Copeland
borough council
Proud of our past. Energised for our future.

Audited Statement of Accounts

For the year ended 31 March 2014

www.copeland.gov.uk

Contents

Explanatory Foreword

1. Introduction

I am pleased to introduce Copeland Borough Council's Statement of Accounts for 2013/14, which summarises our financial affairs for the year from 1 April 2013 to 31 March 2014.

The purpose of this foreword is to identify the key issues which the Council has faced through the past financial year and to give a narrative to help explain these. I have also looked forward to the future and explained the challenges that lie ahead for Copeland and the plans to address these challenges.

The Statement of Accounts 2013/14 has been prepared following best accounting practice set down by the Chartered Institute of Public Finance and Accountancy (CIPFA). The foreword provides the reader of the accounts with an understandable guide to the most significant matters reported in the Accounts and identifies the main characteristics of the Council's financial position.

Copeland Borough Council's Accounts for 2013/14 consist of the following:-

- **Statement of Responsibilities for the Statement of Accounts –**Page 12 this sets out the respective responsibilities of the Council and the Chief Financial Officer for the Accounts;
- **Statement of Accounting Policies –**Page 13 this supports and explains the basis of the figures in the Accounts and it sets out the significant accounting policies and estimation techniques used in the preparation of the Accounts;
- **Financial Statements –** Page 35 to 106 the Statement of Accounts includes four core financial statements and these are as follows:-

  i) **The Movement in Reserves Statement –** this statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

     These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net increase/decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

  ii) **The Comprehensive Income and Expenditure Statement –** This statement shows the cost of providing services in the year using accepted accounting practices, rather than the amount to be funded from taxation and general grants. The Council raises taxation to cover spending in accordance with statutory regulations, which differs from accepted accounting practices. The differences between the cost calculated using accepted accounting practices and the cost calculated under statutory regulations are shown in the Movement in Reserves Statement.

iii) **The Balance Sheet -** The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation on the use. The second category of reserves includes reserves that hold unrealised gains and losses, (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

iv) **The Cash Flow Statement** - This statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of cash flows arising from operating activities is a key indicator of the extent to which operations of the authority are funded by way of taxation and grant income or from receipts of services provided by the authority.

- **The Notes to the Financial Statements** – these are intended to explain the key figures outlined in the financial statements. A glossary of the terminology used throughout this document is provided at the end of the Statement of Accounts; and

  The Collection Fund Income and Expenditure Account – Page 104 this supplementary statement shows the transactions of the Council in relation to the council tax and National Non-Domestic Rates (NNDR), also known as Business Rates. This year, for the first year, NNDR is operating under a new regime**.** Previously business rates were collected by the local authority and paid over to Central Government who then used this income to fund grant payments to local authorities with no direct link between rates collected and funding received in an area. This method of allocation ceased in 2012/13, being replaced in 2013/14 with a new scheme that sought to move the risks and rewards away from Central Government to local authorities. The Government now forecast what business rates they expect the local authority to receive (baseline) and from this calculate what baseline need can be retained by the collecting authority, with any excess of need being paid over to Central Government as a tariff. Any difference in forecast receipt and actual receipt is shared between the local authority and Central government or is made good by Central Government up to a safety net level which for Copeland Borough Council was £0.165m. In 2013/14 Copeland's Baseline Need was set at £2.203m and rates income retained (after safety net payments) was £2.203m – £0.165m.

  Council Tax funds are distributed to the County Council, Borough Council, Parish Councils and Police and Crime Commissioner. NNDR funds are distributed to the

County Council, Borough Council and Central Government. This Council is the billing authority for the Copeland area.

- **Annual Governance Statement** – Page 107 this sets out the arrangements put in place by the Council to ensure legislative requirements, governance principles and management processes are within law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

2. Statutory Framework

The Accounts and Audit Regulations 2011 (Regulation 7) require all English Local Authorities to produce accounts, and they must be prepared in accordance with 'proper practices' as defined by section 21 (2) of the Local Government Act 2003. The audit of the accounts of local authorities is governed by section 5 of the Audit Commission Act 1998.

For Local Authorities, the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) provides the relevant accounting standards used for the Statement of Accounts.

3. Changes in Accounting Treatment

There have been changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to accounting treatment for financial years starting on or after 1 January 2013. The 2012/13 comparative figures have been amended and headed as restated where applicable. Full disclosure is outlined in note 1 page 40 where the adjustments are shown to arrive at the restated figures within the main tables.

4. General Fund

The Council's expenditure and income are defined either as revenue or capital. Revenue is spending on, or income from, the day to day running of services. Net General Fund expenditure is met from the following sources:

- Government Grants
- Revenue Support Grant
- Baseline Need NNDR receipts (subject to safety net)
- Collection Fund
- General Fund Balances
- Earmarked Reserves

More detail on revenue spend can be found in paragraph 10.

Capital spend relates to the cost of provision or enhancement of assets or other expenditure where the benefits last beyond the financial year in question, and further details of our capital spend can be found in paragraph 11.

5. Issues during 2013/14 and Economic Outlook for 2014/15

The national and international economic climate, together with pressure to significantly reduce public sector spending continued to prove very challenging for the Council during 2013/14.

Economic conditions within the UK have had a detrimental effect on the Council finances, affecting its income generation and returns on investments. Interest rates continue to remain at low levels due to the Bank of England’s decision to hold base rates at 0.5% for the whole of 2013/14 to encourage economic growth. This has had a continued effect on investment yields, with interest rates continuing at their low levels. The authority however, was able to secure a one off deal during the year which resulted in higher than budgeted interest income.

During 2013/14, we faced the challenge of meeting community expectations with significantly less money. Copeland was one of the hardest hit councils, with almost a third of our funding from Government cut over the four years from 2011 to 2015. This taken together with changes in Council Tax, Business Rates and the costs of providing services throughout our district all posed significant challenges for Copeland.

Responding to these challenges positively during 2013/14 the Council;

- delivered a balanced budget whilst maintaining our core services.
- collected waste from approximately 32,000 households, processed 530 planning applications, processed approximately 20,000 revenues and benefits forms and took 65,000 calls through our customer contact centre
- extended leisure contract and approved extension to pool offering high quality leisure facilities to more of the borough
- retained the default scheme for the local council tax support scheme which enables people who previously got a benefit under the old system to receive a discount of equivalent value under new, thus protecting the borough’s most vulnerable residents.
- handed over grant to the parish councils to compensate for loss of income from reduced council tax base due to the introduction of the local council tax support scheme
- engaged with and continued to work with various groups in the community who wish to take over ownership of assets/running of services where the council can no longer afford to do this itself.
- attracted external funding to the area e.g. Town Heritage Initiative and the Albion Square office development seeking to regenerate the town of Whitehaven
- reviewed business basics (back office functions) to preserve front line services and/or shared services with other authorities e.g. Human Resource Manager with Allerdale BC
- worked with external partners to secure the future of the museum at the Beacon
- worked to support external partners with funding bids to bring income and support to the area e.g. Whitehaven Harbour Commissioners, Department Environmental and Climate Control and Britain’s Energy Coast.

Working to support our communities during and after the unprecedented weather conditions, Copeland Borough Council worked closely with other agencies to help those affected. We delivered over 3,000 sandbags throughout the borough and attended 30 call outs in connection with dangerous structures often working in extreme conditions within core hours as well as out of hours.

6. Borrowing and Investments

The Prudential Code for Capital Finance in Local Authorities regulates local authority borrowing and gives freedom to councils to borrow as long as they are, in the opinion of the Head of Corporate Resources, capable of meeting the revenue costs of borrowing and are in keeping with the prudential indicators and guidelines.

The Council's authorised limit for external debt for 2013/14 was £17m, with an operational limit of £12m.

Investments at 31 March 2014 amounted to £25.67m. Of the total investments £14.9m was held in fixed-term deposits for periods exceeding 3 months and £10.77m were held as short-term investments in instant access liquid call accounts or money market funds accounts. The short-term investments are classified as cash or cash equivalents in the Balance Sheet under IFRS rules.

Borrowing at the financial year end (excluding the PFI arrangement and other finance leases) stood at £5m and this is unchanged from the previous year. The Council did not undertake any new borrowing in the year to fund the capital programme.

7. Pension Costs

International Accounting Standard (IAS) 19 – Employee Benefits applies to all local authorities and relates to the Cumbria Local Government Pension Fund administered by Cumbria County Council. The net pension liability is recognised in the Balance Sheet and has decreased by £4.991m from £23.054m to £18.063m during 2013/14. The Council's actual liability is reviewed every three years as part of the triennial valuation of the Pension Fund and an investment strategy is determined which aims to recover the deficit over a stated period (currently 25 years). However, it is important to note that this does not represent an immediate call on the Council's reserves as it is a notional amount which shows how much the Council's pension liabilities exceed its share of the Fund's assets. The Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement shows the pension benefits earned in the year, adjusted as necessary to reflect that part of the pensions costs that are not met from council tax payers.

8. Further Information

Further information about the Statement of Accounts is available from the Interim Head of Finance, The Copeland Centre, Catherine Street, Whitehaven. In addition, electors within the Copeland area have the statutory right to inspect the Statement of Accounts and supporting documents for 20 days prior to the start of the audit of the statement of accounts. Details as to when this right can be exercised are advertised each year in the Whitehaven News and the Northwest Evening Mail. The information is also available on the Council's website. Electors of Copeland Borough Council may also register an objection to the accounts and can arrange to question the external Auditor on any issue relating to the accounts.

9. External Audit

Grant Thornton UK LLP is responsible for the external audit of Copeland Borough Council's accounts. The name and address of the Council's auditor is: Ms Jackie Bellard, Grant Thornton UK LLP, 4 Hardman Square, Spinningfields, Manchester, M3 3EB.

10. Revenue Expenditure and Income 2013/14

What is Revenue Expenditure?

Revenue expenditure and income generally relates to those items which are consumed within the year. Before the start of the financial year, the Council prepares its annual revenue budget, reflecting the estimated income and expenditure required during the year to provide services. The budget is regularly reviewed during the financial year to reflect known changes to income and expenditure.

What we actually spent

The Council's Executive considered an out-turn report on 27 May 2014, which showed the net spending for 2013/14 to be £11.135m.

	Revised budget £'000s	Out turn £'000s	Variance £'000s	General Underspend £'000s	Unused Reserves £'000s
Chief Executive	1,243	1,171	72	72	-
Corporate Resources	4,748	4,207	541	432	109
Policy and Transformation	1,411	1,300	111	95	16
Neighbourhoods	2,634	2,455	179	170	9
Regeneration and Communities	1,795	1,689	106	25	81
Nuclear , Energy and Planning	521	313	208	168	40
Total	**12,352**	**11,135**	**1,217**	**962**	**255**

A *savings target* of £1.76m was set as part of 2013/14 budget. The amounts were reduced from individual budget lines as and when identified in the savings review. The Change Programme Board has been responsible for monitoring and managing the delivery of the savings programme. A number of savings were not met in year, however additional management actions has meant that savings in excess of those required have been achieved;

- Strong vacancy management has achieved in year savings on salaries of £455k netted off against legal and professional fees of £121k and agency fees of £44k to give a saving of £290k. This has however created some capacity issues which has meant that some projects could not be supported, contributing to the overall underspend in year.
- Additional income to that budgeted for from Pre Planning Agreements (PPAs)

- Additional external income to that budgeted for from the Department of Energy and Climate Change (DECC) and Centre of Nuclear Excellence (CoNE)
- Deliberate strategy to seek partner funding wherever possible

A full detailed report on the outturn was presented to Executive on 27 May 2014.

The summary position for 2013/14 is shown below:

	Original budget £'000s	Revised budget £'000s	Actual £'000s	Variance £'000s
Expenditure				
Net expenditure on services	10,230	11,272	10,310	(962)
Earmarked Reserves	132	1,080	825	(255)
Total	**10,362**	**12,352**	**11,135**	**(1,217)**
Financing				
Government Grants				
-Revenue Support Grant	3,312	3,312	3,312	-
-Baseline Need (National Non Domestic Rates)	2,203	2,203	2,203	-
-PFI Grant	837	837	837	-
-New Homes Bonus	236	236	236	-
-Additional grant 1 year only CTS scheme	17	17	17	-
-Specific Grants	21	21	21	-
-Council Tax	3,590	3,590	3,590	-
-Collection Fund Surplus	44	44	44	-
Earmarked Reserves	132	1,080	825	(255)
General Fund Balances	(30)	1,012	50	(962)
Total	**10,362**	**12,352**	**11,135**	**(1,217)**

- The Council planned to use the £1.080m of Earmarked Reserves on key projects such as supporting the public examination of our Local Development Framework, staging the Sea Monsters exhibition at the Beacon Museum and then refitting this prior to its new launch.

  The actual spend was £0.825m, the main variances arising as the costs of The Sea Monsters exhibition at The Beacon Museum were lower than anticipated and a number of projects such as coastal activities and works on buildings used in our leisure contract didn't complete/progress as quickly as originally anticipated.

  The use of Earmarked Reserves in the year is analysed in the following table:

Earmarked Reserves within:	**Approved** £'000s	**Utilised** £'000s	**Underspend 2013/14** £'000s
Corporate Resources	246	137	109
Policy and Transformation	116	100	16
Neighbourhoods	61	51	10
Regeneration and Communities	468	386	82
Nuclear Energy and Planning	189	151	38
TOTAL	**1,080**	**825**	**255**

- The Council holds usable reserves of £18.549m at 31 March 2014 (£12.755m 2012/13). Consisting of £5.692m Earmarked Reserves, £9.108m General Fund Reserve and £3,749m Capital Receipts Reserve (including £0.126m of capital grants unapplied). A breakdown of the usable reserves can be found in the Movements in Reserves Statement on page 35.
- The Council also holds unusable reserves totalling £10.942m at 31 March 2014 (£19.387m 2012/13). These reserves are kept mainly to manage accounting processes for non-current assets and retirement benefits and are not usable resources for the Council. Details of these reserves are shown in note 9 to the accounts on page 50.
- At 31 March 2014 usable reserves had risen by £5.794m while unusable reserves had fallen by £8.445m. This is the result of the new NNDR regime as the Collection Fund Accounts are prepared on an accruals basis while income is estimated in advance on the basis of the NNDR1 return. The timing difference that arises at the year-end position (£13.591m deficit in the Collection Fund due to the provision for appeals) is posted to unusable reserves in the Collection Fund Adjustment Account. Copeland Borough Council's share of this deficit was £5.436m. Additional Safety net payment was accrued into the General Fund to cover this future liability.

Reconciliation with the Consolidated Income and Expenditure Statement

- The Comprehensive Income and Expenditure Statement for 2013/14 shows a deficit of £6.469m for the year whilst the Net Operating Expenditure of £11.135m shown within the Explanatory Foreword has been produced using the Council's management accounting process. This includes approved carry forward of reserves and unused budgets to the following financial year and contributions to reserves, these are included in the Movement in Reserves Statement rather than the Comprehensive Income and Expenditure Statement.
- Adjustments also have to be made in respect of certain items that are required by the Code of Practice on Local Government Accounting to be included within the Comprehensive Income and Expenditure Statement but excluded from Net Operating Expenditure for the purposes of calculating the actual costs for the year to be met from taxation, general grants and General Fund balances. These items include particularly the accrual of employee absences, the recognition of capital grants, movements in the value of non-current assets, revenue expenditure funded from capital under statute and adjustments to show the cost of pension liabilities. These items are all technical accounting adjustments which are included within Expenditure on Services to meet financial reporting standards, but are cancelled out on consolidation because they are not costs that are met by the taxpayer.
- Funding of the cost of services through general grants, council tax and NNDR is also excluded when calculating the Net Operating Expenditure.
- A reconciliation of the two sets of figures for the year ending 31 March 2014 is detailed in note 16 on page 60.

11. Capital Expenditure 2013/14

What is capital expenditure?

Capital spending relates to the cost of provision or enhancement of assets or other expenditure where the benefits last beyond the financial year in question. The definition of capital expenditure is set out in the Capital Financing Regulations.

How the money was spent and how it was paid for

Capital Scheme Corporate Department	Original Budget £'000	Amended Budget £'000	Revised Budget £'000	Actual £'000	Variance £'000
Chief Executive	0	0	0	0	0
Corporate Resources	287	88	375	125	(250)
Policy & Transformation	200	142	342	13	(329)
Neighbourhoods	0	396	396	69	(327)
Nuclear, Energy & Planning	0	2	2	2	0
Regeneration & Community	1,113	1,789	2,902	573	(2,329)
Total	**1,600**	**2,417**	**4,017**	**782**	**(3,235)**
Financed by:					
Internal resources;					
Capital Receipts	1,339	682	2,021	336	(1,685)
Revenue Contributions	0	0	0	0	0
	1,339	682	2,021	336	(1,685)
External Grants and funding	261	1,735	1,996	446	(1,550)
Total	**1,600**	**2,417**	**4,017**	**782**	**(3,235)**

The largest areas of capital spending occurred within Regeneration and Community service area with the most significant area being the provision of disabled facilities grants. The authority has a statutory duty to provide disabled adaptations to the properties of residents in Copeland and in 2013/14 a total of 98 disabled adaptions were successfully completed at a cost of £0.462m.

The most substantial projects to be carried forward are Whitehaven Town Heritage Initiative (THI) and Copeland Pool extension.

A full detailed report on the outturn was presented to Executive on 27 May 2014.

Angela George

Interim Head of Finance

Section 151 Officer.

30 June 2014

Statement of Responsibilities

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. The responsible officer is designated as the Chief Financial Officer, or equivalent. In this authority, that officer is the Interim Head of Finance;

manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets ; and

approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer (in Copeland Borough Council this is the Interim Head of Finance) is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code)

In preparing this Statement of Accounts, the Chief Financial Officer has:

selected suitable accounting policies and then applied them consistently;

made judgements and estimates that were reasonable and prudent ; and

complied with the local authority Code.

The Chief Financial Officer has also:

kept proper accounting records which were up to date ; and

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts gives a 'true and fair view' of the financial position of Copeland Borough Council as at the accounting date and of its expenditure and income for the year ended 31 March 2014.

Signed AGeorge

Date 30th June 2014

Angela George

Interim Head of Finance

Section 151 Officer.

30 June 2014

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) and the Service Expenditure Reporting Code of Practice (SeRCOP) 2013/14, both issued by CIPFA, supported by International Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

This section discloses the specific accounting policies adopted by the Council for the completion of the accounts.

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest payable on borrowings and receivable on investments is accounted for respectively as expenditure and income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract ; and
- Where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that are readily converted to cash and include call accounts and money market funds.

Due to the current climate regarding low interest rates and uncertainty in forecasting, our investment strategy has seen funds deposited in short term high quality investments. These generally mature in no more than 3 months from the date of acquisition but as they are not primarily to manage cash flows, they are classified as investments on the Balance Sheet and not cash equivalents.

In the Cash Flow Statement, cash and equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Exceptional Items

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

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

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

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

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

6. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

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

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

7. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

The Cumbria Local Government Pension Scheme

The majority of employees of the Council are members of the Cumbria Local Government Pension Scheme administered by Cumbria County Council. Since 1 April 2008, members are entitled to pension annuities payable during the period of retirement. However employees who were members of the scheme before 1 April 2008, had the benefits that had accrued by that date protected and therefore receive an additional defined benefit of a lump sum payable on the date of retirement.

The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the market yields at the reporting date of high quality corporate bonds. These weightings are designed to reflect approximately the duration of the pension liabilities of Copeland Borough Council. The resultant discount rate as at 31 March 2014 was 4.4%.

The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price;
- Unquoted securities – professional estimate;
- Unitised securities – current bid price ; and
- Property – market value.

The change in the net pensions' liability is analysed into the following components:

- Current service cost - the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked;
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- Net interest on the defined benefit liability (asset), i.e. net interest expense for the council, (the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.) This is calculated by

applying the discount rate used to measure the defined benefit obligation at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of benefit payments.

- Remeasurements comprising:

  Expected return on plan assets (excluding amounts included in the net interest on the defined benefit liability (asset)) charged to the Pension Reserve as Financing and Investment Income;

  Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service of accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

  Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Comprehensive Income and Expenditure Statement after the surplus or deficit for the year has been calculated ; and

- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, the General Fund balance is adjusted by appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

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

8. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

9. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus interest accrued at the year end and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market ; and
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited as financing and investment income to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the Housing Cost of Service line) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood of default on the loan transaction, the asset is written down and a charge made to the relevant service (for receivables specific for that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price;

- other instruments with fixed and determinable payments – discounted cash flow analysis ; and
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired, because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation). Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured the instrument is carried at cost (less any impairment losses).

10. Government Grants and Contributions

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

- The Council will comply with the conditions attached to the payments ; and
- The grants or contributions will be received.

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

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

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

11. Intangible Assets

Expenditure on non-monetary assets that do not have a physical substance, but are identifiable and controlled by the Council (e.g. software licences), is capitalised, at cost, when it brings benefits to the Council for more than one financial year.

Expenditure on the development of websites is eligible for capitalisation on the basis that it brings future economic benefits to the Council. Any expenditure that is solely or primarily intended to promote or advertise the Council's goods or services is not capitalised.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of assets held by the Council can be determined by reference to an active market. In practice no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised to the relevant service revenue account in the Comprehensive Income and Expenditure Statement over the economic life of the investment to reflect the pattern of consumption of benefits.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service revenue account in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and sale proceeds to the Capital Receipts Reserve.

12. Inventories

Stocks are included in the Balance Sheet at the latest price paid, with an allowance made in relation to the price rises since purchase.

13. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are valued annually according to market conditions at the year-end, with the exception of those where it can be demonstrated that the carrying values are not materially different from the fair value at the Balance Sheet date. This would include Council owned garages and grazing plots.

Gains and losses are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However revaluation and disposal gains are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and sale proceeds to the Capital Receipts Reserve.

14. Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. All other leases are classified as operating leases.

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

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

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property applied to write down the lease liability ; and
- A finance charge, which is debited to the Comprehensive Income and Expenditure Statement as financing costs as the lease becomes payable.

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rents due under operating leases are accounted for on an accruals basis as they become due and are charged to services in the Comprehensive Income and Expenditure Statement. These are outlined in note 35 on page 86.

The Council as Lessor

Leases held by the Council

The Council also acts in the capacity as lessor for the lease of land and property.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental Income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income. These are outlined in note 35 on page 86.

Finance Leases

Where the Council grants a finance lease over a property the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure

Statement as part of the gain or loss on disposal matched by a long term lease debtor asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Any gain on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt.

15. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service, in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.

Non-distributed costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

16. Heritage Assets

The Council is required to recognise property and equipment held primarily for their contribution to knowledge and culture separately as heritage assets. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Councils accounting policies on property, plant and equipment outlined in paragraph 18.

However, some of the measurement rules are relaxed in relation to heritage assets.

The Council has followed permissible rules which allow heritage assets to be valued for the purposes of recognition on the Balance Sheet using detailed insurance valuations, which are based on market values, rather than historic cost if this information is not available. The Council has followed this method as it takes the view that obtaining individual valuations for the large number of mainly small value assets involved would lead to a disproportionate cost in comparison to the benefits provided to readers of the Council's financial statements.

Depreciation on heritage assets will not be calculated nor charged to the Comprehensive Income and Expenditure Account because it has been estimated that the assets have useful lives of such longevity that any depreciation charges on these assets will be negligible and can be discounted on the basis of materiality.

Full details of the heritage assets held by the Council are shown in note 21 to the accounts on page 71.

17. Component Accounting

IFRS require that individual assets with a significant value should be broken down into components that are material to the value of the whole assets and have differing useful lives. The Council has determined that only assets with a value of £0.9m or more will be considered to be treated in this way and that the material limits for components are set at 10% of the individual asset value.

Component accounting has been applied prospectively from 1 April 2010 on property, plant and equipment that is either deemed to be material or will become material as a result of acquisition, enhancement or re-valuation with a value of over £0.9m. The revaluation gains attributable to an asset will be apportioned over the components on the same % basis unless advised by the valuer that the split is no longer appropriate.

Subsequent revaluations and disposals of assets subject to component accounting will follow the Council's usual accounting policies for these transactions as outlined in paragraph 18 below.

18. Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified under property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be reliably measured. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged to revenue as it is incurred. The de-minimus level for recognition of capital expenditure is £0.006m.

Measurement

Assets are initially measured at cost, comprising

- the purchase price;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management ; and

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, only to the extent that it is recognised as a provision.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance.

Donated assets are measured initially at fair value.

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

Non-current 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 Institute of Chartered Surveyors (RICS).

	Basis of valuation	**Depreciation**	**Asset Lives**
Property, Plant and Equipment & Non Operational Land & Buildings	Open market value for existing use or depreciated replacement cost (for specialised assets)	Straight line	5-50 years
PPE - Community Assets	Historical cost	N/A	N/A
PPE - Infrastructure	Depreciated historical cost	Straight Line	10-20 years
PPE - Vehicles plant and equipment	Depreciated historical cost	Straight line	3-15 years
Investment Properties	Open market value	N/A	N/A
Assets held for sale	Open market value	N/A	N/A

Assets included in the Balance Sheet at fair value are re-valued sufficiently to ensure that their carrying value is not materially different from their fair value at the year-end, but at least every 5 years as part of a rolling programme. Valuations in 2013/14 were carried out by in house valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Revaluations are carried out more frequently if the Council becomes aware of factors indicating a change in valuation, such as a change in the economic climate.

Additionally the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value.

Increases in valuations of property, plant and equipment are matched by credits to the Revaluation Reserve to recognise unrealised gains, unless the asset has a previous revaluation loss (loss due to general fall in prices) charged to the Comprehensive Income and Expenditure Statement, in which case the revaluation gain shall be used to reverse this.

Where decreases in value of property, plant and equipment are identified, they are classified as either Revaluation Loss (drop in value across the board) or an Impairment Loss (loss specific to that asset).

Revaluation losses are accounted for:

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

Impairment losses are accounted for by:

- Charging the Revaluation Reserve with the value of any impairment, up to the level held within the Reserve for that particular asset ; and
- Charging service revenue accounts within the Comprehensive Income and Expenditure Account for all impairments that are not covered by historical revaluations within the Revaluation Reserve. To avoid the impairment becoming a charge against council tax the value of all such impairments is reversed out within the Movement in Reserves Statement and charged to the Capital Adjustment Account.

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

Any transactions that are posted to the Comprehensive Income and Expenditure Statement have been mitigated, resulting in a £nil impact upon the General Fund.

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

Investment properties are defined under IFRS as assets that are held solely for income generation or for capital gain. As such all land and property holdings previously classified as investment properties have been reviewed and if necessary, reclassified as either operational or non-operational assets, within property, plant and equipment.

Assets held for sale are defined under IFRS as assets that are surplus to requirements, have been formally approved for disposal by Council and are being actively marketed for disposal within one year as a result. If assets held for sale are not disposed of within the required timescale they are reviewed and are subject to potential reclassification as property, plant and equipment.

All land and property is valued at net current replacement cost, which varies dependent on the classification of the individual assets.

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value;
- Specialised operational properties – depreciated replacement cost;
- Investment properties – market value ; and
- Assets held for sale – market value.

Some assets are held at nominal value in the asset register.

Disposals and Non-current Assets Held for Sale

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

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

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

When an asset is disposed of or decommissioned, the carrying value of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement and netted off against the carrying value of the asset at the time of disposal to arrive at the gain or loss on disposal.

To avoid gains and losses affecting the level of council tax required to be raised in the year, the carrying value of assets disposed of is reversed out of the Comprehensive Income and Expenditure Statement in the Movement in Reserves Statement and charged to the Capital Adjustment Account. Receipts from the sale of assets are reversed from the Comprehensive Income and Expenditure Statement to the credit of the Capital Receipts Reserve. Any revaluation gains held in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Capital receipts are recognised when sale proceeds are either individually £0.01m or more or where the aggregate value of the sale of individual assets within asset classifications equals £0.01m or more. Capital receipts are credited to the Usable Capital Receipts Reserve and can then be used in accordance with the provisions of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 for new capital investment, or to set aside to reduce the Council’s underlying need to borrow (the capital financing requirement).

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets with a determinable finite life, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the remaining life of the property (or its components), as estimated by an authorised valuer; and
- Vehicles, plant, furniture and equipment and Infrastructure – straight line allocation over the estimated useful life of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- Infrastructure – straight line allocation 10 > 20 years.

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

19. Private Finance Initiative (PFI) and Similar Contracts

PFI contracts are agreements to receive services, where the responsibility for making available the non-current assets needed to provide the service passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI scheme and as, through an option to purchase (at market value) the residual interest in the non-current asset at the end of the contract, the Council is deemed under IFRIC 12 to control, through beneficial entitlement, significant residual interest in the non-current asset, the Council carries the non-current assets used under the contract on the Balance Sheet.

The original recognition of these assets at fair value based on the cost of construction (derived from the operator’s model) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the asset.

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts paid to the PFI operator each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;

- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income in the Comprehensive Income and Expenditure Statement;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Financing and Investment Income in the Comprehensive Income and Expenditure Statement;
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator ; and
- Lifecycle replacement costs – recognised as non-current assets on the Balance Sheet as they are incurred.

20. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits and a reliable estimate can be made of the amount of the obligation but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled by the Council.

21. Contingent Assets and Liabilities

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

Contingent liabilities are not recognised in the financial statements but disclosed as notes to the accounts.

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

Contingent assets are not recognised in the financial statements but disclosed as notes to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

22. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When spending to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year as a cost against the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The contribution from reserves is then credited in the Movement in Reserves Statement so that there is no net charge against council tax for the spending.

Certain reserves are kept to manage the processes for capital accounting, financial instruments, employment and retirement benefits and they do not represent usable resources for the Council – these reserves are explained in the relevant policies.

23. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service revenue account in the year, e.g. housing renovation grants. Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer to the Capital Adjustment Account from the Movement in Reserves Statement reverses out the amounts charged so there is no impact on the level of council tax.

24. Value Added Tax

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

25. Group Accounts

The Council has reviewed its interests with external bodies in 2013/14 and has concluded that it does not have any material interests, either individually or in aggregate, in subsidiaries, associated companies or joint ventures. The financial statements have therefore been prepared on a single entity basis as there is no requirement to produce Group Accounts.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COPELAND BOROUGH COUNCIL

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Movements in Reserves Statement - For the years ending 31 March 2013 & 2014

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

	Note	General Fund Balance Restated £'000	Earmarked GF Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves Restated £'000	Unusable Reserves Restated £'000	Total Authority Reserves Restated £'000
Balance at 1 April 2012		**(3,510)**	**(5,569)**	**(4,046)**	**-**	**(13,125)**	**(26,933)**	**(40,058)**
Movement in reserves during 2012/13								
(Surplus) or deficit on provision of services		4,212	-	-	-	**4,212**	**-**	**4,212**
Other Comprehensive Expenditure and Income		-	-	-	-	-	3,704	**3,704**
Total Comprehensive Expenditure and Income		**4,212**	**-**	**-**	**-**	**4,212**	**3,704**	**7,916**
Adjustments between accounting basis & funding Basis under regulations	7	(4,521)	-	679	-	**(3,842)**	3,842	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(309)**	**-**	**679**	**-**	**370**	**7,546**	**7,916**
Transfers to/from Earmarked Reserves	10	603	(603)	-	-	**-**	-	**-**
Increase/Decrease (movement) in Year		**294**	**(603)**	**679**	**-**	**370**	**7,546**	**7,916**
Balance at 31 March 2013 carried forward		**(3,216)**	**(6,172)**	**(3,367)**	**-**	**(12,755)**	**(19,387)**	**(32,142)**
Movement in reserves during 2013/14								
(Surplus) or deficit on provision of services		6,469	-	-	-	**6,469**	-	**6,469**
Other Comprehensive Expenditure and Income		-	-	-	-	**-**	(3,818)	**(3,818)**
Total Comprehensive Expenditure and Income		**6,469**	**-**	**-**	**-**	**6,469**	**(3,818)**	**2,651**
Adjustments between accounting basis & funding Basis under regulations	7	(11,881)	-	(256)	(126)	**(12,263)**	12,263	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(5,412)**	**-**	**(256)**	**(126)**	**(5,794)**	8,445	**2,651**
Transfers to/from Earmarked Reserves	10	(480)	480	-	-	**-**	-	**-**
Increase/Decrease (movement) in Year		**(5,892)**	**480**	**(256)**	**(126)**	**(5,794)**	**8,445**	**2,651**
Balance at 31 March 2014 carried forward		**(9,108)**	**(5,692)**	**(3,623)**	**(126)**	**(18,549)**	**(10,942)**	**(29,491)**

Comprehensive Income and Expenditure Statement - For the year ending 31 March 2014

This statement shows the accounting cost in the year of providing services, arrived at using generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	2012/13				2013/14		
Gross Expenditure Restated £'000	Gross Income £'000	Net Expenditure Restated £'000		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
7,026	(6,491)	535	Central Services		1,569	(484)	1,085
5,105	(880)	4,225	Cultural and Related Services		4,162	(499)	3,663
5,548	(2,426)	3,122	Environmental and Regulatory Services		5,447	(2,169)	3,278
4,633	(2,164)	2,469	Planning Services		4,714	(1,218)	3,496
777	(331)	446	Highways and Transport Services		802	(353)	449
23,355	(22,453)	902	Housing Services		22,960	(22,106)	854
1,748	(32)	1,716	Corporate and Democratic Core		2,040	(31)	2,009
73	-	73	Non Distributed Costs		-	-	-
48,265	**(34,777)**	**13,488**	**Net Cost of Services**	16	**41,694**	**(26,860)**	**14,834**
671	(291)	380	Other Operating Income and Expenditure	11	1,232	(594)	638
2,938	(1,538)	1,400	Financing and Investment Income and Expenditure	12	5,343	(3,323)	2,020
	(11,056)	(11,056)	Taxation and Non Specific Grant Income	13	-	(11,023)	(11,023)
		4,212	**(Surplus) or Deficit on Provisions of Services**				**6,469**
		26	(Surplus)/Deficit on revaluation of non-current assets				1,543
		3,678	Re-measurement of the net defined benefit liability/(asset)	31			(5,361)
		3,704	**Other Comprehensive Income and Expenditure**				**(3,818)**
		7,916	**Total Comprehensive Income and Expenditure**				**2,651**

Balance Sheet – As At 31 March 2014

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

31st March 2013			31st March 2014
£'000		**Note**	**£'000**
44,753	Property, Plant & Equipment	20	36,988
1,569	Heritage Assets	21	1,569
2,730	Investment Property	22	2,326
305	Intangible Assets	23	225
468	Long Term Debtors	27	468
49,825	**Long Term Assets**		**41,576**
7,400	Short Term Investments	36	14,900
1,397	Assets Held for Sale	25	1,049
61	Inventories	26	70
2,483	Short Term Debtors	27	7,450
11,073	Cash and Cash Equivalents	28	10,775
22,414	**Current Assets**		**34,244**
(618)	Cash and Cash Equivalents	28	(514)
(4,511)	Short Term Creditors	29	(7,495)
(80)	Provisions	30	(123)
(5,209)	**Current Liabilities**		**(8,132)**
(231)	Provisions	30	(9,055)
(5,011)	Long Term Borrowing	36	(5,019)
(23,054)	Net Pensions Liability	31	(18,063)
(6,380)	Other Long Term Liabilities	34,35&36	(5,848)
(212)	Capital Grants Receipts in Advance	14	(212)
(34,888)	**Long Term Liabilities**		**(38,197)**
32,142	**Net Assets**		**29,491**
12,755	**Usable Reserves**	8	18,549
19,387	**Unusable Reserves**	9	10,942
32,142	**Total Reserves**		**29,491**

Certified that the Statement of Accounts give a true and fair view of the financial position of the authority at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.

The unaudited accounts were issued on 30 June 2014 and the audited accounts were authorised for issue on 24 September 2014.

Signed

Date

Angela George

Interim Finance Manager

Section 151 Officer.

The audited accounts were approved by the Audit Committee on 24 September 2014 and signed by the Chair, Mr. Michael Bonner and Deputy Chair, Councillor Graham Sunderland.

Chair	Deputy Chair
24 September 2014	24 September 2014

Cash Flow Statement

For the year ended 31 March 2013

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

2012/2013 Restated £'000		Note	2013/2014 £'000
4,212	**Net (surplus) or deficit on the provision of services**		**6,469**
(5,399)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		**(9,726)**
391	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		**794**
(796)	**Net cash flows from operating activities**	44	**(2,463)**
225	Investing Activities	42	**6,994**
626	Financing activities	43	**(4,337)**
55	**Net increase or decrease in cash and cash equivalents**		**194**
(10,510)	Cash and cash equivalents at the beginning of the reporting period		**(10,455)**
(10,455)	**Cash and cash equivalents at the end of the reporting period**		**(10,261)**

Notes to the Financial Statements

1. **PRIOR PERIOD ADJUSTMENT**

IAS19 Change to Accounting Standard

The 2013/14 Code of Practice on Local Authority Accounting includes revisions made as a result of the June 2011 amendments to IAS 19 Employee Benefits. This has resulted in a change of accounting policy with effect from 1 April 2013.

There is no overall impact on the Balance Sheet, the main differences being amendments to the recognition requirements and clarifications to the disclosure requirements for termination benefits. The new recognition criteria require termination benefits to be recognised at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring that involves the payment of termination benefits. This change may result in termination benefits being recognised at a later point in time than under the previous definition of 'demonstrable commitment'.

It also includes amendments to the classification, recognition, measurement and disclosure requirements relating to post-employment benefits. The changes to post-employment benefit component definitions can be summarised as follows:

The Expected return on assets of defined benefit cost has been replaced by Interest on Assets, this being the interest on assets held at the start of the period and cash flows occurring during the period, calculated using the discount rate at the start of the year.

Expected return on assets and Interest costs currently charged to the Comprehensive Income and Expenditure Statement has been replaced by a single Net Interest Cost.

Actuarial gains and losses on assets have been replaced by Re-measurements of the net defined benefit asset. This is the return on plan assets net of investment expenses and interest income.

Actuarial gains and losses on liabilities have been replaced by Re-measurements of the net defined liability, although the measurement is the same.

The changes made to the prior year comparatives in the primary statements are detailed below.

Movement in Reserves Statement for the year ending 31 March 2013 restated

	General Fund Balance £'000	Earmarked GF Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2012 carried foreword	**(3,510)**	**(5,569)**	**(4,046)**	**(13,125)**	**(26,933)**	**(40,058)**
Restated(surplus) or deficit on provision of services	**4,212**	**-**	**-**	**4,212**	**-**	**4,212**
Restated Other Comprehensive Expenditure and Income	**-**	**-**	**-**	**-**	**3,704**	**3,704**
Total Comprehensive Expenditure and Income	**4,212**	**-**	**-**	**4,212**	**3,704**	**7,916**
Restated adjustments between accounting basis & funding basis under regulations	**(4,521)**	**-**	**679**	**(3,842)**	**3,842**	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(309)**	**-**	**679**	**370**	**7,546**	**7,916**
Transfers to/from Earmarked Reserves	**603**	**(603)**	**-**	**-**	**-**	**-**
Increase/Decrease (movement) in Year	**294**	**(603)**	**679**	**370**	**7,546**	**7,916**
Balance at 31 March 2013 carried forward	**(3,216)**	**(6,172)**	**(3,367)**	**(12,755)**	**(19,387)**	**(32,142)**

Comprehensive Income and Expenditure Statement for the year ending 31 March 2013 restated

	2012/13 Net Expenditure £'000	IAS19 Pension Restatement £'000	2012/13 Restated Net Expenditure £'000
Central Services	534	1	**535**
Cultural and Related Services	4,223	2	**4,225**
Environment and Regulatory Services	3,116	6	**3,122**
Planning Services	2,463	6	**2,469**
Highways, roads and transport services	446	-	**446**
Housing Services	901	1	**902**
Corporate and Democratic Core	1,712	4	**1,716**
Non Distributed Costs	73	-	**73**
Net Cost of Services	**13,468**	**20**	**13,488**
Other Operating Expenditure	362	18	**380**
Financing and Investment Income and Expenditure	1,200	200	**1,400**
Taxation and Non Specific Grant Income	(11,056)	-	**(11,056)**
(Surplus) or Deficit on Provisions of Services	**3,974**	**238**	**4,212**
(Surplus)/Deficit on revaluation of non-current assets	26	-	**26**
Actuarial (gains)/losses on pension assets/liabilities	3,916	(238)	**3,678**
Other Comprehensive Income and Expenditure	**3,942**	**(238)**	**3,704**
Total Comprehensive Income and Expenditure	**7,916**	**-**	**7,916**

Cash Flow Statement for the year ending 31 March 2013 restated

	2012/2013 £'000	IAS19 Pension Restatement £'000	2012/2013 Restated £'000
Net (surplus) or deficit on the provision of services	**3,974**	**238**	**4,212**
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(5,161)	(238)	(5,399)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	391	-	391
Net cash flows from operating activities	**(796)**	**-**	**(796)**
Investing Activities	225	-	225
Financing activities	626	-	626
Net increase or decrease in cash and cash equivalents	**55**	**-**	**55**
Cash and cash equivalents at the beginning of the reporting period	(10,510)	-	(10,510)
Cash and cash equivalents at the end of the reporting period	**(10,455)**	**-**	**(10,455)**

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

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council.

In 2013/14 there have been a number of new and revised standards including:

- IFRS10 Consolidated Financial Statements – introducing a new definition of control which is used to determine which entities are consolidated into group accounts. The Council has no subsidiaries so does not produce group accounts.
- IFRS11 Joint Arrangements – This standard addresses the accounting for joint arrangements. The Council has no joint ventures.
- IFRS12 Disclosures of Involvement with Other Entities – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated entities. The Council has none of these arrangements.
- IAS27 and IAS28 – These statements have been amended to conform with IFRS10, 11 & 12 above so have no implications for the Council.
- IAS32 Financial Instrument Presentation – This refers to offsetting a financial asset and financial liability. The Council discloses all assets and liabilities separately so there is no impact on the financial statements.
- IAS1 Presentation of the Financial Statements – The change clarifies the disclosure requirements of comparative information for the preceding period. The Statement of Accounts fully discloses previous period comparatives so there is no impact on the financial statements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying accounting policies set out in the Statement of Accounting Policies, the Council has had to make certain judgements about complex transactions or those that involve uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Council leases a number of vehicles through Kier FPS Ltd. The leases vary in terms so each individual contract is assessed, using best judgement against a set of criteria, to determine if the lease falls into the category of finance or operating lease. This in turn determines if the vehicle is included on the Balance Sheet within Property, Plant and Equipment or charged to service lines within the Comprehensive Income and Expenditure Statement. If a lease is deemed to be a finance lease the Council has estimated an implied interest rate to calculate interest and capital payments.
- The Council also entered into a PFI agreement with London Regional and the agreement was assessed to determine whether it also fit the criteria of Finance Lease or Operating Lease. It was deemed to be a Finance Lease as a service concession under IFRIC12 so included on the Balance Sheet within Property, Plant and Equipment.
- There is a high degree of uncertainty about future levels of funding for local government, and the authority remains at risk from the localisation of both Council Tax and NNDR, both of which may result in cost to the authority.

  As a result the risk based allocation within the General Fund Reserve was set at £2m within the financial year.

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

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

The item(s) in the Council's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- The pension liability to the Council at 31 March 2014 has been valued by the actuary to Cumbria Pension Fund using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees. These factors are likely to vary from year to year and therefore can result in significant differences in the value of the pension liability shown within the Balance Sheet at the end of each financial year. The pension liability in 2013/14 decreased by £4.991m due to changes to actuarial valuations of pension assets and liabilities. Overall the pension liability decreased from £23.054m at 31 March 2013 to £18.063m at 31 March 2014.

- Property, Plant and Equipment is depreciated over its estimated useful life. Judgement is required to determine what that useful life is and under the current economic climate it is possible that some assets will not be maintained to the current standard with some assets being disposed of or mothballed. This could result in changes to the value of assets held and the amount of depreciation or impairment being charged to the Comprehensive Income and Expenditure Statement.
- The PFI contract was assessed at the inception of the lease using estimated interest rates and RPI forecasts. As time elapses there will be variances from those originally forecast and the actual interest rates.
- Since the introduction of the new Business Rates regime, the Council is now liable for any successful Business Rate appeals and non-payment of amounts due. The Council has used its best judgement in reviewing outstanding appeals using information from the Valuation Office (VAO) and historical trends when calculating a level of provision needed.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

Material Items within the Comprehensive Income and Expenditure Statement include;

- **Housing Benefits**

  The Council has incurred spending of £21.062m on housing benefits in 2013/14 and received a government subsidy of £20.339m to meet this cost.

- **Council Tax**

  The Council received £4.097m from the Collection Fund as its share of council tax receipts in 2013/14.

- **Pension Deficit Payment**

  The Council paid £0.6m, in respect of the pension fund deficit, into the Local Government Pension Scheme following the triennial review published during the year.

- **NNDR**

  Previously business rates were collected by the local authority and paid over to Central Government who then used this income to fund grant payments to local authorities with no direct link between rates collected and funding received in an area.

  This method of allocation ceased in 2012/13, being replaced in 2013/14 with a new scheme that sought to move the risks and rewards away from Central Government to local authorities. The Government now forecast what business rates they expect the local authority to receive (baseline) and from

this calculate what baseline need can be retained by the collecting authority, with any excess of need being paid over to Central Government as a tariff. Any difference in forecast receipt and actual receipt is shared between the local authority and Central government or is made good by Central Government up to a safety net level. In 2013/14 Copeland's Baseline Need was set at £2.203m and rates income retained (after safety net payments) was £2.203 –£0.165m = £2.038m.
In addition to the figures above the authority received a one off payment in April 2013 in the sum of £27.129m in settlement of one rate payer's 2013/14 bill.

- **PFI grant**

  The Council received £0.837m from the Government in the form of a grant for the PFI project at the Copeland Centre.

- **PFI Charges**

  The Council paid unitary charges of £1.178m and £0.287m depreciation costs relating to the Copeland Centre.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue on 30 June 2014 by Angela George, Interim Finance Manager and Section 151 Officer.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. At 30 June 2014 no adjustments have been made.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

The following sets out a description of the usable reserves that the adjustments are made against. The unusable reserves are outlined in the following note.

General Fund Balance

This balance represents the cumulative surplus available to the Council to support revenue spending and which has not been earmarked for a specific purpose.

Earmarked Reserves

This balance represents monies available to support revenue spending but which the Council have earmarked for specific purposes.

Capital Receipts Reserve

Capital reserves are not allowed for revenue purposes and certain of them can only be used for specific statutory purposes. The Usable Capital Receipts Reserve is a reserve established for specific statutory purposes.

Capital Grants Unapplied Reserve

Capital Grants received with no obligations attached need to be recognised in the Comprehensive Income and Expenditure Statement. If the grant is not spent it is reversed through the Movement in Reserves Statement and held in the Capital Grants Unapplied Reserve.

2013/14	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of Items debited or credited to the CIES				
Charges for depreciation and impairment of non-current assets	(3,538)	-	-	3,538
Revaluation Losses on Property Plant and Equipment	(2,465)	-	-	2,465
Movements in the market value of Investment Properties	(387)	-	-	387
Amortisation of intangible assets	(159)	-	-	159
Capital grants and contributions applied	447	-	-	(447)
Revenue Expenditure funded from capital under statute	(544)	-	-	544
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(744)	-	-	744
Insertion of items not debited or credited to the CIES				
Statutory Repayment of Debt (Finance Lease Liabilities)	248	-	-	(248)
Statutory Repayment of Debt (PFI)	292	-	-	(292)
Capital expenditure charged against the General Fund	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	126	-	(126)	-

2013/14 Continued	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	293	(293)	-	-
VAT sharing proceeds	231	(231)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	335	-	(335)
Capital Grants Repaid	27	(27)	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(10)	10	-	-
Transfer from Deferred Capital Receipts Reserve on receipt of cash	-	(50)	-	50
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to CIES	87	-	-	(87)
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	5	-	-	(5)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,918)	-	-	1,918
Employer's pension contributions and direct payments to pensioners payable in the year	1,548	-	-	(1,548)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax and NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	(5,427)	-	-	5,427
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	7	-	-	(7)
Total Adjustments	**(11,881)**	**(256)**	**(126)**	**12,263**

Comparative figures for the years 2012/13	General Fund Balance Restated	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves Restated
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of Items debited or credited to the CIES				
Charges for depreciation and impairment of non-current assets	(4,019)	-	-	4,019
Revaluation Losses on Property Plant and Equipment	(110)	-	-	110
Movements in the market value of Investment Properties	226	-	-	(226)
Amortisation of intangible assets	(162)	-	-	162
Capital grants and contributions applied	446	-	-	(446)
Revenue Expenditure funded from capital under statute	(797)	-	-	797
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(189)	-	-	189
Insertion of items not debited or credited to the CIES				
Statutory Repayment of Debt (Finance Lease Liabilities)	246	-	-	(246)
Statutory Repayment of Debt (PFI)	247	-	-	(247)
Capital expenditure charged against the General Fund	7	-	-	(7)
Adjustments primarily involving the Capital Grants Unapplied Account				
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	179	(179)	-	-
VAT sharing proceeds	73	(73)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	984	-	(984)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1)	1	-	-
Transfer from Deferred Capital Receipts Reserve on receipt of cash	-	(54)	-	54

Comparative figures for the years 2012/13 continued	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	Restated			Restated
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to CIES	30	-	-	(30)
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	12	-	-	(12)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,754)	-	-	1,754
Employer's pension contributions and direct payments to pensioners payable in the year	1,026	-	-	(1,026)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	26	-	-	(26)
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(7)	-	-	7
Total Adjustments	**(4,521)**	**679**	**-**	**3,842**

8. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement

9. UNUSABLE RESERVES

Unusable Reserves	As at 31 March 2014 £000	As at 31 March 2013 £000
Revaluation Reserve	(14,672)	(17,315)
Capital Adjustment Account	(19,170)	(24,585)
Financial Instrument Adjustment Account	105	110
Deferred Capital Receipts Reserve	(697)	(660)
Pension Reserve	18,063	23,054
Collection Fund Adjustment Account	5,362	(65)
Accumulated Absences Account	67	74
Total Unusable Reserves	**(10,942)**	**(19,387)**

Revaluation Reserve

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

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

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

As at 31 March 2013 £000	Revaluation Reserve	As at 31 March 2014 £000
(18,769)	Balance at 1st April	**(17,315)**
(914)	Upward revaluation of assets	(2,220)
940	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,763
26	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**1,543**
1,351	Difference between fair value depreciation and historic cost depreciation	905
77	Accumulated gains on assets sold or scrapped	195
1,428	Amount written off to the Capital Adjustment Account	**1,100**
(17,315)	Balance at 31st March	**(14,672)**

Deferred Capital Receipts Reserve

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

As at 31 March 2013 £000	Deferred Capital Receipts Reserve	As at 31 March 2014 £000
(684)	**Balance at 1st April**	**(660)**
(30)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(87)
-	Transfer from Capital Adjustment Account	-
54	Transfer to the Capital Receipts Reserve on receipt of cash	50
(660)	**Balance at 31st March**	**(697)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account also contains accumulated gains and losses on investment properties.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before the 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 20 on page 68 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

As at 31 March 2013 £000	Capital Adjustment Account	As at 31 March 2014 £000
(26,278)	**Balance at 1 April**	**(24,585)**
-	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
4,019	Charges for depreciation and impairment of non-current assets	3,538
110	Revaluation Losses on Property Plant and Equipment charged to the CIES	2,465
162	Amortisation of intangible assets	159
797	Revenue Expenditure funded from capital under statute	544
189	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	744
-	Transfer to Deferred Capital Receipts Reserve	-
5,277		**7,450**
(1,428)	Adjusting amounts written out of the Revaluation Reserve	(1,100)
3,849	Net written out amount of the cost of non-current assets consumed in the year	**6,350**
	Capital Financing applied in the year:	
(984)	Use of the Capital Receipts Reserve to finance new capital expenditure	(335)
(446)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(447)
-	Application of grants to capital financing from the Capital Grants Unapplied Account	-
(493)	Statutory minimum revenue provision for the financing of capital investment charged against the General Fund balance	(540)
(7)	Capital expenditure charged against the General Fund	-
(1,930)		**(1,322)**
(226)	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	387
(24,585)	**Balance at 31 March**	**(19,170)**

Financial Instruments Adjustment Account

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

The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March will be charged to the General Fund Balance over the next 10 years.

As at 31 March 2013 £000	Financial Instruments Adjustment Account	As at 31 March 2014 £000
122	**Balance at 1 April**	**110**
(12)	Proportions of premiums in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(5)
(12)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**(5)**
110	**Balance at 31 March**	**105**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rate income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. In the current year, because the Council has estimated a provision for outstanding Business Rate appeals, there is a large deficit on the Collection Fund compared to 31 March 2013.

As at 31 March 2013 £000	Collection Fund Adjustment Account	As at 31 March 2014 £000
(39)	**Balance at 1 April**	**(65)**
(26)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements	5,427
(65)	**Balance at 31 March**	**5,362**

Pension Reserve

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

As at 31 March 2013 £000 Restated	Pension Reserve	As at 31 March 2014 £000
18,648	**Balance at 1 April**	**23,054**
3,678	Re-measurements of the net defined benefit liability/asset	(5,361)
1,754	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	1,918
(1,026)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,548)
23,054	**Balance at 31 March**	**18,063**

Accumulated Absences Account

The Accumulated Absences Account absorbs the timing differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

As at 31 March 2013 £000	Accumulated Absences Account	As at 31 March 2014 £000
67	**Balance at 1 April**	**74**
(67)	Settlement or cancellation of accrual made at the end of the preceding year	(74)
74	Amounts accrued at the end of the current year	67
74	Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	67
74	**Balance at 31 March**	**67**

10. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in Earmarked Reserves to provide financing for the future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2013/14.

Earmarked Reserves	Balance as at 31 March 2012 £'000	Reclassified during 2012/13 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance as at 31 March 2013 £'000	Reclassified during 2013/14 £'000	Transfers Out 2013/14 £'000	Transfers In 2013/14 £'000	Balance as at 31 March 2014 £'000
Chief Executive									
Transformation Fund	**1,267**	(200)	(194)	-	**873**		(200)	-	**673**
Assist in resourcing Nuclear	**63**	(6)	(57)	-	**-**				**-**
Policy & Transformation	**29**	-	(26)	(3)	**-**				**-**
Corporate Resources									
PFI Reserve	**1,457**	-	(7)	166	**1,616**	-	(7)	158	**1,767**
Coastal Management	**268**	-	(22)	-	**246**	-	(55)	-	**191**
MMI	**-**	-	(68)	440	**372**				**372**
Other	**616**	200	(401)	1,246	**1,661**	-	(854)	642	**1,449**
Regeneration & Communities									
LABGI	**81**	(20)	(61)	-	**-**				**-**
Working Neighbourhoods	**481**	-	(409)	-	**72**		(72)		**-**
Planning Policy Delivery	**295**	-	(201)	-	**94**			31	**125**
Copeland Coastal Park	**182**	-	(50)	-	**132**		(11)		**121**
Other	**367**	1	(139)	72	**301**	(51)	(114)	124	**260**
Neighbourhoods	**463**	(89)	(35)	68	**407**	-	(81)	100	**426**
Nuclear Planning and Energy	**-**	114	(34)	318	**398**	51	(291)	150	**308**
Total	**5,569**	**-**	**(1,704)**	**2,307**	**6,172**	**-**	**(1,685)**	**1,205**	**5,692**

11. OTHER OPERATING INCOME AND EXPENDITURE

Restated 2012/13 £'000	Other Operating Income and Expenditure	2013/14 £'000
463	Parish Council Precepts	454
(73)	VAT sharing proceeds	(231)
1	Payments to the Government Housing Capital Receipts Pool	10
(29)	(Gains)/losses on the disposal of non-current assets	384
18	Pension Administration Cost	21
380	**Total**	**638**

12. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012/13 £'000	Financing and Investment Income and Expenditure	2013/14 £'000
1,112	Interest Payable and similar charges	1,087
689	Pension interest cost and expected return on pensions assets	936
(300)	Interest receivable and similar income	(219)
(301)	Income and expenditure in relation to investment properties, changes in their fair value and reclassifications to PPE	261
-	Surplus or deficit on trading operations	-
-	Other investment income	(45)
1,200	**Total**	**2,020**

13. TAXATION AND NON SPECIFIC GRANT INCOMES

2012/13 £'000	Taxation and Non Specific Grant Income	2013/14 £'000
(4,519)	Council tax income	(4,097)
(5,004)	Non domestic rates	(1,780)
(1,493)	Non-ring fenced government grants	(4,772)
(40)	Capital grants and contributions	(374)
(11,056)	**Total**	**(11,023)**

14. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14;

Credited to Taxation and Non Specific Grant Income	2013/14 £'000	2012/13 £'000
Council Tax 2nd Home Discount Grant	101	102
Revenue Support Grant	3,311	97
PFI Grant	837	837
Council Tax Freeze Grant	0	100
Local Services Support Grant	0	327
New Home Bonus Grant	236	-
Small Business & Empty Property Rate Relief (BEPRR)	223	-
New Burdens Grant	53	-
Other Grants	385	70
Total	**5,146**	**1,533**
Credited to Services	**£'000**	**£'000**
Rent Allowance Subsidy	20,339	20,096
Council Tax Benefit Grant	0	5,473
Administration Grants	375	706
Homelessness Grant	0	50
Other Grants	1,121	1,619
Total	**21,835**	**27,944**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if not fulfilled. The balances at year end are as follows:

	31 March 2014 £'000	31 March 2013 £'000
Capital Grants Receipts in Advance		
Economic Regional Development Fund (ERDF)	212	212
Total	**212**	**212**

15. TRADING OPERATIONS

The Council operates 4 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other organisations. Details of those units with a turnover of greater than £0.1m in 2013/14 are as follows:

Charged to Financing and Investment Income and Expenditure		**2012/13**		**2013/14**	
		£000	**£000**	**£000**	**£000**
The Council sublets part of the Copeland Centre to the Department of Works and Pensions, Home Group, HMRC and Sellafield Ltd. The costs incurred renting out the premises are covered by the rental revenues generated.	Income	601		658	
	Expenditure	(601)		(658)	
	Surplus/(deficit)		**-**		**-**
Charged to Net Cost of Services		**2012/13**		**2013/14**	
		£000	**£000**	**£000**	**£000**
The Council operates pay and display car parks where the running costs include rates, electricity and water charges, maintenance of ticket machines and car parking orders. The operation recovers its costs apart from capital charges which are mitigated through the Movement in Reserves Statement.	Income	321		344	
	Expenditure	(498)		(551)	
	Surplus/(deficit)		**(177)**		**(207)**
		2012/13		**2013/14**	
		£000	**£000**	**£000**	**£000**
The Council collects and disposes of waste collected from commercial and non-domestic properties. A charge per collection is made.	Income	210		208	
	Expenditure	(229)		(242)	
	Surplus/(deficit)		**(19)**		**(34)**
		2012/13		**2013/14**	
		£000	**£000**	**£000**	**£000**
The Council has a contract with Home Group to maintain the open spaces/grassed areas within the housing estates they manage.	Income	223		225	
	Expenditure	(162)		(176)	
	Surplus/(deficit)		**61**		**49**
Net Surplus/(Deficit) on Trading Operations	**Total Surplus/(deficit)**		**(135)**		**(192)**

16. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

(i) Service Information

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

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

Restructures within the authority saw the creation of an additional directorate 'Nuclear Planning and Energy' which has seen income and expenditure previously recorded in other directorates move to here. The income and expenditure of the Council's principal directorates reported in the quarterly monitoring and out turn budget reports for the year is as follows:

Year ended 31 March 2014	Chief Executive and Directors £'000	Corporate Resources £'000	Neighbourhoods £'000	Nuclear, Planning and Energy £'000S	Policy & Transformation £'000	Regeneration & Communities £'000	Total £'000
Fees, charges & other service income	(101)	(2,385)	(2,769)	(615)	(7)	(621)	(6,498)
Government grants		(20,870)		(285)		(15)	(21,170)
Total Income	**(101)**	**(23,255)**	**(2,769)**	**(900)**	**(7)**	**(636)**	**(27,668)**
Employee expenses	1,123	1,177	2,893	726	710	930	7,559
Other operating expenses	137	26,302	2,315	484	613	1,393	31,244
Total Operating Expenses	**1,260**	**27,479**	**5,208**	**1,210**	**1,323**	**2,323**	**38,803**
Net Cost of Services	**1,159**	**4,224**	**2,439**	**310**	**1,316**	**1,687**	**11,135**

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

	£'000
Net Cost of Services in Comprehensive Income and Expenditure Statement (see note ii)	14,834
Service costs and income not in main analysis in the CIES	2,859
Amounts not reported to Management but included in the CIES	(6,558)
Net Cost of Services	**11,135**

Year ended 31 March 2013	Chief Executive and Directors £'000	Corporate Resources £'000	Neighbourhoods £'000	Nuclear, Planning and Energy £'000	Policy & Transformation £'000	Regeneration & Communities £'000	Total £'000
Fees, charges & other service income	(107)	(2,632)	(3,182)	(840)	-	(792)	(7,553)
Government grants	-	(26,965)	-	(894)	-	(92)	(27,951)
Total Income	**(107)**	**(29,597)**	**(3,182)**	**(1,734)**	**-**	**(884)**	**(35,504)**
Employee expenses	618	1,289	3,089	881	825	1,042	7,744
Other operating expenses	321	32,181	2,505	1,457	404	2,125	38,993
Total Operating Expenses	**939**	**33,470**	**5,594**	**2,338**	**1,229**	**3,167**	**46,737**
Net Cost of Services	**832**	**3,873**	**2,412**	**604**	**1,229**	**2,283**	**11,233**

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

	£'000
Net Cost of Services in Comprehensive Income and Expenditure Statement (see note ii)	13,488
Service costs and income not in main analysis in the CIES	2,534
Adjustments to Out-turn	8
Amounts not reported to Management but included in the CIES	(4,797)
Net Cost of Services	**11,233**

(ii) Reconciliation to subjective analysis

This section reconciles the figures for income and expenditure in the out-turn position reported to the Executive to a subjective analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

Year ended 31 March 2014	Service Analysis £'000	Spending / Income not in Net Cost of Services £'000	Items not reported to Management £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(6,498)	789	180	**(5,529)**	(594)	**(6,123)**
Government grants	(21,170)	(137)	(72)	**(21,379)**	(4,772)	**(26,151)**
Income from council tax					(4,097)	**(4,097)**
Income from NNDR		(165)		**(165)**	(1,780)	**(1,945)**
Interest Receivable		213		**213**	(3,279)	**(3,066)**
Change in fair value of investment properties					(229)	**(229)**
Gains & losses on sale of assets					(363)	**(363)**
Total Income	**(27,668)**	**700**	**108**	**(26,860)**	**(15,114)**	**(41,974)**
Employee expenses	7,560	(463)		**7,097**	4,015	**11,112**
Other operating expenses	31,243	(2,718)	120	**28,645**	-	**28,645**
Depreciation, amortisation & impairment			6,158	**6,158**		**6,158**
REFCUS/Soft Loans			172	**172**		**172**
Interest Payable		(378)		**(378)**	-	**(378)**
Precepts & levies					1,541	**1,541**
Change in fair value of Investment Properties					446	**446**
Gains & losses on sale of assets					747	**747**
	38,803	**(3,559)**	**6,450**	**41,694**	**6,749**	**48,443**
(Surplus)/Deficit on the provision of services	**11,135**	**(2,859)**	**6,558**	**14,834**	**(8,365)**	**6,469**

Year ended 31 March 2013	Service Analysis £'000	Adjustments to Out-turn £'000	Spending / Income not in Net Cost of Services £'000	Items not reported to Management £'000	Net Cost of Services £'000	Corporate Amounts Restated £'000	Total Restated £'000
Fees, charges & other service income	(7,553)	-	1,133	(406)	**(6,826)**	(850)	**(7,676)**
Government grants	(27,951)	-	-	-	**(27,951)**	(6,497)	**(34,448)**
Income from council tax	-	-	-	-	**-**	(4,519)	**(4,519)**
Interest Receivable	-	-	-	-	**-**	(300)	**(300)**
Charge in fair value of investment properties	-	-	-	-	**-**	(500)	**(500)**
Gains & losses on sale of assets	-	-	-	-	**-**	(218)	**(218)**
Total Income	**(35,504)**	**-**	**1,133**	**(406)**	**(34,777)**	**(12,884)**	**(47,661)**
Employee expenses	7,744	-	(193)	-	**7,551**	689	**8,240**
Other operating expenses	38,993	(8)	(3,474)	105	**35,636**	881	**36,517**
Depreciation, amortisation & impairment	-	-	-	4,291	**4,291**	-	**4,291**
REFCUS/Soft Loans	-	-	-	787	**787**	-	**787**
Interest Payable	-	-	-	-	**-**	1,112	**1,112**
Precepts & levies	-	-	-	-	**-**	463	**463**
Change in fair value of Investment Properties	-	-	-	-	**-**	274	**274**
Gains & losses on sale of assets	-	-	-	-	**-**	189	**189**
	46,737	**(8)**	**(3,667)**	**5,183**	**48,265**	**3,608**	**51,873**
(Surplus)/Deficit on the provision of services	**11,233**	**(8)**	**(2,534)**	**4,777**	**13,488**	**(9,276)**	**4,212**

17. OFFICERS REMUNERATION

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

Post Holder Information	Note	Year	Salary, Fees & Allowances	Expenses	Benefits in Kind (e.g. Car Allowance)	Compensation for loss of Office	Total Remuneration excluding Pension	Pension Contributions	Total Remuneration including Pension
Chief Executive	1	2013/14	110,000	83	5,000	-	**115,083**	22,110	**137,193**
		2012/13	110,000	130	5,000	-	**115,130**	22,110	**137,240**
Head of Nuclear Energy and Planning	2	2013/14	52,591	342	-	-	**52,933**	10,571	**63,504**
		2012/13	29,363	297	-	-	**29,660**	5,902	**35,562**
Corporate Director of Resources and Transformation	3	2013/14	-	-	-	-	**-**	-	**-**
		2012/13	16,698	331	-	-	**17,029**	2,949	**19,978**
Corporate Director of People and Places		2013/14	75,000	127	-	-	**75,127**	15,075	**90,202**
		2012/13	73,755	122	-	-	**73,877**	14,825	**88,702**
Head of Corporate Resources	4	2013/14	66,038	2,694	-	-	**68,732**	5,233	**73,964**
		2012/13	51,042	78	-	-	51,120	10,260	**61,380**
Head of Regeneration and Community		2013/14	52,591	1,424	-	-	**54,015**	10,571	**64,586**
		2012/13	52,591	780	-	-	**53,371**	10,571	**63,942**
Head of Policy and Transformation		2013/14	49,085	-	-	-	**49,085**	9,866	**58,951**
	5	2012/13	52,591	-	-	-	**52,591**	10,571	**63,162**
Head of Neighbourhoods		2013/14	51,178	1,101	-	-	**52,279**	10,145	**62,424**
		2012/13	52,591	1,341	-	-	**53,932**	10,571	**64,503**

The restructure of the Council has continued through 2013/14. A review of the Management team took place during quarter four of 2013/14 with changes to be introduced from 1st April 2014. This resulted in the Corporate Leadership team being reduced with 2 new directors roles being created and the heads of service being reduced from five to two. This is shown in notes 4 and 5 below.

1. The Chief Executive joined the authority in July 2010. The figures shown include the fee paid as Returning Officer at elections.
2. The Head of Nuclear Energy and Planning joined the authority in September 2012 so the figures for 2012/13 are not for a full year's remuneration.
3. Restructuring in 2012/13 resulted in 2 Corporate Directors being reduced to 1 and the Corporate Director of Resources and Transformation left the authority in June 2012.
4. The Head of Corporate Resources includes a payment for the statutory role of Section 151 Chief Finance Officer. The Head of Corporate Resources left Copeland Borough Council's employment as salaried staff in September 2013 but was continued to be employed as a contractor through the remainder of 2013/14. While the focus of the role was changed the Section 151 duties were retained.
5. The Head of Policy and Transformation was removed as part of the 2013/14 management review but the role ended earlier in March 2014.

Compensation payments for loss of office are disclosed in note 33 on page 85 but none were due to the management team review.

There were no other Council employees receiving more than £0.050m remuneration for the year (excluding employer's pension contributions but including redundancy packages) during the year:

The numbers of exit packages with the total cost band and total cost of the compulsory and other redundancies are set out in the table below

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14 £	2012/13 £
£0>£20,000	4	17	-	2	**4**	**19**	**15,639**	**73,693**
£20,001>£40,000	-	1	-	-	**-**	**1**	**-**	**20,287**
Total	**4**	**18**	**-**	**2**	**4**	**20**	**15,639**	**93,980**

18. MEMBERS ALLOWANCES

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

	2013/14 £000	2012/13 £000
Allowances	223	239
Expenses	9	17
Total	**232**	**256**

19. EXTERNAL AUDIT COSTS

During the year, the following fees relating to external audit and inspection performed by Grant Thornton UK LLP were payable.

	2013/14 £	2012/13 £
Fees payable for the certification of grant claims and returns	19,439	41,366
Fees payable with regard to external audit services carried out by the appointed auditor	60,987	66,769
Fees payable in respect of other services provided by the appointed auditor	-	358
Total	**80,426**	**108,493**

The 2013/14 audit costs are net of rebates.

PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2013/14

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastr ucture	Community Assets	Surplus Assets	Assets Under Const-ruction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
As at 1 April 2013	**32,126**	**6,316**	**4,718**	**2,468**	**10,090**	**166**	**55,884**	**4,388**
Additions	-	80	-	-	-	120	**200**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,020)	-	-	-	(2,876)	-	**(4,896)**	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(656)	-	-	-	(1,823)	-	**(2,479)**	-
De-recognition - Disposals	(340)	(743)	-	(24)	(128)	-	**(1,235)**	-
Reclassifications	(3,025)	(36)	2,448	(2,422)	3,060	(69)	**(44)**	-
Assets reclassified (to)/from Held for Sale	(300)	-	-	-	393	-	**93**	-
Other movements in cost or valuation	-	-	-	-	-	-	**-**	-
At 31 March 2014	**25,785**	**5,617**	**7,166**	**22**	**8,716**	**217**	**47,523**	**4,388**
Accumulated Depreciation and Impairment								
As at 1 April 2013	**4,092**	**3,773**	**2,818**	**-**	**448**	**-**	**11,131**	**571**
Charged in year	2,548	504	484	-	2	-	**3,538**	287
Depreciation written out to the Revaluation Reserve	(3,350)	-	-	-	-	-	**(3,350)**	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	(18)	-	-	-	-	-	**(18)**	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	**-**	-
De-recognition - Disposals	(69)	(612)	-	-	(85)	-	**(766)**	-
De-recognition - Other	10	(10)	-	-	-	-	**-**	-
Other movements in depreciation and impairment	-	-	-	-	-	-	**-**	-
At 31 March 2014	**3,213**	**3,655**	**3,302**	**-**	**365**	**-**	**10,535**	**858**
Net Book Value As at 31 March 2014	**22,572**	**1,962**	**3,864**	**22**	**8,351**	**217**	**36,988**	**3,530**
As at 1 April 2013	**28,034**	**2,543**	**1,900**	**2,468**	**9,642**	**166**	**44,753**	**3,817**

Movements in 2012/13

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets Included in Property, Plant and Equipment £'000
Cost or Valuation								
As at 1 April 2012	**34,622**	**6,199**	**4,717**	**2,369**	**10,084**	**37**	**58,028**	**4,348**
Additions	197	214	-	99	-	129	**639**	40
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,101)	-	-	-	98	-	**(2,003)**	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(110)	-	-	-	-	-	**(110)**	-
De-recognition - Disposals	(106)	(97)	1	-	-	-	**(202)**	-
Reclassifications	(330)	-	-	-	620	-	**290**	-
Assets reclassified (to)/from Held for Sale	(46)	-	-	-	(712)	-	**(758)**	-
Other movements in cost or valuation	-	-	-	-	-	-	**-**	-
At 31 March 2013	**32,126**	**6,316**	**4,718**	**2,468**	**10,090**	**166**	**55,884**	**4,388**
Accumulated Depreciation and Impairment								
As at 1 April 2012	**2,526**	**3,305**	**2,541**	**-**	**534**	**-**	**8,906**	**264**
Charged in year	3,286	544	276	-	(86)	-	**4,020**	307
Depreciation written out to the Revaluation Reserve	(1,904)	-	-	-	-	-	**(1,904)**	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	**-**	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(106)	(76)	1	-	-	-	**(181)**	-
De-recognition - Disposals	-	-	-	-	-	-	**-**	-
De-recognition - Other	-	-	-	-	-	-	**-**	-
Other movements in depreciation and impairment	290	-	-	-	-	-	**290**	-
At 31 March 2013	**4,092**	**3,773**	**2,818**	**-**	**448**	**-**	**11,131**	**571**
Net Book Value								
As at 31 March 2013	**28,034**	**2,543**	**1,900**	**2,468**	**9,642**	**166**	**44,753**	**3,817**
As at 1 April 2012	**32,096**	**2,894**	**2,176**	**2,369**	**9,550**	**37**	**49,122**	**4,084**

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. Valuations were carried out by Barbara Vernon MRICS of the Council's Property Services Department. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Details are disclosed in the Statement of Accounting Policies.

The history of asset valuations is as follows:

	Land & Buildings £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Carried at Historic Cost	-	290	290
Valued at fair value as at:			
31 March 2014	8,830	6,857	15,687
31 March 2013	1,707	1,130	**2,837**
31 March 2012	3,326	-	**3,326**
31 March 2011	8,517	64	**8,581**
31 March 2010	3,406	375	**3,781**
Total	**25,786**	**8,716**	**34,502**

Capital Commitments

Disabled Facilities

The Council has a commitment to providing facilities for the disabled. This is included within the capital programme and is to be grant funded. The level of commitment as at 31st March 2014 is £0.157m.

20. HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Council.

	Civic Regalia £000	Paintings and Fine Art £000	Museum Exhibits £000	Total Assets £000
Cost or valuation				
1 April 2012	208	701	583	**1,492**
Revaluations		79	-	**79**
Impairment Losses/(reversals) recognised in the Revaluation Reserve			(2)	**(2)**
31 March 2013	**208**	**780**	**581**	**1,569**
Cost or valuation				
1 April 2013	**208**	**780**	**581**	**1,569**
Revaluations	-	-	-	**-**
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	**-**
31 April 2014	**208**	**780**	**581**	**1,569**

The Civic Regalia assets were re valued in 2011/12.

An insurance valuation was carried out by H.R. Naylor ASFAV on 17th November 2012 on all Beacon Museum exhibits and material items within the Copeland Collection paintings. One asset that was donated on 1 July 2009 (a sculpture of Joss Naylor Head by Paul Bainbridge) was included within the 2012/13 valuation exercise and re-valued at £3,500. There have been no further transactions relating to the heritage assets contained within the Balance Sheet, in the previous four accounting periods.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council are the collections of assets and artefacts either exhibited or stored in the Beacon, the Museum Resource Centre at Haig Enterprise Park, and the Museum Store at Moresby or the Copeland Centre. The principal collections of heritage assets held include:

- Civic Regalia;
- Copeland Collection comprising pictures, prints and sculptures; and
- Museum collection comprising fine and decorative arts, social history, archaeology, photographs, prints and natural sciences.

The treatment of heritage assets within the Balance Sheet is detailed in paragraph 16 on page 24 within the Statement of Accounting Policies.

Further information on the respective classes of heritage assets is as follows;

Civic Regalia

Items of Civic Regalia are included in the Balance Sheet at a valuation of £0.208m through their insurance valuations. These insurance valuations are based on a current estimate of market value and were obtained in February 2012.

The Copeland Collection

The Copeland Collection consists of 86 paintings and sculptures, which are on display in public building throughout the Borough.

5 of these assets are included in the Balance Sheet at a combined valuation of £23,860 by means of their insurance valuations. These insurance valuations are based on an estimate of market replacement value obtained in November 2012.

67 of these assets are included in the Balance Sheet at historic cost with a combined value of £11,009.

In addition to the assets on the Balance Sheet the Copeland Collection contains a further 14 assets, where historic cost is not held. The Council believes the cost of valuing these assets would be disproportionate to their actual value and has chosen not to have them valued. These assets have therefore been excluded from the Balance Sheet.

Museum Collection

The collection as a whole has been considered for valuation purposes, with the museum curator seeking an external professional valuation to be carried out on any individual asset that they deem to have a value in excess of £500 or are considered to be at a higher risk. This has resulted in a combined valuation totalling £1.325m and represents the insurance valuations of the individual assets within the collection. These insurance valuations are based on an estimate of market replacement values and are carried out every five years, with the last valuation being carried out in November 2012.

The residual items – those deemed to be worth less than £500 individually by the museum curator, have been excluded from the Balance Sheet as neither historic cost nor valuations are held and the Council believes the cost of valuing these assets would be disproportionate to their actual value.

Museum Collection assets are made up of the following categories:

- **Archaeology** a varied collection of local archaeology including the d'Irton Tombstone; a glass bottle from Hardknott Roman Fort, some bulk archaeology, three excavation archives and the St Bees Shroud.
- **Geographical & Natural Sciences** a large geology collection, a herbarium and a small collection of stuffed birds, animals and birds eggs.
- **The Norman Roberts Collection** a private collection of 3,931 pieces.
- **Decorative Arts** a substantial collection of 19th century Whitehaven-made pottery, silverware and ceramics commemorating the launch of local ships.

- **Historic Pictures for Postcards** a collection of historic pictures and photographs for use in making postcards
- **Print Collection** a small collection of engravings, etchings and lithographs of local places or people.
- **Fine Arts** a collection of paintings, water-colours, drawings and sculptures either by local artists or works that depict local views or people. The collection includes marine artists such as Joseph Heard, who lived and worked in Whitehaven before moving to Liverpool in 1832, and Whitehaven born Robert Salmon, whose work was much influenced by Dutch marine painters of the period.
- **Maps** a collection of both originals and copies of maps and plans relating to Copeland.
- **Photographs** a strong local collection of photographic prints, postcards, glass plate negatives and magic lantern slides relating to Copeland, especially its towns, harbours, ships and people.
- **Social History** a broad collection of artefacts relating to the communal, domestic, personal and working life of the people of Copeland since medieval times.
- **Other collections** include 816 Marchon photographs and 66 items of the Marchon era, 55 ship model and 907 Sekers related artefacts.

As well as assets held and displayed in buildings the Council also owns other heritage assets which are in situ throughout the Borough. These comprise buildings or structures for which there is no recorded historic cost, and therefore they are not recorded within the Balance Sheet. These assets include war memorials at Castle Park, Egremont Road and St John's Church, Cleator Moor, the Greasy Pole at Egremont, the band stand within the Market Place in Whitehaven and airshaft caps tunnels within Castle Park and on High Street, Whitehaven.

The authority's policies on Heritage asset which includes details on the collections acquisition, preservation, management, disposal and the documents can be accessed on the Beacon website.

21. INVESTMENT PROPERTIES

Investment properties are those that are held solely to earn rentals or for capital appreciation or for both. Properties receiving rental income were reviewed and where appropriate, classified as investment properties.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property. The Council has obligations for repairs & maintenance on some of its investment properties.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2013/14 £000	2012/13 £000
Rental income from investment property	143	136
Direct operating expenses arising from investment property	(17)	(60)
Net gain/(loss)	**126**	**76**

The following table summarises the movements in the fair value of investment properties over the year:

	2013/14 £000	2012/13 £000
Balance at start of the year	**2,730**	**2,511**
Additions:		
Subsequent expenditure	-	23
Disposals	(17)	-
Net gains/losses from fair value adjustments	(387)	226
Transfers:		
to/from Property, Plant and Equipment	-	-
Other Changes	-	(30)
Balance at end of the year	**2,326**	**2,730**

Investment properties have been re-valued generally at 31 March 2014 internally at their respective market values by Barbara Vernon MRICS of the Council's Property Services Department.

22. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible assets can include both purchased licenses and internally generated software. The intangible assets currently held by the Council comprise solely of purchased licences.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are

	Internally Generated Assets	Other Assets
3 years	None	None
5 years	None	All assets currently held
10 years	None	None

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.159m charged to revenue in 2013/14 was charged to individual cost centres where appropriate (£0.012m) with the remaining £0.147m being absorbed as an overhead across all of the service headings in the Net Expenditure of Services as it is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2013/14 £000	2012/13 £000
Balance at start of year:		
-Gross carrying amounts	1,638	1,588
-Accumulated amortisation	(1,333)	(1,171)
Net carrying amount at start of year	**305**	**417**
Additions:		
-Purchases	38	50
-Transfer from assets under construction	44	-
Other Disposals	(3)	
Amortisation for the period	(159)	(162)
Net carrying amount at end of year	**225**	**305**
Comprising:		
-Gross carrying amounts	1,717	1,638
-Accumulated amortisation	(1,492)	(1,333)
	225	**305**

23. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The authority is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. For 2013/14 this is equivalent to an amount calculated on a prudent basis determined by the authority in accordance with the agreed MRP policy as set out in the Treasury Management Strategy.

Bringing the PFI arrangement onto the Balance Sheet in line with IFRIC 12 has increased the Council's capital financing requirement. This impact is set out below. In line with the SORP, provision from revenue to contribute towards the reduction in the authority's overall borrowing requirement in relation to the PFI arrangement has been made so as to fully charge the unitary payments made in the year to revenue.

The Council's Capital Financing Requirement was as follows;

	31 March 2014 £'000	31 March 2013 £'000
Opening Capital Financing Requirement	**8,465**	**8,884**
Capital Investment:		
Property, Plant and Equipment	200	639
Investment Property	-	23
Intangibles	38	50
Revenue Expenditure Funded from Capital under Statute	544	797
Sources of Finance		
Capital receipts	(335)	(982)
Governments Grants and other contributions	(447)	(446)
Minimum revenue provision	(540)	(493)
Direct revenue funding	-	(7)
Closing Capital Finance requirement	**7,925**	**8,465**
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(540)	(419)
Total movement in year	**(540)**	**(419)**

24. ASSETS HELD FOR SALE

	2013/14 £000	2012/13 £000
Balance outstanding at start of year	**1,397**	**781**
Assets newly classified as held for sale from		
- Property, Plant & Equipment	312	758
- Investment Properties	-	30
Revaluation losses	-	(3)
Assets declassified as held for sale to		
- Property, Plant & Equipment	(405)	
Assets sold	(255)	(169)
Transfers from non-current to current	-	-
Balance outstanding at year-end	**1,049**	**1,397**

Of the £1.049m classified as current assets – held for sale, only £0.292m now relates to land at South Row, Kells.

The land was originally made up of nineteen plots valued at £1.5m, the remaining five expect to sell during 2014/15.

£0.300m relates to Chapel Street Car Park in Egremont and £0.287m relates to former grazing plots at Walkmill Close which are being marketed as development opportunities.

25. INVENTORIES

	Consumable Stores		Goods for Resale		Total	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Balance outstanding at start of year	**48**	**80**	**13**	**15**	**61**	**95**
Purchases	317	333	9	14	**326**	**347**
Recognised as an expense in the year	(303)	(365)	(14)	(16)	**(317)**	**(381)**
Balance outstanding at year-end	**62**	**48**	**8**	**13**	**70**	**61**

26. DEBTORS

Due to the implementation of the new Business Rates regime the balance with other Local Authorities in 2014 now includes an accrued safety net payment with Central Government.

	31 March 2014		31 March 2013	
	£'000 Current	£'000 Long Term	£'000 Current	£'000 Long Term
Central government bodies	5,723	-	935	-
Other local authorities	421	-	694	-
NHS Bodies	-	-	1	-
Finance Lease Debtor	1	-	1	-
Other entities and individuals	1,305	468	852	468
Total	**7,450**	**468**	**2,483**	**468**

27. CASH AND CASH EQUIVALENTS

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

	31 March 2014 £000	31 March 2013 £000
Cash held by the Council	2	2
Bank Current Accounts	(514)	(618)
Short-term deposits with building societies	10,773	11,071
Total Cash and Cash Equivalents	**10,261**	**10,455**

28. CREDITORS

Due to the implementation of the new Business Rates regime the balance with other Local Authorities in 2014 now includes other Authorities share of the Collection Fund deficit.

	31 March 2014 £'000	31 March 2013 £'000
Central government bodies	298	2,265
Other local authorities	5,250	295
Public corporations and trading funds	-	-
NHS Bodies	-	31
PFI Creditor	308	306
Finance Lease Creditor	224	248
Other entities and individuals	1,357	1,306
Current interest due on long term liability	58	60
Total	**7,495**	**4,511**

29. PROVISIONS

Short Term Provisions	Insurance provision £'000	Grant Claw-back Provision £'000	MMI Provision £'000	NNDR Provisions Appeals £'000	Search Fee Provision £'000	Total £'000
Balance as at 1 April 2013	**(8)**	**(72)**	**-**	-	**-**	**(80)**
Reclassified to long term	-	-	-	-	-	-
New provision raised 2013/14	-	-	-	-	-	-
Utilised in 2013/14	1	-	-	-	-	1
Reversed unused in 2013/14	4	-	-		-	4
Reclassified	(48)	-	-	-	-	(48)
Balance as at 31 March 2014	**(51)**	**(72)**	**-**	**-**	**-**	**(123)**

Long Term Provisions	Insurance provision £'000	Grant Claw-back Provision £'000	MMI Provision £'000	NNDR Provisions Appeals £'000	Search Fee Provision £'000	Total £'000
Balance as at 1 April 2013	**(58)**	**-**	**(68)**	**-**	**(105)**	**(231)**
Reclassified from current		-	-	-	-	**-**
New provision raised 2013/14	(50)	-	-	(8,803)	(95)	**(8,948)**
Utilised in 2013/14	-	-	66	-	-	**66**
Reversed unused in 2013/14	10	-	-	-	-	**10**
Reclassified	48	-	-	-	-	**48**
Balance as at 31 March 2014	**(50)**	**-**	**(2)**	**(8,803)**	**(200)**	**(9,055)**
Total Provisions	**(101)**	**(72)**	**(2)**	**(8,803)**	**(200)**	**(9,178)**

The outstanding insurance balance relates to the Council's best estimate of total liability arising from claims made against it relating to issues of public liability, employer liability and liability arising from road traffic accidents.

To the extent that the Council's liability is covered by insurance, a corresponding asset has been recognised within current assets. The provided figure of £0.101m represents the gross liability. As at 31 March 2014 the Council estimates that £0.100m will be met by its insurers.

The Council anticipates that the outstanding claims will be settled within 5 years.

The grant claw-back provision is the likely repayment of a grant received for the decontamination of land on the former Kells School site. The site is currently either sold or held for sale, breaching the initial conditions of the grant given.

The search fee provision is the Council's best estimate of the likely settlement relating to the revocation of the personal search fee of the local land charges register. A grant of £0.034m was received from the Department for Communities and Local Government (DCLG) to partially offset the cost of claims being received, making the potential cost to the Council £0.166m. The Council anticipates that any outstanding claims will be repaid within five years.

The authority has £0.491m (since 1993) of insurance receipts with Mutual Municipal (MMI), the authority's previous insurers. Mutual Municipal is currently being wound up and potentially £0.441m is at risk if the wind up of MMI results in insolvency. Following the report of the Twenty-Second Meeting of the Creditors' Committee it was disclosed that solvency was "dependent upon a successful result to the Policy Trigger Litigation which would remove many uncertainties surrounding the IBNR provision." Since then judgement has been handed down on 28th March 2012 by the Supreme Court finding against the Company. The scheme of arrangement was triggered with an initial levy charged at £0.066m. The scheme requires that this is reviewed at least every 12 months and includes provisions for the rate to be adjusted up or down but at 31st March 2014 there was no reason to further increase the provision. There is an earmarked reserve held to cover the balance of future levies.

There is also the probability that new claims will be paid out for a number of years with the potential of further claw back from scheme members in future years but at 31st March 2014 there were no material new claims to consider.

The NNDR Appeals provision has arisen because of the change to the NNDR regime where the Council is now liable for any National Non Domestic Rates that are not collected. All business premises can appeal their valuation, set by the Valuation Office, which is used for setting the level of rates payable. Until the appeal is heard and decided a provision is estimated to cover the likely outcome.

30. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

The authority participates in the Cumbria Superannuation Fund administered by the County Council which is accounted for in accordance with International Accounting Standard 19 (IAS19). This is a defined benefit scheme.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme, changes to inflation, bond yields and the performance of equity investments. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in the accounting policies note.

Transactions Relating to Post-employment Benefits

Although these benefits will not actually be payable until 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.

Under IAS19, the authority is required to recognise the cost of retirement benefits in the net cost of services when earned by the employees, rather than when the benefits are eventually paid as pensions. However, the charge the authority is required to make against council tax is based on the cash payable in the year. In order to make this adjustment, the real cost of retirement benefits is reversed out of the General Fund balance via the Movement in Reserves Statement.

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

	2013/14 £'000s	2012/13 Restated £'000s
Comprehensive Income and Expenditure Statement		
Cost of services		
Current Service Costs	961	842
Curtailment loss	-	5
Administration Expense	21	18
Net operating expenditure	**982**	**865**
Financing and Investment Income and Expenditure		
Interest cost	3,011	3085
Expected return on assets in the scheme	(2,075)	(2,196)
Net interest expense	**936**	**889**
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**1,918**	**1,754**
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Experience (gain)/loss	(1,078)	-
Actuarial (gains) and losses arising on changes in demographic assumptions	1,157	681
Actuarial (gains) and losses arising on changes in financial assumptions	(3,912)	6,892
Re-measurement of assets	(1,528)	(3,895)
Total Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(5,361)**	**3,678**
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(3,443)**	**5,432**

Statement of Movement on the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with IAS19	(370)	(728)
Actual Amount charged against the General Fund Balance for pensions in the year		
Employers contributions payable to the scheme	1,548	1,026

Assets and Liabilities in Relation to Post-employment Benefits

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

	2013/14 £'000s	2012/13 Restated £'000s
Net pension liability at 1 April	**(73,127)**	**(64,271)**
Current service cost	(961)	(842)
Interest cost	(3,011)	(3,085)
Contribution by scheme participants	(266)	(288)
Re-measurement (gains) and losses;		
• Experience (gain)/loss	1,078	
• Actuarial (gains) and losses arising on changes in demographic assumptions	(1,157)	(681)
• Actuarial (gains) and losses arising on changes in financial assumptions	3,912	(6,892)
Curtailments	-	(5)
Benefits Paid	3,172	2,937
Net pension liability at 31 March	**(70,360)**	**(73,127)**

Of the £70.36m, the present value of funded benefit obligations amount to £68.96m. The remaining £1.399m being unfunded.

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

	2013/14 £'000s	2012/13 Restated £'000s
Fair value at 1 April	**50,073**	**45,623**
Interest on plan assets	2,075	2,196
Re-measurement gain/(loss) on plan assets	1,528	3,895
Administration expenses	(21)	(18)
Employer contributions	1,548	1,026
Contributions by scheme participants	266	288
Benefits paid	(3,172)	(2,937)
Fair value at 31 March	**52,297**	**50,073**

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

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

The actual return on scheme assets in the year was £3.6m (2012/13: £6.09m).

Scheme History

	2013/14 £'000	2012/13 £'000	2011/12 £'000	2010/11 £'000	2011/09 £'000
Present Value of Liabilities	(70,360)	(73,127)	(64,271)	(60,079)	(64,145)
Fair value of assets	52,297	50,073	45,623	44,178	42,934
Surplus/(deficit) in the scheme	**(18,063)**	**(23,054)**	**(18,648)**	**(15,901)**	**(21,211)**
Actuarial (Gains)/Losses	(5,361)	3,678	2,557	(2,474)	6,799

Local Government Pension Scheme Assets Comprised:

	2013/14 £'000s	2012/13 £'000s
Equities		
• UK quoted	7,322	7,611
• UK unquoted	52	-
• Global quoted	8,472	6,159
• UK equity pooled	6,328	6,009
• Overseas equity pooled	8,054	9,013
Bonds		
• UK corporate bonds	3,608	3,806
• Overseas corporate bonds	209	150
• UK corporate bonds	2,040	3,956
• UK government indexed pooled	8,158	7,912
Property		
• UK	3,608	2,804
• Property funds	105	300
Alternatives		
• Hedge funds	105	701
• Private equity funds	837	851
• Infrastructure funds	314	-
Cash		
• Cash instruments	52	150
• Cash accounts	2,824	401
• Net current assets	209	250
Total	**52,297**	**50,073**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed by the scheme actuary using the Projected Unit Credit actuarial cost method and represent an estimate of the pensions that will be payable in future years based on assumptions about mortality rates, salary levels, and other factors. The County Council Fund liabilities have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries. Estimates for The County Council Fund are based on the latest full valuation of the scheme as at 31 March 2013.

The main assumptions used in these calculations are:

	2013/14 %	2012/13 %
	Expected return	Expected return
Equities	7.0	7.0
Government bonds	3.1	2.8
Other bonds	4.1	3.9
Property	6.0	5.7
Cash / liquidity	0.5	0.5
Other	7.0	7.0
Expenses deduction	0.35	0.35
Overall expected return	5.39	5.38

Life expectancy	2013/14	2012/13
Current pensioner aged 65 male (female)	23.0 (25.5)yr	22.2 (24.9)yr
Future pensioner aged 65 in 20yr time male (female)	25.7 (28.7)yr	24.1 (26.9)yr
Rate of CPI inflation	2.40	2.40
Rate of increase in salaries	3.90	4.15
Rate of increase in pensions	2.40	2.40
Discount rate	4.40	4.20

The pension scheme assets consist of the following categories, by proportion of the total assets held:

	2013/14 %	2012/13 %
Equities	57.8	55.4
Government bonds	15.6	15.9
Other bonds	11.2	15.8
Property	7.1	5.6
Cash / liquidity	5.9	0.6
Other	2.4	6.7
Total	**100.0**	**100.0**

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis set out in the table below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

	£'000s	+0.1% p.a. discount rate £'000s	+0.1% p.a. inflation £'000s	+0.1% p.a. pay growth £'000s	+1 yr increase in life expectancy £'000s
Liabilities	70,360	69,193	71,546	70,553	71,729
Assets	(52,297)	(52,297)	(52,297)	(52,297)	(52,297)
Deficit/(Surplus)	18,063	16,896	19,249	18,256	19,432
Projected service cost for next year	799	772	827	799	817
Projected net interest cost for next year	771	736	826	783	834

Impact on the Council's Cash Flows

The objective of the scheme is to keep employers' contributions at as constant a rate as possible, and therefore the Council has agreed a strategy with the scheme's actuary to pay for present service commitment at the rate of 12.4% and address the past service commitment by making an additional contribution of £0.6m during the year ending 31st March 2014 and £0.554m for 2015/16 and £0.687m for 2016/17. Funding levels are monitored on an annual basis with the next triennial review due to be completed by 31 March 2016 , which may result in a change in contributions.

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

The Council anticipates paying £1.06m in employer contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 17 years (2012/13 14 years)

31. CONTINGENT LIABILITIES

At 31 March 2014 the Council had the following contingent liabilities:

National Non Domestic Rates

The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. The new arrangements came into effect on 1 April 2013. The Council, acting as agent on behalf of the major preceptors, central government and themselves, is required to make provision for refunding ratepayers who successfully appeal to the Valuation Office Agency against the rateable value of their properties on the rating list. The overall provision for appeals outstanding at 31 March 2014 has been assessed as £22.008m, of which the Council share is £8.803m. However, local businesses can still appeal against the rateable value on the 2010 Rating List until 31 March 2017. It is difficult to estimate the likelihood of businesses both submitting and being successful for an appeal that is yet to be made and therefore the Council has made no provision in its accounts for future appeals.

Municipal Mutual Insurance

Full details of the liability are disclosed in the provision note 30 on page 78 but there remains uncertainty around future claims impossible to estimate in advance and that will only be met in part. There may also be some further claw back in relation to claims which have already been paid should the levy rate, which will be subject to review at least every twelve months, be amended.

Agreement with Vertex

The Council has an historic agreement with Vertex that the Council will pay the company a grant of £0.15m towards costs associated with the provision of new jobs, if the company meet specific job creation targets. The company is not at present in a position to meet these targets and it is not known when it will be, there is therefore a contingent liability of £0.15m as at 31 March 2014.

32. TERMINATION BENEFITS

The Council terminated the contracts of 4 employees during 2013/14 as part of its Transformational programme. See note 17, page 66, for the number of exit packages and total cost per band. This resulted in costs of £0.016m being incurred in the year, all of which were paid in year. This amount all fell within the areas of Neighbourhoods.

33. PRIVATE FINANCE INITIATIVE AND SIMILAR CONTRACTS

Copeland entered into a PFI building agreement on 17 September 2004 for a 25 year period, for the main administration centre (Copeland Centre) in Whitehaven. The contract specifies minimum levels of services to be provided including the provision of:

- maintenance – planned preventative, lifecycle replacement and reactive
- security
- waste disposal
- health, safety and fire protection
- cleaning, both internal and external

The building is to be available to the Council between 7.15am and 6.45pm during the normal working week plus additional hours within limits.

At the end of the 25 year period the Council has the choice of

- purchasing the facilities by paying the provider an amount equal to the market value of the residual head lease interest(being 125 years)
- retender for the provision of services
- pursue neither option.

The Copeland Centre is recognised on the Council’s Balance Sheet. Movements in the value over the year are detailed in the analysis of Property, Plant and Equipment in note 20 on page 68.

The authority was committed at 31 March 2014 to making the following payments under the Copeland Centre PFI scheme:

	Repayments of Liability £'000s	Interest (excluding contingent rents) £'000s	Service charges £'000s	Lifecycle replacement costs £'000s	Contingent Rents £'000s	TOTAL £'000s
Due within 1 year	308	486	569	61	334	**1,758**
Due within 2>5 years	819	1,752	2,424	1,082	1,411	**7,488**
Due within 6>10 years	1,635	1,689	3,387	1,359	2,394	**10,464**
Due within 11>15 years	2,684	876	3,832	1,113	3,334	**11,839**
Due within 16>20 years	360	30	383	-	409	**1,182**
Total	**5,806**	**4,833**	**10,595**	**3,615**	**7,882**	**32,731**

Prices are based on an estimate of the cash amount that will actually be paid and therefore include estimated inflationary increases. Payments can also be reduced if the contractor fails to meet performance and availability standards.

The authority has the following liability resulting from the Copeland Centre PFI scheme:

	2013/14 £'000s	2012/13 £'000s
As at 1 April	**6,113**	**6,374**
Finance Lease Liability Redemption Payments During Year	(307)	(261)
As at 31 March	**5,806**	**6,113**
Short Term	308	307
Long Term	5,498	5,806
Total	**5,806**	**6,113**

34. LEASES

Council as Lessee

Finance Leases

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

The Council leases all its vehicles and plant for periods of up to 10 years through a contract with a single supplier, which was awarded through a competitive tendering process. At the end of the primary lease period the Council has the option to enter into a secondary lease at reduced rates but generally vehicles and plant are returned to the lessor.

There are no purchase options attached to the lease at its inception and the lease costs do not attract annual inflationary increases or increases in financing costs that may be incurred by the lessor over the life of the individual leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts after £0.227m depreciation was charged in the year:

	As at 31 March 2014 £000	As at 31 March 2013 £000
Vehicles, Plant, Furniture and Equipment	483	710
Total	**483**	**710**

The authority is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the assets acquired by the authority and the finance costs that will be payable by the authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	As at 31 March 2014 £000	As at 31 March 2013 £000
Finance Lease liabilities (net present value of minimum lease payments)		
Current	224	248
non-current	350	573
Finance costs payable in future years	145	240
Minimum lease payments	**719**	**1,061**

The minimum lease payments will be made over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	As at 31 March 2014 £000	As at 31 March 2013 £000	As at 31 March 2014 £000	As at 31 March 2013 £000
Not later than 1 year	286	342	224	248
Later than 1 year and not later than five years	430	647	347	506
Later than 5 years	3	72	3	67
Total	**719**	**1,061**	**574**	**821**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews (unless agreed at the start of the contract). There are no contingent rents in respect of the above leases.

Operating Leases

The light vans, medium vans, tipper trucks, refuse collection vehicles, specialised environmental cleansing vehicles, grounds maintenance tractors, other specialised items of plant, and photocopiers not deemed to be finance leases are financed under terms of operating leases.

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

	As at 31 March 2014 £000	As at 31 March 2013 £000
Not later than one year	30	68
Later than one year and not later than five years	31	27
Later than 5 years	3	-
Total	**64**	**95**

Minimum lease payments of £67,624 were charged as expenditure to the Comprehensive Income and Expenditure Statement during the year.

Council as Lessor

Operating Leases

The Council sublets a portion of the Copeland Centre (disclosed under the PFI note 34 page 85) to the Department for Work and Pensions and Copeland Homes on 25 year operating leases (Copeland Homes having a 10 year break clause). The future minimum lease payments due under non-cancellable leases in future years are:

	As at 31 March 2014 £000	As at 31 March 2013 £000
Not later than one year	326	369
Later than one year and not later than five years	965	1,050
Later than five years	2,606	2,847
Total	**3,897**	**4,266**

The minimum lease receipts do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews (unless agreed at the start of the contract). In 2013/14 £213,576 contingent rents were receivable by the Council (2012/13 £197,646).

In addition to the Copeland Centre above, the Council rents out various parcels of land, commercial buildings and garage plots. All of these properties are classed as investment properties on the Balance Sheet, being held solely for either rental income or capital appreciation, with related rental income and property expenditure being charged to the Financing and Investment Income and Expenditure line on the Comprehensive Income and Expenditure Statement.

Most of these leases are deemed to be operating leases.

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

	As at 31 March 2014 £000	As at 31 March 2013 £000
Not later than one year	86	63
Later than one year and not later than five years	173	176
Later than five years	160	187
Total	**419**	**426**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews (unless agreed at the start of the contract). Contingent rents receivable by the Council relating to these leases in 2013/14 was £19,470 (2012/13 £22,872).

Finance Leases

The Council has three parcels of land/properties deemed to be finance leases and these were brought on the Balance Sheet as debtors during 2011/12 and removed from the non-current asset register

The Council has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by the lessee and the finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	As at 31 March 2014 £000	As at 31 March 2013 £000
Finance Lease Debtor (net present value of minimum lease payments)		
• Current	1	1
• Non-current	42	43
Unearned finance income	34	37
Unguaranteed residual value of property	23	23
Total	**100**	**104**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease As at 31 March 2014 £000	Gross Investment in the Lease As at 31 March 2013 £000	Minimum Lease Payments As at 31 March 2014 £000	Minimum Lease Payments As at 31 March 2013 £000
Not later than one year	4	4	1	1
Later than one year and not later than five years	16	16	7	7
Later than five years	80	84	35	37
Total	**100**	**104**	**43**	**45**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews (unless agreed at the start of the contract). Contingent rents receivable by the Council relating to these leases in 2013/14 was £19,996 (2012/13 £11,502).

35. FINANCIAL INSTRUMENTS

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

	Long Term		Current	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Financial Assets				
Investments	-	-	14,900	7,400
Cash and cash equivalents	-	-	10,775	11,073
Total investments and cash equivalents		**-**	**25,675**	**18,473**
Debtors				
Loans and receivables	468	468	1,616	1,858
Total debtors	**468**	**468**	**1,616**	**1,858**
Financial Liabilities				
Bank Overdraft	-	-	514	618
Financial liabilities at amortised cost	5,019	5,011	-	-
Total borrowings	**5,019**	**5,011**	**514**	**618**
Other Liabilities				
PFI lease liabilities	5,498	5,807	308	306
Finance lease liabilities	350	573	224	248
Total Other Liabilities	**5,848**	**6,380**	**532**	**554**
Creditors				
Financial liabilities at amortised cost	-	-	1,096	1,117
Total creditors	**-**	**-**	**1,096**	**1,117**

Reconciliation of Balance Sheet Debtors and Creditors to Financial Instruments

	Long Term		Current	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Debtors				
Value as per Financial Instrument Note	468	468	1,616	1,868
Statutory Non Contractual Items	-	-	5,834	615
Balance Sheet Amount	**468**	**468**	**7,450**	**2,483**
Creditors				
Financial Liabilities at amortised cost	5,848	6,380	1,096	1,117
Other Current PFI and Finance Lease Liabilities	-	-	532	554
Items deemed not to be Financial Instruments	-	-	5,867	2,840
Balance Sheet Amount	**5,848**	**6,380**	**7,495**	**4,511**

Material Soft Loans Made by the Council

The Council historically made interest free loans to home owners so they can make improvements to their properties, bringing them to a habitable condition. The loan becomes repayable when ownership transfers. Individually these are not material amounts but are disclosed in aggregate.

The interest rate at which the fair value of this soft loan has been made is arrived at by taking the rate used by the Public Works Loan Board for a 10 year period.

	2013/14 £000	2012/13 £000
Opening balance at start of year	**382**	**395**
Nominal Value of new loans granted in the year	-	-
Fair value adjustment on initial recognition	5	12
Loans repaid	15	(25)
Other changes	-	-
Closing balance at end of year	**402**	**382**
Nominal Value at 31 March	**507**	**492**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement are made up as follows:

	2013/14			2012/13		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	(1,087)	-	**(1,087)**	(1,112)	-	**(1,112)**
Reductions in fair value impairment losses	-	-	**-**	-	-	**-**
Total expense in the Surplus or Deficit on the Provision of Services	**(1,087)**	**-**	**(1,087)**	**(1,112)**	**-**	**(1,112)**
Interest income	-	219	**219**	-	300	**300**
Total income in the Surplus or Deficit on the Provision of Services	**-**	**219**	**219**	**-**	**300**	**300**
Net gain/(loss) for the year	**(1,087)**	**219**	**(868)**	**(1,112)**	**300**	**(812)**

Fair Values of Assets and Liabilities

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

- Estimated interest rates at 31 March 2014 for loans from the PWLB;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value ; and
- The fair value of trade and other receivables is taken to be the invoiced amount.

The fair values calculated are as follows:

Fair Value of financial liabilities	31 March 2014		31 March 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Current Financial Liabilities	1,096	1,096	1,117	1,117
Bank Overdraft	514	514	618	618
PFI Finance Lease	5,806	8,722	6,113	10,180
Other Finance Lease	574	574	821	821
LOBO commercial loans	5,019	8,774	5,011	9,371

Fair value of the financial liability is more than the carrying amount because there is a Lender Option Borrower Option (LOBO) fixed rate loan and a PFI finance lease agreement (with an interest rate implicit in the lease calculation), where the interest rates payable are higher than the rates available for similar loans at the Balance Sheet date.

Fair Value of financial assets	31 March 2014		31 March 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Cash and Cash Equivalents	10,775	10,775	11,073	11,073
Short Term Investments	14,900	14,982	7,400	7,400
Debtors	2,084	2,084	2,336	2,336

36. DISCLOSURE OF NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

The Council’s activities expose it to a variety of financial risks, the key risks are:

- ✓ Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- ✓ Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- ✓ Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- ✓ Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council’s overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of

Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act.

Overall these procedures require the Council to manage risk in the following ways:

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

These are required to be reported and approved at or before the Council's annual council tax setting budget or before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported quarterly in addition to the mid-year update and final Outturn report.

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 21 February 2013. The key issues within the strategy were:

- The Authorised Limit for 2013/14 was set at £17m. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £12m. This is the expected level of debt and other long term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at:

	Upper Limits
Limits on fixed interest rates based on net debt	£5.1m
Limits on variable interest rates based on net debt	£5.1m
Limits on fixed interest rates	
Debt only	£5.1m
Investments only	£30.0m
Limits on variable interest rates	
Debt only	£5.1m
Investments only	£30.0m

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMP's) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMP's are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

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

- This risk is minimised through the Annual Investment Strategy which has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Council's investment priorities will be security first, liquidity second and then return.
- This Council uses creditworthiness service provided by Capita (formerly Sector). This service uses a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses; credit watches and credit outlooks from rating agencies, CDS spreads to give early warning of likely changes in credit ratings and sovereign ratings to select counterparties from only the most creditworthy countries.
- The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Under the exceptional current market conditions the Section 151 Officer temporarily restricted further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly the time periods for investments has been restricted.
- The Annual Investment Strategy for 2013/14 was approved by Full Council on 21 February 2013.

The following analysis summarises the authority's maximum exposure to credit risk

	Value at 31 March 2014 £'000	Default based on previous experience %	Default adjusted for current market conditions %	Estimated maximum exposure to default at 31 March 2014 £'000	Estimated maximum exposure to default at 31 March 2013 £'000
Deposits with Banks cash equivalent	10,775	Nil	Nil	Nil	Nil
Deposits with Banks and other Financial Institutions A rated	7,450	0.01%	0.01%	1	6
Deposits with Banks and other Financial Institutions BBB+ rated	7,450	0.04%	0.04%	3	-
Customers	2,084	5.00%	5.00%	104	117
Total	**27,759**			**108**	**123**

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties. None of the Council's investments are held with institutions domiciled in foreign countries.

The Council generally allows 21 days credit for its trade debtors.

The past due amount of £0.909m of the £2.084m balance can be analysed by age as follows:

	31 March 2014 £'000	31 March 2013 £'000
30 - 60 Days Outstanding	36	285
60 - 90 Days Outstanding	66	49
90+ Days Outstanding	807	753
Total	**909**	**1,087**

During the period there was movement on the bad debt provision for customers as follows:

	31 March 2014 £'000	31 March 2013 £'000
Balance at 1 April	**(779)**	**(677)**
(Increase)/Decrease in provision for year	(50)	(102)
Balance at 31 March	**(829)**	**(779)**

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

	31 March 2014 £'000	31 March 2013 £'000
Less than one year	27,306	20,341
Between one and five years	16	20
Between five and ten years	414	422
Between ten and fifteen years	12	15
More than fifteen years	11	11
Total	**27,759**	**20,809**

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicators for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- ✓ monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- ✓ monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period

	31 March 2014 £'000	31 March 2013 £'000
Less than one year	2,142	2,289
Between one and five years	1,166	1,332
Between five and ten years	1,638	1,663
Between ten and fifteen years	2,684	2,363
Between fifteen and twenty years	360	1,022
Between twenty and twenty five years	-	-
Between twenty five and thirty years	5,019	5,011
Total	**13,009**	**13,680**

Market risk

Interest rate risk – The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- ✓ borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure statement will rise;
- ✓ borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- ✓ investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure statement will rise; and

- ✓ investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy, a treasury indicator is set, which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

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

	£'000 +1%	**£'000** -1%
Increase in interest payable on variable rate borrowings	-	-
Increase in interest receivable on variable rate investments	-	-
Impact on Surplus or Deficit of the Provision of Services	-	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	1,832	(1,832)

Price risk – The Council, excluding the pension fund, does not invest in equity shares or marketable bonds and so is not exposed to losses arising from the movements in share prices.

Foreign exchange risk – The Council holds a single bank account denominated in Euros, the balance on this account at the year-end was £541 when converted at the exchange rate prevailing at 31 March 2014. Whilst this means that Council is exposed in this small measure to fluctuation in exchange rates these are judged to be wholly inconsequential to the overall financial performance of the Council.

37. AGENCY INCOME AND EXPENDITURE

Under various statutory powers, an authority may agree with other local authorities, water companies and government departments to do work on their behalf. The body carrying out agency services is reimbursed by the responsible body to the extent of approved expenditure together with any agreed contribution toward administrative costs.

Copeland Borough Council has acted as an agent on behalf of:

Major preceptors (Cumbria County Council and the Police Crime Commissioner) and Central Government for the collection of council tax and NNDR.

Accounting for Council Tax and NNDR

While the council tax and NNDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors and Central Government. The amount credited to the General Fund under statute is an authority's precept or demand for the year plus or minus the authority's share of the surplus/deficit on the Collection Fund for the previous year.

The council tax and NNDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The cash collected by the authority from council tax payers belongs proportionately to all the major preceptors and Central Government. The difference between the amounts collected on behalf of the other major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

38. RELATED PARTIES

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

Central Government has effective control over the general operations of the authority – it is responsible for providing the statutory framework within which the authority operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the authority has with other parties (e.g. housing benefits and council tax bills. Grants received from government departments are set out in the subjective analysis in note 16 on page 60 – reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2014 are included within amounts disclosed in note 27 on page 77.

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

Members of the authority have direct control over the authority's financial and operating policies. The total of members allowances paid in 2013/14 is disclosed in note 18 on page 67. In addition details of any transactions (if they exist) are recorded in the Register of Members' Interests, open to public inspection at the authority's offices. This is in addition to a specific declaration obtained in respect of Related Party Transactions. The material transactions that have taken place with related parties during 2013/14 are as follows:

Energy Coast West Cumbria Ltd

The aim of this company is to support new business initiatives and to promote economic development within West Cumbria.

In 2011 West Cumbria Development Agency, West Cumbria Development Fund and its wholly owned subsidiary West Lakes Properties were merged with Britain's Energy Coast to form Energy Coast West Cumbria Ltd.

The Energy Coast West Cumbria Ltd board comprises of 12 members, one is nominated by Copeland Borough Council, one nominated by Allerdale Borough Council, one nominated by Cumbria County Council, three by the Nuclear Decommissioning Authority and six independent members. One of the independent members is elected as Chair.

Copeland Borough Council's liability is limited to £1.

During 2012/13 Copeland Borough Council sold properties to Energy Coast West Cumbria (Properties) Ltd. a wholly owned subsidiary of Energy Coast West Cumbria Ltd. for £0.056m to enable the progress of the Albion Square development.

There have been no further transactions during 2013/14.

Copeland Community Fund

The NDA established the fund in December 2007 to recognise the unique part a community plays in hosting a low level nuclear waste storage facility.

The fund is administered by a project board of seven members of which there are two Copeland Borough Council Members, Cllr Elaine Woodburn and Cllr David Moore. In addition there are two members from Cumbria County Council, one from NDA and two independent members. The fund is to be spent on schemes and initiatives that are "consistent with the NDA's socio-economic policy and fall into six main themes;

- Quality Open Spaces
- Environment and Sustainability
- Community Education
- Cultural Development
- Social Enterprise
- Improvements to the Built Environment

The Council received £0.134m from the Fund in 2013/14 to pay for the costs of staffing and the management charges required to administer the activities of the Fund.

North Country Leisure

The Council has a contract with North Country Leisure for the provision of leisure services and includes Whitehaven Leisure Centre, Whitehaven Swimming Pool and Cleator Moor Bowls.

There is one member on the board and N.C.L. was paid £0.490m during 2013/14. The only income received from N.C.L. was for waste and landscaping services.

Officers of the authority - Related parties in respect of officers are only required to be disclosed where control exists. During the year, no such relationship existed.

Other public bodies - Transactions in relation to the Local Government Pension Scheme administered by Your Pension Service, run by Cumbria County Council are set out in Note 31 on page 79.

39. TRUST FUNDS

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

In neither case do the funds held represent assets of the authority and as such they have not been included in the authority's Balance Sheet. The values of the investments in the trusts were;

Organisation	2012/13 Capital Value of Fund £000	2013/14 Capital Value of Fund £000
Whitehaven Maternity Charity	24	26
Pipers Educational Trust	221	229
Total	**245**	**255**

40. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2012/13 £'000		2013/14 £'000
(322)	Interest received	(153)
1,113	Interest paid	1,021

41. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2012/13 £'000		2013/14 £'000
712	Purchase of property, plant and equipment, investment property and intangible assets	282
16,800	Purchase of short term and long term investments	86,750
-	Other payments for investment activities	-
(208)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(363)
(16,900)	Proceeds from short term and long term investments	(79,250)
(179)	Other receipts from investment activities	(425)
(225)	**Net cash flows from investing activities**	**6,994**

42. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2012/13 £'000		2013/14 £'000
(117)	Cash receipts of short term and long term borrowing	(13)
383	Other receipts from financing activities	-
488	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	557
-	Repayments of short term and long term borrowing	-
(128)	Council Tax and NNDR adjustments	(4,881)
626	**Net cash flows from financing activities**	**(4,337)**

43. CASH FLOW STATEMENT – RECONCILIATION OF NET DEFICIT TO NET CASHFLOW FROM REVENUE ACTIVITIES

2012/13 Restated £'000		2013/14 £'000
4,212	Deficit on the Income & Expenditure Account for the year	**6,469**
	Adjustments to net surplus or deficit on the provision of services for non-cash movements	
(4,019)	Depreciation	(3,538)
(40)	Impairments & downward revaluations	(2,464)
(162)	Amortisations	(159)
8	(Increase)/decrease in impairment for bad debts	(49)
84	Movement in creditors	1,872
(369)	Movement in debtors	5,010
(34)	Movement in stock/inventory	9
(728)	Pension Liability	(370)
(189)	Carrying amount of non-current assets sold	(788)
(118)	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(8,867)
156	Movements in the value of investment property	(387)
-	grants applied to the financing of capital expenditure	-
-	grants received to meet the principal repayments on borrowing	-
12	soft loans	5
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
208	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	363
40	Capital Grants	194
-	Interest received	6
143	Vat sharing receipts	231
(796)	**Net Cash Inflow/Outflow from operating activities**	**(2,463)**

Collection Fund Income and Expenditure Account

For the year ended 31 March 2014

	2013/14 Council Tax £000	2013/14 NNDR £000	2013/14 Total £000	2012/13 £000
INCOME				
Billed to Council Tax Payers	(31,218)		(31,218)	(29,776)
Council Tax Benefit	-		-	(5,423)
Non-Domestic Rates		(42,432)	(42,432)	(40,804)
Total Income	**(31,218)**	**(42,432)**	**(73,650)**	**(76,003)**
EXPENDITURE				
Precepts and demands:				
- Cumbria County Council	22,953		22,953	25,952
- Police & Crime Commissioner for Cumbria	4,044		4,044	4,486
- Copeland Borough Council	4,043		4,043	4,477
	31,040	**-**	**31,040**	**34,915**
Non-Domestic Rates:				
- Payment to National Pool		-	-	40,691
- Payment to Central Government		16,882	16,882	-
- Payment to Cumbria County Council		3,376	3,376	-
- Payment to Copeland Borough Council		13,506	13,506	-
- Transitional Allowance		33	33	-
- Cost of Collection Allowance		113	113	113
	-	**33,910**	**33,910**	**40,804**
Increase / Decrease in Provision for non-payment	77	73	150	67
Write Offs	-	32	32	-
Increase / Decrease in Provision for appeals	-	22,008	22,008	-
Contributions to General Fund for the estimated Collection Fund Surplus	45	-	45	16
Total Expenditure	**31,162**	**56,023**	**87,185**	**75,802**
(Surplus) / Deficit for the year	**(56)**	**13,591**	**13,535**	**(201)**
(Surplus) / Deficit at 1 April	(501)	-	(501)	(300)
(Surplus) / Deficit at 31 March	**(557)**	**13,591**	**13,034**	**(501)**

The notes numbered 1 to 3 form part of this supplementary financial statement.

Notes to the Collection Fund Income and Expenditure Account

1. Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cumbria County Council and the authority for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: The council tax base for 2013/14 was 19,540.33 (22,264.80 for 2012/13).

The basic amount of council tax for a Band D property £1,549.85 (£1,542.56 for 2012/13) 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	Chargeable Dwellings	Proportion	Band D Dwellings
A Disabled	82.00	5/9	45.56
A	16,731.00	6/9	11,154.01
B	4,086.75	7/9	3,178.59
C	3,709.00	8/9	3,296.89
D	2,854.30	9/9	2,854.30
E	1,681.25	11/9	2,054.85
F	406.85	13/9	587.68
G	82.00	15/9	136.68
H	5.25	18/9	10.50
Relevant Amount			**23,319.06**
Dwellings removed for CTS Scheme			3,379.96
Total Equivalent Chargeable Dwellings			19,939.10
Tax Base: 98% of Chargeable Dwellings			**19,540.33**

2. National Non-Domestic Rates

NNDR is organised on a national basis. The government specifies an amount (47.1p in 2013/14, and 45.8p in 2012/13) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The authority is responsible for collecting rates due from the ratepayers in its areas and in previous years would pay the proceeds into an NNDR pool administered by the government. In 2013/14 the local government finance regime was revised with the introduction of the retained business rates scheme.

The main aim of the scheme is to give Councils an incentive to grow business but it also increases financial risk due to collection rates and the process for appeals.

The NNDR income, after relief's and provisions of £42.432m for 2012/13 (£40.804m in 2012/13), was based on an average rateable value for the authority's area of £96.539m for the year (£96.593m in 2012/13)

3. Collection Fund Surplus

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

The surplus or deficit on the Collection Fund at the end of the year relating to the NNDR scheme allows the council to retain 40% with 50% going to Central Government and 10% to Cumbria County Council.

The deficit on the collection fund as at 31 March 2014 is £13.034m.

Annual Governance Statement 2013/14

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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Copeland Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Copeland Borough Council has approved and adopted a code of corporate governance, which was reviewed and updated in June 2014. The code has been consistent with the principles of the CIPFA / SOLACE Framework, Delivering Good Governance in Local Government. The statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control – the Annual Governance Statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, cultures and values, by which the authority is directed and controlled; and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Copeland Borough Council for the year ended 31 March 2014 and up to the date of the approval of the Statement of Accounts for 2013/14.

THE GOVERNANCE FRAMEWORK

Copeland Borough Council has been delivering a policy led budget reduction programme since April 2013 following on from significant annual budget cuts during 2011/12 and 2012/13. This has resulted in a severe loss of capacity across all our service areas and corporate resources which has impacted on the governance framework in terms of in changes to timescales and activity internally and externally. Loss of capacity is a risk contained within the Council Strategic Risk Register. The register is reviewed quarterly by the Corporate Leadership Team and then presented to the Audit and Governance

Committee. Executive and Full Council agreed the revised Risk Strategy and Risk Register in July 2013 and September 2013 respectively.

The key elements of the systems and processes that comprise the Council's Governance Framework include:

1. Identifying and communicating the authority's vision and outcomes for citizens and service users

1.1 In response to the national policy framework and financial pressures facing the Council, the Executive spent 2012/13 reassessing it vision, mission and priorities and service delivery options. This comprehensive programme of work was been managed alongside the delivery of the 2013/15 Corporate Plan.

1.2 Following on from a series of member-led review groups, considering the future role of the Council in light of the budget cuts we faced, in 2012/13 we launched a wide-reaching public consultation exercise. This consultation focused not only on the budget cuts being proposed, but also on the council's future role, focussing on the provision of statutory services.

1.3 Recognising that the changes being proposed were significant, covered all areas of the Council's work and would impact on a wide range of stakeholders; we launched one of the largest consultation exercises we have ever undertaken. This process included the production of a detailed consultation document, a dedicated issue of Copeland Matters on the subject, a series of drop-in events held in locations across Copeland, a detailed press briefing that led to a three page feature in the local press, extensive use of social networking sites, an online consultation resource which included additional background information and an electronic response form.

1.4 The proposals garnered huge interest in the local community, including much coverage in the press, and many comments and queries on social networking sites. These helped to increase the response rate to the consultation. In addition, we worked intensively to engage with our stakeholders and the chief executive, Council Leader and members of the corporate leadership team all spoke directly and individually to key partners and stakeholders to understand our proposals, and importantly, the impact on their organisation. This helped to ensure that responses from these organisations were focussed.

1.5 Following on from the closure of the consultation, we fed back to those who had taken part through articles in the local media, direct contact with stakeholders, letters to those consulted and articles in Copeland Matters, some of which focussed on the impact of the changes and any mitigating actions. We were also keen to make clear the organisation provides support to those impacted by some of the changes, such as the Citizens Advice Bureau and Community Law Centre.

1.6 The consultation helped us better understand the impact of the changes we proposed on residents and service users and on specific groups. It also helped us to develop our thinking on our new role, and how we'd deliver statutory services and work more closely with partners.

2. Reviewing the authority's vision and its implications for the authority's governance arrangements

2.1 The Council agreed its new policy framework and service delivery options in February 2013 marking a change to the Councils future focus and agreement to focusing on delivering 3 priorities: - delivering efficient and effective statutory services, being an effective partner and working in partnership with communities.

2.2 The Corporate Plan 2013-2015 was reflected in the service planning and personal appraisal process for 2013/14. This clearly sets out our mission and guiding principles.

2.3 Throughout the year, the Corporate Policy Framework has also been reviewed in detail. This has involved an assessment of all statutory and locally determined policies and strategies (including sub regional, partnership and corporate and service level ones). This has led to the identification of a number of strategy and policy requirements for the Council as well as the retention of a number of policies and strategies and proposed deletions which more appropriately reflect the substantial policy changes taking place at national, regional and local level and the new Corporate Plan.

2.4 In year, work has already taken place to develop the new Corporate Policy Framework further. This includes the adoption of new Localism policies such as the Community Right to Challenge Policy and a new Assets of Community Value (Community Right to Bid/Buy) Policy. The Council's Community Asset Transfer Policy has also been reviewed and refreshed.

2.5 Work will continue throughout 2014-15 to maintain the new Corporate Policy Framework and develop the new strategies and policies required for the Council going forward

2.6 As in 2012/13 Policy Development Groups have led the process of considering issues which would have a direct impact on the Council's policy priorities and business strategy for delivering to its communities. The approach to the budget savings included reviews of the statutory, discretionary and business support functions.

2.7 The Policy Development Groups (PDG) had Member representation from across the Council and each group focused on policy issues and the options and alternatives for the future, in order to deliver the required savings. Each group was supported by a lead officer from the Corporate Leadership Team (CLT) and included a representative from the Council's Executive. Where required, managers and service team members assisted in ensuring that PDG's fully understood the issues and were able to make well-informed recommendations. The PDG's met over the period from mid-August through to early September.

2.8 This programme included engagement with the wider Council membership and the establishment of service specific (PDGs). These cross party groups have enabled Members to consider the major policy and budgetary implications facing the Council and options for addressing these. The PDGs played a fundamental role in establishing the Council's 2013/15 budget process, devising proposals for revised and new service options. PDGs will continue as a forum for discussing any future major policy and service changes.

2.9 The proposals and the decisions subsequently taken on the budget and future role of the Council also formed the basis of the Corporate Plan 2013-15, which was agreed by Full Council on 22 February 2013.

3. Translating the vision into objectives for the authority and its partnerships

3.1 The Council's Executive, in a programme of engagement, has reassessed the role of the Council and how it will operate in future. The development of the Corporate Plan 2013-15 has been a key outcome of this reassessment. The Corporate Plan is the tool for delivering the authority's vision, mission and priorities and sets out the core performance indicators for 2013-15. The annual service plans set out the detail of implementation against the three priorities. Service Plans are monitored routinely through the Council's Performance Management Framework. This includes monthly, quarterly and annual monitoring and reporting.

3.2 The Council published the Corporate Plan 2013-15 through the website. It outlines our new vision which shares that of our Sustainable Communities Strategy, the Copeland Partnership Plan. It also publishes our mission: to be "an effective Council that works with partners to arrange services for residents in Copeland" and our priorities to: Deliver efficient and effective statutory services; Be an effective public service partner so we can get the best deal for Copeland and; Work in partnership with communities.

3.3 The Corporate Plan is key to meeting the Council's financial challenges and determines the authority's future governance arrangements and setting out the Council's new strategic direction and priorities for 2013-15. It has and will continue to provide the context and direction for which all resources will be allocated and future decisions taken.

3.4 During 2013/14, the Council has continued to implement its essential transformation programme focused on ICT issues. The corporate Change Programme Board has been working to develop and prepare the frame for a Delivering Differently approach within the transformation programme in readiness for the further budget reductions required from 2015.

3.5 The 2013 review of the Council's Overview and Scrutiny function within the context and priorities of the new Corporate Plan looked at how it can best focus its role to support the delivery of the Corporate Plan. The review recommendations, agreed by Full Council, was to move to one Overview and Scrutiny Committee with focused task groups and able to establish Public Sector Partner Priority Task Groups to carry out effective partnership working and scrutiny.

3.6 The Council's Corporate Policy Framework was refreshed in 2013 in line with the new Corporate Plan and is revised annually to take account of substantial policy changes taking place at national, regional and local level.

3.7 In response to the provisions of the Localism Act 2011 the Council agreed new policies in relation to the Community Right to Challenge and Assets of Community Value (Community Right to Bid). Council also revised its Community Asset Transfer Policy in the context of national and local policy developments. These were all agreed by Full Council on 22 January 2013 and are being implemented.

3.8 The Council continues to be an active partner within its strategic and operational partnerships. Specific partnership working has been prioritised through the delivery of the new Corporate Plan such as the economic growth partnership activity relating to the enabling of Copeland at the core of the developing Centre of Nuclear Excellence (CoNE) and the Beacon Collaboration which is working to a set of agreed principles for the Collaborative Operating Model for the Beacon Museum. Focused partnership activity will continue through the Copeland Partnership and Localities throughout 2014/15 to meet the Corporate Plan Priority 3 (Working in Partnership with Communities).

3.9 Our partnerships are aligned to our current priorities and challenges and we work hard with our local partners to address key issues that face the borough. A review of all strategic partnerships was undertaken in 2012 and 2013. The Council Corporate Plan sets out the role of partnerships to delivering and assisting with delivering the Council priorities. A summary of performance is reported quarterly in the Corporate Plan performance report.

Our key areas of partnership activity are:

- Community Safety
- Health
- Housing
- Economy
- Environment

4. Measuring the quality of services for users, ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money

4.1 The Executive ensures that resources are allocated to Council priorities in line with the approved Medium Term Financial Strategy. At the February 2014 Council meeting the Full Council approved the detailed budget which was updated to reflect changed planning assumptions for the period 2014/15.

4.2 The Medium Term Financial Strategy (MTFS) is a four year rolling strategy updated annually to reflect changes regarding the new understanding of public sector finance within the national economic conditions and new Local Government funding regime. Reports setting out our understanding of the Council's financial position has been regularly reported and discussed by the Executive during the year.

4.3 Work continued on this strategy resulting in an updated Medium Term Financial Strategy being agreed by the Council on 21 February 2013, covering the period 2013/14 – 2016/17. The annual review of the MTFS for 2014/15 to 2017/18 will be considered by Council during the summer of 2014 as the Council continues with its Delivering Differently approach to meet anticipated future budget reductions following the Governments spending review. This will impact considerably on the four year projections and therefore plans of the Council.

4.4 The Executive received quarterly financial reports in 2013/14 on both revenue and capital expenditure compared to budget. In addition, the Corporate Management Team and Managers receive and actively manage monthly budget monitoring reports to reflect the increased importance in managing budgets efficiently.

4.5 The arrangement for Cumbria County Council to provide procurement support has been extended for a further 12 months until 31st March 2015. Procurement skills and knowledge are scarce, this arrangement will provide resilience and a more robust procurement service fully able to meet increasingly complex demands (overcoming recruitment and retention problems), through contracting with a county unit of a critical mass and offer longer term efficiencies through economies of scale.

4.6 There is also an opportunity for increased purchasing power or "leverage" savings as the number of county wide contracts increases known as Efficient Procurement in Cumbria (EPIC). This arrangement is now in place and work has commenced, the contract register has been refreshed and updated identifying those contracts which will be aggregated into county arrangements (Leverage) and those which will require separate arrangements.

4.7 The Council actively uses the CHEST to maximise the opportunities for purchasing cost effectively. Copeland is already taking advantage of county wide contracts such as electricity, gas, car hire, and stationery. Further work was commissioned in 2012/13 on reviewing our water costs leading to a one off saving of £15K. Opportunities for other shared purchasing will be considered as part of the Delivering Differently approach in 2014/15.

4.8 During 2010/11 the Council entered shared services arrangements in respect of Revenues and Benefits and for Internal Audit. Both sets of arrangements have sought to reduce costs and improve resilience in these statutory services. Members of the Council are involved in the governance and performance arrangements for both shared services. The portfolio for finance and resources is a member of the Strategic Board for the Revenues and Benefits shared service initiating work on reviewing performance issues and commissioning a review of the shared service to be implemented during 2014/15. The Audit Committee received reports on the performance of the audit shared service and the portfolio holder also attended the audit service strategic board. Officers support the Operations Board for both services.

4.9 The Council's own headquarters is in a building provided under a PFI agreement. This has allowed the provision of good quality facilities. Accounting for PFI schemes has changed with the introduction of International Financial Reporting Standards (IFRS), and since 2009/10 PFI schemes are included on the Council's Balance Sheet.

4.10 The Council's financial managers have undertaken training regarding NNDR to ensure the accounts accurately reflect the new regime, and have taken external advice where appropriate. Discussions on methodology have also taken place with Grant Thornton UK LLP, our external auditor.

4.11 In 2013/14 the council fully implemented an asset management system (Asset 4000 Real Asset Management) that accurately records asset transactions throughout the year. The system is fully IFRS compliant. It has been in place since 1st April 2013 and has been running in parallel with previous asset templates to ensure accuracy of the data. The stream lining of the processes within the system has also allowed for a more robust scrutiny of the assets held.

4.12 The Council adopted a refreshed Customer Service Strategy. The strategy commits the Council to focusing on the needs of the customer while reflecting the changing environment the Council is working in. It seeks to ensure any service or organisational changes do not prevent customers from accessing the services they need. The Council has allocated a capital resource to undertake activity in support of delivery of the Customer Service Strategy which has not been used in 2013/14 and remains available within 2014/15. Delivery of the strategy is reliant on the ICT transformation programme moving the Council to an increased ability to provide services via e-access to customers.

4.13 There are a number of arrangements in place for securing customer feedback. During 2013/14 the Council has continued to use a number of mechanisms corporately to encourage and gain customer feedback. These include regular face to face exit surveys and more specific exercises such as the Council's Consultation on proposed budget savings for 2014/15. The Council uses a menu of consultation mechanisms including writing to a wide sample of service users and stakeholder groups, drop in and planned sessions and on-line consultation.

4.14 Detailed work on specific service changes compliments the routine monitoring of key performance metrics, for example, call handling rates through the Council's contact centre and the Council's Compliments, Complaints and Comments Scheme. Service plans underpin the Corporate Plan 2013-15 commitment to customer service focus and all contribute collectively to the quarterly performance monitoring of customer access, trends and delivery to CLT and the Executive.

4.15 This information will support evidence based decision making and service delivery and compliments the Community Needs data used by the Council and its partnerships and updated through partner links and partnership arrangements. Such arrangements are enhanced by a proactive approach by services and corporate customer services to seeking feedback from key stakeholder groups on behalf of service users, as was demonstrated throughout the Council's budget consultation and specific service proposals consultation. Corporate and Service specific consultation exercises draw on the Council's ongoing experience of consultation activities and build on feedback secured from recent consultations to enable change programme and Corporate Plan delivery.

4.16 The arrangements described above help to maximise the use of resources and meet service users' needs. In the past two years, customer service processes in a number of service areas have been assessed as part of a LEAN process and moved into the Council's contact centre. The Council will continue a focus on enabling more customer needs able to be addressed at the first point of contact are put within Copeland Direct. In the past year a number of waste service queries have been relocated into the contact centre.

4.17 As well as corporate arrangements, individual service areas continue to measure service quality and seek and act upon customer feedback through mechanisms such as customer satisfaction surveys. Exit interviews are a common practice in a good number of our front facing services which take an active approach to seeking and acting upon customer feedback.

4.18 The re-development of the Council’s website is focussed on promoting choice in how services can be accessed and the re-design has a strong community focus and feel. The previous Copeland website was no longer fit for purpose, so we embarked on a full redesign based on research and customer feedback.

The new website has proved to be popular with more than 160,000 visitors and over 12 million pages served since the launch in May 2013. The move to a more “community” based model has increased feedback from customers, particularly in the area of Frequently Asked Questions. By adopting a different technological approach from the previous site we have been able to respond rapidly to customer demand and expose more back-office operations to the Internet e.g. accepting credit card payments for Building Control / Planning documents and an application that allows payment from mobile devices.

Development continues, and further integration is envisaged with other systems.

The website remains a major gateway to reliable and cost-efficient customer interaction and with the rapid adoption of tablets and mobile devices the use of this channel is predicted to increase.

4.19 Following the customer feedback, we have also introduced a large search box with a very powerful, Google-like search engine; along with dropdown menus and an A-Z facility giving customers many ways to find what they are looking for. Before going live, we had a Beta version of the website which was tested extensively with a wide range of customers and stakeholders. This included people with disabilities, customers whose first language wasn’t English, people who had not previously used the website, as well as regular users of the previous site. This feedback allowed us to make final tweaks to the design before going live. Rather than cutting and pasting from the previous website, we have where practicable, written fresh copy. We undertook extensive internal training and circulated best practice writing guidelines to ensure content was written in plain English and we avoided using jargon. We have included on our website a glossary to explain any terms that could not be avoided and customers are able to add their own words to this, for us to explain. Similarly, we have included an FAQ facility and again customers can contribute their own questions.

4.20 We have strived to make our website as useful as possible to the user and have included links to third parties as well as community provided content so that customers can find what they want, even if it is not a Council –provided service. We have openly invited parish Councils and other community groups to post information on our website and we will continue to develop community content.

4.21 The Council is complying with the transparency agenda and publishing local spending data on line in accordance with requirements.

5. Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements

5.1 The Council's Constitution provides a general framework for governance and it was comprehensively reviewed during 2010/11, and approved by full Council. The new Constitution sets out rules for running the Council's political and officer management, including the roles and responsibilities of the Executive, Overview and Scrutiny Committee, Audit and Governance Committee and regulatory committees, and officer functions, with delegated powers explained.

5.2 The Executive meets six-weekly to facilitate prompt decision-making, with a "call in arrangement", as required by statute, preventing decisions being implemented for 7 working days, to allow for effective scrutiny, which can be invoked by any three Councillors. The Executive received regular reports on corporate performance throughout 2013-14. Portfolio Holders have individual areas of responsibility allocated to them by the Leader of the Council and these are set out in the Constitution.

5.3 Corporate Leadership Team (CLT) consists of the Chief Executive, Director of Services and Heads of Service who have prime responsibility for advising members on policy and allocation of resources. CLT take an overview of all Executive and Council reports at timetabled pre-meetings during the year.

5.4 We achieved the first phase of the review of management arrangement to reflect new requirements of the Council and we have restructured to ensure we achieve the second phase in 14/15.

5.5 Executive and Council reports contain a section which sets out the financial, legal, governance and policy implications of the report together with any impact on equalities, human resources etc. The Constitution also sets out the basis for "key" decisions. All reports to Executive set out whether a decision is a "key" decision (as defined in statute) requiring it to be published in the forward plan.

5.6 The Council operates an Overview and Scrutiny Committee (OSC). It developed a work programme through consultation with internal and external partners using the prioritisation protocol in the Council's Constitution which provided a mechanism for feeding into policy making. The OSC reviewed a range of topics and these resulted in recommendations for changes in Council policy or practice.

5.7 The Council ensures clear delegation arrangements and protocols for effective communication in respect of partnership arrangements by a) ensuring the annual outside bodies review and allocations of members is undertaken and endorsed by Full Council, b) regular monitoring and detailing partnership officer delegations within Service, Team and individual work plans in support of partnership Implementation Plans and c) work within the terms of reference and operating protocols of the individual partnerships to enable joint communication activity, reporting via relevant portfolios to Full Council and management teams.

5.8 The Council received a valid petition under Regulation 9 of the Local Authorities (Referendums) (Petitions) (England) Regulations 2011 on 21 January 2014, requisitioning a referendum on a change to a Directly Elected Mayor form of executive, and a referendum was therefore held on 22 May 2014. The result of the referendum was a vote in favour of a change to a Directly Elected Mayor form of executive. Legislation requires that the first election for a Directly Elected Mayor to be held on 16 October 2014, with the first elected Mayor holding office until May 2019, and terms of office thereafter of 4 years. The Council is at time of writing in discussions with the Secretary of State for Communities and Local Government on the possibility of amending legislation to enable the first Mayoral election to be held on 7 May 2015 rather than 16 October, thus reducing the cost burden on the Council.

5.9 As required by the legislation, the Council agreed at its meeting on 27 February 2014 a set of proposals for operation of the Directly Elected Mayor form of Executive governance. Further decisions on the Council's constitutional arrangements under this model will be required after the first Elected Mayor takes office.

6. Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

6.1 The Councillors' Code of Conduct has been revised as required by the Localism Act. A new Cumbrian Model Code has been developed by the Cumbria Monitoring Officer Network and adopted by all principal authorities and parish Councils in the County. In addition the Council has in place as required by the Localism Act a set of arrangements for determination of allegations of breaches of the Code by members of the Council or of parish Councils in Copeland, including two appointed Independent Persons as required by the Act to assist the Council in determining allegations of breaches of the Code and, where necessary deciding on appropriate sanctions. A review of these arrangements was conducted in November 2013-January 2014 and minor amendments agreed by the Council on 27 February 2014 for implementation in the Council year 2014-15. Eight cases of alleged misconduct by members of the Council or of parish councils have been considered under these arrangements in 2013-14.

6.2 Governance responsibility for the Code and associated procedures and protocols has been assigned to the Audit and Governance Committee. Training on the requirement of the Code has been provided to all Councillors. The Employee Code of Conduct was reviewed and reissued in April 2007. All employees are required to sign to say they have received it. The officer register of interests has been updated following the middle management restructure with the annual declaration of related party transactions now including all members of leadership and management team.

6.3 The Council has a Dignity at Work Policy which was most recently updated in 2010 to take account of the provisions of the Equality Act 2010. When new Council employees are recruited they receive the Employees' Code of Conduct, Confidentiality Statement, Security Policy and CRB form (if required) along with their employment contracts.

6.4 During 2013/14, the Council has continued to ensure it complies with the Equality Act 2010 Public Sector Equality Duty. The Council's Equality Scheme was published in April 2012. This set out its objectives and proposed actions for 2012/14. A number of the actions identified have already been implemented. These include monitoring of the delivery of the Sustainable Communities Strategy, further development of the Locality working model and increased participation with stakeholder groups. As part of the Cumbria ACE (Achieving Excellence Quality) county wide training is being procured for early 2014/15 to further embed equality across all areas of the business. All service level agreements with AWAZ, Outreach Cumbria and Copeland Disability Forum have been renewed for 2014/15.

6.5 The budget setting process for 2012/13 also included initial Equality Impact Assessments against all budget proposals, as well as a Full Cumulative EIA covering all final proposals. A major consultation process on the budget proposals and future role of the Council included a wide range of key stakeholder groups including those representing individuals and communities within the protected characteristic groups.

6.6 Members and officers who represent the Council on outside bodies and partnerships are working both within the Council's codes of conduct and within the Partnership terms of reference which does in most instances set out behaviours anticipated by members and attendees of partnership meetings.

7. Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality

7.1 A revision of the Council Procedure Rules was undertaken and implemented in 2013 and a review of the Scheme of Delegation to reflect new managerial structures was undertaken at the end of 2013-14.

7.2 The MIS team provides the key technology building blocks to support the needs and growth of the Council and to provide an effective internal ICT support service. In addition they are responsible for the provision and support of the Council's IT infrastructure.

7.3 Data is primarily held in electronic formats on servers based in the Copeland Centre. Information in some service areas, for example Bereavement Services is held in a mixture of paper and electronic format and retained securely. Throughout 2012/2013 and into 13/14 the MIS team have been carrying out a programme of server virtualisation involving decommissioning old servers approaching the end of warranties and replacing them with virtual servers on new servers. Databases are now mirrored in virtual environments supported by integrated backup solutions that support disaster recovery and enhanced business continuity contributing to enhanced data management capability.

7.4 The Council has taken a number of steps to ensure its financial systems are PCI compliant. In April 2013 the Council implemented a new voice recording system within the customer services department which is integrated with the Civica Online Web Staff card payments portal. The recording software recognises when the payments portal has been opened and pauses recording ensuring that no customer card details are retained on voice recordings. The system allows call retrieval subject to permissions based log in to named individuals only. The Council continues to use Civica as its payments provider – transactional data is sent over a secure, dedicated connection to the Civica data centre where it is held on PCI compliant systems. Payment files absent individual card details are retained on an in-house database to support financial reconciliation with our finance system. Civica are currently upgrading their solution to ensure continued compliance with PCI regulations which will necessitate a software upgrade at Copeland in 13/14. The software upgrade will see the implementation of new PCI compliant chip and pin devices

7.5 The Council website is located in a secure DMZ. Web traffic is securely firewalled and is monitored and protected by virus and malware software. Traffic is encrypted to destination servers and is delivered by a secure VPN. All Council PCs have total loss prevention installed on them to prevent data loss and also have end point security installed. Mobile devices are hardware encrypted to safeguard data in the event a device is stole or lost. All USBs are securely encrypted and the network has in built tools to monitor their usage. USBs are not enabled for high risk departments such as Revenues and Benefits. MIS are also responsible for maintaining the Councils GSI (Government secure intranet) / GCSX (Government connected secure extranet) networks and applications. This ensures a dedicated network connection direct to central government, allowing secure encrypted information exchange with government agencies.

7.6 The Council uses modern firewalls - Dual layer firewalls at the edge i.e. double firewalls which are fully configured to comply with PCI and government connect requirements with associated security policies. All traffic is locked down unless it is a managed exception. The Council has a number of policies relating to IT - all Council employees sign an Acceptable Use of IT policy which covers a range of permitted and unacceptable uses of the Council's IT. There is also a remote working and mobile working security policy and a secure handling of data policy which is regularly reviewed and updated. These policies help ensure that the Council's network is protected. The Council is also undergoing a PSN audit (public services network COCO) which will be completed in mid-July. We utilise an external company to do annual IT testing, firewall testing, and internal security checks for vulnerability on network and servers.

7.7 Individual service areas are responsible for the management and quality of the data they collect and use. Technical support is provided centrally to back up SQL databases daily and also ensure database availability.

7.8 The Council has a number of challenges relating to data quality and information management. In response to these challenges, the Council commissioned Zurich to undertake a review of Information Management which resulted in the implementation of a number of policies including retention and disposal policy and will define roles, responsibilities and accountabilities for information management and data quality. The Council recognises Information Management as a key enabler to support the delivery of the Council's Corporate Plan and as such it features within the Change Programme. The Council also recognises that weak Information Management can lead to financial penalties, inefficient working practices, business continuity issues and reputation damage and by the end of the review will have a common set of up to date policies that have been adopted throughout the organisation. This work is currently on hold until the appointment of an Information Management Officer, which is currently being shortlisted.

7.9 With regard to data quality, training has been provided for key staff previously, these principles were reiterated during the Service Planning 2012/13 facilitated workshop and on-going arrangements are supported through the Council's Performance Management Framework.

8. Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

8.1 The Council's Risk Management Strategy sets out how the Council approaches risk management. Risks to the delivery of service plans are set out in the annual service plans and risk owners are able to monitor these through the use of the Council's Performance Management Framework. Managers continue to review and monitor their services operational risks in line with the framework. In 2011/12 an audit of the Council's approach to Strategic Risk Management identified a number of improvements that should be made to the Council's approach in particular that the Corporate Risk Management Strategy required review and updating with procedures for the identification, management and reporting of operational and strategic risks require to be strengthened.

8.2 During 2012/13 a number of actions have been taken to address this. This has included Member and Management training delivered by Zurich. There have also been improvements to processes leading to the identification of risks and the management of the Strategic Risk Register. This has involved the introduction of 'Top Facts' which reports individual service area achievements and risks on a monthly basis to CLT who then review this and determine whether anything needs escalating to the Strategic Risk Register. CLT also review the Strategic Risk Register and its scores, actions and controls on a quarterly basis. The Strategic Risk Register is also reported to Audit and Governance Committee on a quarterly basis.

8.3 An updated corporate business continuity plan was agreed by Corporate Leadership Team in December 2012 with a mid year update in August 2013 and annual review in January 2014.

8.4 During 2013/14 the potential risks identified in the Cumbria Community Risk Register and local risks were planned for as part of the Councils emergency planning response and civil contingency duties. The Councils business continuity plan, including departmental plans, was exercised in November. The council responded to repeated flooding incidents during December, January and February and two tidal surges which caused significant damage to coastal defence structures. A claim under the Bellwin scheme for the cost of the emergency response including repair of damaged coastal structures is/will be submitted). Planning for the multi-agency exercise to test the off-site emergency plan for the Sellafield site in 2015 started in 13/14.

9. Ensuring Effective Counter-fraud and Anti-corruption Arrangements are Developed and Maintained

9.1 The Council has in place its Counter Fraud and Corruption Strategy which was updated in 2009. This requires review and updating to ensure the processes are clear for staff and the bribery and money laundering acts are properly considered in the arrangements. This work commenced in 2013 and is nearing completion, and a new strategy will be presented to the Audit and Governance Committee for its consideration at the September 2014 meeting.

9.2 A new Anti Money Laundering Policy was agreed by the Audit and Governance Committee in June 2013 and by Council in September 2013 and training on the new policy is being planned.

9.3 The Council completed the Audit Commission Fraud and Corruption Survey and National Fraud Initiatives (NFI) in 2012/13 and 2013/14.

9.4 The fraud team in the revenues and benefits shared service has Counter Fraud Officers based at all three sites. These Officers are managed by a Counter Fraud Team Leader who spends time at each location. Each of the Counter Fraud Officers is fully PINS trained (Professionalism in Security). There are clear procedures in place outlining how Counter Fraud Officers are to tackle fraud investigation covering fairness, professionalism, objectivity and propriety. Management checks are undertaken each month on both on going and closed fraud files. This ensures that files are actioned in accordance with the legislation in a timely manner and also that the highest standards are being met and maintained.

9.5 The Fraud Team has an effective and productive working relationship with the Department for Work and Pensions and carries out a large number of investigations jointly. This has resulted in a significant number of high profile prosecutions. Joint working is also undertaken with other agencies such as the Police.

9.6 There is a dedicated Benefit Fraud Hotline in operation at each of the three sites. The telephone number is regularly publicised in Council publications as well as by posters in area offices. The Fraud Hotline allows members of the public to advise the Council anonymously of a person whom they believe is committing benefit fraud.

9.7 Web referrals. Each Council website contains a Hotline Form which can be used to report alleged fraudsters anonymously.

9.8 An effective deterrent against those who commit Benefit Fraud is a robust and effective overpayment recovery policy. The Shared Service has a dedicated overpayments team with terms of reference to recover all benefit overpayments including those caused by fraudulent activity. Robust recovery targets have been set for the dedicated team with results reported to both Management and Members on a regular basis.

9.9 Fraud section monitoring reports were submitted to the Audit and Governance Committee on a quarterly basis and fraud is included in the internal audit approach when it audits the 12 fundamental systems.

10. Effective Management of Change

10.1 Over the last two years the Council has delivered a significant efficiency savings programme and has identified a further £2.69 million of savings to be delivered over the lifetime of the Corporate Plan 2013-2015.

10.2 Managing change effectively will be critical to the successful delivery of the Savings Programme and the delivery of the wider ambitions set out within the Corporate Plan in particular the changes required to the way in which services are delivered. These proposed changes are a direct reflection of the move towards digital by default and the need to remove waste and unnecessary costs from the Council’s underlying systems. These changes are captured within our Change Programme Plan.

10.3 In order to manage this change process effectively, during 2012/2013 the Council established the Change Programme Board. The Board was established in order to provide the governance and accountability for the delivery of both the Savings

Programme and the Change Programme so that the overall transformation of the Council is controlled effectively. The Council has implemented a programme management approach with clear lines of accountability and clearly defined roles and responsibilities. The Chief Executive is accountable for the programme and Senior Managers and Heads of Services are responsible for delivering individual projects within the programme.

10.4 The Programme Board focuses on the delivery of strategic outcomes rather than being involved in the day to day management of the portfolio of projects that make up the programme.

The role of the Board is defined in its Terms of Reference:

a. Ensuring that the Programme delivers the required outcomes to agreed timescales

b. Overseeing and delivering a cohesive set of actions and activities across the work streams to achieve those outcomes

c. Maintaining an overview of the work streams to ensure integration and synergy between services, projects and outcomes and avoiding duplication

d. Commissioning new projects and other strategic initiatives

e. De-commissioning existing projects that do not align with the Programme Blueprint

f. Identifying and advising of appropriate Invest to save opportunities and resourcing requirements.

g. Assigning the necessary budget and resources for design, delivery and support of the Change Programme

h. Ensuring that dependencies and risks relating to the successful completion of the Programme are identified and managed

i. Building a shared understanding and view on action across work streams, organisations and stakeholders through effective engagement and communication (including staff, partners, public)

j. Advising and updating the Council Executive

k. Stakeholder engagement and consultation.

10.5 The Change Programme Board has established some broad principles which all change initiatives should have in common:

- Reduce costs e.g. improve efficiency
- Customer centred e.g. improve effectiveness
- Focus on outcomes e.g. improve effectiveness
- Ensure deliverability e.g. improve effectiveness
- Set and achieve clear timescales and cost reductions
- Ensure joined up programmes of work
- Take measured risks

10.6 In order to support this approach, the Council appointed a Transformation Programme Manager during 2012/13 and established a Programme Management Office function to facilitate and support the successful delivery of the programme. The Programme Management Office function is responsible for:

- Developing, and issuing programme templates and pro-formas
- Supporting work streams in the completion of programme documentation
- Production of Programme Board; Agendas, Minutes and Action Lists
- Maintaining the Programme Risks and Opportunities Register
- Developing and maintaining the Programme Issues Log
- Developing and maintaining the Programme Level 1 schedule and indicating progress
- Developing and maintaining the dependencies list and management plan
- Co-ordinating reporting arrangements
- Support SROs and Work stream Leads with programme management guidance and support as required

10.7 Our recognised project management methodology is based on Prince 2 and during delivery projects are monitored and reported on by exception and have a structured approach to managing issues and risks. During 2012/13, the Council decided its approach to resourcing the change effort aiming to develop the delivery capacity and capability internally as much as possible and supplement it through the procurement of specialist external resources where appropriate and required. External resources will be used in cases where there is insufficient capacity to deliver a priority project or where we do not have the resources with the relevant expertise.

10.8 In November 2011 Personnel Panel recommended and the executive agreed a change management policy which clearly set out the steps and processes by which the Council manages changes in its staffing arrangements. This “refresh” of key HR policies, incorporated learning from experience of the change programme and processes arising from the Choosing to Change Programme and post-CSR savings drive in. The policy also guides all future organisational change processes, and was designed to incorporate best practice. This policy was reviewed in 2012/13 with some minor changes to the redundancy policy being implemented.

11. Ensuring the Authority’s financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

11.1 The revised CIPFA statement on the Role of the Chief Finance Officer (CFO) in Local Government describes the roles and responsibilities of the CFO who are bound by both professional standards and also legislative responsibilities, with a fiduciary duty to the local taxpayer. The Council has a duty to either comply with each of the five key principles set out in the Statement or explain why they do not and how they deliver the same impact. The Council has complied with each of the five principles as set out in the paragraphs below.

11.2 **Principle One:** The CFO is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest. The CFO in Copeland BC for 2013/14 is the Head of Corporate Resources, who reports directly to the Chief Executive and is one of the 7 members of the new Corporate Leadership Team, comprising the Chief Executive, the Director of Services, the Head of Corporate Resources, the Head of Policy and Transformation, the Head of Neighbourhoods, the Head of Regeneration and Community and the Head of Nuclear, Energy and Planning.

11.3 **Principle Two:** The CFO must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the overall financial strategy. The CFO at Copeland is responsible for establishing the authority's medium term financial strategy, annual budget process and budget monitoring process and ensure alignment of the three. Each report that is considered by the Executive has a specific section for the CFO to record financial implications, risks and other operational and strategic advice.

11.4 **Principle Three:** The CFO must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. The CFO in Copeland BC is responsible for ensuring that appropriate advice is given on all financial matters, for keeping financial records and accounts and for maintaining an effective system of financial control. The Financial Procedure Rules set out in detail how controls operate.

11.5 **Principle Four:** The CFO must lead and direct a finance function that is resourced and fit for purpose. The Finance Function is considered to be adequately resourced and additional resources are brought in for specialist work or to fill gaps in expertise or vacancies. During 2013/14 there was one interim finance staff in place to cover vacancies and specialist work. A restructure of the finance function was carried out during 2011 and was fully operational from autumn 2011. The exception to this was the position of Financial Services Manager which remained vacant despite attempts to recruit to the position. A number of options were considered and proposals were approved to cover the position by an interim manager, and this situation remained in place for the whole of 2013/14.

11.6 **Principle Five:** The CFO must be professionally qualified and suitably experienced.

The CFO in Copeland BC is a qualified CIPFA accountant and has suitable relevant experience of public services bodies.

12. Ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact

12.1 The Head of Internal Audit for the Internal Audit Shared Service is the Group Audit Manager but in effect the Head of Internal Audit role at participant organisations in the Internal Audit Shared Service is carried out by the relevant Audit Manager.

12.2 The Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:

1. Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments;

The scope of internal audit work covers all aspects of the organisation's risk management, internal control and governance frameworks and the Internal Audit annual report feeds in to the preparation of the Council's Annual Governance Statement. Where appropriate, internal audit advises the organisation on emerging risks and undertakes 'hot assurance' work on new projects and developments as they take place.

2. Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

An annual audit opinion is provided to the Audit and Governance Committee based on the work undertaken by Internal Audit during the year on the Council's full range of operations, based on all aspects of risk management, internal control and governance.

12.3 To perform this role the Head of Internal Audit:-

1. Must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit and Governance Committee;
   The Internal Audit Manager reports directly to the Council's section 151 officer and has open access to the Corporate Leadership Team (CLT) as required. The Audit Manager attends all meetings of the Council's Audit and Governance Committee and has the opportunity for private dialogue with the Chair as appropriate.
2. Must lead and direct an internal audit service that is resourced to be fit for purpose;
   The resources available within the shared audit service have been assessed as fit for purpose. This will be subject to regular review going forward by the new Group Audit Manager. The audit team has a range of skills and qualifications including AAT, PIIA and CCAB.
3. Must be professionally qualified and suitably experienced.
   The Group Audit Manager is CIPFA qualified and has 15 years' experience in Local Government Internal Auditing, nine of these in a management capacity. The Audit Manager is ACA qualified and has similar experience in Internal Audit.

13. Ensuring effective arrangements are in place for the discharge of the monitoring officer function

13.1 The Democratic Services manager is also the Council's Monitoring Officer with the Legal Services Manager acting as his deputy. These officers have a duty to report to the Council and the Executive in any case where there is of the opinion that any proposal, decision or omission is or is likely to be illegal or to constitute maladministration.

13.2 The monitoring officer provides a range of functions relating to the conduct of Councillors (for example maintaining the Register of Members' Interests and advising the Audit and Governance Committee), commenting on every report to executive and Council.

13.3 To ensure the effective undertaking of these duties, the Monitoring Officer has regular quarterly meetings with the Chief Executive, Head of Resources (S151 officer) in order to review current and likely future issues with legal, constitutional or ethical implications.

13.4 The monitoring officer maintains good liaison and working relations with the Independent Person(s) appointed for the purposes of Section 28(7) of the Localism Act 2011, and the chair of the Audit and Governance Committee

13.5 The monitoring officer ensures that Councillors and officers are kept up to date on new legislation and changes in the law which are relevant to the carrying out of the Council's activities. The Legal Services Manager issues monthly updates to service managers on new legislation and associated statutory guidance.

13.6 A regular weekly members briefing is emailed to all members which contains information on member development sessions, and the forthcoming meetings.

13.7 A forward plan of key decisions is operated and updated at each Executive. The Council published agendas and minutes on the website.

13.8 There are also regular training and briefing sessions including in 2013-14 on key topics:

- Role of Effective Audit
- Risk Management
- Overview and Scrutiny Skills
- Overview and Scrutiny Questioning Skills
- Treasury Management
- Leading & Facilitating Meetings
- Local Government Finance and Funding
- Audit Charter
- Time Management
- Being an Effective Ward Councillor

They also received Briefings on:-

- Environment Agency Roles
- Individual Electoral Registration
- DECC Geological Disposal Facility
- West Cumberland Hospital
- Welfare Reform
- Change Programme
- Geological Disposal Facility Consultation

14. Ensuring effective arrangements are in place for the discharge of the head of paid service function

14.1 The Copeland Borough Council, Code of Corporate Governance, originally approved in 2008 and revised in 2013, includes the principle of Members and Officer working together to achieve a common purpose with clearly defined functions and roles and references 'making the Chief Executive responsible and accountable for all aspects of operational management'. In addition, The Local Government and Housing Act 1989, requires the head of paid service to prepare a report to the authority setting out his proposals for matters which relate to:

a) The manner in which the discharge by the authority of their different functions in co-ordinated

b) The number and grades of staff required by the authority for the discharge of functions

c) The organisation of the authority's staff

d) The appointment of proper management of the authority's staff

14.2 The Chief Executive and Head of Paid Services has made the appropriate arrangements to ensure the statutory provisions required of the Council are provided and the proper arrangements for the organisation and management of the authority's staff through the provision of comprehensive human resources policies and procedures; job profiles and competencies for all posts; arrangements for the recruitment of staff; personal appraisal for all staff; effective organisational communications; health and safety systems and audits; trade union consultation; involvement and engagement of staff and robust performance management systems and processes are in place, fit for purpose and reviewed regularly.

14.3 The authority has a formally agreed Change Management policy setting out the key principles and procedures for managing minor and major organisation changes in accordance with best practices and in order to meet statutory and employment law requirements.

14.4 In 2013/14 a review of the Corporate Leadership Team was undertaken as part of the review of business basics in the savings realisation programme for 2013/15. The review considered the key challenges facing the Council through the continued reduction in government funding, the need to reduce costs and find alternative ways of delivering services through the development of a new operating model and the Council becoming a commissioning based organisation.

The review was not soley about structures that will form the new leadership team but also about delivering differently, through the development of a new culture, values and behaviours for the organisation as a whole and visibly demonstrated by senior managers and leaders.

The review recognised that going forwards the Council will become a smaller, more flexible organisation that will adopt a commissioning approach and fully explore all alternative options for the delivery of services.

14.5 The Council has a well-developed approach to mitigate the key risks to the organisation of loss of knowledge and skills, business continuity and change management, a support package for all staff is in place and includes support to staff from Human Resources as an "honest broker"; NWEO outplacement support package which includes skills development and career counselling and conducting and work on management of knowledge including an initiative on Retention of Critical Knowledge (ROCK).

15. Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities

15.1 The Council's Audit and Governance Committee retains an independent chair and its role is to monitor internal and external audit and inspection work, including reviewing the adequacy of internal controls, and to oversee and monitor the Code of Conduct for Councillors and associated procedure and protocols. The Committee also monitors risk of Treasury Management and received Treasury Management training in April 2013 and January 2014.

15.2 Internal Audit submit regular progress reports to the Audit and Governance Committee including an Annual Report from the Head of Internal Audit on the effectiveness of the councils arrangements for risk management, governance and internal control, received in June 2013. A similar report as well as a report from the s151 officer on the effectiveness of the internal audit function will be received by the committee 25 June 2014.

15.3 The Audit Governance Committee considered and formally approved the audited 2012/13 Statement of Accounts on 25th September 2013, together with the Audit Commission Annual Governance Report.

15.4 The Audit and Governance Committee receives the Annual Audit letter on behalf of the Council from External Audit. Other external auditor reports included a report into certification of Claims and Returns, review of Financial Systems and the Annual Audit fee, as well as briefing materials such as 'A Guide to Local authority accounts' which was received in April 2014. The Audit and Governance Committee has the opportunity to meet regularly with the external auditors in private to discuss any areas of concern to either party.

15.5 A Fraud section monitoring reports are submitted to the Audit and Governance Committee on a yearly basis and fraud is included in the internal audit approach when it audits the 12 fundamental systems.

16. Compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

16.1 During 2013/14 Council decisions and arrangements for considering recommendations and items of business were in accordance with the relevant legislation and the Council's Constitution. The Section 151 Officer (CFO) and the Council's Monitoring Officer provided comments on every report to Executive and were present in person or represented by their appointed deputies at every meeting of the Full Council and Executive. Preparation for each Executive report required completion of a checklist to allow assessment of the decision against the Council's policy framework.

16.2 The Council's budget was set in accordance with the requirements of the relevant legislation and guided by the Council's Medium-Term Financial Strategy. The s151 Officer is required to comment each year on the robustness of the proposed budget and this statement was supplied to Full Council prior to the agreement of the 2014/15 budget.

16.3 A full review was undertaken of the Reserves held by the authority to ensure that the reserves were held for legitimate purposes and that transactions were accurate and expenditure was fully reflected in the Income and Expenditure Account. The s151 officer considered the councils appetite for risk, preference for treatment and levels of risk identified and recommended the risk based reserve to be maintained at the £2m level.

16.4 At every meeting of the Council there are opportunities for elected members to declare Disclosable Pecuniary Interests. Members have been advised that they should leave the room where a meeting is being held when they have Disclosable Pecuniary interests, and certain other interests, in matters under discussion. There are registers which elected members and officers are required to use to declare hospitality and personal interests. Corporate Team members and all Council members and senior officers are required to complete an annual declaration of related party transactions.

16.5 The Council's call-in procedure for Executive decisions can be invoked if it is thought there has been a departure from policy guidance. There were no call-ins during 2013/14. There were no S.151 or Monitoring Officer reports issued in 2013/14.

16.6 The Legal Services Manager issues monthly updates to service managers on new legislation and associated statutory guidance.

17 Whistle-blowing and receiving and investigating complaints from the public

17.1 In April 2013 the Local Government Ombudsman (LGO) changed the way they describe the outcome of complaints in the decision reason letters that they send to the complainant and the Council. The way they handle complaints has not changed, but the new format more accurately describes the work they carry out and they envisage this will show an increase in investigations described as completed rather than discontinued:

<table>
<tr><th>Current Decision Reasons</th><th>New Decision Reasons from 1 April 2013</th></tr>
<tr><td rowspan="2">Out of jurisdiction</td><td>Not in jurisdiction (OJ) and no discretion</td></tr>
<tr><td>Not in jurisdiction (OJ) and discretion not exercised</td></tr>
<tr><td>No to initiate an investigation (formerly Ombudsman’s discretion)</td><td>Not investigated</td></tr>
<tr><td>To discontinue investigation injustice remedied (formerly local settlement)</td><td rowspan="2">To discontinue investigation</td></tr>
<tr><td>To discontinue investigation (formerly Ombudsman’s discretion)</td></tr>
<tr><td>Investigation complete, satisfied with authority’s actions, not appropriate to issue a report</td><td>Investigation complete and satisfied with authority actions of proposed actions and not appropriate to issue report S30(1B)</td></tr>
<tr><td>Investigation complete – report issued</td><td>Investigation complete and appropriate to issue a report S30(1)</td></tr>
</table>

17.2 In November 2012 the Council introduced a revised Comments, Compliments and Complaints Procedure. The existing procedure had been in place since 2007, management information systems have changed and some feedback from customers and officers suggested that the current system was too lengthy and didn’t allow for a quick resolution. The overall timescale of the existing complaints process could potentially take up to 123 days (including a 90 day Appeal before Members timescale but not including the complainants 3 week response period) compared to 35 days in the new process. We also envisaged the overall cost of the process will decrease due to fewer complaints escalating into stages 1 and 2, negating the need for managerial involvement, which has since proven to be the case.

17.3 We also looked at examples of best practice and the Local Government Ombudsman’s (LGO) guidance to create a new procedure. We introduced an informal first point of resolution via the Customer Relations Officer to act as a filtering system to distinguish between requests for explanation of, or requests for, services and minor complaints which lend themselves to a quick resolution, and the more complex complaints which may require in-depth investigation. If the complaint cannot be resolved at this stage it will be passed to the Service Manager/Head of Service. The final Stage 3 investigation is now conducted by the Chief Executive, who expressed a wish to be more involved/ accountable.

17.4 The previous Stage 3, Appeal before Members, was also seen to be costly/time consuming (although a maximum of 3 per year to date) but more importantly isn't seen by complainants as a truly independent review. If the complainant remains dissatisfied with the Chief Executive's response they are given details of how to complain to the Local Government Ombudsman. Members were consulted and no objections were raised. The new process is an efficient and effective way of complaint handling in order to meet the requirements of the customer, the Council and the LGO

17.5 In 2013/14, whilst we have not yet received the Annual report from the Ombudsman so are not aware of exactly how many complaints they received, we are aware of 8 investigations the outcomes of which were -

- 4 related to enforcement of Planning conditions, all of which found no maladministration but we were asked to provide regular updates to one of the complainants.
- 3 related to Neighbourhood Services, 2 about the lack of consultation regarding the introduction of the lonning end collections for Waste and 1 related to the enforcement of the alleged storage of hazardous waste. Both cases found no maladministration.
- 1 related to the administration of a Housing Renewal Grant, and again found no maladministration.

17.6 In 2013/14 we received 203 complaints compared to 95 the previous year. The greatest number of complaints related to Waste Management with 37% of the total number of complaints relating to this service. However, the majority of these complaints were directly related to the results of budget cuts, e.g. closure /demolition of public toilets, reduced brown bin collections over the winter period. Next was Planning complaints which reduced significantly in 2013/14. Next was the Revenues and Benefits Shared Service with 21%, then Enforcement with 7% and Parks with 6%.

17.7 In 2013/14, 75% of complaints (152 actual complaints) were closed at the first stage with 18% (37) reaching stage 2 and 7 % (14) reaching the third stage.

17.8 The Confidential Reporting Code was updated in September 2011 and further updated in 2013 and agreed in its revised format by Audit and Governance Committee

17.9 The Council is considering adopting British Standards PAS 1998:2008 'Whistleblowing Arrangements Code of Practice' as part of its refresh of the counter fraud and corruption strategy

18. Identify the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

18.1 A Members' Development Plan was in place during 2013/14, arrived at through a refresh of individual Personal Development Plan conducted with Members in 2012/13. The member development programme is actively managed through the cross party Member Development Panel who meet on a monthly basis and lead and shape the focus and delivery of the annual programme. The Council achieved the Members' Development Charter from North West Employers' Organisation in 2007 and was re-accredited to the Charter in 2012; a member development newsletter is published on a regular basis. See paragraph 13.8 for the briefings and training conducted in 2013/14.

18.2 To lay the foundations for the organisational development work which will underpin its journey of transformation, the Council has launched a new competency framework and appraisal process. As well as playing a key role in employee performance management, the appraisal process is the major diagnostic tool in identifying and meeting the learning and development needs of the organisation.

18.3 For 2013/14, a "Core Curriculum" has been developed to meet the key corporate needs, as identified through the dominant themes emerging from the appraisal process. Individual employee needs are identified, and the most cost-effective solutions implemented after consultation between the employee, line manager and HR team. The appraisal process is intended also to ensure that employees have personal objectives linked to their service's Service Plan for the year, which in turn supports the Council's high level plans, thus creating the desired "golden thread".

18.4 Having achieved the North West Skills Award in 2010/11, which shares much common ground with Investors in People, the Council decided not to seek reaccreditation under the IiP standard. This decision was reluctantly taken having considered the value for money aspect of continuing IiP membership in the current financial climate, and the substantial costs associated with the accreditation process.

19. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

19.1 The Council's current Communication Strategy, revised in January 2012, sets out the main guidance for communication and consultation with the public. The Council consulted the public and other stakeholders on its budget proposals for 2014/15. A communications review has taken place in 2013/14 with a view to producing an updated Communications Strategy and resource plan to be agreed and implemented in 2014/15.

19.2 The Council has a Media Forward Plan supported by online information and regular briefings to members, partners and staff.

19.3 There are regular staff briefings, and consultation with all recognised trades unions through the single table trades union group (STTUG) which has a forward plan of meetings.

19.4 In 2013/14 following Managing Radioactive Waste Safely (MRWS) Copeland Borough Council offered comment on the new process to seek a national solution for the higher activity wastes on the Sellafield site. Given that wastes are already stored here Copeland Borough Council will continue to actively engage and seek community views on a new process.

19.5 The Council's activity as the Local Planning Authority provides considerable scope to demonstrate the effectiveness of communication, engagement and transparent decision making. Consultation and progress to adoption of Supplementary Planning Documents, the adoption of the Copeland Local Plan 2013-2028 and the earlier stages of preparation of a Site Allocations Development Plan Document provide for tangible illustration. The Council is demonstrably well versed in ensuring that locally controversial development proposals are handled with necessary and appropriate levels of public engagement, where necessary facilitating consideration by members at the Planning Panel and guiding the chair and members as to how best to respond to the outcome of consultation to secure responsible and accountable decisions.

19.6 The Council reached the "Achieving" stage of the Equalities Framework for Local Government in November 2010, which included a significant effort in training and raising awareness of the law among Councillors, employees, partners and contractors.

19.7 The annual budget consultation included the Council's key stakeholder groups including those representing individuals and communities within the protected characteristics. This includes the Council's Consortium Partners. See section 1 for further details on the budget consultation.

19.8 The Council has continued to lead, support and embed the locality working framework and delivery across Copeland. The six locality partnerships, facilitated by an externally funded team, use local intelligence and existing evidence from a range of public and community sources to underpin their locality plans to set community based and informed priorities, engage and influence service providers and agree core partnership projects. The medium term plan is to move locality partnerships to a more sustainable arrangement and a package of Council and external funding is in place over the next two years (2014-16) to focus on the community regeneration outcomes of the plans and enable partnership developments to increasingly engage the widest range of stakeholders from the core three tier community leadership base.

19.9 Each locality area also has a connected but independent youth forum. These youth forums feed into the Copeland Youth Council which in turn feeds into the Cumbria Youth Council. The Youth Forums and Locality Partnerships offer a strong mechanism for community engagement and participation and were effectively used as part of the Council's budget consultation process. The locality partnerships link with the County Council Neighbourhood Forum to enable co-ordinated discussions and priority setting. The Locality Partnerships and Youth Forums evidence and priorities for local service and delivery improvements underpin the Copeland Partnership which meets twice yearly.

19.10 The Council is also looking to inform and support its community through the national changes. In 2013/14 surgeries were held in local communities on the bedroom tax and how the changes will affect residents. The Council will continue to use this model of partnership working in support of residents around continuing national policy changes and local impact of welfare reform.

19.11 The Council, working with its partners, has continued to engage and work with local stakeholders and residents on service changes as a result of the 2013-15 corporate plan and budget reduction measures. This includes a range of mechanisms including invited stakeholder days, focused topic meetings, information dissemination via website, email and local media, linking with existing meetings and structures and via staff.

19.12 Consultation on key changes to the Local Government Finance system following the Local Government Finance Act 2012 included Business Rates consultation – changes to the system of distribution of Business rates income which was presented to Full Council; and Council Tax Benefit consultation - consulted on the Council's proposed new local discount scheme, which would mirror the current Council Tax Benefit scheme.

The changes took place on 1st April 2013 and the work during 2013/14 has been to establish monitoring processes to assess the impact of the new schemes.

19.13 As a result of the budget reduction measures the Beacon Museum is being delivered in partnership with Sellafield Ltd. This Collaborative Operating Model was agreed by Executive following a number of focus groups. Customer feedback continues to be sought from all visitors to the museum through a number of mechanisms in the Museum and at the Museum reception area.

20. Enhancing the accountability for service delivery and effectiveness of other public service providers

20.1 Whilst the Council continues to directly deliver most of its key services there are a number of areas where services are commissioned. Arrangements are in place, to monitor the administration and quality of that service. This information is reported back into the Council through existing monitoring and reporting mechanisms.

20.2 The Council receives quarterly reports from the Boroughs' Leisure Contractor across a number of areas: usage, take up of the Be-Active plus card by those on lower incomes, health and safety incidents, costs, maintenance profiling, customer feedback, marketing activity, project development and delivery e.g. GP exercise on referral from the facilities etc. The contract was reviewed in the light of budget reductions and the Council's Corporate Plan 2013-15. This has led to revisions to the Contract including an extension of 2.5 years till September 2018, the removal of the Whitehaven Civic Hall from the contract, reductions in the contract fee whilst maintaining quality services across the remaining three sites and a new five year planned maintenance programme based on the updated condition survey undertaken in 2013.

20.3 The Council has also undertaken a review of the organisations and services that are grant aided by the Council. Grants are aligned to the new Council Priorities as set out in the Corporate Plan. Alongside each grant offer is a Service Level Agreement that seeks to ensure a level and quality of delivery that meets Council expectations, these SLA's and delivery against them is monitored quarterly and reviewed on a regular basis. During 2013/14 the grant to the Citizens Advice Bureau was increased, both in response to the good quality of service that is offered, and monitoring in terms of increased demand on the services as a result of legislative changes. The Council continues to work closely with the CAB on financial inclusion issues to meet our Corporate Plan priority of understanding and supporting the needs of the most vulnerable in our society.

20.4 The Council has also been hailed as being at the leading edge of the Planning world because of the common usage of Planning Performance Agreements. We understand that planning is an enabler to growth and that an efficient planning function can support that growth agenda. Usage of PPA's enables us to offer, and deliver against and agreed standard of service delivery with the developer, and likewise the developer making commitments with us.

20.5 All decisions to sign PPA's are reported to the Council's Executive and robust arrangements are in place to ensure transparency, work programming, invoicing, and payment. Although the Council does not make any profit from this process, it has enabled us to support the service in terms of staffing resourcing to support the quality of the planning service for those developments not subject to PPA.

20.6 The statutory safeguarding children's self-assessment as issued by the Cumbria Local Safeguarding Children's Board has been completed and an action plan is in place along with agreed protocols to ensure the Council is meeting its safeguarding commitments.

20.7 The Council works with a range of public and private sector partners through partnership activity to influence effective targeting and accountability for local services and resources. The strategic partnership list for the Council is in support of the Council Corporate Plan delivery. For example, the Council with the County Public Health and local Clinical Commissioning Group have set up a Copeland Health and Wellbeing Forum to feed into and link with the Cumbria Health and Wellbeing Board and its themed groups. This enables a focus on evidenced priorities and activities and strategies being pursued through public partners and funding in support of agreed priorities. The Council is also active in focused Overview and Scrutiny arrangements at Cumbria and West Cumbria Level around community safety and health.

21. Incorporating good governance arrangements in respect of partnerships and other group working, as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

21.1 In order to increase its effective and efficient partnership working the Council has developed and formally agreed a tool, based on the CIPFA model, to assess our partnerships. Our corporate governance reviews and agrees elected member representation annually. There are governance arrangements within the partnerships the Council engages in and service level agreements with some partners for delivery of advice services which are reviewed annually, e.g. CAB, others more or less frequently and in line with delivery and project programmes.

21.2 Internal Audit opinion found that there were some continuing improvements that the Council could make a) in a more detailed input and verification of the partnership assessment tool in the centralised records and b) in holding a centralised register of operational partnerships as well as within services. The Council uses the annual assessment to revise partnership arrangements, representation and governance. Quarterly monitoring by exception is programmed in to the quarterly risk management activity of the Corporate Leadership Team meetings.

21.3 Senior officers and Executive have reassessed and revised its strategic partnership list in 2013/14 and aligned this list with the new Corporate Plan 2013-15 setting out in the associated performance framework which partnerships will report at what regularity and to which governance group. Executive will be receiving a quarterly performance report against the Corporate Plan which will pick up the key strategic partnerships – others will report to specific groups and pass on to full Council through portfolio reporting as previously. OSC will be able to pick up any of the partnerships to investigate further through their annual work programme as previously. In 2013/14 OSC considered the Homelessness Review and Strategy overseen by the Copeland Housing Partnership.

21.4 The Copeland Partnership met in July 2013 and in January 2014. The Partnership is underpinned by the six Copeland localities and engages with other theme partnerships and representatives of a wide group of local organisations and stakeholders, including residents. The Partnership has adopted a set of principles and a 10 year Copeland Partnership Plan, Copeland's Sustainable Community Strategy. The Partnership meets twice yearly to action plan and monitor targets which are priority issues for the borough and the Partnership. The meeting in July 2013 focused on digitalisation, a key access and inclusion concern in Copeland, and health inequalities with a specific focus on the borough's high levels of mental health service demand. A number of social inclusion projects are being pursued and maintained to assist residents with their digital skills and abilities. The Copeland Health and Wellbeing group will be picking up the health inequality overview for the borough. The meeting in January 2014 led a Copeland Growth Conference. The Copeland Work and Skills Partnership continues to pick up partnership activity on progression and employability arising from the January Conference. The Centre of Nuclear Excellence continues to develop with a May 2014 follow up Copeland Partnership event organised to maintain core involvement from a wide range of Copeland stakeholders. These Partnership conferences were staffed by Council officers and a number of private, third sector and public partner agencies.

21.5 A review of all strategic partnerships has been undertaken in 2012 and 2013 and will continue to be reviewed annually. The involvement of elected members in outside bodies is subject to annual review. The Council Corporate Plan sets out the role of partnerships to delivering and assisting with delivering the Council priorities. This approach continues the Council on a programme of active involvement in partnerships, regular and better feedback to the Council and focusing corporately on managing risks in achieving Council objectives through partnerships.

21.6 The final activity to be completed relates to staff engagement in operational partnership activity and the use of our toolkit assessment to ensure both members and staff involved in operational partnership activity are managing any corporate or service risks relating to this partnership activity and reporting this through the existing management frameworks to CLT who consider the service and corporate risks on a monthly and quarterly basis respectively.

REVIEW OF THE EFFICTIVENESS OF THE GOVERNANCE FRAMEWORK

Copeland Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Leadership Team who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework included the following:

- The **authority** has continued to review its constitution in 2013/14;
- The **Executive** has included in its Forward Plan decisions relating to the Councils governance ;
- The **Audit and Governance Committee and Overview and Scrutiny Committees** have included a range of reviews of aspects of the Council's governance in their programmes of work, including in the case of the Audit Committee, some statutory governance reports;
- The **Audit and Governance Committee** has responsibility for promoting high ethical standards across the Council, maintains an overview of the Member and Officer Codes of Conduct and other relevant protocols, together with the Council's arrangements for determination of allegations of breaches of the Code of Conduct for Councillors;
- The **Chief Financial Officer** has responsibility for ensuring the effectiveness of the financial controls and the Financial Procedure Rules were reviewed during 2013/14 with only minor issue identified for update;
- **Internal Audit** has created a plan for and undertaken a number of reviews including governance issues and reported its findings the Corporate Leadership Team and Audit and Governance Committee;
- **Other explicit review / assurance mechanisms.** Heads of Service have operated their services to comply with the Council's framework of policy and procedures in managing resources and observing the requirements of probity. Operational risks were identified through service and project planning and are logged on the Covalent performance management system, monitored at least quarterly by managers.

The Audit and Governance Committee at its meeting on 25th June 2014 received the following reports concerning governance arrangements:

- **Internal Audit Annual Report 2013/14**
  This report concluded that '*based on the work undertaken by internal audit during the year, reasonable assurance has been provided over the adequacy and effectiveness of the council's overall arrangements for governance, risk management and internal control'.*

- **Review of Internal Audit Effectiveness 2013/14**
  The Council is required by the Accounts and Audit Regulations 2011 to undertake an annual review of the effectiveness of its internal audit arrangements and report the outcome for consideration by the Audit and Governance Committee as part of the system of internal control. From 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) replaced the CIPFA Code of Practice as 'proper practice' in relation to internal control. It was therefore against the PSIAS and the associated Local Government Application Note that the internal audit arrangements were assessed. The report by the S151 officer concluded following the review that ' *with the exception of a small number of minor areas for development, Copeland Borough Council's internal audit arrangement s are in conformance with the Public Sector Internal Audit Standards and are adequate and effective to deliver the annual opinion of the Head of Internal Audit'*
- **Effectiveness of the Audit and Governance Committee 2013/14**
  This report provided a review of the work of the Audit and Governance Committee against the core functions of an audit committee as defined within the CIPFA Position Statement on Audit Committees 2013. The assessment concluded that the Audit and Governance Committee delivers the core functions of an audit committee. One area that has been carried forward to 2014/15 is the review of the Counter Fraud policy and anti-bribery policy and this will be done during 2014. Training will be provided to the Audit and Governance Committee in September 2014 following which a further review will be conducted.

- **Annual Governance Statement 2013/14**
  The Audit and Governance Committee approved the Annual Governance Statement for 2013/14 as set out in this document.

SIGNIFICANT GOVERNANCE ISSUES

The Action Plan from 2012/13 shows the progress made during the year in delivering improvements required. Although progress has been made the actions are not fully completed and some outstanding issues have been carried forward to the 2013/14 action plan, together with any new significant governance issues identified from our work during 2013/14.

The major new governance issue identified to be addressed during 2014/15 is the new governance arrangements that will be required from October 2014 / May 2015 (depending on decisions by Government) to reflect the new Elected Mayor arrangement.

Signed: ……………………………….

Councillor Elaine Woodburn, Leader of Copeland Borough Council

Signed: ……………………………….

Paul Walker, Chief Executive

ANNUAL GOVERNANCE STATEMENT 2012/13- ACTION PLAN

Issue No.	*Governance Issues to be Addressed*	*Action Agreed*	*Responsible Officer*	*Target Date*	*Update*
1.	*Counter Fraud and Corruption Strategy to be reviewed and reporting process updated*	*Updated Counter Fraud and Corruption Strategy in place*	*D Law Head of Corporate Resources*	*30 September 2013*	A new Counter Fraud and Corruption Strategy has been drafted but will not be finalised until CIPFA issue new guidance on Counter Fraud
2.	*Continue to improve arrangements to identify and mitigate potential risks associated with partnership other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements*	*Assess current arrangements against the AC governance report and Action plan agreed*	*Chief Executive – Paul Walker and J Betteridge Head of Regeneration and Community*	*30 September 2013*	Internal Audit report on Partnership arrangements was carried out in May 2014. Currently pulling together a central database to review all of the partnership assessments and update according to the recommendation.
3.	*Councils approach to Information Management to be reviewed and an appropriate strategy and action plan resourced.*	*Self-Assessment to be completed and Action plan agreed*	*Chief Executive – Paul Walker and Penny Mell – Head of Policy and Transformation*	*30 September 2013*	*Zurich ran an Information Management Project as part of developing our approach to information management throughout the Council. A draft set of policies have been drafted and the Corporate Information Management Strategy was presented to Executive in November. An update against the Information Security and Management action plan was presented to Audit in November. The post of Information Management Officer is currently out to market for the second time.*

ANNUAL GOVERNANCE STATEMENT 2013/14- ACTION PLAN

Issue No.	*Governance Issues to be Addressed*	*Action Agreed*	*Responsible Officer*	*Target Date*
1.	*Counter Fraud and Corruption Strategy to be updated following CIPFA guidance on Counter Fraud*	*Updated Counter Fraud and Corruption Strategy*	*Interim Finance Manager - Angela George*	*30 September 2014*
2.	*Continue to improve arrangements to identify and mitigate potential risks associated with partnership other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.*	*Complete central data base and complete Audit recommendations*	*Chief Executive – Paul Walker and Head of Customer & Community Services - Julie Betteridge*	*30 September 2014*
3.	*Complete the Information Management work with Zurich.*	*Self-Assessment to be completed and Action plan agreed*	*Chief Executive – Paul Walker Policy & Transformation Manager*	*March 2015*
4.	*New Governance arrangements for October 14/May 15 following the referendum.*	*Update Governance arrangements*	*Chief Executive – Paul Walker Democratic Services Manager – Lindsey Tomlinson*	*TBC*

Glossary of Terms

Accounting period

The period of time covered by the accounts. Normally a period of twelve months commencing on 1 April and ending on 31 March the following year, for local authority accounts. The end of the accounting period is the Balance Sheet date.

Accounts

A generic term for statements setting out details of income and expenditure or assets and liabilities or both, in a structured manner. Accounts may be categorised either by the type of transactions they record, e.g. revenue account, capital accounts or by the purpose they serve, e.g. management accounts, final accounts, balance sheets.

Accrual

An accrual is a sum included in the accounts to cover income or expenditure attributable to an accounting period for goods received or works done, for which payment has not been received/made by the end of that accounting period. In other words, income and expenditure are recognised when they are earned or incurred, not when they are received or paid.

Actuary

An actuary is a suitably qualified independent consultant employed to advise the Council upon the financial position of the Pension Fund.

Actuarial gains and losses

Actuarial gains or losses for defined benefit pension scheme 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.

Amortisation

The reduction of the value of an asset over a period. Amortisation, although by definition similar to depreciation, is used for the write-off of intangible assets, for example. It can also refer to the reduction of debt, either through periodic payments of principal and interest, or through use of a sinking fund.

Appropriation

An Appropriation is the transfer of resources between the reserves.

Asset

An asset is an item having value to the authority in measurable monetary terms. Assets can be defined as either current or non-current.

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

Audit

An Audit is an independent examination of an organisation's activities, either by internal audit or the organisation's external auditor.

Audit Commission

The Audit Commission was established by the Local Government Finance Act 1982. It has responsibility for the external audit of all local authorities. It can either use district auditors who are employed by the Audit Commission or firms of accountants.

Audit of accounts

An independent examination of the authority's financial affairs.

Balance Sheet

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

Best Value Accounting Code of Practice (BVACOP)

The system of local authority accounting and reporting has been modernised to meet the changing needs of modern local government particularly the duty to secure and demonstrate "best value" in the provision of services. The new Best Values Accounting Code of Practice provides guidance on the content and presentation of costs and service activities.

Billing authority

A local authority charged by statute with the responsibility for the collection of, and accounting for, council tax, NNDR and residual Community Charge.

Budget

A budget is a financial statement that expresses the Council's service delivery plans and capital programmes in monetary terms i.e. a forecast of net revenue and capital expenditure. This normally covers the same period as the financial year but increasingly Councils are preparing medium term budgets covering 3 to 5 years.

Capital Adjustment Account

This account represents amounts set aside from revenue resources or capital receipts to finance expenditure on assets, or for the repayment of external loans.

Capital expenditure

Expenditure on the acquisition of a non-current 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 non-current 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 non-current 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.

CFR
Capital financing requirement.

CIPFA - The Chartered Institute of Public Finance and Accountancy

CIPFA is the main professional body for accountants working in the public service. It produces guidance in relation to various matters concerning the public sector including financial and governance issues.

Collection Fund

A separate fund administered by the council that records the income and expenditure relating to council tax and national 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.

Comprehensive Income & Expenditure Statement (including Movement in Reserves Statement)

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.

Consistency

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

Constructive obligation

An obligation that derives from the authority’s actions where:

• by an established pattern of past practice, published policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities; and

• as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent asset

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

Contingent liability

A contingent liability is either:

• a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or

• a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and democratic core

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

Council Tax

A local tax set by local authorities to finance the budget requirement.

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 Assets

An asset held which will be used, or received, within the next financial year.

Current Liabilities

An amount which becomes payable, or could be called in, within the next financial year.

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 Liabilities

This represents the liability for principal repayments on finance leases.

Deferred receipts

Deferred receipts represent income still to be received, where the Council has agreed that amounts are payable beyond the next year, either at some point in the future, or by an annual sum over a period of time.

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.

Department for Communities & Local Government (DCLG)

The central government department responsible for local government affairs.

Depreciation

The measure of the cost of the wearing out, consumption or other reduction in the useful economic life of the authority's non-current assets during the accounting period, whether from use, passage 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.

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.

Fees and Charges

Charges made to the public for a variety of services such as parking charges and hire of meeting facilities.

Finance lease

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

General Fund

The main revenue fund of a local authority which is split between unallocated and risk based; which has been set aside to assist the Council with its statutory responsibility of managing risks. The unallocated element funds revenue payments to meet the costs of providing services (such as wages, electricity, paper)

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 subsidised by Central Government.

Impairment

A reduction in the value of a non-current 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

Non-current 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

An amount received or paid for the use of a sum of money when it is invested or borrowed.

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.

International Accounting Standards (IAS)

These are issued by the Accounting Standards Board to provide information on the required standards for the preparation of the authority's financial statements. As far as possible, The Council prepares its financial statements in accordance with IAS, where they apply to local authorities.

International Financial Reporting Standards (IFRS)

IFRS is the prescribed format for all local authority Statement of Accounts. The Code of Practice gives detailed guidance on how the Council will account for its transactions in the statements and notes explaining the transactions.

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 misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

Minimum Revenue 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.

National Non-Domestic Rates (NNDR)

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

Net book value

The amount at which 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.

Net worth

This is the overall value of the Balance Sheet at the end of the financial period.

Non-current Assets

Assets that have physical substance and are held for the provision of services, or for administration purposes, on a continuing basis.

Non-distributed costs

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

Operating lease

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

Outturn

The actual results for the financial year in question.

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.

Private finance initiative (PFI)
A central government initiative whereby local authorities do not buy assets used to provide public services but rather pay for the use of assets held by the private sector.

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 period adjustment

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

Projected unit method

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

Provision

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

Provision for credit liabilities

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

Prudence

The concept that income should not be anticipated, but recognised only when realised in the form of 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 NNDR purposes.

Related parties

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

Related party transactions

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

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 revaluation reserve cannot be used to meet current expenditure.

Residual value

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

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.

Revaluation Reserve

This account represents the balance of the net surpluses arising on the revaluation of non-current assets (excluding investments).

Revenue expenditure

The day-to-day expenses of providing services.

Revenue Expenditure Funded from Capital under Statute

Capital expenditure, which may be properly capitalised but which does not result in or remain matched with tangible non-current assets, owned by the Council e.g. expenditure on disabled facilities grants.

Revenue Support Grant

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

Section 151 Officer (S.151)

Section 151 of the Local Government Act 1972 requires the Council to appoint an officer responsible for the proper administration of the Council's financial affairs. The Interim Head of Finance is the Council's Section 151 Officer.

Statement of Standard Accounting Practice

These are methods of accounting approved by the Accounting Standards Committee and are applicable to all accounts which are intended to give a true and fair view. They are gradually being replaced by Financial Reporting Standards.

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 non-current asset.

Work in progress

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

Capital investment is accounted for as it is financed rather than when the non-current assets are consumed.

Payment of a share of housing capital receipts to central government is shown as a loss in the Income & Expenditure Account, but is actually met from capital receipts rather than from council tax.

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