary items.

The SORP is amended annually for changes in statute and accounting practices.

The 2006/07 Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice (the SORP), published 30 September 2005. The implementation of the 2006 SORP resulted in significant changes to the presentation of the Statement of Accounts. The changes required: (a) the Consolidated Revenue Account by an Income and Expenditure account and a Statement of Movement on the General Fund Balance; (b) the Statement of Total Movement of Reserves by the Statement of Total Recognised Gains and Losses and an additional requirement to group the core financial statements.

The 2006/07 Statement of Accounts required the 2005/06 Consolidated Revenue Account and Statement of Total Movement on Reserves to be restated in the new format for ease of comparing financial performance between the years. The following table shows the movements between the restated comparative figures and those published in the 2005/06 audited accounts.

	Consolidated Revenue Account in 2005/06 Statement of Accounts £'000	Removal of capital financing charges £'000	Adjustments relating to audit accrual and pension reserve £'000	Relocation of government grants deferred credits £'000	Re-allocation of loan interest payable £'000	Restated movement on reserves (Note 2 – Core Financial Statements) £'000	2005/06 comparative in Income and Expenditure Account £'000
Central services to the public	981	(7)		(26)			948
Cultural, environmental and planning services	7,852	(605)		(125)			7,122
Highways, roads and transport services	406	(44)					362
Housing services	1,281			(13)			1,268
Corporate and democratic core	(345)	(2)	26	(13)		1,476	1,142
Non distributed costs	(717)		(36)				(753)
Discontinued operations	144						144
<b>Impact on Net Cost of Services</b>	<b>9,602</b>	<b>(658)</b>	<b>(10)</b>	<b>(177)</b>	<b>0</b>	<b>1,476</b>	<b>10,233</b>
Parish council precepts	315						315
AMRA	(457)	658		177	(378)		
Interest payable and similar charges					378		378
Contribution of housing capital receipts to pool	90						90
Interest and investment income	(1,306)						(1,306)
Pension costs/returns	316						316
<b>Impact on Net Operating Expenditure</b>	<b>8,560</b>	<b>0</b>	<b>(10)</b>	<b>0</b>	<b>0</b>	<b>1,476</b>	<b>10,026</b>

### 3 Trading Operations/Discontinued Operations

The Authority does not have any continuing trading operations. The transfer of the Authority's Housing Stock occurred on 7 June 2004 and the Housing Revenue Account was statutorily closed on 4 April 2006.

### 4 Section 137 of the Local Government Act 1972 (as amended)

Section 137(3) of the 1972 Act has been retained, following the Local Government Act 2000 repealing the majority of the provisions under Section 137, which empowers parish / community councils, subject to various conditions and limits, to incur expenditure which in their opinion is in the interest of their area or any part of it, or all or some of its inhabitants, but for which no specific statutory power exists. The expenditure is limited to £1.90 per head of population. Based on a population of 71,500, the Authority was permitted to spend £135,850 under this power in 2006/07 and its actual expenditure was zero.

## 5 Publicity Account

Under Section 5(1) of the Local Government Act 1986 the Authority is required to keep a separate account of its expenditure on publicity. The amounts set out in the table below are included in the appropriate headings in the Income and Expenditure Account.

	2005/06	2006/07
	£	£
<b>Staff advertising</b>	<b>100,882</b>	<b>37,102</b>
<b>Advertising</b>		
Development services	10,186	12,461
Leisure management	31,634	4,735
General	8,618	13,185
Business rates / council tax	7,171	3,300
	<b>57,609</b>	<b>33,681</b>
<b>Promotions and exhibitions</b>		
Economic development	2,421	2,784
Leisure management	1,586	0
Whitehaven civic hall	66,198	0
Heritage centre	22,974	11,013
Benefits	3,004	0
Green waste recycling project	6,031	19,866
	<b>102,214</b>	<b>33,663</b>



## 6 Building Control Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. However certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

	<b>Chargeable</b>	<b>Non- Chargeable</b>	<b>Total</b>
	<b>2006/07</b>	<b>2006/07</b>	<b>2006/07</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>			
Employee expenses	96	63	159
Premises	0	5	5
Transport	6	4	10
Supplies and services	22	15	37
Central and support services charges	78	45	123
<b>Total Expenditure</b>	<b>202</b>	<b>132</b>	<b>334</b>
<b>Income</b>			
Building regulation charges	(217)		(217)
Miscellaneous income		(1)	(1)
<b>Total Income</b>	<b>(217)</b>	<b>(1)</b>	<b>(218)</b>
<b>(Surplus) / deficit for year</b>	<b>(15)</b>	<b>131</b>	<b>116</b>

## 7 Agencies

The Authority does not provide any material agency based services.

## 8 Local Authority (Goods and Services) Act 1970

The Authority is empowered by the Act to provide goods and services to other public bodies. The Authority provided grass verge maintenance and weed control in connection with land for which Cumbria County Council is responsible, and maintenance work for a number of parish councils.

### **Cumbria County Council: Verge Maintenance and Weed Control**

	<b>2005/06</b>	<b>2006/07</b>
	<b>£'000</b>	<b>£'000</b>
Income	21	22
Expenditure	12	26
<b>Surplus/(deficit)</b>	<b>9</b>	<b>(4)</b>

This represents 2.9% of all work carried out by the Authority's grounds maintenance department, based on gross expenditure.

## 9 Councillors' Allowances and Officer Emoluments

**Councillors' Allowances** - The total of the Councillors' allowances paid during 2006/07 was £227,796 (2005/06 - £199,043).

**Officer Emoluments** - The Accounts and Audit Regulations 1996 introduced a specific requirement of disclosure of officer emoluments under regulation 6(2).

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £10,000, were as follows in the table below:

	2005/06	2006/07
	Number of	Number of
	Employees	Employees
<b>Remuneration Band</b>		
£50,000 - £59,999	1	3
£60,000 - £69,999	2	2
£70,000 - £79,999	0	1
£80,000 - £89,999	1	0
£90,000 - £99,999	0	0

## 10 Related Party Transactions

The Authority is required to disclose material transactions with related parties that have the potential to control or influence the Authority, or be influenced or controlled by the Authority.

**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, 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 (e.g. housing benefits). Details of transactions with government departments are set out in the notes to the Cash Flow Statement.

**Precept** transactions in relation to Cumbria County Council, the Cumbria Police Authority, and the various town and parish councils, are shown within a note to the Collection Fund.

**Councillors of the Authority** have direct control over the Authority's financial and operating policies. During the year no Councillors have taken any declarable transactions with the Authority. Details of any transactions (if they exist) are recorded in the Register of Members' Interests, open to public inspection at the Authority's offices. This is in addition to a specific declaration obtained in respect of Related Party Transactions. The Authority has decided not to make disclosures with regard to family/household members, on the basis that there is no reasonable expectation of influence over the independent action of Councillors.

**Officers of the Authority** - Related parties in respect of officers are only required to be disclosed when they have been involved in material transactions. During the year, no officers have been involved in declarable transactions.

**Other public bodies** - Transactions in relation to the Local Government Pension Scheme administered by Cumbria County Council are set out in Note 37.

## 11 Audit Fees

During the year, Copeland Borough Council incurred the following fees relating to external audit and inspection performed by the Audit Commission.

	2005/06	2006/07
	£	£
Statutory inspection under section 10 of the Local Government Act 1999	103,548	105,000
Certification of grant claims and returns by the appointed auditor under section 28 of the Audit Commission Act 1998	64,720	130,640
Code of Audit Practice in accordance with section 5 of the Audit Commission Act 1998	2,475	713
<b>Total</b>	<b>170,743</b>	<b>236,353</b>

## 12 Revenue Provision for Payment of External Debt

The Authority is required under the Local Authorities (Capital Finance and Accounting) Regulations 2003 to set aside a Minimum Revenue Provision for the redemption of external debt based on a prescribed formula. Amounts credited to the General Fund (in respect of overprovision in previous years) in 2006/07 were £110,902 (2005/06 £0).

Under CIPFA's guidance, the provision made is not charged to individual service revenue accounts.

## 13 Capital Expenditure

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Total operational assets	Non operational assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Certified Valuation at 31.3.06	15,111	2,288	3,496	20,895	4,953	25,848
Accumulated Depreciation	(2,276)	(1,040)	(928)	(4,244)	0	(4,244)
<b>Net book value of Assets 31.3.06</b>	<b>12,835</b>	<b>1,248</b>	<b>2,568</b>	<b>16,651</b>	<b>4,953</b>	<b>21,604</b>
<b>Movement in 2006-7</b>						
Additions	0	24	86	110	0	110
Disposals	(87)	0	0	(87)	(725)	(812)
Depreciation	(773)	(163)	(182)	(1,118)	0	(1,118)
Revaluations	6,169	0	0	6,169	4,321	10,490
Transfers	0	0	0	0	0	0
Depreciation/amortization adjustment on disposal revaluation	1,755	0	0	1,755	0	1,755
Impairments	0	0	0	0	0	0
<b>Net book value of Assets 31.3.07</b>	<b>19,899</b>	<b>1,109</b>	<b>2,472</b>	<b>23,480</b>	<b>8,549</b>	<b>32,029</b>

## 14 Financing of Capital Expenditure

	2005/06 £'000	2006/07 £'000
<b>Capital Expenditure</b>		
Operational assets	583	110
Non-operational assets	125	0
Deferred charges	1,186	1,227
	<u>1,894</u>	<u>1,337</u>
<b>Sources of Finance</b>		
Single capital pot	809	0
Capital receipts	554	536
Government grants and other contributions	388	686
Revenue contributions	95	48
Earmarked reserves	48	67
	<u>1,894</u>	<u>1,337</u>

## 15 Deferred Charges

The Authority incurred expenditure of £1.2m on improvement and disabled facilities grants for third parties fully funded from a government grant. The full cost and grant received have been charged in the year to the Income & Expenditure Account. These costs were previously shown as deferred charges, financed through the single capital pot allocation from Central Government.

## 16 Capital Commitments

A major project has commenced in refurbishment of the Beacon. The building contractor has now been appointed and internal design work is underway. The total capital commitment related to this project as at 31 March 2007 is £1.46m.

## 17 Information on assets held

Fixed assets owned by the Authority include the following:

	Number at 31 March 2006	Change 2006/07	Number at 31 March 2007
<b>OPERATIONAL ASSETS</b>			
<b>Other land and buildings</b>			
Headquarters	0		0
Depots	3		3
Crematorium	1		1
Cemeteries	5		5
Civic halls	2	(1)	1
Swimming pools	1		1
Sports centres	1		1
Nursery	1		1
Beacon / heritage centre	1		1
Bowls centre	1		1
Sports fields and playing grounds	14		14
<b>Vehicles, plant and equipment</b>			
Vehicles	8	(8)	0
<b>NON-OPERATIONAL ASSETS</b>			
<b>Commercial properties</b>			
Ex depots	4		4
Garage plots	284		284
Estate shops	2		2

## 18 Finance / Operating Lease Rentals

Copeland entered into a PFI building operating lease on 18 September 2004 for a 25 year period, for the main administration centre in Whitehaven.

The Authority also uses light vans, medium vans, tipper trucks, refuse collection vehicles, specialised environmental cleansing vehicles, grounds maintenance tractors, other specialised items of plant, and photocopiers, financed under terms of operating leases.

The amount paid under these arrangements in 2006/07 was £1,899,148 (2005/06 £1,978,054).

The Authority is committed to making payments of £2,015,443 under these leases in 2006/07, comprising the following elements:

	£
Leases expiring in 2007/08	0
Leases expiring between 2008/09 and 2012/13	614,058
Leases expiring after 2012/13	1,401,385
	<b>2,015,443</b>

## 19 Fixed Asset Valuation

**Bases of valuation-** Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS).

	<b>Basis of Valuation</b>	<b>Depreciation</b>	<b>Asset Lives</b>
Other land and buildings	Open market value for existing use or depreciated replacement	Straight line	15-50
Vehicles, plant and equipment	Historical cost	Straight line	03-Oct
Community assets	Historical cost	N/A	N/A
Non operational assets	Open market value	N/A	N/A

Revaluation of these assets is on a quinquennial basis undertaken on a rolling programme by CAPITA Symmonds, including revaluations as required if circumstances on an asset change.

Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset.

Operational properties of a non-specialised nature were valued by reference to the open market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use.

The following table shows the programme for valuation of fixed assets:

	<b>Other Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Non Operational assets</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Valued at historical value		1,109		1,109
Valued at current value at:				
Current year 2006/07	15,921		5,806	21,727
Previous year 2005/06			125	125
Two years ago 2004/05	28		804	832
Three years ago 2003/04	3,942		1,711	5,653
Four years ago 2002/03	8		103	111
	<b>19,899</b>	<b>1,109</b>	<b>8,549</b>	<b>29,557</b>

## Operational Asset Depreciation

	Cumulative Depreciation at 01.04.06 £'000	Actual Depreciation 2006/07 £'000	Adjustments to Cumulative Depreciation 2006/07 £'000	Cumulative Depreciation at 31.03.07 £'000
<b>Operational Assets</b>				
Other land and buildings	2,276	773	(1,755)	1,294
Plant & equipment	1,040	163		1,203
Infrastructure	928	182		1,110
Intangible	248	133		381
	<b>4,492</b>	<b>1,251</b>	<b>(1,755)</b>	<b>3,988</b>

Depreciation has been applied to equipment and infrastructure assets in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice.

Depreciation is charged for all material fixed assets in compliance with FRS15 and is calculated on a straight-line basis.

There have been no changes to the depreciation methods used.

## 20 Intangible Assets

This category of assets reflects the Authority's continuing investment into major new IT systems. They are recorded in the Balance Sheet at actual cost less accumulated depreciation as at 31 March 2007, based on a 5-year life.

### Movement in Intangible Assets

	Purchased Software Licences £'000
Original cost	759
Accumulated depreciation to 1st April 2006	(248)
<b>Balance at 1 April 2006</b>	<b>511</b>
Amortisation in year	(133)
<b>Balance at 31 March 2007</b>	<b>378</b>

Intangible assets comprise the software licences for the new revenues & benefits system, web site, and other new e-government systems.

The policy adopted is to depreciate over a 5-year useful life.

## 21 Net Assets Employed

	2005/06 £'000	2006/07 £'000
General fund	2,755	2,650
General fund - earmarked	4,242	4,737
HRA	86	0
Collection Fund	26	(13)
	<b>7,109</b>	<b>7,374</b>

## 22 Shareholdings

The Authority has interests in the following companies as at 31 March 2007.

These are all a minority interest and not influenced under s69 of LGHA 1989, and are neither controlled nor influenced by the Authority, under Part V of LGHA 1989. There are no business relationships between any of the companies outlined below and the Authority.

The details below reflect the accounts as at 31 December 2005 of the dormant company.

<b>Name:</b>	<b>Whitehaven 1992 Ltd.</b>
<b>Nature of business:</b>	Promotion of Rugby League Football
<b>Proportion of shares:</b>	30,000 £1 Ordinary Shares
<b>Additional note:</b>	Whitehaven 1992 Ltd is a non-trading company. Albright and Wilson UK LTD hold the shares for the Authority.

<b>Name:</b>	<b>Whitehaven Rugby League Football Club Ltd</b>
<b>Nature of business:</b>	Promotion of Rugby League Football
<b>Proportion of shares:</b>	Subsidiary of Whitehaven 1992 Ltd
<b>Net assets/ (liabilities)</b>	31/12/04    £70,524
	31/12/03    £70,524
<b>Profit/ (loss) before tax:</b>	31/12/04    unknown
	31/12/03    unknown
<b>Profit/ (loss) after tax:</b>	31/12/04    £4,974
	31/12/03    £4,974



**23 Long Term Investments**

	<b>2005/06</b>	<b>2006/07</b>
	<b>£'000</b>	<b>£'000</b>
Debentures	10	10
Deposits in building society accounts with maturity dates no earlier than 12 months after the balance sheet date	0	6,000
	<b>10</b>	<b>6,010</b>

**24 Long Term Debtors**

	<b>31.03.06</b>	<b>31.03.07</b>
	<b>£'000</b>	<b>£'000</b>
Council house sales - mortgages	44	41
Housing Act advances	5	5
Housing Associations	2,123	0
Officers' car loans	52	40
Local companies / bodies	14	14
	<b>2,238</b>	<b>100</b>
Less provision for doubtful debtors	(16)	(16)
	<b>2,222</b>	<b>84</b>

**25 Stocks and Work in Progress**

	<b>31.03.06</b>	<b>31.03.07</b>
	<b>£'000</b>	<b>£'000</b>
Other stocks	59	79

**26 Debtors**

Most sums due to the Authority are raised in the accounts at the time that they are due. Significant items due for the year, but not raised at 31 March 2007, are accrued on an estimated basis. Amounts due from government departments are often not settled conclusively for some time and are, therefore, brought into the accounts on the basis of the latest available information. A broad analysis is shown below.

	<b>31.03.06</b>	<b>31.03.07</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due in one year:		
Government departments	1,418	1,954
Council taxpayers and ratepayers	2,070	2,302
Sundry debtors	2,641	2,290
General		
	<b>6,129</b>	<b>6,546</b>
Less Provision for doubtful debts	(858)	(989)
	<b>5,271</b>	<b>5,557</b>

## 27 Investments

	<b>31.03.06</b>	<b>31.03.07</b>
	<b>£'000</b>	<b>£'000</b>
Short term investments		
External investments	18,366	13,103
	<b>18,366</b>	<b>13,103</b>

Short-term investments reflect the cash flow surplus of the Authority, and are shown at cost price. Sums of money are invested in the money markets for fixed periods at fixed rates of interest.

## 28 Euro Costs

Assets and liabilities denominated in foreign currencies are translated into GB pounds at the rates of exchange prevailing at the year-end. At the 31 March 2007 the assets comprised the balance of €654.12 in the Euro account held at the Authority's bank. There were no liabilities at this date.

## 29 Creditors

All payments made on or before 31 March are included in the expenditure for the year. Payments made during the two weeks following the end of the financial year for goods and services received before 31 March are included in creditors as actual amounts. Significant creditors unpaid at the expiration of the two weeks are included in the accounts on an estimated basis. A broad analysis is shown below.

	<b>31.03.06</b>	<b>31.03.07</b>
	<b>£'000</b>	<b>£'000</b>
Government departments	1,284	1,162
Sundry creditors	1,843	2,101
Council taxpayers and ratepayers	516	570
Accrued interest deposits	60	60
	<b>3,703</b>	<b>3,893</b>

2005/06 figure has been restated to reflect monies owing to Cumbria County Council and Police Authority, in respect of their share of Collection Fund Surplus.

## 30 Borrowing Repayable Within a Period in Excess of 12 Months

	<b>As at 31</b>	<b>As at 31</b>
	<b>March 2006</b>	<b>March 2007</b>
	<b>£'000</b>	<b>£'000</b>
Analysis of loans by type – DEPFA Bank	5,000	5,000
Public Works Loan Board		0
Bayerische Landesbanke		0
Analysis of loans by maturity – more than 15 years	5,000	5,000

### 31 Insurance provisions

The provision covers the expected payments on claims relating to both the third party liability and motor liability insurance policies held with Zurich Insurance, which have been reported but not settled at 31 March 2007, regardless of whether they would be covered by the insurers. Of the £302,481 outstanding, £260,336 is expected to be reimbursed through insurance settlements.

	<b>£'000</b>
As at 31 March 2006	225
Payments made	0
Increase in provisions	77
As at 31 March 2007	<b>302</b>

### 32 Movement in the Year for Each Class of Provision

The Authority maintains the following provisions for bad or doubtful debts:

	<b>Balance at 1 April 2006 £'000</b>	<b>Debts (written off)/written back in year £'000</b>	<b>Increase / (Decrease) in year £'000</b>	<b>Balance at 31 March 2007 £'000</b>
Commercial ratepayers	112	(80)	216	248
Council taxpayers	486	17	11	514
Sundry debtors	260	(8)	(26)	226
	<b>858</b>	<b>(71)</b>	<b>201</b>	<b>988</b>

2005/06 figure restated

Other specified provisions (excluding insurance and bad or doubtful debts) are as follows:

	<b>Balance at 1 April 2006 £'000</b>	<b>Movements in year £'000</b>	<b>Balance at 31 March 2007 £'000</b>
Other	396	(68)	328

### 33 Movement on Reserves in the Year

The Authority keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance 1/4/06 £'000's	Net movement in year £'000's	Balance 31/3/07 £'000's	Purpose of reserve	Further details of movements
Fixed Asset Restatement Account	(29,566)	10,402	(19,164)	Store of gains/losses on revaluation of fixed assets	a) below
Capital Financing Account	50,526	(2,256)	48,270	Store of capital resources set aside to meet past expenditure	b) below
Usable Capital Receipts	4,913	2,165	7,078	Proceeds of fixed asset sales available to meet future capital investment	c) below
Pensions Reserve	(10,448)	2,830	(7,618)	Balancing account to allow inclusion of pension liability in the Balance Sheet	Note 37 to the core financial statements
Housing Revenue Account	86	(86)	0	Resources available for general fund following stock transfer – once final subsidy is settled	HRA Statements page 45
General Fund	2,755	(105)	2,650	Resources available to meet future running costs for non-housing services	Statement of movement on the general fund balance d) below
Other reserves	4,312	452	4,764		
<b>Total</b>	<b>22,578</b>	<b>13,402</b>	<b>35,980</b>		

- a) Arising as a result of the in year valuations as part of the quinquennial revaluation of fixed assets. Key assets changing in value relate to the leisure facilities, car parks and a vacant depot with a conditional sale to a developer.
- b) Movement reflects depreciation for the year and the usable capital receipt received on a repayment of a loan from a third party transferred to the usable capital receipt reserve in c) below.
- c) Movement reflects the sale of assets during the year, the receipt of a loan repayment and the financing of the in year capital expenditure.
- d) Movement relates to movement in earmarked reserves. In 2006/07 this also includes a movement on the Housing Revenue Account balance (now closed) following a review of the final subsidy claim.

### 34 **Contingent Liabilities and Assets**

Three contingent liabilities and one contingent asset have been identified:

#### **Contingent Liabilities:**

##### **Municipal Mutual Insurance (MMI)**

The Authority has £400,000 (since 1993) of insurance receipts with Mutual Municipal (MMI), the Authority's previous insurers. Mutual Municipal is currently being wound up and potentially the £400,000 is at risk if the wind up of MMI results in insolvency.

##### **Un-adopted Sewers**

The Authority gave a commitment to tenants to complete the programme of repairing and renewing sewers to get them to a standard for adoption. This has been approved and is included in the approved capital programme over the next few years to be funded from capital receipts.

##### **Equal Pay Compensation Claims**

A number of authorities have been approached by their employees with regard to equal pay compensation claims over the last few years. This Authority to date has not received any such claim. Work on the Pay and Grading Strategy, encompassing job evaluation and single status is underway and due to be complete by 31 March 2008. The potential liability at this point for any claims is not quantifiable; however monies are to be set aside in 2007/08 onwards should costs associated with the implementation of the strategy be identified.

##### **Contingent Asset (VAT Sharing Agreement)**

A VAT Sharing Agreement was entered into with Copeland Homes in respect of the transfer of the Council's housing stock, whereby the authority was to accrue a share of benefits worth £4.2m. To date £1.4m has been received, with the balance of £2.8m remaining outstanding, contingent upon Copeland Homes completing a schedule of works over a number of years.

### 35 **Trust Funds**

The Authority acts as an administrator for two trusts, Whitehaven Maternity Trust (financial aid to mothers primarily resident within the former Borough of Whitehaven) and the Pipers Educational Trust (financial aid to young men resident within the former Borough of Whitehaven).

<b>Trust</b>	<b>Income £'000</b>	<b>Expenditure £'000</b>	<b>Assets £'000</b>	<b>Liabilities £'000</b>
Whitehaven Maternity	1	0	24	0
Pipers Educational	5	4	195	3

In neither case do the funds represent assets of the Authority, and they have not been included in the Balance Sheet.

### 36 Amounts Due to / from Related Parties

In accordance with FRS 8, Elected Members and Chief Officers have provided information regarding any related party transactions. There are no items declared of a material nature.

Some services are provided to bodies, which seek to advance aims that the Authority would like to support. Some of these services are provided without charge but the total cost is not significant.

### 37 Retirement Benefits

Although these benefits will not actually be payable until the employees retire, the Authority has a commitment to make these future payments. This liability needs to be disclosed at the time when employees earn their future entitlement.

The Authority participates in the Cumbria Superannuation Fund administered by the County Council. This is a defined benefit scheme. The Authority and its employees pay contributions into the fund, calculated at a level intended to balance pension liabilities with investment assets.

Under FRS17, the Authority is required to recognise the cost of retirement benefits in the net cost of services when earned by the 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. In order to make this adjustment, the real cost of retirement benefits is reversed out of the Income & Expenditure and Statement of Movement on the General Fund Balance.

The following transactions have been made in the Income & Expenditure Account during the year:

	<b>2005/06</b>	<b>2006/07</b>
	<b>£'000</b>	<b>£'000</b>
<b>Net cost of services:</b>		
Current service costs	966	1,052
Past service (gain) / costs	(796)	130
Curtailed loss	79	70
Settlement gain	(717)	(268)
<b>Net operating expenditure</b>		
Interest cost	2,538	2,581
Expected return on assets in the scheme	(2,222)	(2,439)
	(152)	1,126
<b>Amounts charged against council tax for pensions</b>	<b>1,039</b>	<b>1,103</b>

The underlying assets and liabilities for retirement benefits attributable to the Authority are as follows:

	<b>2005/06</b>	<b>2006/07</b>
	<b>£'000</b>	<b>£'000</b>
Estimated liabilities in the scheme	(54,004)	(52,591)
Estimated assets in the scheme	43,556	44,974
<b>Net asset / (liability)</b>	<b>(10,448)</b>	<b>(7,617)</b>

The liabilities show the underlying commitment the Authority has in the long term to pay retirement benefits. The total liability of £7.6m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However statutory arrangements for funding this deficit mean that the financial position of the Authority is secured.

The deficit will be recovered by increased contributions over the remaining working life of employees as assessed by the scheme actuary.

The current contribution rate that Copeland as an employer makes to the fund is 16.5% of gross pay. This contribution rate has been agreed for 2007/08 onwards at 16.5% until a further revaluation of the fund is undertaken.

Liabilities have been assessed, by the scheme actuary, on an actuarial basis, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, and other factors. The County Council Fund liabilities have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries. Estimates for The County Council Fund are based on the latest full valuation of the scheme as at March 2004. The main assumptions used in these calculations are:

	<b>2004 valuation</b>		<b>2001 valuation</b>	
	<b>Past service</b>	<b>Future service</b>	<b>Past service</b>	<b>Future service</b>
Investment return				
Pre-retirement	6.60%	6.50%	5.60%	6.50%
Post-retirement	5.60%	6.50%	5.60%	6.50%
Pensionable pay increases	4.55%	4.25%	3.80%	4.00%
Pension increases	2.80%	2.50%	2.30%	2.50%

Assets in the scheme are valued at fair value, principally market value for investments and consist of the following categories by proportion and expected returns.

	<b>2005/06</b>		<b>2006/07</b>	
	<b>Proportion</b>	<b>Expected</b>	<b>Proportion</b>	<b>Expected</b>
Equities	59.50%	7.50%	59.50%	7.50%
Government bonds	21.30%	4.70%	19.80%	4.70%
Other bonds	9.50%	5.50%	9.70%	5.40%
Property	7.50%	6.50%	8.40%	6.50%
Cash/liquidity	2.20%	4.00%	2.50%	5.25%
Other			0.10%	7.50%
<b>Market value of total funds</b>		<b>£1,092M</b>		<b>£1,178M</b>

The financial assumptions underpinning the pension disclosures are shown below:

	<b>2005/06</b>	<b>2006/07</b>
Rate of inflation	2.90%	3.10%
Rate of increase in salaries	4.65%	4.85%
Rate of increase in pensions	2.90%	3.10%
Discount rate	4.90%	5.40%



**Reconciliation of net (surplus) / deficit to net cash inflow from revenue activities**

	2005/06	2006/07
	£'000	£'000
<b>(Surplus)/Deficit for the year</b>	(428)	105
<b>Add</b>		
Contribution to provisions	(254)	(11)
Contribution to reserves	(312)	(921)
Interest received	1,306	1,180
Interest paid	(378)	(378)
Collection Fund transfers	439	39
<b>Items on an Accruals Basis</b>		
- Stocks and WIP	(18)	20
- Debtors	1,171	(48)
- Creditors	488	947
<b>Net Cash Inflow / (Outflow) from Revenue Activities</b>	<b>2,014</b>	<b>933</b>

**Analysis of Net Funds**

	At 1.4.06	Cash flow	At 31.3.07
	£'000	£'000	£'000
Cash at bank and in hand			
Bank Overdraft	(2,888)	1,661	(1,227)
Other cash deposits	651	2,852	3,503
	(2,237)	4,513	2,276
Debt due within one year			
Debt due after one year	(5,005)	0	(5,005)
Current asset investments	17,725	(2,115)	15,610
<b>Total</b>	<b>10,483</b>	<b>2,398</b>	<b>12,881</b>

**Reconciliation of net cash flow to movements in net funds**

	2005/06	2006/07
	£'000	£'000
Increase / (decrease) in cash in the period	(3,869)	4,513
Cash inflow / outflow from decrease / increase in liquid resources	2,246	(2,115)
Movement in net funds	(1,623)	2,398
Net funds at start of year	12,106	10,483
Net funds at end of year	10,483	12,881

<b>Analysis of Government Grants</b>	<b>2005/06</b>	<b>2006/07</b>
	<b>£'000</b>	<b>£'000</b>
Capital programme grants	0	(1,383)
EU Revenue Grants	(21)	0
HRA subsidy	(413)	0
Council tax benefit grant	(4,583)	(4,717)
Housing benefit admin grant	(362)	(351)
Council tax benefit admin grant	(262)	(300)
Planning delivery grant	(373)	(107) *
PFI Grant	(915)	(836) *
	<b>(6,929)</b>	<b>(7,694)</b>

\* reanalysis of grants in 2005/06, restated from other goods and services

### **Liquid Resources**

Liquid resources include certificates of deposit, government securities, and other term deposits reported under current asset investments.

### **39 Post Balance Sheet Events**

There have been no significant post Balance Sheet events to report.

### **40 The Statement of Accounts was approved by Audit Committee:**

On behalf of the Audit Committee

Signed:.....

**JOAN HULLY**  
Chair of Audit Committee

**Date**

## HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE ACCOUNT

This statement shows in more detail the income and expenditure on HRA services included in the whole authority Income & Expenditure Account.

2005/06 £'000		2006/07 £'000
	<b>INCOME</b>	
0	HRA subsidy receivable	(24)
<b>0</b>	<b>TOTAL INCOME</b>	<b>(24)</b>
	<b>EXPENDITURE</b>	
	Transfers from General Fund	
54	Increase in bad debt provision	0
<b>54</b>	<b>TOTAL EXPENDITURE</b>	<b>0</b>
<b>54</b>	<b>(SURPLUS) / DEFICIT FOR THE YEAR ON HRA SERVICES</b>	<b>(24)</b>

## STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

2005/06 £'000		2006/07 £'000
54	(Surplus) or deficit for the year in the HRA Income & Expenditure Account	(24)
0	Net additional amount required by statute to be debited or credited to the HRA balance for the year	0
<b>54</b>	<b>(Increase) or decrease in Housing Revenue balance for the year</b>	<b>(24)</b>
<b>(140)</b>	Housing Revenue Account balance brought forward	<b>(86)</b>
<b>0</b>	Transfer to General Fund	<b>110</b>
<b>(86)</b>	<b>Housing Revenue Account balance carried forward</b>	<b>0</b>

### NOTE TO THE HOUSING REVENUE ACCOUNT

The Authority sold its entire housing stock to an existing Housing Association on 7 June 2004. The Secretary of State gave consent for the authority to close its Housing Revenue Account with effect from 4 April 2006.

As the account was open for a few days it has been necessary to produce the full statements as shown above.

A revised claim has been certified and submitted to DCLG which results in a creditor on the Balance Sheet of £967k. This leaves a balance of £110k in HRA balances which has been transferred to general fund.

No other transactions have occurred during the year.

## COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

2005/06 £'000		2006/07 £'000	2006/07 £'000	Note
	<b>INCOME</b>			
(24,065)	Billed to council tax payers	(25,358)		1
(4,656)	Council tax benefit	(4,739)		
(26,084)	Non-domestic rates	(27,547)		2
	Adjustments for previous years			
<b>(54,805)</b>	<b>Total income</b>		<b>(57,644)</b>	
	<b>EXPENDITURE</b>			
	Precepts and demands:			
21,691	- Cumbria County Council	22,849		
3,472	- Cumbria Police Authority	3,655		
3,719	- Copeland Borough Council	3,841		
28,882			30,345	
	Non-domestic rates:			
25,970	- Payment to national pool	27,432		
114	- Cost of collection allowance	115		
26,084			27,547	
54	Increase / decrease in provision for non-payment of Council Tax		11	
47	Contributions to general fund from 2004/05 collection fund surplus		44	
<b>55,067</b>	<b>Total expenditure</b>		<b>57,947</b>	
<b>262</b>	<b>(Surplus) / deficit for the year</b>		<b>303</b>	
(465)	(Surplus) / deficit at 1 April 2006		(203)	
<b>(203)</b>	<b>(Surplus) / deficit at 31 March 2007</b>		<b>100</b>	

The balance on the Collection Fund as at 31 March 2007 is attributable to Cumbria County Council, Cumbria Police Authority, and Copeland Borough Council. Of the total deficit of £100,000, £12,627 is disclosed in the Authority's Balance Sheet.

## NOTES TO COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

### 1 Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cumbria County Council and the Authority for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: The council tax base for 2006/07 was 22,137.67 (22,030.47 for 2005/06). The basic amount of council tax for a Band D property £1,340.88 (£1,281.10 for 2005/06) is multiplied by the proportion specified for the particular band to give an individual amount due.

Council tax bills were based on the following proportions for Bands A-H:

Proportion of Band D charge:

Band A	0.67
Band B	0.78
Band C	0.89
Band D	1.00
Band E	1.22
Band F	1.44
Band G	1.67
Band H	2.00

### 2 National Non-Domestic Rates

NNDR is organised on a national basis. The government specifies an amount (42.2p in 2005/06, and 43.3p in 2006/07) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Authority is responsible for collecting rates due from the ratepayers in its areas, but pays the proceeds into an NNDR pool administered by the government. The government redistributes the sums paid into the pool back to the general funds of local authorities on the basis of a fixed amount per head of population.

The NNDR income, after relief's and provisions of £27,494,587.36 for 2006/07, was based on an average rateable value for the Authority's area of £78,573,166 for the year (£61,692,363 in 2005/06).

### 3 Collection Fund Surpluses and Deficits

The surplus or deficit on the Collection Fund at the end of the year relating to council tax is required to be distributed to, or made good by, contributions from the Authority and Cumbria County Council in a subsequent financial year.

The deficit as at 31 March 2007 is £ 99,743.24

## GLOSSARY OF TERMS

### **Accounting period**

The period of time covered by the accounts. Normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **Accruals**

Sums included in the final accounts to recognise revenue and capital income and expenditure, earned or incurred in the financial year (the non-cash effect of transactions), but for which actual payment had not been received or made as at 31 March.

### **Actuarial gains and losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

### **Asset**

An item having value to the Authority in monetary terms. Assets are categorised as either current or fixed.

- A **current** asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock)
- A **fixed** asset provides benefits to the Authority and to the services it provides for a period of more than one year, e.g. a school building.

### **Audit of accounts**

An independent examination of the Authority's financial affairs.

### **Balance Sheet**

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

### **Budget**

The forecast of net revenue and capital expenditure over the accounting period.

### **Capital charges**

A charge to service revenue accounts to reflect the cost of utilising fixed assets in the provision of services.

### **Capital expenditure**

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure that adds to and not merely maintains the value of an existing fixed asset.

### **Capital financing**

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

### **Capital programme**

The capital schemes the Authority intends to carry out over a specified period of time.

**Capital receipt**

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the Government, but they cannot be used to finance revenue expenditure.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

**Collection Fund**

A separate fund that records the income and expenditure relating to council tax and non-domestic rates.

**Community assets**

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 historical buildings.

**Consistency**

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

**Constructive obligation**

An obligation that derives from the Authority's actions where:

- by an established pattern of past practice, published policies or a sufficiently specific current statement, the Authority has indicated to other parties that it will accept certain responsibilities; and
- as a result, the Authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

**Contingent asset**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

**Contingent liability**

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

**Corporate and democratic core**

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

**Creditor**

Amount owed by the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

**Current service cost**

The increase in the present value of a defined benefit scheme's liabilities, expected to arise from the employee service in the current period.

**Debtor**

Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but payment for which has not been received by the end of that accounting period.

**Deferred charges**

Expenditure that can be properly deferred, (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

**Defined benefit pension scheme**

A pension scheme in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**Depreciation**

The measure of the cost of the wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, effluxion of time or obsolescence through technological or other changes.

**Discretionary benefits**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers such as The Local Government (Discretionary Payments) Regulations 1996.

**Emoluments**

All sums paid to or receivable by an employee and sums due by way of expense allowances and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

**Equity**

The Authority's value of total assets less total liabilities.

**Exceptional items**

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.

**Expected return on pension assets**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Extraordinary items**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.



**Fair value**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**Finance lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

**Going concern**

The concept that the statement of accounts are prepared on the assumption that the authority will continue in operational existence for the foreseeable future.

**Government grants**

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

**Housing benefits**

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidized by Central Government.

**Housing Revenue Account**

A separate account to the general fund, which includes the expenditure and income arising from the provision of housing accommodation by the Authority.

**Impairment**

A reduction in the value of a fixed asset, below its carrying amount on the Balance Sheet.

**Income**

Amounts that the Authority receives or expects to receive from any source, including fees, charges, sales and grants.

**Income & Expenditure Account (including Statement of Movement on Reserve)**

The revenue account of the Authority that reports the net cost for the year of the functions for which it is responsible, and demonstrates how that cost has been financed from precepts, grants and other income.

**Infrastructure assets**

Fixed assets belonging to the Authority that cannot be transferred or sold, expenditure on which is only recoverable by continued use of the asset created. Examples are highways, footpaths and bridges.

**Intangible asset**

Expenditure incurred on items such as software licenses etc.

**Interest cost (pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **Investments (pension fund)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

### **Liability**

A liability is where the Authority owes payment to an individual or another organisation.

- A **current** liability is an amount which will become payable, or could be called in, within the next accounting period, e.g. creditors or cash overdrawn
- A **deferred** liability is an amount which, by arrangement, is payable beyond the next year, at some point in the future, or to be paid off by an annual sum over a period of time.

### **Liquid resources**

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- readily convertible to known amounts of cash at or close to the carrying amount; or
- traded in an active market.

### **Long-term contract**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

### **Materiality**

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

### **Minimum reserve provision (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

### **Net book value**

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

### **Net debt**

The Authority's borrowings less cash and liquid resources.

### **Non-distributed costs**

These are overheads for which no user now benefits and as such are not apportioned to services.

### **Non-domestic rates (NNDR)**

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Authority on behalf of central government and then redistributed back on the basis of population.

**Non-operational assets**

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties or assets surplus to requirements, pending sale or redevelopment.

**Operating lease**

A lease where the ownership of the fixed asset remains with the lessor.

**Operational assets**

Fixed assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**Past service costs**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**Pension scheme liabilities**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**Post Balance Sheet events**

Those events, both favourable and unfavourable, of such materiality that their disclosure is required for the fair presentation of the Authority's statements, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

**Precept**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

**Prior year adjustment**

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**Projected unit method**

An accrued benefits valuation method in which the pension scheme liabilities make allowance for projected earnings. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

**Provision**

An amount put aside in the accounts for future liabilities or losses but the amounts or dates of when they will arise are uncertain.

**Provision for credit liabilities**

This represents the sum set aside for the repayment of debt. This provision is subsumed within the capital financing account.

**Prudence**

The concept that income should not be anticipated, but recognised only when realised in the form of either cash or other assets, the ultimate cash realisation of which can be assessed with reasonable certainty. Full and proper allowance should be made for all known and foreseeable losses and liabilities.

**Public works loan board (PWLB)**

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government itself can borrow.

**Rateable value**

The annual assumed rental value of a hereditament, which is used for NDR purposes.

**Related parties**

There is a detailed definition of related parties in FRS 8. For the Authority's purposes, related parties are deemed to include the authority's members, the Chief Executive, its Directors and their close family and household members.

**Related party transactions**

The Statement of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

**Retirement benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**Reserves**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement reserve cannot be used to meet current expenditure.

**Residual value**

The net realisable value of an asset at the end of its useful life.

**Revenue expenditure**

The day-to-day expenses of providing services.

**Revenue support grant**

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

**Stocks**

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

**Temporary borrowing**

Money borrowed for a period of less than one year.

**Useful economic life**

The period over which the Authority will derive benefits from the use of a fixed asset.

## **Work in progress**

The cost of work performed on an uncompleted project at the Balance Sheet date, which should be accounted for.

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

## **Key Activities During the Year which have Impacted on the Accounts**

On 1 April 2006, Copeland BC transferred the management of its Leisure Services (Swimming Pool, Sports Centre, Civic Hall in Whitehaven and Cleator Moor Bowls) to North Country Leisure. This involved the transfer of approximately fifty people including casual employees.

The transfer of employees gave rise to a settlement gain of £268,000 on the pension fund on the assumption that the transfer was fully funded. The pension costs included in the financial statements fully reflect the transfer.

Under the new Local Authority Agreements, the Authority has received £1.38m in respect of Safer Stronger Community funding. The monies have been expended on projects that meet the required outcomes determined by the grant conditions. The County Council is the accountable body for these funds.

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice (the SORP), published 30 September 2005. The substantive changes introduced into the 2006 SORP affecting the production of these accounts are as follows:

- the removal of the requirement to make a notional financing charge on fixed assets employed in the delivery of services
- the replacement of the Consolidated Revenue Account and Statement of Total Movement on Reserves with an Income and Expenditure Account, a Statement of Movement on the General Fund Balance and Statement of Total Recognised Gains and Losses
- A requirement to group the 'core' single entity financial statements together followed by the notes to the statements.