



Copeland Borough Council

Audited Statement of Accounts



For the Year Ended 31 March 2006

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COPELAND BOROUGH COUNCIL
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2006

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Copies of this and previous years' accounts are available for viewing, along with other information on the Council's services, on the Authority's website at www.copeland.gov.uk or from Copeland Borough Council, Copeland Centre, Catherine Street, Whitehaven, Cumbria, CA20 7SJ

Explanatory Foreword

1 Introduction

The accounts relate to the year ended 31 March 2006. A summary of each statement and its purpose together with a brief overview of the Authority's financial position is detailed below.

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2005: A Statement of Recommended Practice (the SORP), published 30th September 2004.

2 The Statements

The Statement of Responsibilities for the Statement of Accounts identifies the officer who is responsible for the proper administration of the Authority's financial affairs.

The Statement on the System of Internal Control identifies the systems that the Authority has in its place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded.

The Statement of Accounting Policies details the legislation and principles on which the Statement of Accounts has been prepared.

The Consolidated Revenue Account covers income and expenditure on all the functions of the Authority.

The Housing Revenue Account summarises the income and expenditure in respect of the provision of local authority housing accommodation. It should be noted that the Council transferred its entire housing stock in June 2004 to Copeland Homes.

The Consolidated Balance Sheet sets out the financial position of the Authority as at 31 March 2006

Collection Fund shows the level of non-domestic rates and council tax that has been received by the Authority during the period 1 April 2005 and 31 March 2006

The Statement of Total Movements in Reserves brings together all the recognised gains and losses of the Authority during the period 1 April 2005 and 31 March 2006.

Cash Flow Statements summarise cash arising from transactions with third parties for revenue and capital purposes.

3 Key activities during the year which have impacted on the accounts

The Council transferred its Careline services to Attendo Monitoring on 2nd January 2006. This transfer also included the transfer of the staff employed on the service. By June 2005, the second phase of the Council wide restructure was in place with all sections operating under their new Heads of Service.

4 Pension Reserve

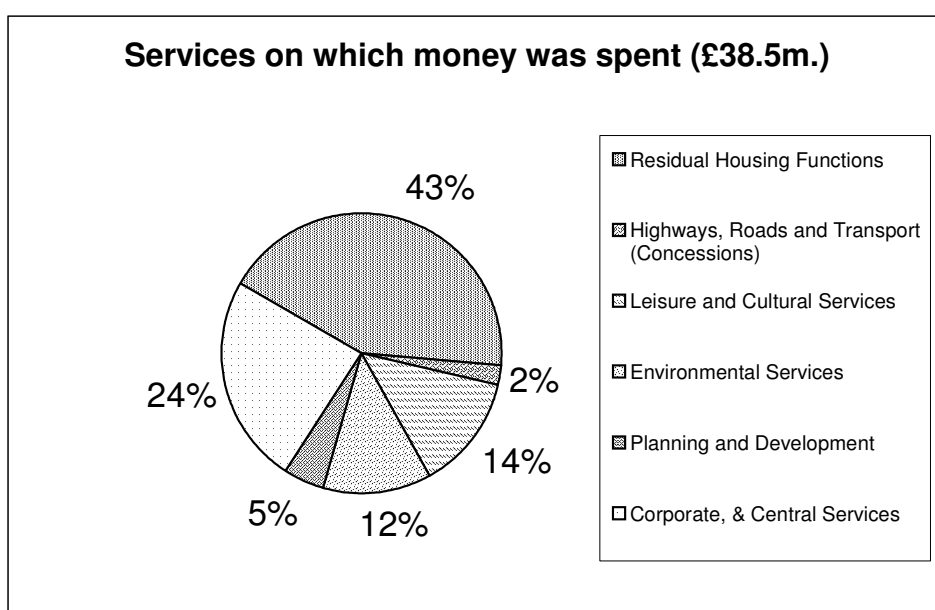
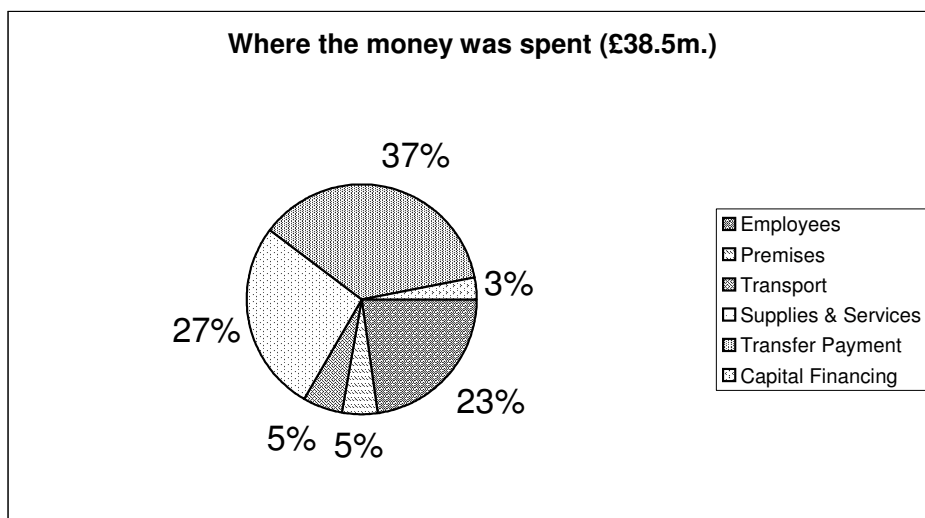
The Authority has fully implemented Financial Reporting Standard (FRS) 17 – retirement Benefits whose objective is to ensure that the Authority’s financial statements reflect the fair value of future pension liabilities that have been incurred and the extent to which assets have already been set aside to fund them. This has resulted in the recognition of a pension liability and pension reserve of £10.5 m as at 31st March 2006.

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.

5 Revenue Expenditure and Income

During 2005/06 the Authority incurred expenditure of £38m on its services to the public and has effectively managed a number of budget pressures in controlling net service expenditure to 14.4%.

	Original Estimate	Final Outturn	Variance	Variance
	£m.	£m.	£m.	%
Net Service Expenditure	9.628	8.245	-1.383	-14.4%
Contribution to / (from) balances	-0.281	1.102	1.383	-492.2%
Budget Level	9.347	9.347	0.000	0.0%
Met from:	£m	£m		
Council Tax	3.154	3.154		
Business Rates	2.005	2.005		
Revenue Support Grant	3.719	3.719		
Collection Fund Surplus/deficit	0.469	0.469		
	9.347	9.347		



The main elements of income as depicted below are:

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Council Tax £3.9m – this is the council tax collected from local taxpayers

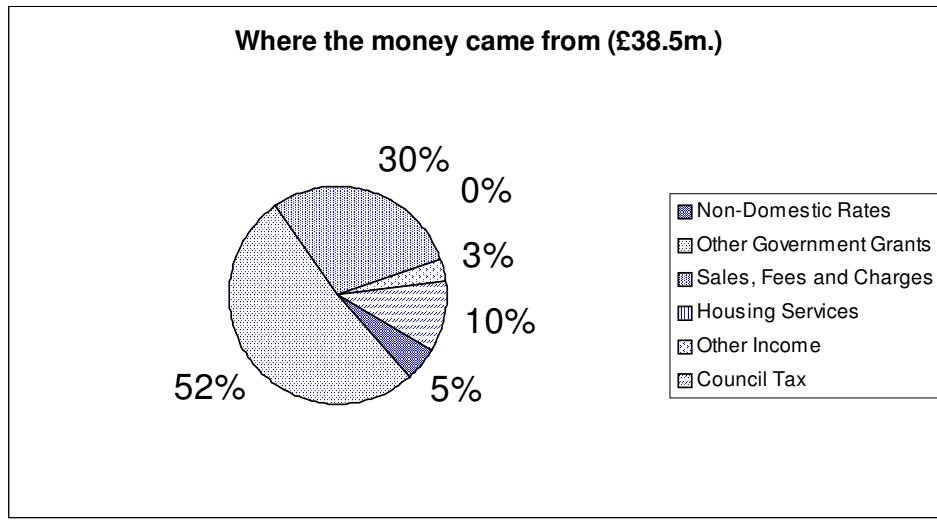
Non-Domestic Rates £2.0m – a tax on domestic properties collected by local authorities and paid into a national “pool” which the Government then shares out to local authorities according to a fixed amount per head of population.

Other Government Grants £19.9m – these are grants from the Government for support on a range of specific services

Sales, Fees and Charges, and Other Income £11.2m – these are fees and charges for services provided, ranging from sports facilities to planning applications

Housing Services £0.2m – these are for the provision of a Careline service and private sector housing renewal.

Other Income £1.3m – this is interest receivable for the financial year.



6 Capital Expenditure

Total capital expenditure in the year of £3.9m comprises £2.8m on fixed tangible and intangible assets, and £1.1m on private renovation and disabled facilities grants. This compares with total capital expenditure of £3.0 m in the previous year Capital expenditure included £1m on developing the former Cleator Moor Co-op into a business centre.

Financing was provided as follows:

	£m
Grants and Contributions	2.2
Capital Receipts	0.4
Revenue/reserves	0.5
Single Capital allocation	0.8

7 *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:

	£
Copeland Borough Council	154.51
Cumbria County Council	971.16
Cumbria Police Authority	155.43
	1,281.10

8 *Investments and Borrowing*

The Council's authorised limit for external debt for 2005/06 was £8.5m, with an operational limit of £5.5m.

Investments at financial year-end amounted to £18.4m.

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

9 *Planned Future Developments*

The Council will continue its improvement in Electronic Delivery and will continue to develop improved services and accessibility for our customers.

During the following financial year, it is planned to replace the Council's financial ledger system. This should improve the systems available for managers and accountancy staff and should result in significant efficiency savings.

It is also planned to undertake Service reviews that will identify areas where performance can be improved and where savings can be targeted.

10 *Changes in Accounting Policies*

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The 2005/06 Accounts reflect the Code of Practice on Local Authority Accounting in the United Kingdom 2005: A Statement of Recommended Practice (the SORP), supplemented by CIPFA's Best Value Accounting Code of Practice.

There are no major changes to accounting policy adopted in financial year 2005/06.

11 Internal and External Sources of Funds Available

A summary follows of the authority's internal and external sources of funds available to meet its capital expenditure plans and other financial commitments including PFI schemes.

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 in note 6 to the Consolidated Revenue Account on page 26.

Sue Borwick
Head of Finance and Business Development
Copeland Borough Council

June 2006

Statement of Responsibilities for the Statement of Accounts

1 The Authority’s Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Head of Finance and Business Development;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

2 The Head of Finance and Business Development Responsibilities

The Head of Finance and Business Development is responsible for the preparation to the Authority’s statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom Great Britain (“the Code of Practice”)

In preparing this statement of accounts, the Head of Finance and Business Development has:

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

The Head of Finance and Business Development has also:

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

I hereby certify that the following Statement of Accounts present fairly the financial position of Copeland Borough Council as at 31 March 2006 and its income and expenditure for the year ending on that date.

Signed:.....

SUE BORWICK **Date**
Head of Finance and Business Development

3 Audit Committee Approval

The Statement of Accounts was approved by Audit Committee on.

On behalf of the Audit Committee

Signed:.....

JOAN HULLEY
Chair of Audit Committee

.....
Date

Statement 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 financial year ended 31 March 2006 and up to the date of approval of the annual accounts.

3 The Internal Control Environment

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

- **Establishing and monitoring the achievement of the Council's objectives**
 - Revised draft Corporate Plan 2005/07 submitted to the Executive 21/2/06, prior to full Council approval
 - Key objectives 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. Key objectives only documented for 2005/06 until the restructure was fully implemented. However, Service Plans for 2006/07 were in place by April 2006.

- Targets and objectives reviewed quarterly. Performance against Corporate Plan objectives reported to the Executive quarterly. Service key objectives monitored by the Chief Executive /relevant Director.
- Achievement of the main objectives also reported annually in the BVPP.

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

- Council's Constitution provides a general framework for governance. Reviewed annually.
- The Executive meet fortnightly 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.
- Forward Plan details key decisions to be made by the Council, its committees and Chief Officers under delegated powers.

- ***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.
- General Standing Orders, Scheme of Delegation and Contract Standing Orders are regularly reviewed. Contract Standing Orders were revised in April 2005 and strengthened controls in relation to the management of contracts, following a contractual dispute.
- The Council adopted the Good Governance Standard for Public Services in July 2005, drawing up an action plan for improvement.
- Full Council 28/2/06 approved the Comprehensive Equality Policy.
- Approved Anti-Fraud and Corruption Strategy.
- Internal audit carries out annual audits of the main financial systems and cyclical audits of minor financial and operational systems, based on an annual risk analysis.
- Quarterly reports on audit activity were made to the Audit Sub Group of the Overview and Scrutiny Committee Performance and Resources. [In 2006/07 quarterly reports will be made to the newly established Audit Committee].
- A revised Risk Management Strategy and Framework approved by the Executive on 25/4/06. This includes monitoring of the Corporate Risk Register and Service Operational Risk Registers.

- 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.
- Members have been undergoing personal development assessment in 2005/06. This has resulted in a programme of training for 2006/07.
- Management Group have undertaken a corporate management training programme.
- A dedicated post of Health and Safety Officer was appointed as part of the restructure in 2005/06. Management Group have undertaken a Managing Safely course. The 2004/05 Health & Safety Policy is being revised as at 8 May 2006. A Risk Management Group, formed specifically to monitor Health & Safety issues, met periodically during 2005/06.
- An IT Security Policy was issued in December 2005 and all Members and employees were 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.
- ***Ensuring the economical, effective and efficient use of resources and the drive for continuous improvement***
 - Standards for customer service were adopted by Management Group in September 2005 and were formally approved by the Executive 21/2/06.
 - 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 the Policy Unit. Where performance is falling short of the target, corrective action has to be approved.
 - Improvement plan drawn up following the 2003/04 Corporate Performance Assessment (CPA). Progress continued to be monitored in 2005/06 by the Improvement Board.
 - Resources Steering Group ensures that resources are allocated to Council priorities.
 - Draft Procurement Strategy prepared, with improvement action plan. To be implemented in 2005/06 following restructure, which introduces a post of Procurement Officer. However, the Council was unable to appoint a suitable applicant. Other options were being considered as at April 2006.
 - A Communications Manager was appointed following the restructure in 2005 and a Communications Strategy has been drafted, approved in principle by the Improvement Plan Board in March 2006 and undergoing further consultation before formal approval by the end of May 2006. The Communications Strategy includes reviewing existing methods of consultation and feedback on performance.
 - Overview and Scrutiny Committee Performance & Resources have been tasked with reviewing the effectiveness of the organisational restructure by July 2006.

- ***Financial management of the Council 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 Council, 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 to the Executive on Treasury Management and on financial progress of the Capital Programme.
 - Financial Regulations are regularly reviewed. Last review April 2006 – approved by the Executive and referred to next Full Council.
- ***Performance management of the Council 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 Staff Development interviews link individual performance to the service objectives. This process was combined with assimilation interviews for all staff by 30 June 2005, following the restructure.

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.

- The governing body (Full Council) - reviewed the Constitution in April 2006
- The Audit Committee considered the annual Audit & Inspection Letter (Audit Commission) and an annual report on compliance with the Good Governance Standard for Public Services (internal audit) on 31 May 2006.
- The Executive received regular reports on corporate performance throughout 2005/06 and approved the Best Value Performance Plan.

- The Audit Sub-Group and Overview and Scrutiny Committee Performance and Resources (OSC PR) monitored internal and external audit work, including reviewing the adequacy of internal controls.
- Overview & Scrutiny Committees - there were no significant control issues arising from the "call in" of decisions / inquiries.
- The Improvement Board continued to monitor progress with the Improvement Plan drawn up following the CPA 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 2005/06.
- No Monitoring Officer reports were produced in 2005/06.
- Internal Audit undertook a review of the arrangements for Corporate Governance in 2005/06, reported to the Audit Committee on 31 May 2006. Internal Audit also submitted an Annual Report on Internal Control to the Audit Committee on 31 May 2006.
- External Audit – published the Annual Audit and Inspection Letter, presented to Members 31 May 2006. Other Audit Commission reports included an Interim Audit report; Report on the 2004/05 Financial Statements to the Council; Corporate Governance Follow Up; Use of Resources; Safer Communities Follow Up; Waste Management Follow Up
- The Benefits Fraud Inspectorate inspected the Housing and Council Tax Benefits Services. An action plan was agreed.
- There were no adverse Ombudsman reports in 2005/06.

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

Action was taken to address the following:-

- The Computer Security Policy was implemented
- The revised Code of Conduct for Employees was issued
- Financial Regulations were updated
- A dedicated Health & Safety Officer was appointed and revised guidance issued, together with a comprehensive programme of Health & Safety training.
- A draft Business Continuity Plan had been formulated but required further development.

Improvement plans were drawn up to address issues arising from the Audit Commission's reports and from an inspection by the Benefits Fraud Inspectorate

Outstanding actions were identified following the internal audit report on Corporate Governance arrangements. These issues are listed below, alongside any issues arising from compilation of the evidence for this Statement. Any actions not previously included in the Corporate Governance Action Plan are now detailed in a Supplementary Action Plan. [These actions are shown below in italics]

High Priority

- Review Corporate Plan once the Community Plan is in place
- Implement a Partnership Protocol
- Training needs to be given on the revised Risk Management Strategy and Corporate Team need to ensure that the Strategy is consistently delivered.
- The draft Business Continuity Plan should be approved, tested and extended to services
- A corporate resource plan should co-ordinate the resources needed for key projects to ensure there is the capacity to deliver to timescale.
- Review the effectiveness of the 2005 organisational restructure. Corporate Team's job profiles to be reviewed as part of the restructure review
- Implement the approved Member Training Plan for 2006/07
- *The revised Health & Safety Policy should be approved and implemented*

Medium Priority

- The draft Communications Strategy should be formally approved and implemented. This Strategy should address how Members can gather feedback from users and consider how information can be collated and shared to inform decision making
- Performance reports should link performance/outputs with financial budgets/expenditure
- *Quarterly performance discussions held with the Service Heads and Directors should be formally documented and available for review*
- Ensure relevant job profiles set out accountability for budgets and clearly express financial responsibilities
- The Constitution should include a formal statement that specifies the types of decisions that are delegated to the senior management team and those that are reserved for the governing body
- Consider job profiles for leading Members
- Review membership and attendance at Joint Neighbourhood Forums
- Open a debate on innovative, possibly unconventional, ways of working for Members, which might open Membership to a broader range of candidates

- Organise systematic '360-degree' feedback from a representative sample of stakeholders to gain insights about the organisation's relationships. Consider further peer review
- The Council should formalise the manner in which the Council considers external risks arising at other bodies that could be applicable to this Council – a quarterly report from the Monitoring Officer
- *There needs to be full compliance with the revised Complaints Procedure issued in October 2005. Further training to be given on this.*
- *An analysis of complaints should be reported to Members*
- *The development of the Corporate Training Plan needs to be timed to link to Employee Development Interviews. Training expenditure needs to be directly related to business objectives.*

Low Priority

- All job profiles to be made available on the internet

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Signature of the Leader of Copeland Borough Council

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Date

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Signature of the Chair of the Audit Committee

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Date

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Signature of the Chief Executive

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Date

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Signature of the Head of Finance and Business Development

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Date

Statement of Accounting Policies

1 General

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2005: A Statement of Recommended Practice (the SORP).

This latest version of the SORP was published in 2005 and relates to the 2005/06 financial statements.

The application of the accounting requirements of the 2005 SORP, dealing with all issues relevant to the financial statements for 2005/06, have been supplemented with guidance notes issued by CIPFA.

This 2005 SORP consolidates statutory provisions for the preparation of financial statements and requirements of UK accounting standards, 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.

The accounting convention adopted in the financial statements is based on historical cost modified by the revaluation of land, buildings, vehicles and plant.

2 Accruals of income and expenditure (debtors and creditors)

The accounts of the Authority are prepared on an accruals basis. This means that the sums due to or from the Authority during the year are included in the accounts, whether or not the cash has actually been received or paid in the year in question. Accruals have been made for all known material revenue and capital debtors and creditors for goods and services supplied both by and to the Authority during the year.

3 Support Service Costs

Charges for support services are made in accordance with the Best value Accounting Code of Practice using the principles of total absorption costing.

4 Interest Charges

External interest payable is charged to the Asset Management Revenue Account. External interest receivable is credited to the Consolidate Revenue Account.

5 Leasing Charges

The Authority has no outstanding obligations in respect of finance leases. Operating lease rentals are charges to the revenue account of the services receiving the benefit of the lease.

6 Long- Term Contracts

Long-term contracts are accounted for on the basis of charging the Consolidated Revenue Account with the value of works and services received under the contract during the financial year.

7 Pension costs

The accounts comply with the requirements of FRS 17 Retirement Benefits. This standard is based on the principle that an Authority accounts for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

Further information is provided in Note 12 to the Consolidated Revenue Account and Note 24 Notes to the Balance Sheet.

8 Contingent assets & liabilities

Contingent liabilities are disclosed within the notes to the Statement of Accounts if there is a possible obligation, which may require a payment or transfer of economic benefits.

Contingent assets are not recognised in the Statement of Accounts but are disclosed within the notes if the inflow of a receipt or economic benefit is probable.

9 Exceptional items, extraordinary items, and prior period adjustments

Exceptional Items

Exceptional items are included in the cost of service to which they relate, or on the face of the CRA if that degree of prominence is necessary, in order to give a fair presentation to the accounts. A description of any exceptional items is given by way of note to the accounts.

Extraordinary Items

These are disclosed and described on the face of the CRA after dealing with all items within the ordinary activities of the Authority, and are fully explained by way of note to the accounts.

Prior Period Adjustments

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.

10 Fixed assets

(a) General

As provided by the Local Government and Housing Act 1989 all expenditure is charged to revenue other than that which the Authority has specifically provided to be capitalised. Such expenditure is determined through the Authority's capital programme procedures. This process only allows for expenditure to be capitalised if it is to be entered into for capital purposes; notably the provision of tangible fixed assets. All such expenditure is funded firstly through the utilisation of external resources (e.g., grants and contributions) and, where these are insufficient, by internal resources such as revenue and usable capital receipts.

The Authority is required to maintain an asset register for all assets that the Authority owns. The basis of valuation for each category of asset is included in a note to the Consolidated Balance Sheet.

(b) Depreciation

Depreciation is provided for on all fixed assets with a finite useful life, which is determined at the time of acquisition or revaluation. The methods of depreciation for each type of asset are detailed in a note to the Consolidated Balance Sheet.

(c) Impairment

Asset values are reviewed each year for impairment such as a decline in the fixed asset's market value, obsolescence or physical damage.

(d) Valuations

Details of the type of valuation method used for each category of asset are shown as a note to the Consolidated Balance Sheet. When an asset is included in the Consolidated Balance Sheet at current value, it is formally revalued at intervals of not more than five years.

(e) Charges to Revenue

All services are charged with a capital charge for all assets used in the provision of the service. This charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. These capital charges are credited to the Asset Management Revenue Account and therefore have a neutral impact on the amount that is required from local taxation.

Amounts set aside from revenue to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as appropriations, in the Consolidated Revenue Account, below net operating expenditure.

11 Intangible assets

Intangible Assets are assets which do not have a physical substance but are identifiable and controlled by the council and have a life exceeding one year. The balance is amortised to revenue over the economic life to reflect the consumption each year. The balance identified on the balance sheet relates to computer software and licences.

12 Grants

Revenue grants are accrued and credited to income within the service revenue account in the same period in which the related expenditure was charged.

Grants relating to capital expenditure are credited to the Contributions and Government Grants Deferred Account and written off to the Asset Management Revenue Account over the estimated useful life of the asset, thereby off-setting the depreciation of the asset.

13 Receipts arising from the Sale of Fixed Assets

Proceeds arising from the sale of assets are dealt with as capital receipts. As required by the Local Government and Housing Act 1989 a part of these monies may be required to be set aside as a provision to meet credit liabilities. The balance or usable part of capital receipts is then available:

- to finance capital expenditure (enhancing capital resources)
- as a voluntary provision to meet credit liabilities.

Reserved (or 'set aside') capital receipts are included in the Capital Financing Account. The details of capital receipts received and their use are provided by way of a note to the Statement of Total Movements in Reserves.

14 Group accounts

The accounts have been prepared in accordance with the SORP

15 Investments

Investments are carried at cost less provision, where appropriate, for loss in value. The majority of investments relate to amounts loaned at fixed interest in the Money Market.

16 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.

17 Post Balance Sheet events

Disclosure is made of any material post balance sheet event, which concerns conditions that did not exist at the balance sheet date. The nature of the event and the estimated financial effect of the event are given.

18 Provisions

Provisions are allowed for any liabilities of uncertain timing or amounts that have been incurred.

Provisions are recognised when:
the authority has a present obligation as a result of a past event,
it is probable that a transfer of economic benefits will be required to settle the obligation,
and
a reliable estimate can be made of the amount of the obligation.

Provision is made for any onerous contract.

Any (direct) cost of internal and external restructuring, and not associated with ongoing activities, is only recognised as a provision when the Authority has a constructive obligation to restructure i.e. there is an approved formal plan.

Provisions have not been allowed for possible future operating losses.

Provisions, based on the best estimate taking into account the risks and uncertainties surrounding the events, are charged to the appropriate revenue account required for any liabilities of uncertain timing or amount that have been incurred. Provisions are made when the Authority has a present obligation (either legal or constructive) as a result of a past event; it is probable that a transfer of economic benefit will be required to settle it; and a reliable estimate can be made of the financial obligation. If it becomes probable that a transfer of economic benefits is no longer required to settle the obligation, the provision is reversed.

19 Provisions for bad and doubtful debts

The balance of debtors is adjusted for doubtful debts. Known un-collectible debts are written off in the period when it becomes known for them to be un-collectible.

20 Repurchase of borrowing

Gains and losses associated with Discounts and Premia on the repurchase of early settlement of borrowing are recognised in the Consolidated Revenue Account in the period in which the repurchase or settlement is made. The exception to this is that where the repurchase is coupled with a restructuring or financing of borrowing, and which as a result does not substantially impact on the size of the overall loan portfolio or finance costs. Where one or more of these conditions is met the remaining Premia or Discount is deferred and amortised to revenue over the total of the replacement loan.

21 Reserves

Amounts set aside for purposes falling outside the definition of provisions are reserves, and transfers to and from them are distinguished from the service expenditure disclosed in the

Statement of Accounts. Reserves are an accumulation of previous years' surpluses, deficits and appropriations.

The revenue reserves held at 31 March 2006 include:

- Collection Fund
- General Fund
- Housing Revenue
- Pension Reserve
- Earmarked Revenue Reserves:

Capital reserves held by the Authority include:

- Capital Financing Account
- Contributions and Government Grants Deferred
- Fixed Asset Restatement Account
- Usable Capital Receipts

None of these capital reserves can be used to support revenue spending. However, Usable Capital Receipts can be used to support capital expenditure and an element of the Capital Financing Account can be used to repay external loan debt.

In addition, there is a Pension Reserve, which is a notional reserve.

22 *Stocks and Work in Progress*

Stocks are valued 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.

For trading activities, the amount recognized in the appropriate revenue accounts for work in progress, for which interim valuations are made, is the progress payments received and receivable, less related costs and any foreseeable losses.

The amount at which work in progress, for which interim valuations are made, is included in the Balance Sheet at cost plus any attributable profit less any foreseeable losses and, where relevant, progress payments received and receivable.

23 *Value Added Tax*

Only irrecoverable VAT, if applicable, is included in the revenue accounts, whether of a capital or revenue nature.

CONSOLIDATED REVENUE ACCOUNT

2004/05		2005/06	2005/06	2005/06	
Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000	Note
635	Central services to the public	6,385	5,404	981	
7,035	Cultural, environmental and planning services	11,778	3,925	7,853	
467	Highways, roads and transport services	833	427	406	
1,493	Housing services	16,214	14,933	1,281	
687	Corporate and democratic core	2,873	3,218	(345)	
(3,941)	Non distributed costs	79	796	(717)	
6,376	TOTAL CONTINUING OPERATIONS	38,162	28,703	9,459	
221	Discontinued Operations – Careline services	257	167	90	7
17	Discontinued Operations – Housing stock	54	0	54	7
6,614	NET COST OF SERVICES	38,473	28,870	9,603	
294	Parish council precepts			315	
0	(Surpluses) / deficits on trading undertakings			0	
(266)	Asset management revenue account			(457)	5
	Contribution of housing capital receipts to Government Pool			90	
470	Losses on repurchase of borrowing			0	
4,291	Interest and investment income			(1,306)	
(1,390)	Pension interest costs and expected return on pension assets			316	12
147				316	
10,160	NET OPERATING EXPENDITURE			8,561	
(72)	Transfer to HRA balances			(54)	
889	Transfer to other earmarked reserves			2,108	
	Transfer to UCR equal to the contribution to Housing Pooled Capital receipts			(90)	
(470)	Transfer to/from Major repairs reserve			0	
0	Capital expenditure financed from revenue			50	
245	Reconciling amount for provisions for loan repayment			(753)	15
(540)	Deferred charges			(1,051)	
(5,030)	Contribution from the pension reserve			474	12
3,985				9,245	
9,167	AMOUNT TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXATION			9,245	
(3,821)	General government grants			(3,892)	
(1,885)	Non-domestic rates contribution			(2,005)	
(3,495)	Demand on the collection fund			(3,719)	
	Transfers (from) / to the Collection Fund in respect of surpluses / deficits			(47)	
(27)				(418)	
(61)	NET GENERAL FUND (SURPLUS) / DEFICIT			(418)	
(2,266)	Balance on General Fund brought forward			(2,327)	
(2,327)	Balance on General Fund carried forward			(2,745)	

Notes to the Consolidated Revenue Account

1 Performance against budget

The Council's actual expenditure against the approved budget is summarised [in note 5 on pages 4 and 5](#).

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2 Continuing/acquired operations

During 2005/06 there were no acquired operations affecting the Authority, and there were no outstanding liabilities on any previous discontinued services.

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3 Capital charges

Capital charges are charged to the General Fund service revenue accounts for the use of fixed assets and relevant impairment losses.

Charges for the use of fixed assets are made up of an annual provision for depreciation, where appropriate, plus a capital financing charge. The capital financing charge is determined by applying a specified notional rate of interest to the net amount at which the asset is shown in the Consolidated Balance Sheet.

The notional interest charge is intended to reflect the fact that capital investment is strictly rationed, i.e. when capital is tied up in providing a fixed asset for a particular service it cannot be used for investment in another service. For 2005/06, the notional statutory interest rates used were 3.5% for assets carried at current value, and 4.95% for assets carried at historical cost.

Charges are made for the impairment of assets where the impairment is considered to be similar to depreciation (e.g. physical damage) and is therefore due to the clear consumption of economic benefits. The full value of the impairment loss is charged in these instances.

4 Prior year, exceptional / extraordinary items

With regard to 2005/06, there are no prior year, exceptional or extraordinary items.

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5 *Asset Management Revenue Account*

The Asset Management Revenue Account reverses out the capital charges made to services under the capital accounting system and replaces them with depreciation (net of government grants deferred) and the real external interest charges paid by the Authority. The transactions on the Asset Management Revenue Account are as follows:

	2004/05 £000	2005/06 £000
INCOME		
Capital Charges		
Depreciation / MRA	(1,229)	(930)
Interest	(747)	(659)
Transfer from Government Grants Deferred Account	(117)	(176)
	<u>(2,093)</u>	<u>(1,765)</u>
EXPENDITURE		
Provision for Depreciation / Major Repairs Allowance	1,229	930
External Interest	598	378
	<u>1,827</u>	<u>1,308</u>
NET	<u>(266)</u>	<u>(457)</u>

6 *Finance / operating lease rentals*

Copeland entered into a PFI building operating lease on 18th 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 2005/06 was £1,978,054 (2004/05 £1,348,345).

The Authority is committed to making payments of £1,904,032 under these leases in 2005/06, comprising the following elements:

	£
Leases expiring in 2006/07	0
Leases Expiring between 2007/08 and 2011/12	621,729
Leases Expiring after 2011/12	<u>1,282,303</u>
	<u>1,904,032</u>

The Council does not have any continuing trading operations.

The Council's previously established Careline Service was transferred to Attendo Limited on 2nd January 2006. Transactions in respect of activities transferred, during the nine month period of 2005/06, have been classified under the heading "Discontinued Operations" in accordance with CIPFA's Statement of Recommended Practice.

The transfer of the Council's Housing Stock occurred on 7th June 2004, however there remain some transactions during this year.

8 **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, and 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 70,600, the Council was permitted to spend £134,140 under this power in 2005/06 and its actual expenditure was zero.

9 **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 – details of scheme for setting charges. 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.

BUILDING REGULATIONS CHARGING ACCOUNT			
	Chargeable	Non-chargeable	Total Building Control
	2005/06	2005/06	2005/06
	£000	£000	£000
EXPENDITURE			

Employee Expenses	97	82	179
Premises	0	0	0
Transport	7	5	12
Supplies and services	17	14	31
Central and support services charges	35	28	63
TOTAL EXPENDITURE	156	129	285
INCOME			
Building Regulation charges	(242)	0	(242)
Miscellaneous income	0		0
TOTAL INCOME	(242)	0	(242)
SURPLUS / (DEFICIT) FOR YEAR	86	(129)	(43)

10 Agencies

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The Authority does not provide any material agency based services.

11 Local Authority (Goods and Services) Act 1970

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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.

Client : Cumbria County Council		
Purpose: Verge Maintenance and Weed Control		
	2004/05	2005/06
	£000	£000
Income	20,600	21,218
Expenditure	17,941	12,115
Surplus / (Deficit)	2,659	9,103

This represents 1.0% of all work carried out by the Authority's grounds maintenance department, based on gross expenditure.

12 Pension Schemes

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

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

Under FRS17, The Council is required to recognise the cost of retirement benefits in the Net Cost of Services when they are earned by the employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the CRA after Net Operating Expenditure.

The following transactions have been made in the CRA during the year.

2004/05 £000's		2005/06 £000's
	Net Cost of Services:	
(1,060)	Current services costs	(966)
4,209	Past Service Costs / Curtailment / Settlement Gain	717
	Net operating expenditure:	
(2,393)	Interest Cost	(2,538)
2,246	Expected return on assets in the scheme	2,222
	Amounts to be met from Government Grants & taxation:	
3,985	Movement on pension reserves	474
(983)	Amounts charged against Council Tax for Pensions – employers contributions	(1,039)

13 Members allowances and officer emoluments

Members Allowances

The total of members allowances paid during 2005/06 was £199,043 (2004/05 - £167,507).

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:

Remuneration Band	2004/05	2005/06
	Number of Employees	Number of Employees
£50,000 - £59,999	2	1
£60,000 - £69,999	0	2
£70,000 - £79,999	1	0
£80,000 - £89,999	0	1
£90,000 - £99,999	1	0

14 **Related party transactions**

No material transactions have occurred during 2005/06 relating to any members or senior officers of the Authority.

15 **Minimum Revenue Provision**

The Authority has a statutory obligation to make adequate provision to meet its liabilities in respect of capital expenditure financed from external borrowing. The method of calculating this amount, known as the Minimum Revenue Provision (MRP), is defined by Statute. Service Revenue accounts are charged with depreciation and impairment charges for fixed assets related to each particular service. A credit adjustment is then made in the appropriations section of the Consolidated Revenue Account that ensures that the net impact on the Consolidated Revenue Account equates to the sum of the MRP, after taking into account the commutation adjustment. A change has been made to the method of calculation in that the Capital Financing Requirement is now used in place of the credit ceiling. The resulting charge to the Consolidated Revenue Account is the same under both methods.

	£000	£000
4% of capital financing requirement		38
Adjustment for commutation	<u>(57)</u>	
Minimum Revenue Provision		(19)
As result is negative – no charge to CRA required		NIL
Amount charged/credited as depreciation		(930)
Government grant deferred charges		177
Additional charge to consolidated revenue account to Offset capital charges only		(753)

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16 **Audit Fees**

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

£

Statutory Inspection	103,548.00
Certification of Grant Claims	38,933.00
Other Services	<u>2,475.25</u>
	144,956.25

17 **Publicity account**

Under Section 5(1) of the Local Government Act 1986 the Council is required to keep a separate account of its expenditure on publicity, and this is shown below. In the Consolidated Revenue Account, these amounts are included in the appropriate headings.

	2004/05	2005/06
	£	£
Staff Advertising	23,101	100,882
Advertising		
Development Services	10,066	10,186
Leisure Management	26,732	31,634
General	21,221	8,490
Business Rates / Council Tax	1,239	7,171
Housing Services	3,194	128
	62,452	57,609
Promotions and Exhibitions		
Economic Development	3,000	2,421
Leisure Management	1,519	1,586
Whitehaven Civic Hall	51,773	66,198
Heritage Centre	22,974	22,974
Housing Services	0	0
Benefits	1,630	3,004
Green Waste Recycling Project	2,988	6,031
	83,884	102,214

HOUSING REVENUE ACCOUNT

2004/05		2005/06
£000		£000
	INCOME	
1,611	Dwellings rents (gross)	
38	Non-dwellings (gross)	
4	Heating	
39	Charges for service and facilities	
47	Contributions towards expenditure	
(401)	HRA Subsidy receivable (including MRA)	
13	Right To Buy credit	
1,351	TOTAL INCOME	0
	EXPENDITURE	
502	Repairs and maintenance	
387	General management	
53	Special management	
18	Rents, rates, taxes and other	
	Bad Debts	54
38	Cost of capital charge	
	Depreciation of fixed assets:	
359	Council dwellings	
1,357	TOTAL EXPENDITURE	54
6	NET COST OF SERVICES	54
65	Net HRA income or expenditure on AMRA	
	HRA investment income (including mortgage	
	income and interest on notional cash	
(4)	balances)	
67	NET OPERATING EXPENDITURE	54
	REVENUE CONTRIBUTIONS TO CAPITAL	
27	Transfer to reserve	
5	TRANSFER TO PENSIONS RESERVE	
99	SURPLUS / DEFICIT FOR YEAR	54
239	Balance brought forward	140
140	Balance carried forward	86

Notes to the Housing Revenue Account

The Council sold its entire housing stock to an existing Housing Association on 7th June 2004. The HRA, from an operational viewpoint has been closed all financial year, and will be legally closed in April 2006, when the final balance will be transferred to General Fund Reserves. Any future movements will be as a result of final subsidy calculations for 2004/05.

Bad debts relating to improvement work carried out for tenants who subsequently purchased their houses, have been written out in 2005/06 as these debts are deemed to be uneconomical to recover, and also in light of the statutory closure of the HRA in April 2006.

CONSOLIDATED BALANCE SHEET

2004/05 £000		2005/06 £000	2005/06 £000	Note
FIXED ASSETS				
<u>Operational assets:</u>				
13,814	Other Land and Buildings	12,835		
1,169	Vehicles, Plant and Equipment	1,248		
2,707	Infrastructure Assets	2,569		
670	Intangible assets	511		
0	Community Assets			
<u>Non-Operational Assets</u>				
4,837	Investment Properties	4,953		
23,197	TOTAL FIXED ASSETS		22,116	1,5,6,7,8,9
0	Deferred charges	0		2
0	Long-term investments	0		
2,253	Long-term debtors	2,222		10
25,450	TOTAL LONG TERM ASSETS		24,338	
<u>Current assets</u>				
77	Stocks and work in progress	59		11
4,337	Debtors	5,271		12
17,311	Investments	18,376		13
0	Cash and bank			
			23,706	
47,175	TOTAL ASSETS		48,044	
<u>Current Liabilities</u>				
(4)	Short-term borrowing	(4)		
(200)	Bank Overdraft	(2,888)		
(3,958)	Creditors	(3,500)		14
			(6,392)	
43,013	TOTAL ASSETS LESS CURRENT LIABILITIES		41,652	
(5,000)	Long-term Borrowing	(5,000)		15
(11,177)	Liability related to defined benefit pension scheme	(10,448)		24
(459)	Provisions	(620)		
			(16,068)	
26,377	TOTAL ASSETS LESS LIABILITIES		25,584	
(28,708)	Fixed Asset Restatement Account		(29,566)	
51,771	Capital Financing Account		50,526	
2,516	Government Grants - Deferred Account		2,592	
45	Deferred Capital Receipt		44	
445	Capital Grants Unapplied		211	
4,389	Usable Capital Receipts Reserve		2,918	
(11,142)	Pension reserve		(10,412)	24
4,130	Earmarked Reserves		6,237	
2,791	General Fund Balance		2,948	
140	Housing Revenue Account Balance		86	
26,377	TOTAL NET WORTH		25,584	

Notes to the Consolidated Balance Sheet

1 Capital expenditure and disposals during the year

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Intangible assets	Community Assets £000	Total Operational Assets £000	Non- operational Assets £000	Total Assets £000
Certified Valuation at 31 March 2004	15,935	2,105	3,457	759		22,256	4,837	27,093
Accumulated depreciation and impairment	(2,121)	(936)	(750)	(89)		(3,896)		(3,896)
Net Book Value of assets as at 31.03.05	13,814	1,169	2,707	670	0	18,360	4,837	23,197
Movement in 2005/06								
Additions		220	40			260	125	385
Transfers	9					9	(9)	0
Disposals	(833)	(37)				(870)		(870)
Revaluations						0		0
Depreciation/amortisation	(478)	(115)	(178)	(159)		(930)		(930)
Depreciation Adj on transfer	323	11				334		334
Write outs						0		0
Impairments								
Net Book Value of assets as at 31.03.06	12,835	1,248	2,569	511	0	17,163	4,953	22,116

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2 *Deferred charges*

	Balance at 1 April 2005 £000	Expenditure in year £000	Written off to revenue in year £000	Capital Grants & Donations £000	Balance at 31 March 2006 £000
Improvement Grants	0	1,186	(1,051)	(135)	0
	0	1,186	(1,051)	(135)	0

3 *Summary of capital expenditure and sources of finance*

	2004/05 £000	2005/06 £000
CAPITAL INVESTMENT		
Operational assets	1,453	583
Non-operational assets	45	125
Deferred Charges	908	1,186
	2,406	1,894
SOURCES OF FINANCE		
Single Capital Pot	896	809
Capital receipts	441	554
Government grants and other contributions	758	388
Revenue contributions	311	143
	2,406	1,894

4 *Capital commitments*

The Council entered into a contract for capital investment purposes to regenerate the former Co-op building in Cleator Moor. The remaining contractual value relating to the Authority is £47,200, which is scheduled for completion in 2006/07.

5 Information on assets held

Fixed assets owned by the Council include the following:

	Number at 31 March 2005 <i>no.</i>	Changes 2005/06 <i>no.</i>	Number at 31 March 2006 <i>no.</i>
OPERATIONAL ASSETS			
Council Dwellings			
Housing (HRA)	0		0
Estate Shops	2	-2	0
Supported Independancy Units	0		0
Other Land and Buildings			
Headquarters	1	-1	0
Depots	7	-4	3
Crematorium	1		1
Cemeteries	5		5
Civic Halls	2		2
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
Vehicles, Plant and Equipment			
Vehicles	8		8
NON-OPERATIONAL ASSETS			
Commercial Properties			
Depots		4	4
Garage plots	0	284	284
Estate Shops	2		2

6 Intangible assets

This category of assets reflects the authorities continuing investment into major new IT systems.

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Movement in Intangible Assets	
	Purchased Software Licences £000
Original Cost	759
Accumulated Depreciation to 1st April 2005	-89
Balance at 1st April 2005	670
Expenditure and transfers in year	
amortisation in year	-159
Written off to revenue in year	
Balance at 31st March 2006	511

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.

7 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).

Operational Properties - are valued on the basis of open market value for the existing use or, where this could not be assessed, depreciated replacement cost is used.

Non-operational Properties - are valued on the basis of open market value.

Community Assets and Infrastructure Assets – are recorded in the accounts at historical cost.

Vehicles Plant and Equipment - are recorded in the Balance Sheet at actual cost less accumulated depreciation as at 31 March 2006.

Intangible Assets - are recorded in the Balance Sheet at actual cost less accumulated depreciation as at 31 March 2006, based on a 5-year life.

Revaluation of these assets is on a quinquennial basis.

A complete revaluation on all non-dwelling assets was undertaken in two phases by CAPITA. Phase 1 - February 2003 and phase 2 was carried out in April 2003. Revaluations have been carried out during the year where a change in use or value of asset has been identified.

8 Valuation disclosures

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. Non-operational properties were valued by reference to their open market value for an alternative use.

Operational Asset Depreciation

	Cumulative Depreciation at 01.04.05 £000	Actual Depreciation 2005/06 £000	Adjustments to cumulative depreciation 2003/04 £000	Cumulative Depreciation at 31.03.06 £000
Operational Assets				
Other land and buildings	2,121	478	-323	2,276
Plant & Equipment	936	115	-11	1,040
Infrastructure	750	178		928
Intangible	89	159		248
	3,896	930	-334	4,492

Depreciation has been applied to equipment and infrastructure assets since the introduction of the requirements of the Local Government and Housing Act 1989.

Depreciation was applied to other land and buildings for the first time in 2001/02.

Depreciation on Council dwellings and other HRA assets was applied for the first time in 2001/02.

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

9 *Change in depreciation methods used*

There have been no changes to the depreciation methods used.

10 *Long term debtors*

	31.03.05	31.3.06
	£000	£000
Council house sales - Mortgages	45	44
Housing Act advances	9	5
Housing Associations	2,168	2,123
Officers' car loans	31	52
Local companies / bodies	16	14
	2,269	2,238
Less provision for doubtful debtors	(16)	(16)
	2,253	2,222

11 *Stocks and work in progress*

	31.03.05	31.3.06
	£000	£000
Stocks		
Stores	0	0
Other	77	59
	77	59
Work in Progress	0	0
	77	59

12 *Debtors*

	31.03.05	31.3.06
	£000	£000
Amounts falling due in one year:		
Government Departments	1,578	1,418
Council Taxpayers and Ratepayers	1,717	2,070
Sundry Debtors	1,909	2,641
General	0	0
	5,204	6,129
Less Provision for doubtful debts	(867)	(858)
	4,337	5,271

13 Investments

	31.03.05	31.3.06
	£000	£000
SHORT TERM INVESTMENTS:		
External investments	17,301	18,366
Debenture	10	10
	<u>17,311</u>	<u>18,376</u>

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

14 Creditors

	31.03.05	31.3.06
	£000	£000
Creditors:		
Government Departments	860	1,107
Sundry Creditors	2,654	1,817
Council Taxpayers and Ratepayers	384	516
Accrued interest deposits	60	60
	<u>3,958</u>	<u>3,500</u>

15 Borrowing repayable within a period in excess of 12 months

	As at 31st March 2005 £000	As at 31st March 2006 £000
ANALYSIS OF LOANS BY TYPE		
DEPFA Bank	5,000	5,000
	<u>5,000</u>	<u>5,000</u>
ANALYSIS OF LOANS BY MATURITY		
More than 15 years	5,000	5,000
	<u>5,000</u>	<u>5,000</u>

16 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, that have been reported but not settled at 31st March 2006 regardless of whether they would be covered by the insurers. Of the £225,000 outstanding, £116,400 is expected to be reimbursed through insurance settlements. The additional provision of £60,000 relates to the potential mesothelioma.

	£000
As at 31st March 2005	140
Increase in provisions	85
As at 31st March 2006	<u>225</u>

17 Movement in the year for each class of provision

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

	Balance at 1 April 2005 £000	Debts written off in year £000	Increase / (Decrease) in year £000	Balance at 31 March 2006 £000
Commercial Ratepayers	276	0	-164	112
Community Charge payers	0	0	0	0
Council Tax payers	458	-26	54	486
Housing Rents	0	0	0	0
Sundry Debtors	133	-26	-17	90
	<u>867</u>	<u>-52</u>	<u>-127</u>	<u>688</u>

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

	Balance at 1 April 2005 £000	Movements in year £000	Balance at 31 March 2006 £000
Capital Grants	141	-91	50
Other	340	6	346
	<u>481</u>	<u>-85</u>	<u>396</u>

18 Shareholdings

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The Authority has interests in the following companies as at 31 March 2006.

These are all a Minority Interest and not influenced under s69 of LGHA 1989, and are neither controlled nor influenced by the Council, under Part V of LGHA 1989. There are no business relationships with any of the companies outlined below and the Council.

Please note that the published accounts for 2005 for the below mentioned companies are unavailable at present.

Name: Whitehaven 1992 Ltd.
Nature of Business: Promotion of Rugby League Football
Proportion of Shares: 30,000 £1 Ordinary Shares
Additional Note: Whitehaven 1992 Ltd is a non-trading company. Albright and Wilson UK LTD hold the shares for the Council.

Name: Whitehaven Rugby league Football Club Ltd
Nature of Business: Promotion of Rugby League Football
Proportion of Shares: Subsidiary of Whitehaven 1992 Ltd
Net Assets/(liabilities)
31/12/04 £70,524
31/12/03 £70,524
Profit/(Loss) before Tax:
31/12/04 unknown
31/12/03 unknown
Profit/(Loss) after Tax:
31/12/04 £4,974
31/12/03 £4,974

19 Net assets employed

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	2004/05 £000	2005/06 £000
General Fund	2,326	2,745
General Fund - earmarked	4,130	6,400
HRA	140	86
Collection Fund	465	203
	7,061	9,434

20 *Contingent liabilities and assets*

Three contingent liabilities and one contingent asset have been identified:

Contingent Liabilities:

Employment claims

- As at the 31st March, discussions were being held with Copeland Homes and Customs & Excise in respect of an employment claim by employees previously employed by the Council. A sum of money has been set aside in 2005/06 accounts to fund the potential claim.

Municipal Mutual Insurance (MMI)

- The Council has £400,000 (since 1993) of insurance receipts with Mutual Municipal (MM), the Council's previous insurers. Mutual Municipal is currently being wound up and potentially the £400,000 is at risk if the wind up of MM is insolvent.

Unadopted Sewers

- The Council 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.

Contingent Asset

Vat Sharing Agreement

- A VAT sharing agreement was entered into with Copeland Homes as part of the transfer of housing stock. Under this agreement the Council will accrue share of benefits worth £4.2m. As at 31.3.06, £1.4m has been received with the remainder due over the next few years. There is a small element of uncertainty as to the extent to which the Council will receive all the remaining VAT shelter agreement.

20a *The Statement of Accounts was approved by Audit Committee on.*

On behalf of the Audit Committee

Signed:.....

JOAN HULLEY
Chair of Audit Committee

Date

21 *Post balance sheet events*

On 1st April 2006, the management and operation of the Council's Leisure facilities (Whitehaven Civic Hall, Sports Centre, Swimming Pool, and Cleator Moor Bowls) was transferred to North Country Leisure.

The Chief Executive, who had previously been with the Authority for ten years, took early retirement in April 06.

22 *Amounts due to / from related parties*

This is not applicable to the enclosed financial statements.

23 Euro costs

Assets and liabilities denominated in foreign currencies are translated into GB pounds at the rates of exchange ruling at the year-end. At the 31st March 2006 the assets comprised the balance of €514.12 in the Euro account held at the Council's bank. There were no liabilities at this date.

24 Net pensions / asset / liability

Note 10 to the Consolidated Revenue Account contains details of the Council's participation in the Local Government Pension Scheme administered by the County Council. The underlying assets and liabilities for retirement benefits attributable to the Authority are as follows:

	2004/05 £m	2005/06 £m
Estimated liabilities in the scheme	(47.1)	(54.0)
Estimated assets in the scheme	35.9	43.5
Net asset / (liability)	(11.2)	(10.5)

The liabilities show the underlying commitment the Council has in the long run to pay retirement benefits. The total liability of £10.5m has a substantial impact on the net worth of the Council. However, statutory arrangements for funding this deficit mean that the financial position of the Council 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 make to the fund is 15.6% of gross pay. The contribution rate has been agreed for 2006/07 onwards at 16.5% until a future 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 being based on the latest full valuation of the scheme as at March 2004. The main assumptions used in these calculations:

	2004 valuation		2001 valuation	
	Past service	Future service	Past service	Future service
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%

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce the value of the Council's current liabilities by £796k and this has been included within the Non- Distributed Costs on the face of the Consolidated Revenue Account.

There has been a change in the valuation method used by the actuary in respect of death and disability benefits from the UK to US method. The result of this change for the authority has resulted in a £1,057,000 change in the liability value

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.

2004/05		2005/06	
Proportion Expected		Proportion Expected	
58.40%	7.50%Equities	59.50%	7.00%
21.20%	4.70%Government Bonds	21.30%	4.30%
10.10%	5.50%Other Bonds	9.50%	4.90%
8.40%	6.50%Property	7.50%	6.00%
1.90%	4.00%Cash/Liquidity	2.20%	4.50%
Market value of total			
£880m.	funds	£780m.	

COLLECTION FUND ACCOUNT			
2004/05		2005/06	2005/06 Note
£000		£000	£000
INCOME			
(22,794)	Billed to Council Tax Payers	(24,065)	1
(4,436)	Council Tax Benefit	(4,656)	
(28,833)	Non-Domestic Rates	(26,084)	2
	Adjustments for previous years		
(56,063)	Total Income	(54,805)	
EXPENDITURE			
Precepts and demands:			
20,168	- Cumbria County Council	21,691	
3,262	- Cumbria Police Authority	3,472	
3,495	- Copeland Borough Council	3,719	
26,925			28,882
Non-Domestic Rates:			
28,715	- Payment to National Pool	25,970	
118	- Cost of Collection Allowance	114	
28,833			26,084
	Increase / Decrease in Provision for non-payment of		
50	Council Tax		54
	Contributions to General Fund from 2004/05 Collection		
27	Fund Surplus		47
55,835	Total Expenditure	55,067	
(228)	(Surplus) / Deficit for the year	262	
(237)	(Surplus) / deficit at 1 April 2005	(465)	
(465)	(Surplus) / deficit at 31 March 2006	(203)	

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 8 valuation bands estimating 1st 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 Council 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 2005/06 was 22,030.47 (21,543.68 for 2004/05). The basic amount of Council Tax for a Band D property £1,281.10 (£1,227.15 for 2004/05) 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 (45.6p in 2004/05, and 42.2p in 2005/06) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council 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 local authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income, after relief's and provisions of £26,083,794.95 for 2005/06, was based on an average rateable value for the Council's area of £61,692,363 for the year (£68,739,830 in 2004/05).

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 Council and Cumbria County Council in a subsequent financial year.

The surplus as at 31st March 2006 is £ 121,652.

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	CAPITAL RESERVES							REVENUE RESERVES				TOTAL
	Capital Grants Unapplied £000	Government Grants Deferred £000	Fixed Asset Restatement Account £000	Capital Financing Account £000	Useable Capital Receipts Reserve £000	Deferred capital receipt £000	Pension reserve	General Fund Reserves £000	Collection Fund £000	Earmarked Reserves £000	HRA Reserves £000	
Balance at 01/04/05	(445)	(2,516)	28,708	(51,771)	(4,389)	(45)	11,142	(2,326)	(465)	(4,130)	(140)	(26,377)
Prior period adj			396									396
Restated balance	(445)	(2,516)	29,104	(51,771)	(4,389)	(45)	11,142	(2,326)	(465)	(4,130)	(140)	(25,981)
Net (surplus)/deficit for year	369	176		1,785		1	(475)	(418)	262	(2,107)	54	(353)
Unrealised (gains)/losses from revaluation of fixed assets			(74)				(255)					(329)
Transfer to revenue reserves					1,476							1,476
Cost or value of assets disposed of			536									536
Proceeds of disposals					(560)							(560)
Capital Grants	(388)											(388)
Financing of fixed assets	253	(253)		(540)	555							(135)
Balance at 31/03/06	(211)	(2,593)	29,566	(50,526)	(2,918)	(44)	10,412	(2,744)	(203)	(6,237)	(86)	(25,584)

CASH FLOW STATEMENT					
2004/05 £000	2004/05 £000		2005/06 £000	2005/06 £000	Note
		REVENUE ACTIVITIES			
		Cash Outflows			
	9,105	Cash paid to and on behalf of employees		8,029	
	12,440	Other operating cash payments		10,532	
		Payments to capital pool		44	
	12,797	Housing benefit paid out		14,399	
	28,373	National non-domestic rate		27,491	
	23,725	Precepts paid		25,477	
	86,440			85,972	
		Cash Inflows			
	(616)	Rents (after rebates)		0	
	(22,825)	Council Tax receipts		(23,857)	
	(28,369)	National non-domestic rate		(25,533)	
	(3,821)	Revenue Support Grant		(3,892)	
	(1,885)	NNDR Receipt from the pool		(2,005)	
	(11,255)	DSS grants for benefits		(15,460)	
	(4,927)	Other government grants		(5,641)	
	(7,965)	Cash received for goods and services		(7,048)	
	(538)	Other operating cash receipts		(523)	
	(82,201)			(83,959)	
	4,239	Net Cash Outflow / (Inflow) on Revenue activities		2,013	1
		RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
		Cash Outflows			
	876	Interest paid		378	
	(1,197)	Cash Inflows			
		Interest received		(1,335)	
	(321)			(957)	
		CAPITAL ACTIVITIES			
		Cash Outflows			
	2,129	Purchase of fixed assets		567	
	1,377	Payment of renovation and other grants		1,137	
	3,506			1,748	
		Cash Inflows			
	(2,296)	Sale of fixed assets		(551)	
	(861)	Capital grants received		(502)	
	(5,868)	Other capital receipts		(84)	
	(5,519)			611	
	(1,601)	NET CASH OUTFLOW / (INFLOW) BEFORE FINANCING		1,623	3
		MANAGEMENT OF LIQUID RESOURCES			
		net increase / decrease in short term deposits			
	2,772	net increase / decrease in other liquid resources		2,246	
		FINANCING			
		Cash Outflows			
	8,450	Repayment of amounts borrowed		0	
	(9,366)	Cash Inflows			
		New loans raised		0	
	(916)			0	
	255	Net increase / (decrease) in Cash		3,869	

NOTES TO THE CASH FLOW STATEMENT

1. RECONCILIATION OF NET SURPLUS / DEFICIT TO NET CASH INFLOW FROM REVENUE ACTIVITIES

	2004/05 £000	2005/06 £000
Surplus for the year	(60)	(418)
Add		
Depreciation HRA	(359)	0
Contribution to provisions	167	(254)
Contribution to reserves	2,759	(348)
Interest Recd	1,364	1,306
Interest paid	(598)	(378)
Collection Fund transfers	(228)	261
Items on an Accruals Basis		
- Stocks and WIP	(416)	(18)
- Debtors	1,658	1,171
- Creditors	(48)	691
Net Cash Inflow / Outflow from Revenue Activities	4,239	2,013

2. ANALYSIS OF NET DEBT

	At 1.4.05 £000	Cash flow £000	At 31.3.06 £000
Cash at bank and in hand	0	0	0
Bank Overdraft	(200)	(2,688)	(2,888)
Other cash deposits	1,832	(1,181)	651
	1,632	(3,869)	(2,237)
Debt due within one year	0	0	0
Debt due after one year	(5,005)	0	(5,005)
Current asset investments	15,479	2,246	17,725
Total	12,106	(1,623)	10,483

3. RECONCILIATION OF NET CASHFLOW TO MOVEMENTS IN NET DEBT

	£000
Increase / decrease in cash in the period	(3,869)
Cash Inflow / Outflow from Decrease / Increase in Liquid Resources	2,246
Cash Inflow / Outflow from Decrease / Increase in Debt and Lease / Deferred Purchase Financing	0
Movement in net debt	(1,623)
Net Debt at 31.3.05	12,106

Net Funds at 31.3.06

10,483

4. ANALYSIS OF GOVERNMENT GRANTS

	2004/05	2005/06
	£000	£000
EU Revenue Grants	47	21
HRA subsidy	(16)	413
Council Tax Benefit Grant	4,384	4,583
Housin benefit admin grant	280	362
Council tax Benefit admin grant	232	262
	<u>4,927</u>	<u>5,641</u>

5. LIQUID RESOURCES

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

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.

Consolidated revenue account

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.

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, that 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.

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 (NDR)

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 which are certain or very likely to occur, 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 reserve.

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 Council'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.

