STATEMENT OF ACCOUNTS 2009/10

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Summary and Recommendations

Summary	The purpose of this report is to obtain the formal approval of the Statement of Accounts 2009/10 from the Committee, prior to the commencement of the External audit.
Recommendations	Members are requested to consider and formally approve the Council's (unaudited) Statement of Accounts 2009/10.

1 INTRODUCTION

1.1 The Council is required to approve the Statement of Accounts by 30th June each year. The Audit Committee, under the Council's Scheme of Delegation is the Committee who has the authority, on behalf of the Council, to approve the annual accounts. It is envisaged the Audit Committee will accept the annual accounts at this meeting. The Audit Commission will then be informed of the formal acceptance of the accounts and will be able to commence its audit of the Accounts.

1.2 The Audit Commission will produce its Annual Governance Report in September and the Audit Committee will consider the findings of the audit. The Governance report will include a statement from the External Auditor on whether the financial statements relating to 1st April 2009 to 31st March 2010, present a true and fair view of the financial position of the Authority, based on their findings from the audit. This report needs to be considered prior to the Accounts being signed off by the statutory deadline of 30th September 2010. The Accounts presented for the Committee to consider today are, therefore, draft or unaudited Statement of Accounts 2009/10.

1.3 The Audit Committee received the External Auditor's unqualified opinion in relation to the 2008/09 Statement of Accounts at its meeting on the 23rd September 2009. It also received the External Auditor's Annual Governance reports for 2008/09. The Audit Committee received a copy of the closure of accounts plan, which was agreed by Corporate Team in February, in March, and has received a verbal update of progress from the Head of Finance and

MIS (s.151 Officer) at its meeting of 17th March, and from the Accountancy Services Manager at its 21st April and 27th May meetings.

1.4 The production of the Statement of Accounts requires co-ordinated and managed effort authority-wide, in particular, accountancy working with service (budget) managers. The Technical Accountant and the Capital Accountant are especially pivotal to the process.

1.5 The closure plan was achieved in totality, as evidenced by the production of this draft Statement of Accounts. Some individual deadlines within the plan slipped, however the plan allowed for an element of slippage and actual slippage was fully accommodated by this provision.

1.6 Members will recall the 2009/10 Statement of Accounts include the introduction of two further elements of International Financial Reporting Standards (IFRS); changes to the accounting for the Collection Fund and the Council's PFI arrangement. These have had a significant impact on the closedown process, with both adjustments requiring a considerable amount of additional work. In particular, the PFI adjustment, detailed in paragraph 2.7 below, proved challenging and extremely time consuming.

1.7 The next step in the closure plan is to secure formal approval of the accounts by the Authority before the statutory deadline of 30th June, and that is the purpose of this report. This is not the end of the Accounts process for 2009/10, the next phase, which is the detailed substantive testing by the Audit Commission of the Statement of Accounts will then commence, and the Accountancy team will be required to respond promptly and completely to any queries and questions raised. The external auditor will form their judgement on the Accounts as a result of their findings and will report back to the Committee in September.

2 STATEMENT OF ACCOUNTS 2009/10 – KEY POINTS

2.1 The Statement of Accounts is a complex document. It is the means by which the financial performance of the Council for the previous year is reported, but there are many requirements and conventions set down in statute and the regulations governing local authority accounts. There are also key aspects of the preparation of the accounts which rely upon the exercise of judgement and the interpretation of accounting regulations.

2.2 The complexity means that the main points and concepts contained within the Accounts need to be explained so that Members can undertake a more detailed assessment as they see fit. It is essential that there is seen to be appropriate consideration of the Statement of Accounts and that the Committee has been actively engaged.

2.3 Members are provided with an explanation of the key points contained within the Statement of Accounts in the following ways:-

- there is an explanatory foreword to the accounts on pages 4 to 11 which summarises the main issues.

- this report provides information on the core financial statements.
- Members reviewed in some depth, the draft Annual Governance Statement (AGS) at the Audit Committee meeting on 27th May, and made amendments which are reflected in the AGS contained in the draft Statement of Accounts.
- questions and comments will take place in the meeting prior to the formal consideration of the Accounts by the Committee.

2.4 Local Authorities are required by law, to prepare accounts in accordance with 'proper practices', the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice, referred to the 'SORP' is the key framework for the preparation of the accounts. The underpinning accounting policies were approved and explained, in particular the changes to the SORP 2009, at the Audit Committee meeting of 21st April.

2.5 The 21st April paper also set out key changes required by the 2009 SORP, the two key changes being;

2.5.1 Private Finance Initiative (PFI) and similar contracts: Members will recall that, whilst Local Authority Financial Statements will not be prepared on a fully International Financial Reporting Standards (IFRS) compliant basis until 2010/11, in order to assist with the transition to IFRS for 2010/11, accounting in accordance with IFRS has been introduced early in a number of areas. The 2007 SORP introduced important changes to the accounting for Financial Instruments. Similarly, the 2009 SORP introduces changes to the requirements for accounting for PFI and similar contracts to bring the accounting treatment into line with government's adaptation of IFRIC 12 'Service Concession Arrangements'. Previously, the PFI contract was accounted for in accordance with FRS 5 'Substance of Transactions' and SSAP 21 'Accounting for Leases and Hire Purchase Contracts', and

2.5.2 Accounting for local taxes (Council Tax and National Non-Domestic Rates (NNDR)): this is not related to the early introduction of IFRS, but is an issue not covered in detail in previous SORPs. The 2009 SORP now requires the Council acting as a Billing Authority for Council Tax and National Non-Domestic Rates be classified as an agency arrangement with the major Preceptors (Cumbria County Council and Cumbria Police Authority) and Government respectively. Previously, the Balance Sheet included all Local tax debtors and creditors and the Cash Flow Statement all related cash flows. Under 2009 SORP, only Copeland Council's share of these balances, and the amounts owed to/due from the major Preceptors or Government and the Councils' share of cash flows will be included.

2.6 As reported on 21st April, the SORP requires that changes in accounting policies which result in material adjustments applicable to prior years be accounted for by restating the comparative figures for the previous period in the statement of accounts and notes, and adjusting the balance of reserves for the cumulative effect. This is known as a prior period adjustment. Both of the changes in accounting set out in paragraphs 2.5.1 and 2.5.2 above require prior period adjustments to be made to comparative figures in the 2009/10 Statement of Accounts. The effects of this are disclosed in note 1 to the Statement of Accounts. The PFI adjustment in particular has had a significant effect on the Council's Balance Sheet.

2.7 **PFI**:

2.7.1 In summary, the Council operates one PFI scheme. This commenced in 2004 and relates to the Copeland Centre. It will operate for 25 years. As noted above, previously, the PFI contract was accounted for in accordance with FRS 5 'Substance of Transactions' and SSAP 21 'Accounting for Leases and Hire Purchase Contracts'. However, the Councils' PFI contract is judged as meeting the requirements of IFRIC 12 'Service Concession Arrangements', therefore the Copeland Centre comes onto the Council's balance sheet under the 2009 SORP. In order to bring the Copeland Centre coming 'on balance sheet', all accounting entries relating to the contract from its inception have been 'stripped out' and reworked so as to account for the contract in accordance with IFRIC 12. This 'stripping out' and reworking goes back to financial year 2004/05. Details of the Council's new accounting policy for PFI are described in Accounting Policy No.17 within the Statement of Accounts.

2.7.2 This means that the Council now recognises on its balance sheet an asset in relation to the PFI building and a liability (split between amounts due in less than and greater than 12 months) to pay for this asset. Proper accounting practice requires that an asset, once recognised, is depreciated, revalued and reviewed for impairment in accordance with the general provisions of the SORP.

2.7.3 The unusual nature of the PFI arrangement is such that the Council's external qualified valuer, after detailed consideration of the PFI agreement and the RICS Red Book, assessed the value of the asset at the date of initial recognition and at subsequent key dates including 31st March 2009 and 31st March 2010 as a de-minimis value. This would result in the asset being impaired to nil value immediately after initial recognition and carried at nil value in the balance sheet up to and including 31st March 2010.

2.7.4 Given the significant impact on the Accounts of the PFI valuation (as indicated by the corresponding liability at the balance sheet date of 31st March 2010 of £6.96m) and the lack of specific guidance on the method of valuation in such cases, the Council queried the basis for the valuation with the provider of the valuation (the Council's external qualified valuer) and the Audit Commission, as well as obtaining comments from CIPFA. Both the Valuer and CIPFA supported the initial proposed valuation method. The Audit Commission noted they will be looking at this in detail as part of their audit of the Statement of Accounts. The Council has therefore challenged the proposed valuation method and received responses in support of it. In light of this and the absence of guidance on valuation methodology in such cases, the nil valuation has been used in the accounts. Members are asked to note this is an issue that is material to the accounts and the use of an incorrect valuation basis would almost certainly result in a material error in the Accounts.

2.7.5 The PFI arrangement coming on balance sheet also increases the Council's capital financing requirement and the Council is therefore required to make prudent provision each year for financing this capital investment. 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. Details of this are set out in note 7 to the Accounts.

2.7.6 We are now also required to consolidate the PFI assets and liabilities into Prudential Code limits and indicators for capital expenditure and borrowing. The limits and indicators previously approved in relation to 2009/10 were set before the implementation of IFRS. Revised indicators and limits taking into account the impact of the PFI will be presented for approval in conjunction with the 2009/10 Treasury Outturn Report.

2.8 Core Financial Statements: Income and Expenditure account and the Statement of Movement on General Fund Balance

2.8.1 This shows the surplus or deficit before adjustments for certain charges and any transfers to and from reserves. The final adjustments made are shown in the Statement of Movement on General Fund Balances, which is a continuation of the I&E.

2.8.2 For 2009/10, there was an operating deficit before adjustments and transfers from reserves of £2,361k. This is a large figure produced mainly as a result of technical accounting adjustments for asset values and pensions (explained by note 30, pages 69-70) which do not affect the Council Tax or the Council's reserves. These entries are adjusted for in the Statement of Movement on General Fund Balances. Members need to be aware that the underlying figure after the technical accounting entries have been adjusted for, is significantly less and represents a net operating surplus or deficit on a normal service provision basis.

2.8.3 After allowing for technical adjustments and transfers from reserves (which is set out in note 30, pages 69-70), the large deficit is reduced to £546k, which is the figure required from general fund balances, and therefore, represents that the activities of the Council are more or less resource neutral overall. The general fund balance commenced the year with a balance of £3,097k and at 31st March, prior to audit, is £3,643k.

2.8.4 The decrease in the Net Cost of Services within the I&E Account of £2.7 million can be explained in large part due additional grant income awarded during the year, amounts planned to be set aside to meet future costs, income above budget in areas including waste collection, crematorium, and property rentals, managed vacancies, lower than forecast take-up of concessionary travel and amounts contractually committed at year end but not spent.

2.9 **Core Financial Statements: Balance Sheet and the Statement of Total Recognised Gains and Losses**

2.9.1 After the prior period adjustments for the PFI and the Collection Fund, the Balance Sheet shows a decrease in net worth of the organisation between 31st March 2009 and 31st March 2010 of £6,256k – reflected in the Statement of Total Recognised Gains and Losses. The main item of movement between the two balance sheet dates is significant increase in the liability related to the defined benefit pension scheme (£7,611k) which is set out in note 34 (pages 74-77).

2.9.2 It should be noted that the prior period adjustments set out in 2.6 above have had a significant impact on the net worth of the Council. The audited 2008/09 accounts showed a net worth of £40,661k, however after the prior period adjustments required by the 2009 SORP, the net worth as at 31st March 2009 shown in the comparative figures for the 2009/10 accounts is £33,373k, a reduction of £7,288k. This is primarily due to the impact of accounting for the PFI asset on the Capital Adjustment Account, most notably the write off of the PFI asset and the effect of the minimum revenue provision relating to the PFI, which has resulted in a decrease in the opening balance of the Capital Adjustment Account as at 1st April 2009 of £7,439k. Full details of the impact of these prior period adjustments are set out in note 1 to the Accounts (pages 42-45).

2.10 **Core Financial Statements**: **Cash Flow Statement**

2.10.1 The final core financial statement is the Cash Flow Statement. The Statement sets out the movement in cash between 31st March 2009 and 31st March 2010, summarising the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. This shows an increase in cash holding between these two dates of £327k. This is the difference between 'cash and bank' and 'bank overdraft' shown in the Balance Sheet.

2.11 The Collection Fund Income and Expenditure Account is set out on page 80. The deficit on the Collection Fund for the year is £63k, which will be shared amongst the major precepting bodies in proportion to their total precept demand.

3 CONCLUSION

3.1 The Audit Committee is requested to consider and formally approve the Council's (unaudited) Statement of Accounts 2009/10. The Chair and Vice-Chair of the Audit Committee are asked to sign the Accounts together with the Acting s.151 Officer, who will sign the Statement of Responsibilities of the Chief Finance Officer. The approval and signatures of the Acting Chief Executive and the Leader of the Council of the Annual Governance Statement will be sought before the meeting.

Copeland Borough Council

Unaudited Statement of Accounts

For the year ended 31 March 2010

www.copeland.gov.uk

Contents

Explanatory Foreword

1 <u>Introduction</u>

The Statement of Accounts 2009/10 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 2009/10 consist of the following :-

- **<u>Statement of Accounting Policies</u>** - 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.

- **<u>Statement of Responsibilities for the Statement of Accounts</u>** - this sets out the respective responsibilities of the Council and the Chief Financial Officer for the Accounts.

- **<u>Annual Governance Statement</u>** - this sets out the framework within which corporate governance is managed and reviewed, including arrangements for internal audit.

- **<u>Core Financial Statements</u> –** the Statement of Accounts includes five core financial statements and these are as follows:-

  The Income and Expenditure Account - the Council's main revenue account showing the net cost for the year of all the functions for which the Council is responsible. It also shows how that cost has been financed from general Government grants and contributions from local taxpayers.

  The Statement of Movement on the General Fund Balance - this is a reconciliation statement, showing the balance of resources generated and/or consumed in the year (i.e. the outturn on the I&E Account) and links with the statutory requirements for raising Council Tax. It shows the movements in the level of the Council's general fund balance as a result of certain defined amounts, adjustments and transfers to and from earmarked reserves.

  The Statement of Total Recognised Gains and Losses (STRGL) - this shows the gains and losses experienced by the Council through its normal operating performance and also those gains and losses from revaluations of assets and liabilities.

  The Balance Sheet - this sets out the financial position of the Council at 31st March 2010 as reflected in assets, liabilities and reserves.

  The Cash Flow Statement - this summarises the cash inflows and outflows during the year arising from transactions with third parties for revenue and capital purposes.

- **<u>Collection Fund Revenue Account</u>** - this shows the transactions of the Council in relation to National Non-Domestic Rates (NNDR), also known as Business Rates, and the Council Tax. It shows how these have been distributed to the County Council, Borough Council, Police Authority and Parish and Town Councils. The Council is the billing authority for Copeland.

The Notes to the Financial Statements (both Core and Supplementary) 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.

2 <u>Statutory Framework</u>

The Accounts and Audit Regulations 2003 (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 (2009) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) is the relevant Statement of Recommended Practice (referred to as the SORP).

3 <u>Changes in Accounting Treatment</u>

The SORP is produced annually and shows how the UK Generally Accepted Accounting Principles (GAAP) is applied in the production of the Statement of Accounts. The 2009 SORP applies to the production of the 2009/10 Accounts within Local Government. The 2009 SORP includes a number of substantive changes. These are summarised as follows:-

3.1 Private Finance Initiative (PFI)

3.1.1 Whilst Local Authority Financial Statements will not be prepared on a fully International Financial Reporting Standards (IFRS) compliant basis until 2010/11, in order to assist with the transition to IFRS for 2010/11, accounting in accordance with IFRS has been introduced early in a number of areas. The 2007 SORP introduced important changes to the accounting for Financial Instruments. Similarly, the 2009 SORP introduces changes to the requirements for accounting for PFI and similar contracts to bring the accounting treatment into line with government's adaptation of IFRIC 12 'Service Concession Arrangements'.

3.1.2 The Council operates one Public Finance Initiative (PFI) scheme. This commenced in 2004 and relates to the Copeland Centre. It will operate for 25 years. Previously, the PFI contract was accounted for in accordance with FRS 5 'Substance of Transactions' and SSAP 21 'Accounting for Leases and Hire Purchase Contracts'. However, the Councils' PFI contract is judged as meeting the requirements of IFRIC 12 'Service Concession Arrangements', therefore the Copeland Centre comes onto the Council's balance sheet under the 2009 SORP. In order to bring the Copeland Centre coming 'on balance sheet', all accounting entries relating to the contract from its inception have been 'stripped out' and reworked so as to account for the contract in accordance with IFRIC 12. The reworking goes back to financial year 2004/05. Details of the Council's new accounting policy for PFI are described in Accounting Policy No.17.

3.1.3 The SORP requires that changes in accounting policies which result in material adjustments applicable to prior years be accounted for by restating the comparative figures for the previous period in the statement of accounts and notes, and adjusting the balance of reserves for the cumulative effect. This is known as a Prior Period Adjustment. As the Copeland Centre coming onto balance sheet as a result of this change in accounting policy results in a material adjustment applicable to prior years, a prior period adjustment has been made. The detailed impact of this is set out in note 1 to the Financial Statements.

3.1.4 In summary, this means that the Council now recognises on its balance sheet an asset in relation to the PFI building and a liability (split between amounts due in less than and greater than 12 months) to pay for this asset. Proper accounting practice requires that an asset, once recognised, is depreciated, re-valued and reviewed for impairment in accordance with the general provisions of the SORP. The nature of the PFI arrangement is such that the value of the asset at the date of initial recognition and at subsequent key dates including 31st March 2009 and 31st March 2010 is a de-minimis value. This has resulted in the asset being impaired to nil value immediately after initial recognition.

3.1.5 The PFI arrangement coming on balance sheet also increases the Council's capital financing requirement and the Council is therefore required to make prudent provision each year for financing this capital investment. 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. Details of this are set out in note 7 to the Accounts.

3.1.6 We are now also required to consolidate the PFI assets and liabilities into Prudential Code limits and indicators for capital expenditure and borrowing. The limits and indicators previously approved in relation to 2009/10 as detailed in paragraph 7 below were set before the implementation of IFRS. Revised indicators and limits taking into account the impact of the PFI will be presented for approval in conjunction with the 2009/10 Treasury Outturn Report.

3.2 Accounting for Local Taxes (Council Tax and National Non-domestic rates)

3.2.1 Accounting for local taxes (Council Tax and National Non-Domestic Rates (NNDR)) was not covered in detail in previous SORPs, however the 2009 SORP now requires the Council acting as a Billing Authority for Council Tax and National Non-Domestic Rates be classified as an agency arrangement with the major Preceptors (Cumbria County Council and Cumbria Police Authority) and Government respectively. Previously, the Balance Sheet included all local tax debtors and creditors and the Cash Flow Statement all related cash flows. Under 2009 SORP, only Copeland Council's share of these balances, and the amounts owed to/due from the major Preceptors or Government and the Councils' share of cash flows will be included.

3.2.2 As noted in paragraph 3.1.3, the SORP requires that changes in accounting policies which result in material adjustments applicable to prior years be accounted for by restating the comparative figures for the previous period in the statement of accounts and notes, and adjusting the balance of reserves for the cumulative effect. This change to the SORP has therefore resulted in a prior period adjustment in the 2009/10 Statement of Accounts. The impact of this is set out in note 1 to the Financial Statements.

3.3 **True & Fair**

3.3.1 The requirement for the accounts to be prepared on a "True and Fair view" basis as opposed to "Presenting Fairly".

3.3.2 This change has no practical effect on the way that the accounts are put together, but is recognition of the convergence of local authority accounting requirements within UK GAAP.

3.3.3 There is no general concept of a 'true and fair' override applicable to the SORP that would allow departures from the SORP and give greater weight to UK GAAP or innovative accounting practices. This is in contrast to the commercial sector where the Companies Act 2006 requires the financial statements to give a true and fair view and takes precedence over any specific accounting provision. Authorities cannot opt to depart materially from the SORP in the interests of fairer presentation without also making the disclosures and quantifications that the SORP requires.

3.4 **Long Term Financial Liabilities**

3.4.1 The paragraph 4.105 of SORP requires the portion of long-term financial liabilities due to be settled within 12 months after the Balance Sheet date to be presented in current liabilities. The PFI adjustment to the 2008/09 comparative figures do reflect this split however the current liability element of the LOBO for 2008/09 was not deemed material so no amendment was made.

3.5 **Disclosure of Officers Remuneration**

3.5.1 Historically, there has been a requirement to disclose in a note to the accounts the number of officers whose remuneration in the year was £50,000 or more, grouped in rising bands of £10,000. Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 [SI 2009 No. 3322] has now introduced a new legal requirement to increase the transparency and accountability in Local Government for reporting remuneration of senior employees. Note 4 of the notes to the accounts now includes disclosure of the number of employees whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £5,000 rather than £10,000. Additional disclosure has also been added, setting out details by Post, of Senior Officers emoluments for Senior Officers whose salary is between £50,000 and £150,000 per year for 2009/10 (with comparatives for 2008/09 shown in a separate table).

3.6 **Removal of requirement for five note disclosures**

3.6.1 The requirement to disclose in the statement of accounts information previously contained in 5 of the notes to the Income and Expenditure Account has been removed. These are: section 137 expenditure; expenditure on publicity; the Building Control account; Business Improvement District Schemes; and Income under the Local Authority Goods and Services Act. Although there is no longer any requirement under regulations to publish them, we are still required to produce the Building Control account, Business Improvement District Schemes account and Income under the Local Authority Goods and Services Act account. We are also required to produce and make available for inspection on request the Expenditure on publicity account.

4 Accounting Policies

The Accounting Policies adopted by the Council comply with relevant recommended accounting practices. The Accounting Policies for the 2009/10 Accounts are explained in the Statement of Accounting Policies (pages12 to 22) and are, in the main, a continuation of existing policies adopted by the Council, however, they have been amended to reflect changes to the 2009 SORP, as explained in the previous section.

5 Revenue Expenditure 2009/10

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 the annual revenue budget, reflecting the estimated net expenditure to be incurred during the year to provide services. The budget is regularly reviewed and revised during the financial year to reflect known changes in planned and actual expenditure and income.

The Revenue Budget 2009/10 approved by Council at its meeting of 24th February 2009 amounted to a net figure of £14,094k for services provided by the Council, increasing to £14,462k with the inclusion of Parish precepts. T he approved budget for the year was supported by the use of £1,749k from reserves. During the year, planned use of general reserves increased by £722k, whilst planned use of earmarked reserves reduced by £1,418k. These changes reflected resource allocation decisions made during the year as a result of information provided during the routine cycle of budget monitoring.

The Income and Expenditure Account for 2009/10 shows a deficit of £2,361k for the year. This includes £2,907k for technical adjustments which do not impact on the taxpayer. After allowing for these adjustments the account shows a £546k surplus which will increase General Fund Balances. The movement on reserves is shown in note 31.

A summary of the revised budget and a comparison with income and expenditure incurred for 2009/10 is shown overleaf:-

	Revised Budget	Actual	Variance
	£'000	£'000	£'000
Expenditure on Services	48,503	48,006	(497)
Income on Services	(32,888)	(33,926)	(1,038)
Net Expenditure on Services	**15,615**	**14,080**	**(1,535)**
Parish Council precepts	385	385	-
	16,000	**14,465**	**(1,535)**
Adjust for:			
Revenue Contributions to Capital Programme	88	88	-
Minimum Revenue Provision	219	219	-
Adjustment for Capital Accounting Charges, Pensions, and Soft Loans	(2,141)	(2,142)	(1)
Fixed asset (gains)/losses on disposals	-	0	0
Interest Payable and Receivable	469	566	97
Revenue Support Grant	(1,348)	(1,348)	0
PFI grant income	(837)	(837)	0
Area Based Grant	(1,366)	(1,366)	0
Other General Government Grants	(63)	(108)	(45)
Non-Domestic Rates Income	(5,839)	(5,839)	-
Copeland's demand on Collection Fund 09/10	(4,291)	(4,291)	-
Copeland's share of Collection Fund surplus	12	12	-
(Surplus) / deficit	903	(581)	(1,484)
Contribution to Earmarked Reserves	35	35	-
(Increase) / Decrease in General Fund Balance	**938**	**(546)**	**(1,484)**

The budget for Net Expenditure on Services has been adjusted to include £2,141k for depreciation and impairment of fixed assets, revenue expenditure funded from capital under statue and adjustments to show the cost of pension liabilities. These adjustments present the budget in a format that is comparable to actual expenditure. 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 under statute. After these adjustments, net expenditure on services in the Income and Expenditure account is £1,535k less than budget. The key factors behind this under-spend are; additional grant income awarded during the year, including £200k for coastal regeneration initiatives (£506k in total), amounts planned to be set aside to meet future costs (£158k in total), income above budget in areas including waste collection, crematorium, and property rentals (£294k in total), managed vacancies (179k) , lower than forecast take-up of concessionary travel (£77k) and amounts contractually committed (£80k). A revenue out-turn report for 2009/10 has been prepared which provides additional information on the year end position. This was presented to the Executive Committee on 29th June 2010.

6 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. Capital and revenue transactions must be accounted for separately.

In 2009/10, the total gross expenditure on the capital programme was £6,211k, funded from external grants and contributions of £4,345k, use of specific revenue reserves £6k, revenue contributions of £82k and use of Council capital reserves (from capital receipts received from the sale of Council assets in the past) of £1,779k.

A reconciliation of the capital spend per the accounts to spend per the Capital Programme for 2009/10 and corresponding shortfall in spending against budget is shown below:-

	£
Capital Expenditure per accounts	6,211
Government Grants & other contributions	(4,345)
Net Capital Spend per accounts	**1,866**
Capital spend outside programme	(17)
Due to timing of income re:	
Millom and Haverigg Lighthouse	120
Cameo Receipts	(37)
Net Capital Spend against the Capital Programme	**1,932**
Capital programme budget	**3,000**
Shortfall in spending	**(1,068)**

The shortfall in spending was largely due to schemes which did not progress as quickly as anticipated and will be carried out in the following financial year.

The major areas of capital spending were Regeneration, Public Buildings and Housing. Projects included Albion Square (£508k), Mount Pleasant (£113k), Civic Quarter (£544k) in Regeneration, Phoenix Court (£868k) in Public Buildings, Housing Renovation & Renewals financial assistance and Disabled Facilities Grants in Housing (£2,166k).

The Capital Programme Budget figure of £3,000k above is the net 2009/10 Capital Programme budget, consisting of an expenditure budget of £7,722,783 and an income budget of £4,722,362 and includes slippage carried forward from previous years. This is the revised capital programme budget figure as presented to the Executive Committee on 29th June 2010 in the Provisional Capital Outturn Report.

7 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

Chief Financial Officer, 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 2009/10 was £9.0m, with an operational limit of £5.1m. This was approved by Council at its meeting of 24th February 2009, when it agreed the Treasury Management Strategy 2009/10, which contains the four key clauses of the CIPFA Code of Practice for Treasury Management.

Investments at financial year end amounted to £17.6m. This is £1,101k less than at 31st March 2009 as reflected on the Balance Sheet. Borrowing at the financial year end (excluding the PFI arrangement, details of which are set out in section 3.1) stood at £5m, this is unchanged from the previous year. The Council did not undertake any new borrowing in the year to fund the capital programme. With the exception of the PFI arrangement (see 3.1), the Council's contribution to capital expenditure was found from the utilisation of Council Capital Reserves and revenue funds.

8 Pension Costs

The Financial Reporting Standard (FRS) 17 – Pensions Costs is applicable to Local Authorities. A pensions reserve and a pensions liability are incorporated within the Council's accounts to reflect the amount of the Copeland element of the Local Government Pensions Fund administered by Cumbria County Council is under-funded compared to the assessment of liabilities to pensioners now and in the future by actuaries. There are also entries in the Income and Expenditure account and the Statement of Movement on the General Fund Balance to show the pensions benefits earned in the year. All of the pension's entries do not, however, affect the amount calculated as being due from taxpayers through the Council Tax.

9 Impairments

During the year commercial and residential property capital values have been affected by a decline in the property market across the UK. There have been sixteen instances of impairment within the properties valued as at 31st March 2010 to the value of £990k. Of this amount £658k was attributable to car parks, £115k to land at Bankyard Road and £123k for land at Walkmill Close. A full analysis is detailed in note 10. Impairments are charged to the Income and Expenditure Account after any Revaluation Reserves for that asset have been utilised. For 2009/10 that charge was £475k.

10 Further Information

Further information about the Statement of Accounts is available from the Accountancy Services Manager, The Copeland Centre, Catherine Street, Whitehaven. In addition, members of the public have the statutory right to inspect the Statement of Accounts and supporting documents at certain times prior to the completion of the external audit. Details as to when this right can be exercised are advertised each year in the Whitehaven News and the Northwest Evening Mail. Residents of the Borough of Copeland who are Council Tax payers may register any objection to the Accounts they may have and can arrange to question the External Auditor on any issue relating to the Accounts.

11 External Audit

The Audit Commission is responsible for the external audit of Copeland Borough Council's accounts. The auditor has not yet given an opinion. The Auditor's Report and Opinion will be included in the Accounts when it is available, which will be following the completion of the audit process. The name and address of the Council's auditor is: Mrs Karen Murray, District Auditor, Audit Commission, 2nd Floor, Aspinall House, Aspinall Close, Middlebrook, BOLTON. BL6 6QQ.

Statement of Accounting Policies

1. **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year-end of 31st March 2010. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

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:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed, and where there is a gap between the date supplies are received and their consumption they are carried as Stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as Works in Progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest date for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised, but cash has not been received or paid, a Debtor or Creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. **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, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account 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 set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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.

4. **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 Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits that do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

The type and purpose of the Council's reserves are explained in note 31 on pages 71 to 73.

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

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

6. **Retirement Benefits (Pensions)**

The majority of employees of the Council are members of the Local Government Pension Scheme administered by Cumbria County Council. The scheme provides defined benefits to members comprising lump sums payable on retirement and pension annuities payable during the period of retirement.

The liabilities of the scheme attributable to the Council are included in the Balance Sheet on 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 weighted average of "spot yields" on AA rated corporate bonds. These weightings are designed to reflect approximately the duration of the pension liabilities of Copeland Borough Council. The resultant discount rates as at 31st March 2010 were as follows:

Duration Profile	Young	Non-Pensioner	Average	Mature	Retired
Discount Rate	5.6% p.a.	5.7% p.a.	5.7% p.a.	5.6% p.a.	5.5% p.a.

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
- Property – market value

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

- Current service cost - the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account 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 Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- 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 to the Net Cost of Services in the Income and Expenditure Account 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 Statement of Total Recognised Gains and Losses
- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund Balance 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 Statement of Movement on the General Fund Balance this means that there are 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.

7. Value Added Tax

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

8. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service, in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). 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.

These two costs are accounted for under separate headings in the Income and Expenditure Account as part of Net Cost of Services.

9. Intangible Fixed Assets

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

10. Tangible Fixed assets

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

Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures, but does not extend the previously assessed standards of performance of the asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. The de-minimis level for recognition of capital expenditure has been set at £6,000.

Measurement

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

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

	Basis of valuation	Depreciation	Asset Lives
Other land and buildings	Open market value for existing use or depreciated replacement cost	Straight line	15-50 years
Vehicles plant and equipment	Historical cost	Straight line	3-10 years
Community Assets	Historical cost	N/A	N/A
Non operational assets	Open market value	N/A	N/A
Infrastructure	Historical Cost	Straight Line	14-20 years

Revaluation of these assets is on a quinquennial basis undertaken on a rolling programme by CAPITA Symmonds, including revaluations as required if the Council becomes aware of factors indicating a change in valuation, such as a change in the economic climate.

Operational properties of a specialised nature, where there is no active market, are valued on the basis of what it would cost to reinstate the asset or to acquire modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Otherwise they are valued as operational properties as below.

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

Net current replacement cost is assessed as:

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

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

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

Impairment

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

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- Where attributable to a general decline in prices - the loss is recognised in the Revaluation Reserve but only to the extent that this loss reverses gains attributable to the asset now being impaired. Where the impairment recognised exceeds the balance of revaluation gains attributable to the asset now being impaired, historical gains are removed from the revaluation reserve and the excess of impairment over historical gains is recognised in the Income and Expenditure Account for the year of account.

Disposals

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the remaining life of the property, as estimated by an authorised valuer
- Vehicles, plant and equipment 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

- Community assets and non operational assets – no depreciation is provided on these classes of assets.

Grants and contributions

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

11 Financial Instruments

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their depreciated cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. 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 Income and Expenditure Account is the amount payable for the year in the loan agreement.

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

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
- 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 initially measured at fair value and carried at their depreciated cost. Annual credits to the Income and Expenditure Account 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 to the Income and Expenditure Account 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 Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower depreciated 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 depreciated 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 Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

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 Income and Expenditure Account. Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account 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 Income and Expenditure Account 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
- 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 Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, 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 Income and Expenditure Account. Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably (such as is the case for the investment in the Whitehaven 1992 Ltd company), the instrument is carried at cost (less any impairment losses).

12 Charges to Revenue for Fixed Assets

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

- Depreciation attributable to the assets used by the relevant service.
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible fixed assets attributable to the service.

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

13 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets 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 then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

14 Leases

Finance 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. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets.

Operating Leases

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

The Council also acts in the capacity as lessor for the lease of land and property. Rents due under operating leases are accounted for on an accruals basis as they become due. These are outlined in note 14.

15 Stocks and work in progress

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

16 Interests in Companies and other entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates, and joint ventures. Group accounts have not been prepared on the grounds that, as in prior years, the amounts are immaterial to the overall Statement of Accounts. Interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses.

17 Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed 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 fixed asset at the end of the contract, the Council is deemed under IFRIC 12 to control, through beneficial entitlement, significant residual interest in the fixed asset, the Council carries the fixed assets used under the contracts on the Balance Sheet.

The original recognition of this asset was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the asset.

Fixed assets recognised on the Balance Sheet are revalued 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 Income and Expenditure Account.
- Finance cost – an interest charge on the outstanding Balance sheet liability, debited to interest Payable and Similar Charges in the Income and Expenditure Account.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.
- Lifecycle replacement costs – recognised as fixed assets on the Balance Sheet.

18 Prior period adjustment

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

There are two adjustments to the accounting policies adopted by the Council as a result of the 2009 SORP which requires significant changes to the 2008/09 accounts;

The first relates to requirements under the 2009 SORP to classify the Council acting as a Billing Authority for Council Tax and National Non-Domestic Rates as an agency arrangement with the major Preceptors and Government respectively. Previously, the Balance Sheet included all local tax debtors and creditors and the Cash Flow Statement all related cash flows. Under 2009 SORP, only the Council's share of these balances, and the amounts owed to/due from the major Preceptors or Government and the Councils' share of cash flows will be included. The effects of this prior period adjustment are disclosed at note 1.

The second relates to requirements under the 2009 SORP to account for the PFI contract in a manner that is consistent with the adaptation of IFRIC 12 'Service Concession Arrangements' contained in the government's Financial Reporting Manual. Previously, the PFI contract was accounted for in accordance with FRS 5 'Substance of Transactions'. The effects of this prior period adjustment are disclosed at note 1.

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. In this authority, that officer is the Chief Financial Officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

I certify that the Statement of Accounts gives a 'true and fair view' of the financial position of Copeland Borough Council as at the accounting date and its income and expenditure for the year ended 31st March 2010.

Alison Clark
Acting s:151 Officer.

28th June 2010

The Statement of Accounts was considered and approved by the Audit Committee on behalf of the Authority at it's meeting of 28th June 2010

28th June 2010 | 28th June 2010

COPELAND BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT 2009/10

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 is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. Information about how the Council complies with this framework can be obtained from the Monitoring Officer. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts an Audit (Amendment) (England) Regulations 2006 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 and processes, and culture 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 ongoing 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 31st March 2010 and up to the date of approval of the Statement of Accounts for 2009/10.

THE GOVERNANCE FRAMEWORK

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

Communicating the authority's vision and outcomes for citizens and service users

The Council agreed a 5 year Council Plan including key objectives, which supports the delivery of Cumbria Community Strategy, Local Area Agreement and West Cumbria Sustainable Communities Strategy in 2007, updated on 24th June 2008.

In order to focus on delivery and communication of the Council's Vision and objectives, the Council developed a one year Corporate Implementation Plan for 2009/10. It took the 5 year Plan objectives and stated what would be delivered against them in 2009/10. This plan displayed, on a single A3 page, the key projects and performance indicators for 2009/10. A follow-up plan for 2010/11 was agreed by the Council in March 2010.

Individual Service Plans, linked to the Corporate Plan, set out key objectives for services in 2009/10 and these were in place by April 2009.

The Executive also approved the Copeland Regeneration Framework and Delivery Plan.

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

The Corporate Improvement Plan showing priority projects and performance indicators for 2009/10 was started in autumn 2008, involved internal and external stakeholders and was approved by Executive in April 2009.

Developments in the Comprehensive Area Assessment process have been consulted upon, discussed and responded to by the Council since that regime was introduced. Improvements arising from the CAA process and results were included in the Corporate Implementation Plan and service plans. Progress in meeting the new requirements was reported to Corporate Improvement Board and Overview & Scrutiny Committee Management during 2009/10.

Progress against corporate and service targets and objectives are reviewed quarterly. Performance against Corporate Implementation Plan objectives were reported to the Executive and Corporate Improvement Board quarterly. Key service objectives are monitored by the Chief Executive /relevant Director.

Reports on the impact of the recession in Copeland and Cumbria were considered by Executive on 28th July 2009 and 23rd March 2010 to ensure that policies and decisions were sensitive to the economic climate.

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

Copeland Borough Council has had customer service standards and targets in place for many years and further development of customer service standards is ongoing, for example to respond to improving performance against NI 14.

During 2009/10 Copeland again carried out a survey to measure customer satisfaction with its standards. The results were positive and an improvement on the previous year.

The first Place Survey was conducted during 2008/09, and the results received in September 2009. Copeland BC on its own account and through working with other Cumbrian authorities identified a number of areas for urgent attention to address under-performance shown up in aspects of the Place Survey. Progress on these areas for improvement has been reported to OSC and Executive during the year.

Performance against national Best Value Performance Indicators (BVPIs), National Indicators (NIs) was monitored through individual service performance reports and, corporately, by the Corporate Improvement Board. A significant number of BVPIs were retained as local PIs to allow trends and comparisons with other authorities to be monitored.

Quarterly reports are made to Executive on progress against the 5 year Corporate Plan and NI's. Where performance is falling short of the target, corrective action has to be approved, including specific targets included in Service Plans.

Resource Planning Working Group ensures that resources are allocated to Council priorities. A Medium Term Financial Strategy was agreed by Full Council in February 2009. At the February 2009 Council meeting the full supporting budget was updated to reflect changed planning assumptions covering the period 2009/10 to 2011/12. The Full Council approved the budget and policy framework.

By the end of 2009/10 it was recognised that the Medium Term Financial Strategy would have to change to reflect the new understanding of pubic sector finance within the national economic conditions following the General Election. A report setting out our understanding of what was likely to be required was agreed by Resource Planning Working Group on 8th April 2010.

The Executive received quarterly reports in 2009/10 on management accounts compared to revenue budgets and of capital expenditure compared to the capital programme.

A Procurement Strategy and a Sustainable Procurement Policy were prepared and adopted in February 2010 together with an improvement action plan. The Council actively participates in EPIC and uses the IDeA Marketplace system to maximise the opportunities for purchasing cost effectively.

A business case was approved to implement shared services in respect of Revenues and Benefits and for Internal Audit.

The roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

Council's Constitution provides a general framework for governance which is reviewed at least annually and approved by full Council. This sets out the roles and responsibilities of the Executive, non-executive Overview and Scrutiny and officer functions, with delegated powers explained.

The Executive meets at least monthly to facilitate prompt decision-making, with a "call in arrangement", preventing decisions being implemented for 7 working days, to allow for effective scrutiny. The Executive received regular reports on corporate performance throughout 2009/10. Individual Portfolio Holders have delegated powers and these are set out in the Constitution. Corporate Team members take an overview of all Executive and Council reports at timetabled pre-meetings during the year.

Executive and Council reports contain a section which sets out the financial implications of the report. The Constitution also sets out the basis for "key" decisions. All reports to Executive set out whether a decision is a "key" decision requiring it to be published in the forward plan.

In 2009/10 four Overview and Scrutiny Committees, had work plans which provided a mechanism for feeding into policy making. The Overview and Scrutiny Committees reviewed a range of topics proposed by stakeholders and arising from internal sources and external partners. These reviews resulted in recommendations for changes in Council policy or practice.

Through the Vacancy Management Group Copeland BC has been challenging the need to replace all vacant posts that have arisen in 2009/10 and the efficiencies that have arisen as a result have contributed to the Council's target for savings under NI179. Where it has been necessary to fill a vacancy to safeguard services, active consideration has been given on a case by case basis to options including short-term contracts, reduced hours, restructuring the team or selective use of interim or temporary staff.

Codes of conduct, defining the standards of behaviour for members and staff

The Councillors' Code of Conduct is signed up to by all Members of the Council. The Employee Code of Conduct was reviewed and reissued in April 2007. All employees are required to sign to say they have received it. Both of these have been subject to review and agreement to any changes will be later in 2010.

The Council has a Dignity at Work Policy which was reviewed with recommendations by an OSC task and finish group during 2008/09. When new Council employees are recruited, as part of the employment contract documentation they receive the Employees' Code of Conduct, Confidentiality Statement, Security Policy and CRB form, if required.

The Council achieved level 2 of the Equalities Standard for Local Government in March 2008, which included a significant effort in training and raising awareness of the law among Councillors, employees, partners and contractors. The Council is working towards gaining the Equalities Standard 'Achieving' by December 2010.

During 2009/10 a review by OSC Management of the Council's emerging Choosing to Change improvement programme led to a review of constitutional arrangements, including improved communication and engagement of members, review and revision of the rules governing Council meetings and proposals to restructure the OSC function. The first phase if this work, supported by external expertise provided through North West Improvement and Efficiency Partnership, was to be agreed by Council on 13 April 2010.

Reviewing of Constitution including standing orders, standing financial instructions, scheme of delegation and supporting procedure notes/manuals,

The Council's Constitution has been under review throughout the later half of 2009/10 and this work is continuing into 2010/11. The Council meeting on 13th April 2010 approved a number of changes, and it is anticipated that there will be a second phase of constitutional changes agreed in June 2010.

The Council regularly reviews its financial procedures and Contract Standing Orders. Workshops for managers and other officers are arranged to raise awareness of procedures and changes of practice. Minor amendments to Financial Regulations were approved in December 2007. Contract Standing Orders were reviewed in January 2008. The Anti-Fraud and Corruption Strategy was updated in December 2009.

Individual Heads of Service provided an annual assurance statement on the operation of controls in their service area and this is one source of evidence in considering the effectiveness of the system of internal control.

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 are reviewed quarterly and reported as part of quarterly performance management procedures. The Strategic Risk Register is prepared and monitored quarterly by Corporate Team. Work to review and refresh the Strategic Risk Register was undertaken with support from external expertise during 2009/10. The Audit Committee and OSC Management considered the revised Strategic Risk Register, and arrangements have been put in place to report updates to the Register, periodically to the Audit Committee.

Risk Management and progress on developing a business continuity plan, was monitored regularly by Corporate Team. Another business continuity exercise took place in July 2009 that helped to identify gaps in our planning. A new corporate business continuity plan was signed off by Corporate Team on the 7th December 2009. Individual services have developed plans containing the details of how their service will support the corporate business continuity plan.

The core functions of an audit committee

The Audit Committee, established in 2006, has had an independent chair from January 2009. Its role is to monitor internal and external audit and inspection work, including reviewing the adequacy of internal controls.

Internal Audit submitted an Annual Report on Internal Control to the Audit Committee and a report on compliance with corporate governance standards on 27th May 2009.

The Audit Committee considered and formally adopted the 2008/09 Statement of Accounts on 26th June 2009.

The Audit Committee receives audit and inspection reports on behalf of the Council from External Audit, including the Annual Audit and Inspection Letter which was presented to Members in February 2010. Other Audit Commission reports included the Auditor's report on Data Quality, the Use of Resources Judgement and Annual Governance report.

Early monitoring updates on the preparation of the 2009/10 accounts were submitted to the Audit Committee in November and December 2009, and April 2010.

Accounting Policies and Principles were formally approved by the Audit Committee prior to submission of the Statement of Accounts at its meeting on 21st April 2010.

Compliance with relevant laws and regulations, internal policies and procedures.

During 2009/10 Council decisions and arrangements for considering recommendations and items of business were in accordance with the relevant legislation and the Council's Constitution. The sec:151 Officer 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. Each Executive report contains a grid to allow assessment of the decision against the Council's policy framework.

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 s:151 Officer is required to comment each year on the robustness of the proposed budget and this was supplied to Full Council prior to the agreement of the 2008/9, 2009/10 and 2010/11 budgets. The introduction of the International Accounting Standards to financial reporting has been adopted by Copeland in preparation of its accounts for 2009/10.

SORP 2009 has been reviewed and new requirements have been identified. This was reported to Audit Committee on 21st April 2010. A detailed timetable for implementing change, including staff resource allocation, was drawn up and progress was regularly monitored. Sufficient time was allowed to produce the working papers and to carry out quality checks, whilst still meeting the statutory deadline.

The Control Accounts process for 2009/10 was reviewed by the Financial Accountant and new arrangements put in place to monitor progress. Guidance and training was offered to Managers on close down procedures and evidence required to support transactions. Evidence was reviewed by Accountancy officers before transactions were input to the financial ledger.

The Council continued to update its accounting procedures in line with the International Framework for Reporting Standards in 2009/10, achieving the expected goals by the end of the financial year. This area of improvement will continue applying the standards to remaining accounting systems during 2010/11.

A full review was undertaken of the Earmarked Reserves to ensure transactions were accurate and that expenditure was fully reflected in the Income and Expenditure Account. A Capital Control Group was set up in April 2009 to control and monitor capital account activities.

At every meeting of the Council there are opportunities for elected members to declare personal and prejudicial interest. 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 are required to complete an annual declaration of related party transactions.

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 was 1 call-in during 2009/10. There were no s:151 or Monitoring Officer reports issued in 2009/10.

The Legal Services Manager issued bi-monthly updates to service managers on new legislation and associated statutory guidance;

Whistle-blowing and investigating complaints from the public

There were no adverse Ombudsman reports in 2009/10. Representatives of the Ombusdman's office came to train managers and complaints handling staff in good practice during 2008/09, and the Ombudsman's annual report for Copeland in 2009/10 was especially complimentary.

The Management OSC received quarterly reports of complaints to the Council during the year.

The Confidential Reporting Code was reviewed and re-launched in 2009/10.

Development needs of members and senior officers in relation to their strategic roles,

A Members' Development Plan was in place during 2009/10, arrived at through in depth discussions with individual members. The Council achieved the Members' Development Charter from North West Employers' Organization, which was renewed in September 2009.

The Council decided to secure the services of a training and development advisor to co-ordinate learning and evaluate the investment of the Council's training budget. The employees' Training and Development Plan was created in 2009/10 through a new employee performance management framework introduced April 2009. This framework was designed to identify employees' contributions and training needs to deliver the Corporate Plan and services' plans. Reaccredidation of the Investors In People award in July 2008 confirmed that the Council had mechanisms in place for employees to have access to effective and relevant learning.

In order to mainstream Section 17 (S17) of the Crime & Disorder Act 1998 in all Council activities the shared S17 officer provided training to Allerdale and Copeland members. A work programme for 2009/10 to ensure services audit their activities and embed S17 into their work programmes was under way. In 2010/11 the Section 17 officer will be working full time with Copeland staff and members.

Following the Data Quality audit inspection, managers and key staff attended data quality training. The Data Quality Action Plan for 2009/10 was fully complied with.

Communication and engagement with all sections of the community and other stakeholders

The Council's Communication Strategy sets out the main guidance for communication and consultation with the public. The Council consulted the public on the development of a range of its service and corporate objectives, including the budget for 2009/10. During the preparation for the budget of 2010/11, SIMALTO was used again to seek detailed understanding and opinions from the public about Council priorities.

The Council was engaged in a range of activities to communicate with the public on the future of the nuclear industry in West Cumbria. The Managing Radioactive Waste Safety programme and the proposals for nuclear new-build in Copeland have been significant areas in which the Council has worked in partnership to engage with residents of the Borough.

To achieve Level 2 of the Equality Standard for Local Government the Council talked to a range of community organisations about improving service access during 2007/08. During 2008/09 the Council has been working towards gaining the Equality Standard ‘Achieving’ and has continued to work with community organisations as representatives of target groups to improve service access.

During 2009/10 the Council has been working with partners defining locality working arrangements to give opportunities for greater participation by the community, working with agencies to identify and address local needs. Three locality working pilots were set up and were working on locality plans by December 2009.

Good governance arrangements in respect of partnerships and other group working:

In order to increase its effective and efficient partnership working the Council has developed and formally agreed revised protocols and service level agreements for some partnerships.

External Audit opinion found that there were still improvements that the Council could achieve in developing sound governance of partnerships. This requirement was incorporated into improvement plans for 2009/10. The audit of risk management in partnerships carried out in Cumbria in 2009/10 will form the basis of improvements in Copeland as well as in other districts. Part of the Council's response to this work is to engage in the restructuring of the Cumbria Strategic Partnership and to contribute to the production of a single Sustainable Communities Strategy for Cumbria during 2010.

A review of all strategic partnerships has been underway during 2009/10 to be completed later in 2010. The involvement of elected members in outside bodies has been subject to review during 2009/10, with a view to more active involvement in partnerships, better feedback to the Council and being in a better position to manage risks of achieving Council objectives through partnerships.

REVIEW OF THE EFFECTIVENESS 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 executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit’s (the Audit and Fraud Prevention Manager) 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 2009/10;

•• the **Executive** has included in its Forward Plan decisions relating to the Council’s governance;

•• the **Audit Committee/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 Committee and the Overview and Scrutiny Management Committee also considered the update of the Strategic Risk Register.

•• the **Standards Committee** undertook a review of ethical governance during 2007/8 and continued to deliver against the agreed action plan during 2008/09 and 2009/10. It has published an annual report of its activities for 2009/10.

•• **Internal Audit** has created a plan for and undertaken a number of reviews including governance issues and reported its findings to Corporate Team and the Audit Committee;

•• **other explicit review/assurance mechanisms**. Heads of Service have stated that to the best of their knowledge that in 2009/10 their services have complied with the Council’s framework of policy and procedure in managing resources and observing the requirements of probity. Operational risks are identified through service and project planning and are logged on the Covalent performance system, monitored at least quarterly by managers. Risk management and progress on developing a business continuity plan was monitored regularly by Corporate Team.

The Audit Committee at its meeting of 27th May 2010, received the Annual Report on Internal Control 2009/10 from the Head of Internal Audit which concluded that based on the audit work undertaken in the year, the opinion was that key systems were operating satisfactorily and there was no fundamental breakdown in controls resulting in material error or discrepancies.

The meeting also considered the internal audit report of Corporate Governance Arrangements 2009/10, which evaluated performance against the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government and its checklist. The Head of Internal Audit concluded that the Council's Code of Corporate Governance is in line with best practice. The arrangements were generally effective and being complied with.

The meeting also received a report from the Acting Corporate Director (Quality of Life) on the effectiveness of the system of internal audit which operated in 2009/10. The report brought together the findings of the Self-Assessment of the Head of Internal Audit on the Council's compliance with the CIPFA Code of Practice for Internal Audit in Local Government, the Annual Report on Internal Control 2009/10 and the main findings of the External Auditor in 2009/10 in relation to internal audit.

The conclusion of the report was that the system of internal audit had operated satisfactorily in 2009/10.

SIGNIFICANT GOVERNANCE ISSUES

The significant governance issues in 2009/10 which we will want to address have been identified from a number of sources. They are included in the following Action Plan.

ANNUAL GOVERNANCE STATEMENT 2009/10 ACTION PLAN

Priority Key: P1 s.151 issue or statutory requirement
P2 Key control
P3 Desirable but not essential

Issue No. / Priority	***Corp Governance Report Ref.***	***Governance Weakness and Issues to be Addressed***	***Action Agreed***	***Responsible Officer***	***Target Date***
1 P2	*Arising from Revised 2007/08 AGS 27/3/09; Inspection of Strategic Risk Management Cumbria*	*Weakness:* *A review across Cumbria by the Audit Commission identified weaknesses in the partnership structures and risk management arrangements for the Cumbria Strategic Partnership.* *Issues to be addressed:* *Improve arrangements to identify and mitigate potential risks associated with partnership working. This will include setting up a register of partnerships, including accountable body status, and financial governance procedures – including risk management.*	*Partnership Group established, Chaired by Head of Development Strategy. Framework for analysing Partnership Register has been developed to identify key partnerships in terms of risk and impact. Outcome will be reported in 2010. Also requires new procedures for mitigating identified risks.*	*Corporate Team – Lead Officer- Head of Devt Strategy*	*July 2009* *January 2011*
2 P2	*4.3*	*Weakness* *Remaining need to test other aspects of the Council's Business Continuity arrangements.* *Issue to be Addressed* *Keep under review the Council's arrangements for Business Continuity Planning, including regular testing of these arrangements. Specifically loss of premises has not been tested recently.*	*Aspects of Business Continuity arrangements will be tested as part of the Emergency Planning exercise in summer 2010.*	*Corporate Team – Lead Officer: Acting Director (Quality of Life)*	*31/10/10*
3 P1	*Arising from Revised 2007/08 AGS 27/3/09*	*Weakness* *The Council's Strategic Housing Service received a second unfavourable inspection report in 2009/10* *Issues to be Addressed* *Following another adverse inspection report on the statutory Housing function, an Improvement Plan was drawn up. Need to monitor progress against*	*Revised Improvement Plan in preparation. The Strategic Housing Panel meets monthly and monitors progress closely. Corporate Team has also maintained a monitoring role.*	*Head of Development Strategy*	*September 2009*

Issue No. / Priority	Corp Governance Report Ref.	Governance Weakness and Issues to be Addressed	Action Agreed	Responsible Officer	Target Date
		the Housing Strategy Improvement Plan. [A special Panel has been established for this purpose].			
4 P2	*5.3*	*<u>Weakness</u> The Council's new Workforce Strategy was prepared early on 2010 before the Council was able to agree a new Vision and Corporate Plan. <u>Issues to be Addressed</u> Continuing development of the Workforce Strategy*	*Further develop the Workforce Strategy to support delivery of the new Corporate Plan*	*Head of Policy & Performance*	*31/1/11*
5 P2	*6.2*	*<u>Weakness</u> The Council's Communication Strategy is due for revision, particularly in light of the changes in requirements for engagement, under for example the Duty to Involve. <u>Issue to be Addressed</u> Update the Communications Strategy*	*Develop in light of the communication and engagement strategy for Choosing to Change*	*Head of Policy & Performance*	*31/1/11*
6 P1		*<u>Weakness</u> The national economic situation requires the Council to address the likely budget gap arising from public sector funding reductions 2011-14. In 2009/10 the Council had not begun to address the need to find substantial savings. <u>Issues to be Addressed</u> Address need to reduce revenue budgets in 2011-14 to level sustainable from income, whilst delivering on corporate objectives.*	*Carry out service reviews to create plans for sustainable budget reductions over next three years.*	*Chief Executive*	*31/12/10*
7 P2		*<u>Weakness</u> The Place Survey carried out nationally in 2008/09 fed back low satisfaction levels among residents of Copeland and Cumbria. <u>Issue to be Addressed</u> Carry out improvements in Council activities to address arising from Place Survey results in*	*Deliver on plans agreed following results of first Place Survey*	*Acting Director (Quality of Life)*	*31/3/11*

Issue No. / Priority	Corp Governance Report Ref.	Governance Weakness and Issues to be Addressed	Action Agreed	Responsible Officer	Target Date
		2008/09.			
8 *P1*		*<u>Weakness</u>* *Copeland Borough Council's workforce lost many days to sickness absence in 2009/10, over-turning an improving situation over the previous three years.* *<u>Issue to be Addressed</u>* *Reduce number of employee days lost due to sickness absence.*	*Deliver on plan to review policy and procedure and support improved management practice.*	*Head of Policy and Performance*	*31/3/11*
9 *P2*	*Rising from Annual Report on Internal Control*	*<u>Weakness</u>* *Accountable body status is not sufficiently controlled through procedures.* *<u>Issue to be Addressed</u>* *Adopt a Grants Protocol & Procedure, to minimise the risk of loss of grant.*	*As recommended to support Accountable Body function*	*Acting S151 Officer and Head of Devt. Strategy*	*30/9/10*

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: ……………………………………………………………
Leading Member (or equivalent)

Signed:…………………………………………………………….
Chief Executive (or equivalent)

Date:………………………………………………………………..

Independent auditor's report to the Members of Copeland Borough Council

Insert here>>>

Income & Expenditure Account

For the year ended 31st March 2010

	2009/10			2008/09
	Gross Expenditure	**Gross Income**	**Net Expenditure**	**Net Expenditure As restated**
	£'000	**£'000**	**£'000**	**£'000**
Central Services	7,487	(6,731)	756	926
Cultural, environmental and planning services	14,358	(5,727)	8,631	11,116
Highways, roads and transport services	1,873	(644)	1,229	869
Housing Services	22,087	(20,711)	1,376	1,161
Corporate and Democratic Core	2,196	(113)	2,083	2,723
Non Distributed Costs	5	-	5	30
Discontinued Operations	-	-	-	-
Net Cost of Services	**48,006**	**(33,926)**	**14,080**	**16,825**
(Gain)/Loss on the disposal of fixed assets			-	34
Parish Council precepts			385	368
(Surplus)/Deficit on trading operations			-	-
Interest payable and similar charges			1,033	1,094
Contribution of housing capital receipts to government pool			-	-
Interest and investment income			(467)	(1,725)
Pension interest costs and expected return on pension assets			1,284	752
Other operating income			(165)	(288)
Net Operating Expenditure			**16,150**	**17,060**
Demand on collection fund			(4,291)	(4,100)
General Government grants			(3,659)	(3,203)
Non-domestic rates redistribution			(5,839)	(6,277)
(Surplus)/Deficit for year			**2,361**	**3,480**

The Income and Expenditure Account is fundamental to the understanding of a local authority's activities in that it reports the net cost of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers

Statement of Movement on the General Fund Balance
For the year ended 31 March 2010

	Note	2009/10 £'000	2008/09 As restated £'000
Deficit for the year		2,361	3,480
Net additional amount required by statute and non statutory proper practices to be debited or credited to the General Fund balance for the year	30	(2,907)	(3,332)
(Increase)/decrease in General Fund balance for the year		**(546)**	**148**
General Fund balance brought forward		(3,097)	(3,245)
General Fund balance carried forward		**3,643**	**(3,097)**

While the Income and Expenditure account shows the surplus or deficit that has arisen over the year not all income and expenditure is charged to the General Fund for the purposes of calculating Council Tax. The Statement of the General Fund Balance highlights the amounts generally available to the council after these adjustments have been made.

Statement of Total Recognised Gains and Losses
For the year ended 31 March 2010

	2009/10 £'000	2008/09 As restated £'000
Deficit for the year	2,361	3,480
(Surplus)/deficit for the year arising on revaluation of fixed assets	(2,904)	(3,013)
Actuarial (gains)/losses on pension fund assets and liabilities	6,799	(832)
Total recognised (gains)/losses for the year	6,256	(365)
Net Worth as at 1st April	(33,373)	(33,008)
Net Worth as at 31st March	(27,117)	(33,373)

Not all gains and losses experienced by a local authority are reflected in the Income and Expenditure Account and are posted directly to the Balance Sheet. These gains can include revaluation gains on fixed assets or actuarial gains or losses on pension costs. These gains relate to valuations rather than the performance of the authority and are highlighted on the Statement of Total Recognised Gains and Losses.

The SORP also requires that the financial statements should disclose the effect of a prior period adjustment cumulative effect on reserves and should be disclosed at the foot of the Statement of Total Recognised Gains and Losses.

The cumulative effect on reserves of the prior period adjustments detailed in note 1 to the accounts are as follows:

	PFI prior period adjustment £'000	Collection Fund prior period adjustment £'000
Surplus/(Deficit) on the Income & Expenditure Account	7,439	(151)
Surplus/(Deficit) arising on revaluation of fixed assets	-	-
Actuarial Gain/(Loss) arising on pension fund assets & liabilities	-	-
Gains/(Losses) on Available for Sale Financial Assets	-	-
Any other gains or losses required to be included in the STRGL	-	-
	7,439	(151)

Balance Sheet
As at 31st March 2010

			31st March 2010	31st March 2009 As restated
	Note	£'000	£'000	£'000
Intangible Fixed Assets	16		342	246
Tangible Fixed Assets				
Operational Assets				
Other Land and Buildings	10	24,591		22,570
Vehicles, plant, furniture and equipment	10	2,229		2,380
Infrastructure Assets	10	2,923		3,208
Community Assets	10	1,333		871
			31,076	29,029
Non Operational Assets				
Investment properties	10	4,855		4,082
Assets under construction	10	152		-
Surplus assets, held for disposal	10	10,959		10,915
			15,966	14,997
Total Fixed Assets			47,384	44,272
Long Term Investments	19		30	30
Long Term Debtors	20		193	90
Current Assets				
Stocks and work in progress	21	88		139
Debtors	22	3,490		4,162
Investments	23	17,600		18,701
Cash and bank		1,462		1,608
			22,640	**24,730**
Total Assets			**70,247**	**69,002**
Current Liabilities				
Borrowing repayable on demand or within 12 months		(280)		(205)
Creditors	26	(2,978)		(2,500)
Bank Overdraft		-		(473)
			(3,258)	**(3,178)**
			66,989	**65,824**
Total Assets less current liabilities				
Borrowing repayable within a period in excess of 12 months	27		(11,734)	(12,014)
Provisions	28		(144)	(369)
Government grants deferred	29		(6,529)	(5,281)
Capital grant unapplied			(254)	(1,187)
Liability related to defined benefit pension scheme	34		(21,211)	(13,600)
Total assets less liabilities			**27,117**	**33,373**
Reserves				
Capital Adjustment Account	31		18,600	19,208
Deferred capital receipts	31		36	38
Financial instrument adjustment account	31		(59)	(17)
Revaluation reserve	31		13,587	10,866
Pensions reserve	31		(21,211)	(13,600)
Capital receipts reserve	31		5,365	6,672
General Fund balance	31		3,643	3,097
Collection Fund adjustment account	31		(9)	(21)
Fund balances and earmarked reserves	31		7,165	7,130
Total Net Worth			**27,117**	**33,373**

Cash Flow Statement
For the year ended 31 March 2010

		2009/10		2008/09 As restated	
	note	**£'000**	**£'000**	**£'000**	**£'000**
Net cash (inflow)/outflow on revenue activities	35		208		9,517
Return on investment and servicing of finance					
Interest paid		377		392	
Interest element of finance lease rental payments		661		702	
Interest received		(534)		(1,818)	
			504		(724)
Capital Activities					
Purchase of fixed assets		2,498		1,693	
Other Capital Cash Payment		222		150	
Payment of renovation and other deferred charges		-		-	
Purchase of long term deposits		-		-	
Sale of fixed assets		(298)		(209)	
Capital grants received		(1,581)		(1,395)	
Loan extended/repaid for capital purposes		-		-	
Other capital receipts		(506)		(814)	
			335		(575)
Net cash (inflow)/outflow before financing			1,047		8,218
Management of liquid resources					
Net increase/(decrease) in short term deposits			(1,101)		(3,010)
Other liquid resources			(273)		(4,969)
Net decrease/(increase) in cash			(327)		239

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. As permitted by FRS1 Cash Flow Statements and the SORP 2009, Cash Flow Statements can be presented using either the direct or indirect method. For the 2008/09 final accounts the direct method was used disclosing all major classes of gross cash receipts and payments. For 2009/10 the indirect method has been used whereby the net cash flow from revenue activities is derived by means of a reconciliation from the surplus or deficit on the Income and Expenditure Account for the year.

Notes to the Financial Statements

1. Prior Period Adjustment

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

There are two adjustments to the accounting policies adopted by the Council as a result of the 2009 SORP which requires significant changes to the 2008/09 accounts;

1. The first relates to requirements under the 2009 SORP to classify the Council acting as a Billing Authority for Council Tax and National Non-Domestic Rates as an agency arrangement with the major Preceptors and Government respectively. Previously, the Balance Sheet included all local tax debtors and creditors and the Cash Flow Statement all related cash flows. Under 2009 SORP, only the Council's share of these balances, and the amounts owed to/due from the major Preceptors or Government and the Councils' share of cash flows will be included.

2. The second relates to requirements under the 2009 SORP to account for PFI and similar contracts in a manner that is consistent with the adaptation of IFRIC 12 'Service Concession Arrangements' contained in the government's Financial Reporting Manual.

Copeland entered into a PFI building agreement on 17th September 2004 for a 25 year period, for the main administration centre in Whitehaven. In previous years, this was accounted for as an operating lease, in accordance with FRS 5 'Substance of Transactions' and SSAP 21 'Accounting for Leases and Hire Purchase Contracts'.
The Authority is now required to bring the accounting treatment for PFI and similar contracts into line with government's adaptation of IFRIC 12 'Service Concession Arrangements'. This is a change in accounting policy which results in material adjustments applicable to prior years. These adjustments have been accounted for by restating the comparative figures for the previous period (2008/09) in the Statement of Accounts and notes to the Statement of Accounts, and adjusting the balance of reserves for the cumulative effect. The comparative figures are based on the regulations and guidance even though those regulations and guidance only apply from 1st April 2009.

The changes made to the figures published in the 2008/09 Statement of Accounts in order to arrive at the comparative Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet, Statement of Recognised Gains and Losses and Cash Flow figures for 2008/09 are as follows (only figures that have changed are included in the tables):

Extract from Income and Expenditure Account and Statement of Movement on the General Fund Balance:

	2008/09 before adjustment	PFI Adjustment	Collection Fund Adjustment	2008/09 as restated
	£'000	£'000	£'000	£'000
Central Services	1,079	(153)		926
Cultural, environmental and planning services	11,521	(405)		11,116
Highways, roads and transport services	878	(9)		869
Housing Services	1,296	(135)		1,161
Corporate and Democratic Core	2,920	(197)		2,723
Non Distributed Costs	30	-		30
Net cost of services	**17,724**	**(899)**	**-**	**16,825**
Interest payable & similar charges	392	702		1,094
Net operating Expenditure	**17,257**	**(197)**	**-**	**17,060**
Demand on Collection Fund	(4,107)		7	(4,100)
Share of Collection Fund surplus	(7)		7	-
(Surplus)/Deficit for year	**3,663**	**(197)**	**14**	**3,480**

Statement of Movement on the General Fund Balance (extracts)

	2008/09 before adjustment	PFI Adjustment	Collection Fund Adjustment	2008/09 as restated
	£'000	£'000	£'000	£'000
Net (Surplus)/deficit on the General Fund	3,663	(197)	14	3,480
Net additional amount required by statute	(3,515)	197	(14)	(3,332)
Balance on the General Fund brought forward	(3,245)	-		(3,245)
Balance on the General Fund carried forward	(3,097)	-	-	(3,097)

Extract from Balance Sheet

	31st March 2009 before Adjustment £'000	PFI Adjustment £'000	Collection Fund Adjustment £'000	31st March 2009 as restated £'000
Operational Assets - Other land & Buildings	22,570	0		22,570
Debtors	4,984	-	(822)	4,162
Creditors	(3,193)	(280)	973	(2,500)
Borrowing repayable on demand or within 12 months	-	(205)		(205)
Total Assets less current liabilities	**66,158**	**(485)**	**151**	**65,824**
Borrowing repayable within a period in excess of 12 months	(5,060)	(6,954)		(12,014)
Total assets less liabilities	**40,661**	**(7,439)**	**151**	**33,373**
Capital Adjustment Account (*1)	(26,647)	7,439	-	(19,208)
Collection Fund Balance	172		(172)	-
Collection Fund Adjustment Account	-		21	-
General Fund balance	(3,097)	-	-	(3,097)
Total Net Worth	**(40,661)**	**7,439**	**(151)**	**(33,373)**

(*1) The adjustment column includes MRP as follows:	**£'000**
MRP - amount arising on transition to IFRS	571
MRP - amount arising in the year – see note 7	202
	774

Extract from Statement of Total Recognised Gains and Losses

	2008/09 before Adjustment £'000	PFI Adjustment £'000	Collection Fund Adjustment £'000	2008/09 as restated £'000
Deficit for the year on the Income & Expenditure Account	3,663	(197)	14	3,480
(Surplus)/deficit for the year arising on revaluation of fixed assets	(3,013)	-		(3,013)
Actuarial (gains)/losses on pension fund assets and liabilities	(832)	-		(832)
(Gains)/losses on the collection fund	118	-	(118)	-
Total recognised (gains)/losses for the year	(64)	(197)	(104)	(365)
Net Worth as at 1st April	(40,597)	7,636	(47)	(33,008)
Net Worth as at 31st March	**(40,661)**	**7,439**	**(151)**	**(33,373)**

Extract from Cash Flow Statement

	2008/09 before Adjustment	PFI Adjustment	Collection Fund Adjustment	2008/09 as restated
	£'000	£'000	£'000	£'000
Net cash (inflow) / outflow on revenue activities	5,250	(702)	4,969	9,517
Return on investment and servicing of finance				
Interest paid	392	702		1,094
Net cash (inflow) before financing	3,249	-	4,969	8,218
Management of liquid resources				
Net increase / (decrease) in short term deposits	(3,010)			(3,010)
Other Liquid resources			(4,969)	(4,969)
Net (increase) in cash	**239**	**-**	**-**	**239**

Extract from Notes to the Cash Flow Statement - Reconciliation of net deficit to net cash inflow from revenue activities

	2008/09 before Adjustment	PFI Adjustment	Collection Fund Adjustment	2008/09 as restated
	£'000	£'000	£'000	£'000
Deficit on the Income & Expenditure Account for the year	3,663	(197)	14	3,480
Depreciation and impairment of fixed asset	(2,762)	(5)		(2,767)
Collection Fund Movement	118		(14)	104
Movement in Debtors	(1,964)		(107)	(2,071)
Movement in Liabilities	5,210	202	5,076	10,488
Interest Payable and receivable	1,333	(702)		631
Net Cash Inflow/Outflow from operating activities	**5,250**	**(702)**	**4,969**	**9,517**

2. Trading Operations

The Authority sublets part of the Copeland Centre to the Department of Works and Pensions and Copeland Homes. The costs incurred renting out the premises are covered by the rental revenues generated. The net effect to the Income and Expenditure Account is nil.

3. Agencies

The Authority does not provide any material agency based services.

4. Councillors' Allowances and Officer Remuneration

Councillors' Allowances – the total of Councillors' allowances paid during the year was £246,966 (2008/09 £261,549)

Officer Remuneration – Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 [SI 2009 No. 3322] introduce a new legal requirement to increase the transparency and accountability in Local Government for reporting remuneration of senior employees. The number of employees whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £5,000 were as follows:

Remuneration Band	2009/10	2008/09
	Number of	Number of
	Employees	Employees
£50,000 - £54,999	5	6
£55,000 - £59,999	2	2
£60,000 - £64,999	1	-
£65,000 - £69,999	-	1
£70,000 - £74,999	-	-
£75,000 - £79,999	-	1
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	1	-
£95,000 - £99,000	1	1

Senior Officers emoluments- Salary between £ 50,000 and £ 150,000 per year for 2009/10

Post holder information (Post Title)	note	Salary (Including fees & Allowances)	Expenses Allowances	Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding pension contributions 2009/10	Pension Contributions	Total Remuneration including pension contributions 2009/10
		£	£	£	£	£	£
Chief Executive	(1)	57,727	34	1,189	58,950	9,876	68,825
Corporate Director Development		92,426	2,249	906	95,580	15,712	111,293
Acting Corporate Director Quality of Life		64,024	622	906	65,552	10,884	76,436
Head of Customer Services		52,591	990		53,581	8,940	62,522
Head of Finance & Management Information Systems		59,375	401		59,776	10,094	69,870
Head of Legal & Democratic Services		59,452	79		59,531	10,107	69,638
Head of Policy & Performance		52,591	422		53,013	8,940	61,954
Head of Development Operations		52,591	364		52,955	8,940	61,896
Director of Public Service Delivery		52,591	2,759	906	56,256	8,940	65,196
Head of Development Strategy		52,591	1,163		53,754	8,940	62,694

Note (1) – The Chief Executive retired 31st January 2010. His full annualised salary was £97,111. His position has been filled by an interim that is not an employee of Copeland Borough Council and has therefore not been disclosed in this note.

Senior Officers emoluments- Salary between £ 50,000 and £ 150,000 per year for 2008/09

Post holder information (Post Title)	note	Salary (Including fees & Allowances)	Expenses Allowances	Benefits in Kind (e.g. Car Allowance)	Total Remunerartion excluding pension contributions 2008/09	Pension Contributions	Total Remunerartion including pension contributions 2008/09
		£	£	£	£	£	£
Chief Executive		97,111	204	2,000	99,315	16,315	115,629
Corporate Director Development		79,607	2,064	849	82,520	13,374	95,894
Corporate Director Quality of Life		28,773	313	356	29,442	4,834	34,276
Acting Corporate Director Quality of Life		59,383	1,188	849	61,420	9,976	71,396
Head of Customer Services		52,591	817		53,408	8,835	62,243
Head of Finance & Management Information Systems		26,738	66		26,805	4,492	31,297
Head of Legal & Democratic Services		59,452	245		59,697	9,988	69,685
Head of Policy & Performance		52,591	570		53,161	8,835	61,996
Head of Development Operations		25,433			25,433	4,273	29,705
Director of Public Service Delivery		47,926	2,015	774	50,715	8,017	58,732
Head of Development Strategy		28,367	823		29,190	4,766	33,956

5. Related Party Transactions

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

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in the notes to the Cash Flow Statement.

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

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

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

Other public bodies - Transactions in relation to the Local Government Pension Scheme administered by Cumbria County Council are set out in Note 34.

Whitehaven Rugby Club Limited

Whitehaven Rugby Club Limited is judged to be a related party by virtue of the Council's shareholding in Whitehaven 1992 Limited.

6. Audit Fees

During the year, the following fees relating to external audit and inspection performed by the Audit Commission were payable.

Audit Fees	**2009/10**	**2008/09**
	£	**£**
Fees payable to the Audit Commission in respect of statutory inspection	19,600	5,900
Fees payable to the Audit Commission for the certification of grant claims and returns	26,180	61,488
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	149,458	186,260
Fees payable in respect of other services provided by the appointed auditor	-	28,500
Total	195,238	282,148

7. Revenue Provision for the Payment Of External Debt

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 2009/10 this is equivalent to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance, or loans fund principal charges.

Bringing the PFI arrangement onto balance sheet in line with IFRIC 12 results in an increase in the Authority'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.

For the year 2009/10 the capital programme, other than the PFI arrangement, was fully funded, hence no further provision has been made from revenue.

Capital Expenditure has been financed as follows;

	31st March 2010	**31st March 2009 As restated**
	£'000	**£'000**
Pre Prior Period Adjustment Opening Capital Financing Requirement	**N/A**	**1,614**
Prior Period Adjustment	N/A	7,640
Post Prior Period Adjustment Capital Financing Requirement	**9,053**	**9,254**
Capital Investment:		
Operational Assets	1,695	1,625
Non Operational Assets	962	68
Revenue Expenditure Funded from Capital under Statute	3,554	3,260
Sources of Finance		
Capital receipts	(1,779)	(1,265)
Governments Grants and other contributions	(4,345)	(3,668)
Prior Period Adjustment – Sums Set Aside From Revenue	N/A	(202)
Sums Set Aside From Revenue	(219)	N/A
Earmarked reserves	(88)	(19)
Closing Capital Financing Requirement	8,833	9,053
Explanation of movements in year		
Increase in underlying need to borrow (supported by government financial assistance)	-	-
Increase in underlying need to borrow (unsupported by government financial assistance)	-	-
Repayment of debt	(220)	(202)
	(220)	(202)

8. General Government Grants

	2009/10 £'000	2008/09 £'000
PFI Grant	837	837
Revenue Support Grant	1,348	874
Area Based Grant	1,366	1,435
LABGI	25	57
Housing Planning & Delivery Grant	83	-
	3,659	**3,203**

9. Exceptional Item – Analysis of Impairments Charged to I&E

	2009/10 £'000	2008/09 £'000
Central Services	-	888
Cultural, environmental and planning services	88	244
Highways	387	
Total	**475**	**1,132**

10. Tangible Fixed Assets (£'000)

	Land & Buildings	Community Assets	Plant & Vehicles	Infrastructure	Surplus Held For Sale	Investments	Assets Under Construction	Total
Cost As at 1 April 2009	24,692	871	3,885	4,756	10,915	4,082	-	49,201
Additions	607	585	60	6	94	868	152	2,372
Disposals	-	-	-	-	(266)	(32)	-	(298)
Gains on Revaluations	2,868	1	42	-	453	54	-	3,418
Impairments	(636)	-	-	-	(237)	(117)	-	(990)
Reclassification	-	(124)	124	-	-	-	-	-
As at 31 March 2010	27,531	1,333	4,111	4,762	10,959	4,855	152	53,703
Depreciation As at 1 April 2009	2,122	-	1,505	1,548	-	-	-	5,175
Charged in year	818	-	382	291	-	-	-	1,491
On disposals	-	-	-	-	-	-	-	-
Revaluation in Year	-	-	(5)	-	-	-	-	(5)
As at 31 March 2010	2,940	-	1,882	1,839	-	-	-	6,661
Net Book Value As at 31 March 2010	24,591	1,333	2,229	2,923	10,959	4,855	152	47,042
As at 1 April 2009	22,570	871	2,380	3,208	10,915	4,082	-	44,026

All Assets are owned by Copeland Borough Council. The PFI has nil value and is not included in this table but is disclosed separately within note 15.

11. Fixed Asset Valuation

The history of asset valuations is as follows:

	Other L&B	Community	Infrastructure &Intangible	Vehicles,Plant &Equipment	SHFS	Investments	AUC	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at Historic Cost	-	866	5,662	3,805	-	13	-	10,346
Carried at revalued cost								
2009/10	15,800	467	290	271	566	1,600	152	19,146
2008/09	4,755	-	-	35	10,146	3,204	-	18,140
2007/08	5,738	-	-	-	187	38	-	5,963
2006/07	1238	-	-	-	60	-	-	1,298
Total	**27,531**	**1,333**	**5,952**	**4,111**	**10,959**	**4,855**	**152**	**54,893**

12. Capital Commitments

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

Housing Renewal and Disabled Facilities
The Authority has a commitment to housing renewal and 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 2010 is £603,129.

13. Information On Assets Held

Fixed assets owned by the Council include the following:

	As at 31st March 2009	As at 31st March 2010
Operational Assets		
Headquarters	1	-
Depots	4	3
Crematorium	1	1
Cemeteries	10	5
Civic Halls	1	1
Swimming Pools	1	1
Sports Centres	1	1
Nursery	1	1
Beacon/Heritage Centre	1	1
Bowls Centre	1	1
Sports fields and playing grounds	6	14
Vehicles, plant and equipment	54	51
Non Operational Assets		
Commercial Properties	-	-
Ex depots	2	4
Garage plots	198	283
Estate shops	1	2

14. Operating Lease Rentals

The Authority uses light vans, medium vans, tipper trucks, refuse collection vehicles, specialised environmental cleansing vehicles, grounds maintenance tractors, other specialised items of plant, and photocopiers, financed under terms of operating leases.
The amount paid under these arrangements in 2009/10 was £733,980 (2008/09 £746,853 restated to reflect the change in PFI treatment).

The Authority is committed as at 31st March 2010 to making payments of £610,875 under these leases in 2010/11, comprising the following elements

	As at 31st March 2010 £'000	As at 31st March 2009 £'000
Operating lease commitments for 2010/11		
Plant, machinery and vehicles		
Within one year	112	74
Between one and five years	499	363
After five years	-	271
	611	708

In 2008/09 The Copeland Centre was disclosed under the operating lease note but due to the changes in the SORP it is now disclosed in note 15 below.
The Council sublets a portion of the building to the Department for Work and Pensions and Copeland Homes on 25 year operating leases. The Council will receive £550,298 under the terms of these leases in 2010/11 (£505,815 in 2009/10).

15. PFI and similar contracts

Copeland entered into a PFI building agreement on 17th September 2004 for a 25 year period, for the main administration centre in Whitehaven. In previous years, this was accounted for as an operating lease, in accordance with FRS 5 'Substance of Transactions' and SSAP 21 'Accounting for Leases and Hire Purchase Contracts'.

The Authority is now required to bring the accounting treatment for PFI and similar contracts into line with government's adaptation of IFRIC 12 'Service Concession Arrangements'. This is a change in accounting policy which results in material adjustments applicable to prior years. These adjustments have been accounted for by restating the comparative figures for the previous period in the statement of accounts and notes, and adjusting the balance of reserves for the cumulative effect. The effects of this Prior Period Adjustment are disclosed at note 1.

a. Assets recognised under the PFI arrangement:

	Copeland Centre £'000
Cost	
As at 1st April 2009	-
Additions	-
Disposals	-
Gains on Revaluations	-
Impairments	-
Reclassification	-
As at 31st March 2010	-
Depreciation	
As at 1st April 2009	-
Charged in year	-
On disposals	-
Revaluation in Year	-
As at 31st March 2010	-
Net Book Value	
As at 31st March 2010	-
As at 1st April 2009	-

b. Liabilities arising from PFI and similar contracts:

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

	2009/10 £'000s	2008/09 £'000s
As at 1st April	7,159	7,346
Finance Lease Liability Redemption Payments During Year	(205)	(188)
As at 31st March	**6,954**	**7,159**

c. Payments to be made under PFI and similar contracts:

The Authority was committed at 31st March 2010 to making the following payments under the Copeland Centre PFI scheme:

	Repayments of Liability	Interest (excluding contingent rents)	Service charges	Lifecycle replacement costs	TOTAL
	£'000s	£'000s	£'000s	£'000s	£'000s
Due within 1 year	221	619	516	3	1,358
Due within 2>5 years	1,084	2,261	2,196	30	5,570
Due within 5>10 years	1,126	2,343	3,068	1,016	7,553
Due within 10>15 years	1,838	1,709	3,471	1,037	8,055
Due within 15>20 years	2,685	694	3,485	659	7,523

Prices are based on an estimate of the cash amount that will actually be paid and therefore include estimated inflationary increases.

16. Intangible Fixed Assets

	Intangible Fixed Assets £'000
Cost	
As at 1st April 2009	906
Additions	284
As at 31st March 2010	1,190
Amortisation	
As at 1st April 2009	660
Additions	188
As at 31st March 2010	848
Net Book Value	
As at 31st March 2010	342
As at 1st April 2009	246

All Intangible Fixed Assets relate to the purchase of software licenses.

17. Net Assets Employed

All assets employed by the Council relate to general fund activities.

18. Shareholdings

The Authority holds 30,000 £1 ordinary shares in Whitehaven 1992 Limited representing 45.8% of the total called up share capital of the company. The Council invested in this company in order to provide support to the Whitehaven Rugby League Football Club which is a 71.2% owned subsidiary of the Whitehaven 1992 Limited Company. This represents a 32.6% interest that the Council has in the Whitehaven Rugby League Football Club.
The latest set of accounts available for Whitehaven 1992 Limited is made up to 31st December 2008 and records the following key statistics:

	31st December 2008 £'000
Net Assets/(Liabilities)	66
Turnover for the year ended	Nil*
Net Profit/Loss for the year ended	Nil*

*The company is a non trading company.

On the grounds that the Council's share of the net assets and results for the year ended are inconsequential to the overall assets of the Council, the results of the Company are not consolidated into these financial statements.

The investment is classified as an available for sale financial asset for which there is no active market, per the Statement of Recommended Practice such an investment should be carried at cost less impairment. The Council is of the opinion that the historic cost of the investment (£30,000) is an appropriate carrying value for this asset.

Copies of the latest set of accounts are available from Companies House.

19. Long Term Investments

	31st March 2010 £'000	**31st March 2009 £'000**
Shareholding in Whitehaven 1992 Ltd	30	30
	30	30

The investment in Whitehaven 1992 Limited relates to the Council's ongoing support of the Whitehaven Rugby Football League Club. Further details are disclosed within Note 18 Shareholdings and Note 5 Related Parties.

20. Long Term Debtors

	31st March 2010 £'000	31st March 2009 £'000
Loans to employees and related parties	10	10
Mortgage Debtors	41	43
Sundry Debtors	142	37
	193	90

21. Stocks and Work In Progress

	31st March 2010 £'000	31st March 2009 £'000
Other stocks	88	139
	88	139

22. Debtors

	31st March 2010 £'000	31st March 2009 As restated £'000
Amounts owed by government entities	365	655
Collection Fund debtors	37	114
Sundry debtors	3,335	3,811
Payments in advance	380	248
Gross Debtors	**4,117**	**4,828**
Provision for bad debts	(627)	(666)
	3,490	4,162

23. Short Term Investments

	31st March 2010 £'000	31st March 2009 £'000
External Investments	17,600	18,701
	17,600	18,701

The external investments (£17,600,000) relate to money held on fixed term deposit <364 days with Money Market institutions, in accordance with the council's Treasury Management Policy.

24. Financial Instruments

Types of financial instruments – The borrowings and investments disclosed in the balance sheet comprise of the following categories of financial instruments:

	Long-term		Current	
	31st March 2010	31st March 2009	31st March 2009	31st March 2009
	£'000	£'000	£'000	£'000
Financial Liabilities at Amortised Cost				
Creditors-general	-	-	1,131	1,646
Bank overdraft	-	-	-	473
Short term borrowing	-	-	280	205
Long term borrowing	11,734	12,014	-	-
	11,734	12,014	1,411	2,324
Loans and Receivables				
Long term debtors	183	80	-	-
Debtors-general	-	-	2,775	3,144
Loans and Receivables	-	-	17,600	18,701
Cash at bank	-	-	1,462	1,608
Equity instrument held at cost (available for sale financial instrument)	30	30	30	30
	213	110	21,867	23,483

Reconciliation of Balance Sheet Debtors and Creditors to Financial Instruments

	Debtors		Creditors	
	2009/10	2008/09 As restated	2009/10	2008/09 As restated
	£'000	£'000	£'000	£'000
Financial Liabilities at Amortised Cost				
Value as per Financial Instrument Note	2,958	3,224	1,131	1,646
Car Loans	10	10	-	-
Statutory Non Contractual Items	715	1,018	1,847	854
Balance Sheet Amount	3,683	4,252	2,978	2,500

Gains and losses on financial instruments- The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments are made up as follows:

	Liabilities measured at amortised cost		**Financial Assets loans and receivables**		**Total**	
	2009/10	**2008/09**	**2009/10**	**2008/09**	**2009/10**	**2008/09**
		As restated		**As restated**		**As restated**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Interest expense	(1,033)	(1,094)	-	-	(1,033)	(1,094)
Interest income	-	-	467	1,725	467	1,725
Net income/(expenditure)for the year	(1,033)	(1,094)	467	1,725	(566)	631

Carrying Value of assets and liabilities- Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price

Fair value of assets and liabilities carried at amortised cost- The fair value of each class of financial assets and liabilities that are carried in the Balance Sheet at amortised cost is disclosed below.

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the PWLB rate taken at 31st March 2010.

The fair values of financial liabilities are calculated as follows:

	31st March 2010		**31st March 2009**	
	2009	**2009**	**Carrying Amount As restated**	**Fair Value As restated**
	£'000	**£'000**	**£'000**	**£'000**
Current Financial Liabilities	1,411	1,411	2,324	2,324
Finance Leases Payable > 1 yr	6,733	6,733	6,954	6,954
LOBO's	5,001	7,768	5,060	8,119

Fair value of the LOBO is more than the carrying amount because this is a fixed rate loan where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.
A fair value exercise has not been carried out on the finance leases > 1 yr as this is not required by the SORP and is therefore shown at the carrying amount.

The fair value of financial assets are calculated as follows;

	31st March 2010		31st March 2009	
	Carrying Amount	**Fair Value**	**Carrying Amount As restated**	**Fair Value As restated**
	£'000	**£'000**	**£'000**	**£'000**
Debtors-long term	183	183	80	80
Debtors-general	2,775	2,775	3,144	3,144
Debtors-loans and receivables	-	-	-	-
Deposits with banks and building societies	19,062	19,062	20,309	20,309
Equity instrument held at cost	30	30	30	30

The fair value is the same as the carrying amount because the Council's portfolio of investments comprises only short-term fixed interest deposits at the Balance Sheet date, with a latest maturity of 22nd June 2010.

The Council has made a number of loans to voluntary organisations at less than market rates (soft loans). The details of these are;

	Advance	Carrying Value
Boatyard Loan	140,000	130,945
Home Improvement Loans	191,795	141,610

Legal charges are held on these loans.

When soft loans are made, a loss is recorded in the Income and Expenditure Account (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary 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 Income and Expenditure Account 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 Statement of Movement on the General Fund Balance disclosed in note 30.

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 Income and Expenditure Account.

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Income and Expenditure Account.

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 24th February 2009. The key issues within the strategy were:

- The Authorised Limit for 2009/10 was set at £9m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £5.1m. 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	£15.0m

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMP's). 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 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 Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above
- 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 Head of Finance and MIS has 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.
- Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMADF – a Government body which accepts local authority deposits), Money Market Funds, guaranteed deposit facilities and strongly rated institutions offered support by the UK Government. The credit criteria have been amended to reflect these facilities.

The full Investment Strategy for 2009/10 was approved by Full Council on 24th February 2009.

The following analysis summarises the Authority's maximum exposure to credit risk. The table (composite defaults from Fitch, Standard & Poors and Moody's) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period since at least 1990 to 2009. Defaults shown are by long term rating category on investments out to 1 year, which were the most commonly held investments during the year.

	Value at 31st March 2010 £'000	**% default based on previous experience**	**% default adjusted for current market conditions**	**Estimated maximum exposure to default £'000**
Deposits with banks - instant access	1,462	Nil	Nil	Nil
Deposits with Banks and other Financial Institutions – A rated	4,036	.08%	.08%	3
Deposits with Banks and other Financial Institutions – BBB rated	13,564	.24%	.24%	33
Equity Instrument held at cost	30	Nil	Nil	Nil
Customers	2,958	5.00%	5.00%	148
				184

No breaches of the Council's counterparty criteria occurred during the reporting period and 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 £745k of the £2,958k balance can be analysed by age as follows:

	31st March 2010 £'000	**31st March 2009 £'000**
30 Days Outstanding	22	44
60 Days Outstanding	35	55
90+ Days Outstanding	688	653
	745	752

Collateral – During the reporting period the council held no collateral as security.

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

	£'000
Balance as at 1st April 2009	(666)
(Increase)/decrease in provision for year	39
Balance as at 31st March 2010	(627)

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 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:

	31st March 2010 £'000	31st March 2009 £'000
Less than one year	17,600	18,701
Between one and two years	-	-
Between two and three years	-	-
More than three years	-	-
Total	17,600	18,701

All trade receivables £2,775k are due to be paid in less than one year and are not shown in the table above.

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 indicator limits 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 (approved Council in the Treasury Management Strategy, see page 62):

	31st March 2010 £'000	**31st March 2009 Restated £'000**
Less than one year	1,411	2,324
Between one and five years	1,084	1,003
Between five and ten years	1,126	1,117
Between ten and fifteen years	1,838	1,696
More than fifteen years	7,686	8,198
Total	13,145	14,338

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 Income and Expenditure Account 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 Income and Expenditure Account 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 Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account, in which case gains and losses will be posted to the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential 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 with all other variables held constant the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	40
Increase in interest receivable on variable rate investments	(275)
Impact on Income and Expenditure Account	(235)
Decrease in fair value of fixed rate investment assets	-
Impact on STRGL	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	1,063

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

Price risk – The Council, excluding the pension fund, does not invest in equity shares or marketable bonds but it does have shareholdings to the value of £30,000 in the WRLFC. Whilst these holding are generally illiquid, the Council is exposed to losses arising from movements in the price of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

The shares are all classified as Available-for-Sale, meaning that all movements in price will impact on gains and losses recognised in the STRGL, however due to the size of the investment all fluctuations would be deemed immaterial.

Foreign exchange risk – The Council holds a single bank account denominated in Euros, the balance on this account at the year end was £581 when converted at the exchange rate prevailing at 31st March 2010. 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 Authority.

25. Euro Costs

Assets and liabilities denominated in foreign currencies are translated into GB pounds at the rates prevailing at the year end. At 31st March 2010 the assets comprised the balance of Euro 654.12 in the Euro account held at the Authority's bank account. There were no liabilities at this date.

26. Creditors

	31st March 2010	31st March 2009 As restated
	£'000	£'000
Government departments	(612)	(440)
Sundry creditors	(1,095)	(1,564)
Council tax payers and ratepayers	(83)	(66)
Receipts in advance	(1,153)	(348)
Accrued interest deposits	-	-
Pension contributions due	(35)	(82)
	(2,978)	(2,500)

27. Long Term Liabilities

	31st March 2010	31st March 2009 As restated
	£'000	£'000
Finance Leases		
Borrowings repayable in 1>5 years	(1,084)	(1,003)
Borrowings repayable in 5>10 years	(1,126)	(1,117)
Borrowings repayable in more than 10 years	(4,522)	(4,833)
LOBO		
Borrowings repayable in more than 5 years	(5,001)	(5,060)
	(11,734)	(12,014)

28. Provisions

	Insurance provision	Staff Related Provision	Other Provision	Total
Balance as at 1st April 2009	(77)	(292)	-	(369)
New provision raised	(43)	(24)	-	(67)
Utilised in year	-	292	-	292
Balance as at 31st March 2010	(120)	(24)	-	(144)

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 £120,000 represents the gross liability. As at 31st March 2010 the Council estimates that £98,595 will be met by its insurers.
The Council anticipates that the outstanding claims will be settled within 5 years.

The staff related provision is the Councils' best estimate of the likely settlement of an industrial tribunal case, following legal advice from their solicitors.

29. Government Grants and Contributions Deferred

	£'000
Balance as at 1st April 2009	(5,281)
Released to revenue	333
Applied to fixed assets in year	(1,581)
Balance as at 31st March 2010	(6,529)

30. Significance of the statement of movement on the general fund balance

The Income and Expenditure Account (page 37) shows the Council's actual financial performance for the year, measured in terms of resources consumed and generated over the past twelve months. However the Council is required to raise council tax on a different basis, the main two differences being:

- Capital expenditure is accounted for as it is financed; and
- Retirement benefits are charged as amounts become payable to pensioners or as employer contributions become payable rather than as future benefits are earned.
- The Statement of Movement on the General Fund Balance (page 38) adjusts the deficit on the Income and Expenditure account to reflect whether the Council has over or under spent against the revenue that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The deficit on the Income and Expenditure Account was £2,361k (£3,480k as restated in 2008/09); however after allowing a £2,907k net additional amount required by statute and non-statutory proper practices to be credited to the General Fund (£3,332k as restated in 2008/09) the increase in the General Fund was £546k (decrease £148k in 2008/09)

Reconciling Items for the Statement of Movement on the General Fund Balance

	Note	2009/10	2008/09 As restated
		£'000	£'000
Amounts included in the income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund balance for the year			
Amortisation of intangible assets		(188)	(146)
Depreciation and impairment of fixed assets		(1,962)	(2,767)
Interest in respect of soft loans		(42)	27
Government Grants deferred amortisation		333	233
Write down of deferred charges to be financed from capital resources		(761)	(938)
Net loss on sale of fixed assets		0	(34)
Re-categorisation of revenue expenditure from capital			
Proceeds from vat sharing arrangement		164	288
Repayment of housing loans		7	
Net charges made for retirement benefits in accordance with FRS17		(2,037)	(1,861)
Adjustments for Preceptors share of Collection Fund		12	(14)
		(4,474)	(5,212)
Amounts not included in the Income and Expenditure Account but required to be included by statute to be excluded when determining the movement on the General Fund balance for the year			
MRP		219	202
Employer's contributions payable to Cumbria Superannuation Fund and retirement benefits payable direct to pensioners		1,225	1,164
Capital Expenditure Charged in year to general fund balance		88	
		(2,942)	(3,846)
Transfers to or from the general fund balance required to be taken into account when determining the movement on the general fund balance for the year			
Net transfer to or from the earmarked Reserves/other statutory funds		35	514
Net additional amount required to be credited to the general fund balance for the year		(2,907)	(3,332)

31. Movement on Reserves

The Council is required to maintain a number of reserves under the provisions of the Statement of Recommended Practice. The reserves and their broad functions are as follows.

General Fund Balances (GFB)

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

Useable Capital Receipts Reserve (UCRR)

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

Deferred Capital Receipts Reserve (DCR)

This represents the balance of capital debtors recognised within long term debtors in respect of Housing Act Mortgage Debtors which remain outstanding at the year end and, therefore, cannot be counted within the useable capital receipts reserve.

Capital Adjustment Account (CAA)

This account exists to capture those elements of capital accounting required by the Statement of Recommended Practice other than those taken through the revaluation reserve.

Earmarked Reserves (EMR)

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

Financial Instrument Adjustment Account (FIAA)

This account exists to capture the difference between the interest receivable and payable as calculated under FRS 25, 26 and 29 and that required by the Statement of Recommended Practice to be recorded in the movement in general fund balances.

Pension Reserve (PR)

This reserve captures those charges and movements required to be recognised under FRS17 when calculating total gains and losses for the year but which are required to be excluded from the movement on general fund balances.

Revaluation Reserve (RR)

This reserve captures the cumulative surplus recognised (but not realised) on the revaluation of fixed assets held by the Council.

Collection Fund Adjustment Account (CFAA)

This account has been introduced to the Financial Statements for 2009/10 and records the differences between the amount credited to the I&E Account and the demand on Collection Fund and the amount payable/receivable in the current year to recover deficits or distribute surpluses arising in prior years.

This replaces the Collection Fund balance disclosed in 2008/09. This balance represented the surplus on the collection fund which was required by statute to be maintained on a ring fenced basis.

The table overleaf sets out the movements in reserves in the year and as such encompasses both the Statement of Recognised Gains and Losses and the Statement of Movement on General Fund Balance.

Movement on reserves (continued)

	GFB	CFAA	UCRR	DCR	CAA	EMR	FIAA	PR	RR	Net worth
As at 1st April 2009 restated	(3,097)	21	(6,672)	(38)	(19,208)	(7,130)	17	13,600	(10,866)	(33,373)
Deficit on Income & Expenditure	2,361									2,361
Actuarial Loss on pension liabilities								6,799		6,799
Gains on revaluation of fixed assets					(29)				(2,875)	(2,904)
Surplus on collection fund	12	(12)								-
Depreciation Charged in year	(1,675)				1,675					-
Impairments charged to I&E	(475)				475					-
Government grant recognised in respect of depreciation	333				(333)					-
Revenue expenditure funded by capital charged to the I&E	(3,554)				3,554					-
Grant funding in respect of deferred charges	2,793				(2,793)					-
Sale proceeds on disposal of fixed assets	298		(298)							-
Net Book Value of Fixed Assets disposed of	(298)				144				154	-
VAT sharing receipts	164		(164)							-
Housing loans repaid	7		(7)							-
Removal of FRS17 Charges	(2,037)							2,037		-
Cash cost of pensions	1,225							(1,225)		-
Adjustment of interest on soft loans	(42)						42			-
Amount to be included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the general fund balance for the year	**(3,249)**									
Minimum Revenue Provision	**219**	-	-	-	**(219)**	-	-	-	-	-
Capital expenditure charged in year to the general fund balance	88				**(88)**					
Amounts not included in the Income and Expenditure account but required by to be included by statute when determining the movement on the general fund balance for the year										
Net Transfer to earmarked reserves	**35**					(35)				-
Deferred capital receipts realised in year			(2)	2						-
Financing of capital expenditure in year			1,778		(1,778)					-
As at 31st March 2010	**(3,643)**	**9**	**(5,365)**	**(36)**	**(18,600)**	**(7,165)**	**59**	**21,211**	**(13,587)**	**(27,117)**

Analysis of Earmarked Reserves

Earmarked Reserves	Balance as at 1 April 2009	Approved Carryforwards from 2008/09	In year additions	Utilised	Released to earmarked reserves	Balance as at 31 March 2010
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	60	-	110	(7)	(50)	113
Finance and Management Information Services						
Local Business Growth Initiative	424	-	25	(60)	-	389
Other	201	90	482	(377)	(41)	355
Policy and Performance						
Workforce Strategy Reserve	441	-	-	-	-	441
Other	225	90	-	(56)	(8)	251
Legal and Democratic Services	100		-	(40)	(2)	58
Customer Services						
RBS Shared Service Project	-	10	151	(42)	-	119
Other	256	7	(21)	(43)	(41)	158
Leisure and Environmental Services	160	52	-	(97)	(29)	86
Development Strategy and Operations						
Neighbourhood Renewal Scheme	2,533	-	85	(423)	-	2,195
Planning Policy Delivery Grant	484	-	-	(52)	-	432
Assist in Resourcing Nuclear	20	-	200	-	-	220
Other	859	352	68	(156)	(326)	797
Sinking Funds	1,367	190	-	(6)	-	1,551
Total	7,130	791	1,100	(1,359)	(497)	7,165

32. Contingent Liabilities and Assets

Municipal Mutual Insurance
The Authority has £428,530 (since 1993) of insurance receipts with Mutual Municipal (MMI), the Authority's previous insurers. Mutual Municipal is currently being wound up and potentially the £428,530 is at risk if the wind up of MMI results in insolvency.

Agreement with Vertex
The Council has an historic agreement with Vertex that the Council will pay the company a grant of £150,000 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 £150,000 as at 31st March 2010.

33. 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 men 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 as at 31st March 2010 were;

Whitehaven Maternity	£16,924
Pipers Educational	£155,310

34. Retirement Benefits

The Authority participates in the Cumbria Superannuation Fund administered by the County Council which is accounted for in accordance with Financial Reporting Standard no. 17 Retirement Benefits (FRS17). This is a defined benefit scheme. 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 FRS17, the Authority is required to recognise the cost of retirement benefits in the net cost of services when earned by the employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against Council Tax is based on the cash payable in the year. In order to make this adjustment, the real cost of retirement benefits is reversed out of the General Fund balance via the Statement of Movement on General Fund Balances.
The following transactions have been made in the Income & Expenditure Account during the year:

Income and Expenditure Account	**2009/10 £'000**	**2008/09 £'000**
Net cost of services		
Current Service Costs	748	1,080
Past Service costs		30
Curtailment loss	5	-
Settlement gain		-
Net operating expenditure	**753**	**1,110**
Interest cost	3,367	3,468
Expected return on assets in the scheme	(2,083)	(2,716)
Net Charge to the Income and Expenditure Account	**2,037**	**1,862**
Statement of Movement on the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS17	2,037	1,862
Actual Amount charged against the General Fund Balance for pensions in the year		
Employers contributions payable to the scheme	(1,225)	(1,165)

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £6,799k (£832k 2008/09) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £8,813k

Reconciliation of present value of the scheme liabilities:

	2009/10 £'000	2008/09 £'000
Net pension liability at 1st April 2009	(48,346)	(57,403)
Current service cost	(748)	(1,080)
Interest cost	(3,367)	(3,468)
Contribution by scheme participants	(418)	(381)
Actuarial (losses)/gains	(14,279)	11,469
Curtailments	(5)	-
Benefits Paid	3,018	2,547
Past service cost	-	(30)
Net pension liability at 31st March 2010	**(64,145)**	**(48,346)**

Reconciliation of fair value of the scheme assets

	2009/10 £'000	2008/09 £'000
Fair value at 1st April 2009	34,746	43,668
Expected rate of return	2,083	2,716
Actuarial gains and losses	7,480	(10,637)
Employer contributions	1,225	1,165
Contributions by scheme participants	418	381
Benefits paid	(3,018)	(2,547)
Fair value at 31st March 2010	**42,934**	**34,746**

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 £9,563k (2008/09: £7,921k loss).

Scheme history

	2005/06*	2006/07	2007/08	2008/09	2009/10
Present Value of Liabilities	(54,005)	(51,539)	(57,403)	(48,346)	(64,145)
Fair value of assets	43,555	44,074	43,668	34,746	42,934
Surplus/(deficit) in the scheme					
Total	**(10,450)**	**(7,466)**	**(13,735)**	**(13,600)**	**(21,211)**

*The Council has elected not to restate fair value of scheme assets for 2005/06 as permitted by FRS17 (as revised).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £21.2m has an impact on the net worth of the authority as recorded in the balance sheet; however, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy.

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

The current contribution rate that Copeland as an employer makes to the fund is 17% of gross pay. This contribution rate has been agreed for 2009/10 and at 17.3% for 2010/11.

Liabilities have been assessed by the scheme actuary on an actuarial basis 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 31st March 2007. The main assumptions used in these calculations are:

	2009/10	**2008/09**
	%	**%**
	Expected return	Expected return
Equities	7.5	7.5
Government bonds	4.0	4.0
Other bonds	6.0	6.0
Property	6.5	6.5
Cash / liquidity	0.5	0.5
Other	7.5	7.5
Post retirement mortality assumptions		
Current pensioners retired in normal health	PA92mc YOB Tables +1yr	
Future pensioners retired in normal health	PA92mc YOB Tables +1yr	
Life expectancy		
Current pensioner aged 65 male (female)	21.2 (24.1)yr	21.2 (24.0)yr
Future pensioner aged 65 in 20yr time male (female)	22.2 (25.0)yr	22.2 (25.0)yr
Rate of inflation	3.30	3.30
Rate of increase in salaries	5.05	5.05
Rate of increase in pensions	3.30	3.30
Discount rate	5.60	7.10
Take-up option to convert annual pension into retirement lump sum	50% to take maximum cash 50% to take 3/80ths cash	

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

	2009/10	2008/09
	%	%
Equities	53.1	49.7
Government bonds	20.4	20.5
Other bonds	9.8	8.9
Property	5.8	6.3
Cash / liquidity	2.3	2.3
Other	8.6	12.3
	100	100

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2010:

	2005/06	2006/07	2007/08	2008/09	2009/10
Differences between the expected and actual return on assets	12.70	0.60	(7.30)	(30.60)	(17.40)
Experience gains and losses on liabilities	(2.00)	0.00	(4.70)	(23.70)	(22.30)

35. Notes to Cash Flow Statement

Reconciliation of net deficit to net cash inflow from revenue activities

	2009/10	2008/09 As restated
	£'000	£'000
Deficit on the Income & Expenditure Account for the year	2,361	3,480
Non cash transactions		
Amortisation of intangibles	(188)	(146)
Depreciation and impairment of fixed asset	(1,963)	(2,767)
Government grants deferred amortisation	333	234
Write down of deferred charges to be financed from capital resources	-	-
Interest in respect of soft loans	(42)	27
Net loss on sale of fixed assets	-	(34)
Pension FRS17	(812)	(697)
Collection Fund Movement	(97)	104
Items on accruals basis		
Movement in stock	(51)	68
Movement in Debtors	211	(2,071)
Movement in Liabilities	583	10,488
Movement in provisions	272	(88)
Items shown elsewhere in the Statement		
Interest Payable and receivable	(564)	631
Other capital receipts recognised in the I&E	165	288
Net Cash Inflow/Outflow from operating activities	208	9,517

Liquid resources comprise of short term investments and debenture holdings.

Analysis of Net Fund

	As at 1st April 2009	Non Cash Movement	Cash Flow for year	As at 31st March 2010
	£'000	£'000	£'000	£'000
Cash at bank and in hand				
Bank overdraft	(473)	-	1,933	1,460
Other cash deposits	1,608	-	(1,606)	2
	1,135	-	327	1,462
Debt Due within one year	-	-	-	-
Debt due after one year	(5,000)	-	-	(5,000)
Current asset investments	18,600	-	(1,100)	17,500
Long Term investments	-	-	-	-
	14,735	-	(773)	13,962

Reconciliation of net cash flow to movement in net funds

	2009/10	**2008/09**
	£'000	**£'000**
Increase/(decrease) in cash for the period	327	(239)
Cash (inflow)/outflow from decrease/(Increase) in liquid resources	(1,100)	(3,010)
Capital activities	-	-
Movement in net funds	(773)	(3,249)
Net funds at start of year	14,735	17,984
	13,962	14,735

Analysis of government grants

	2009/10	**2008/09**
	£'000	**£'000**
Project related grants from various sources		
Council tax benefit grant	(5,319)	(4,916)
Administration grants	(704)	(647)
Planning delivery grant	(83)	(93)
Area Based Grant	(1,366)	(1,436)
Revenue Support Grant	(1,348)	
LABGI	(25)	(199)
PFI Grant	(837)	(837)
Revenue Grants	(9,682)	(8,128)

36. Authorisation for Issue

The Statement of Accounts have been authorised for issue on 28th June 2010 by the Acting s.151 Officer, Alison Clark B.A. (Hons), A.C.A.
This is the date up to which post balance sheet events have been considered.

37. Post Balance Sheet Events

There are no events after the balance sheet date that requires disclosure.

Collection Fund Income and Expenditure Account
For the year ended 31st March 2010

	2009/10		2008/09
	£000	£000	£000
INCOME			
Billed to Council Tax Payers	(28,787)		(28,047)
Council Tax Benefit	(5,265)		(4,959)
Non-Domestic Rates	(24,872)		(34,765)
Adjustments for previous years	-		196
Total Income		**(58,924)**	**(67,575)**
EXPENDITURE			
Precepts and demands:			
- Cumbria County Council	25,313		24,817
- Cumbria Police Authority	4,181		4,005
- Copeland Borough Council	4,284		4,107
		33,778	32,929
Non-Domestic Rates:			
- Payment to National Pool	24,757		34,650
- Cost of Collection Allowance	115		115
		24,872	34,765
Increase / Decrease in Provision for non-payment of Council Tax		170	(8)
Contributions to General Fund from 2007/08 actual and 2008/09 estimated Collection Fund Surplus		(5)	7
Total Expenditure		**58,815**	**67,693**
(Surplus) / Deficit for the year		**(109)**	**118**
(Surplus) / Deficit at 1st April 2009		172	54
(Surplus) / Deficit at 31st March 2010		**63**	**172**

The notes on 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 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cumbria County Council and the 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 2009/10 was £22,236.20 (22,753.51 for 2008/09). The basic amount of council tax for a Band D property £1,503.50 (£1,459.34 for 2008/09) is multiplied by the proportion specified for the particular band to give an individual amount due.

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

Proportion of Band D charge:

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

2. National Non-Domestic Rates

NNDR is organised on a national basis. The government specifies an amount (48.5p in 2009/10, and 46.2p in 2008/09) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Authority is responsible for collecting rates due from the ratepayers in its areas, but pays the proceeds into an NNDR pool administered by the government. The government redistributes the sums paid into the pool back to the general funds of local authorities on the basis of a fixed amount per head of population.

The NNDR income, after relief's and provisions of £24,872,279 for 2009/10, was based on an average rateable value for the Authority's area of £73,373,819 for the year (£79,216,659 in 2008/09).

3. Collection Fund Deficits

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

The deficit on the collection fund as at 31st March 2010 is £63k

Glossary of Terms

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

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

Actuarial gains and losses
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:
• Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
• The actuarial assumptions have changed.

Asset
An item having value to the Authority in monetary terms. Assets are categorised as either current or fixed.
• A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock)
• A fixed asset provides benefits to the Authority and to the services it provides for a period of more than one year, e.g. an office building.

Audit of accounts
An independent examination of the Authority's financial affairs.

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

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

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

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

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

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

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

CIPFA
The Chartered Institute of Public Finance and Accountancy.

Collection Fund

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

Community assets

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Consistency

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

Constructive obligation

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

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

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

Contingent asset

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

Contingent liability

A contingent liability is either:

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

• a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and democratic core

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

Creditor

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

Current service cost

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

Debtor

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

Deferred charges

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

Defined benefit pension scheme

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

Depreciation

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

Discretionary benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers.

Emoluments

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

Equity

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

Exceptional items

Material items which derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected return on pension assets

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

Extraordinary items

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

Fair value

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

Finance lease

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

Going concern

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

Government grants

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

Housing benefits

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

Housing Revenue Account

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

Impairment

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

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

Income & Expenditure Account (including Statement of Movement on Reserve)
The revenue account of the Authority that reports the net cost for the year of the functions for which it is responsible, and demonstrates how that cost has been financed from precepts, grants and other income.

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

Intangible asset
Expenditure incurred on items such as software licenses etc.

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

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

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

• A current liability is an amount which will become payable, or could be called in, within the next accounting period, e.g. creditors or cash overdrawn

• A deferred liability is an amount which, by arrangement, is payable beyond the next year, at some point in the future, or to be paid off by an annual sum over a period of time.

Liquid resources
Current asset investments that are readily disposable by the Authority without disrupting its business and are either:
• readily convertible to known amounts of cash at or close to the carrying amount; or
• traded in an active market.

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

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

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

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

Net debt
The Authority's borrowings less cash and liquid resources.

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

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

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

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

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

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

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

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

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

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

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

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

Provision for credit liabilities

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

Prudence

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

Public Works Loan Board (PWLB)

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

Rateable value

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

Related parties

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

Related party transactions

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

Retirement benefits

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

Reserves

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

Residual value

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

Revenue expenditure

The day-to-day expenses of providing services.

Revenue support grant

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

Stocks

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

Temporary borrowing

Money borrowed for a period of less than one year.

Useful economic life

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

Work in progress

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

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