Copeland borough council

Proud of our past. Energised for our future.

Statement of Accounts

For the year ended 31 March 2016

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Contents

Narrative Statement

1 Introduction to the Statement of Accounts

1.1 The following Statement of Accounts summarises the Council's financial performance, financial position and cash flows for the financial year from 1 April 2015 to 31 March 2016. The purpose of this Narrative Statement is to provide a guide to the most significant matters reported in the accounts by providing:

- an overview of the Council's financial position and performance and narrative to assist in the interpretation of the financial statements; and
- a commentary on the major influences affecting the Council's financial position, financial performance (income and expenditure) and cash flows.

1.2 **Background to the Statements**

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its financial position at 31st March 2016. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the "Code") and the Service Reporting Code of Practice 2015/16 ("SERCOP"), supported by International Financial Reporting Standards (IFRS).

The Statement of Responsibilities for the Statement of Accounts (page 17) sets out the responsibilities of the Council and its Chief Financial Officer (the Director of Commercial and Corporate Resources) in relation to the Statement of Accounts.

1.3 **Core Financial Statements**

The Statement of Accounts comprises core financial statements and related notes together with supplementary financial statements. The core statements are as follows:

Movement in Reserves Statement (page 18)

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

The 'Net Increase/Decrease before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves by the Council.

Comprehensive Income and Expenditure Statement (page 19)

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

Balance Sheet (page 20)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories.

- Usable reserves - those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
- Unusable reserves - those that cannot be applied to fund expenditure or reduce taxation. This includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement (page 21)

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

1.4 **Supplementary Financial Statements**

Collection Fund (page 93)

The Collection Fund statement reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council in relation to the collection from taxpayers and distribution to local authorities and Central Government of council tax and business rates (national non-domestic rates – NNDR).

1.5 **Annual Governance Statement** (page 96)

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

2. Significant Changes to Accounting Standards

The Code adopts the requirements of a number of new or amended standards effective for the first time to annual periods beginning on or after 1 April 2015. Information on these new standards and their impact on the Council's accounts is set out in Note 2 to the accounts. The main change to the standards is the introduction of IFRS13 (Fair

Value). Although this has added to the disclosures in the accounts, it has had little substantive impact on the financial position or performance.

3. The Council's Priorities

3.1 The Council's priorities in 2015/16 were outlined in the Corporate Plan 2013/2016 approved by the Council in February 2013. The mission statement reflected the role of the Council in the future, one of an effective Council working with partners and communities to arrange services for the residents of Copeland. The priorities were:

- **Deliver efficient and effective statutory services**
- **Be an effective public service partner to get the best deal for Copeland**
- **Working in partnership with communities**

Performance was assessed based on the delivery of:

- Progress against 18 Key Performance Indicators (KPI's)
- Achievements made through work in the key strategic partnerships
- Progress made in working with enabling communities
- Progress made in delivering the Copeland Growth Strategy

Deliver efficient and effective statutory services

3.2 KPI's are in the table below which shows targets and performance in 2015/16 compared with 2014/15.

Indicator	2014/15		2015-16	
	Target	Result	Target	Result
Number of repeat homelessness cases	0	0	0	0
Number of households where homelessness prevented	45	56	180	164
Percentage of invoices paid on time	95.0%	90.7%	95.0%	89.3%
Percentage of Council Tax collected	73.6%	97.9%	73.6%	97.9%
Percentage of Non-domestic rates collected	74.2%	99.2%	74.2%	99.3%
Time taken to process benefit claim (days)	22	27.2	22.0	21.5
Time taken to process benefit change (days)	10	13.7	10	5.6
Processing of major planning application	65.0%	73.3%	65.0%	33.3%
Processing of minor planning application	80.0%	42.4%	80.0%	63.9%
Processing of other planning application	80.0%	56.0%	80.0%	88.6%
Overall satisfaction with Council services	80.0%	N/a	80.0%	88.9%
Percentage of transactions carried out on-line	7.1%	10.9%	7.1%	15.0%
Number of advice cases regarding welfare reform	N/a	41	N/a	52
Number of new homes built	230	143	230	100
Number of affordable homes delivered	35	27	35	0
Food establishments compliant with hygiene law	95.0%	95.0%	95.0%	93.0%
CO2 reduction from Council operations	25.0%	16.5%	25.0%	N/a
Household waste sent for reuse, recycling and composting	38.0%	32.5%	38.0%	23.6%

3.3 Performance levels improved from the same time in 2014/15, with 9 out of 15 (60%) Key Performance Indicators meeting their annual target compared with 54% in 2014/15. Areas failing to meet targets were homelessness, invoicing and (partly) planning. Waste recycling failed to meet the target of 38% for the first time this year and Environmental Health, narrowly missed their 95% target for the first time.

Be an effective public service partner to get the best deal for Copeland

3.4 The Copeland Growth Strategy was launched, focussing on key priorities such as the ongoing development of the Centre of Nuclear Excellence; the Energy Coast; inward investment and Business Growth; Workforce, Skills and Education; the Visitor Economy and our Quality of Life.

3.5 The Council continued to engage actively and productively with its partner bodies in the following partnerships:

- The Copeland Partnership
- Copeland Work and Skills Partnership
- Copeland Housing Partnership
- Cumbria Housing Group
- West Cumbria Community Safety Partnership
- Copeland Health and Wellbeing Forum
- North Country Leisure Contract and Local Board
- Lake District National Parks Authority and Partnership
- Energy Coast West Cumbria Partnership
- Cumbria Local Enterprise Partnership

Working in partnership with communities

3.6 The six locality Community Regeneration Partnerships worked on sustaining their partnerships and action plans to continue beyond the end of the existing funding programme. In addition, a programme was in development with the Council towards realising growth and legacy benefits that potentially arise from the Moorside project.

3.7 The Copeland Community Fund continued to support community groups in developing and delivering sustainable projects across Copeland. During the year it committed 9 large grants totalling £760,000, 21 small grants totalling £394,000, an investment grant of £600,000 and an annual endowment of £50,000.

Corporate Plan 2016-2020

3.1 A new Corporate Plan 2016-2020 was approved by the Council on 25 February 2016. The Council's vision is of Copeland as a commercially focused organisation with a national reputation for high quality services. Its mission is to make Copeland a better place to live, work and visit. The vision and mission are underpinned by three core values which are incorporated in everything the Council does:

- Work with Partners – work to get the best for communities whether in the public, private or voluntary/community sector
- Be Cost Effective – be prudent in spending money; strive to achieve value from every pound spent; continually review services
- Treat Everyone Equally, Fairly and with Respect – strive to deliver first class levels of customer care; treat people fairly especially those who are vulnerable; listen.

3.2 To achieve its Vision and Mission, the Council has created four Ambitions which have equal importance. It will deliver these Ambitions by focusing on five Strategic Outcomes:

Ambition	Strategic Outcome
1. Town Centre Regeneration	1. For towns, villages and streets to reflect the prosperity of the area.
2. Commercialisation	2. Grow the commercial activity of the Council to benefit the people of Copeland, ensuring the wealth generated in Copeland, stays in Copeland.
3. Employment, Skills and Social Wellbeing	3a. Attract businesses, professionals and entrepreneurs to Copeland and retain talented young people.
	3b. Work with partners to support the most vulnerable in the borough.
4. Strengthen the Way We Operate	4. Continually review services to ensure they meet the needs of the people of Copeland and ensure they are efficient, effective and accessible.
	5. Maximise the opportunities for growth, within the Council and with our strategic partners.

The high level Corporate Delivery Plan highlights the Council's additional key deliverables to achieve the Strategic Outcomes. Some of the key deliverables are shown below.

1. Town Centre Regeneration

- Explore grant funding opportunities to trigger the transformation of town centre buildings
- Transform Whitehaven Market Place by investing in stalls and marketing to increase visitor numbers
- Borough-wide review of car parking issues, leading to the implementation of a clear Car Parking Strategy for Copeland
- Promote tourism through a Tourist Information Point in Whitehaven
- Improve our Town Centres and High Streets to deliver a better shopping experience for our residents, businesses and visitors
- Work with partners to carry out a Town Centre Opportunity Study for each of our main towns
- Maintain appropriate land supply across the borough to facilitate growth.

2. Commercialisation

- Commercial Director appointed to support the drive for financial self-sufficiency within the Council
- Increase commercial awareness throughout the Council
- Develop a business case to establish a Trading Company and Energy Company to drive through income generation in the Council.

3. Employment, Skills and Social Wellbeing

- Work to attract investment, industry and jobs for the whole of Copeland

- Combine efforts to develop first-class education and health services in Copeland
- Establish a local Apprenticeship Scheme, creating 5 apprenticeships within the Council in the first year
- Support Cumbria-wide initiatives to address domestic violence in the area
- Support Cumbria-wide initiatives to help those affected by drug abuse.

4. Strengthen the way the Council operates

- Continue to carry out a detailed review of finances within the Council to ensure smart procurement maximises the use of every pound spent of public money
- To support the Centre of Nuclear Excellence to grow a sustainable nuclear sector in Copeland
- To support Nationally Significant Infrastructure Projects, in particular, Moorside and North West Coast Connections
- Review the Council's own Business Support Services to make sure they are fit for purpose and deliver what is needed by front-line services and communities
- Developing a sustainable budget over the longer term
- Deliver an energised Delivering Differently Programme with a focus on growth, customer and commercialisation.

4. 2015/16 Budgets and Medium Term Financial Strategy

4.1 The Council's Revenue and Capital Budgets for 2015/16 and Medium Term Financial strategy (MTFS) for the period to 2018/19 were approved by Full Council on 26 February 2015.

2015/16 Revenue Budget

4.2 Revenue income and expenditure covers spending and income associated with the day to day running of services. Net revenue expenditure (that is, spending less some Government grants and fees and charges received for services) is met from the following sources:

a) Council Tax
b) General Government grants including Revenue Support Grant and the New Homes Bonus
c) National Non Domestic Rates ("NNDR" or Business rates) retained under the national system
d) Reserves held by the Council, if appropriate.

The total of these amounts is referred to as "spending power".

4.3 The Government's continuing commitment to reducing the national deficit through reductions in public sector spending, provided a very challenging financial environment for the Council during 2015/16. The amounts notified by the Government for its general grants and NNDR in early February 2015 resulted in a reduction in the Council's spending power, compared to 2014-15, of £0.504 million or 5.8%. This was a total reduction, since 2013-14, of £1.135 million or 12.1%. This meant that, taking into account budget increases, in order to balance the Council's original budget, reserves of £0.613 million (subsequently revised to £1.488 million) had to be used and savings of £1.039 million made.

4.4 The Council's original net revenue budget for 2015/16 was set at £10.159 million (including parish precepts). This was subsequently revised during the year to £10.634 million. The budget was funded as follows:

	Original	Revised
	£'000	**£'000**
Council Tax	3,871	3,871
Revenue Support Grant	1,712	1,712
New Homes Bonus	609	609
Other grants and contributions	1,237	837
NNDR	2,117	2,117
Reserves	613	1,488
Total	**10,159**	**10,634**

4.5 The amount of Revenue Support Grant provided to the Council through the 2015/16 Local Government Finance Settlement was £1.712 million, a reduction of £0.801 million (31.9%) on the amount (£2.513 million) awarded in 2014/15.

4.6 The Council's share of Council Tax was increased by 1.95% in 2015/16 while the tax base (the taxable capacity of the borough) for 2015/16 was set at 19,846.39, an increase of 1.80% on the 2014/15 tax base of 19,488.80. These changes resulted in an increase in the Council's share of Council Tax on band D properties (excluding parish precepts) from £187.28 to £190.93; and total Council Tax income available to the Council in 2015/16, including parish precepts, of £3.871 million (including the Council's share of the estimated surplus at 31 March 2015 of £82,000).

4.7 The original and revised budgets included an estimate of NNDR income for 2015/16 at the safety net level (a guaranteed amount below which the Council's income could not fall under the national system) of £2.117 million.

4.8 The original budget included Government grant of £0.837 million in respect of the Council's Private Finance Initiative (PFI) scheme; and £0.400 million from Britain's Energy Coast (BEC) Social Fund. However, the latter was moved to a service line in the revised budget.

2015/16 Capital Budget

4.9 Capital expenditure, included in the capital budget, covers expenditure on projects, such as the acquisition, construction or enhancement of property plant and equipment. It also includes items such as grants towards capital expenditure incurred by third parties (for example Disabled Facilities Grants). Resources available to finance capital expenditure include:
a) Capital receipts (for example proceeds from asset sales)
b) Grants and contributions from third parties
c) Direct financing from revenue or the use of revenue reserves.
d) Borrowing either from a third party or from the Council's own resources.

4.10 The Council's original 2015/16 capital budget was set at £1.973 million (exclusive of budget carry forwards from 2014/15) and was subsequently revised during the year to £5.828 million. The revised budget was to be financed as follows:

	Original	Revised
	£'000	**£'000**
Capital Receipts	801	3,013
Grants and contributions from third parties	209	2,542
Direct financing from revenue	963	273
Total	**1,973**	**5,828**

4.11 The most significant items in the revised capital budget were the Beacon Museum (£1.551 million), the Council's Accommodation Strategy (£1.498 million), Disabled Facilities Grants (£0.780 million) and Whitehaven Townscape Heritage Initiative (£0.742 million).

Medium Term Financial Strategy

4.12 The 2015/16 revenue budget was set within the context of the Council's three-year Medium Term Financial Strategy (MTFS) which was based on the Chancellor's Autumn Statement of December 2014. At the time it required the Council to make significant efficiency savings and generate additional income estimated to be in the region of £4.3 million over the following 4 financial years. The current MTFS, refreshed to reflect the announcements made in the Chancellor's 2016 Autumn Statement and the 2017/18 Local Government Finance Settlement, was approved by the Council in February 2017. It provides the funding framework within which the Council seeks to achieve the priorities set out in the Corporate Strategy 2016 to 2020 and highlights the key financial risks facing the Council. Additional efficiencies and income totalling £3.038 million are required to ensure delivery of balanced budgets in each of the three remaining years of the MTFS (2017/18 to 2019/20). Whilst plans are in place for the 2017/18 year, future years need to be planned as soon into the new 2017/18 financial year as possible. Plans are needed to address the £1.705 million needed to balance the plan in 2018/19 and 2019/20.

4.13 The Medium Term Financial Strategy considers:

- the Council's priorities – what does it want to do, to what standard and what results does it want to achieve
- the level of funding anticipated from Central Government (Revenue Support Grant and other grants)
- income that can be generated from local taxation (council tax and business rates), fees and charges and third party funding
- the levels of balances required for financial prudence and to proactively manage the Council's risks
- the methods of service delivery that will deliver value for money.

5. Financial Performance and Position

2015-16 Revenue expenditure compared to budget

5.1 The table below shows actual expenditure for 2015/16 compared to the budget. It is shown by service compared to the Comprehensive Income and Expenditure Statement (see page 19) which is analysed in accordance with local government accounting standards designed to aid comparisons with other local authorities. A reconciliation between the different presentations is at Note 16 on page 58.

Service	Revised Budget £'000	Unadjusted Net Service Expenditure £'000	Transfers to Reserves and Carried Forward £'000	Actual £'000	Variance £'000
Audit	94	86	-	86	(8)
Director of Commercial and Corporate Resources	104	144	-	144	40
Financial Services	883	747	-	747	(136)
Human Resources	296	231	-	231	(65)
ICT Services	519	577	-	577	58
Legal Services	(36)	(346)	192	(154)	(118)
Procurement	39	34	-	34	(5)
Programmes and Performance Commercial	470	318	134	452	(18)
Property and Estates	1,705	1,246	536	1,782	77
Beacon Museum	152	63	67	130	(22)
Copeland Community Fund	3	(48)	53	5	2
Customer Services	384	366	-	366	(18)
Democratic Services	975	692	123	815	(160)
Director of Customer and Community Services	110	(76)	57	(19)	(129)
Parks and Open Spaces	(53)	(316)	86	(230)	(177)
Refuse and Recycling	1,679	1,869	61	1,930	251
Revenues and Benefits	452	216	121	337	(115)
Strategic Housing	415	350	30	380	(35)
Building Control	69	67	-	67	(2)
Communications	115	100	-	100	(15)
Economic Development	198	130	-	130	(68)
Environmental Health	646	629	17	646	-
Head of Paid Service	1,200	541	28	569	(631)
Nuclear	64	(373)	338	(35)	(99)
Strategic Planning	151	270	-	270	119
Net Service Expenditure	10,634	7,517	1,843	9,360	(1,274)
				Income brought forward from 2014-15	1,038
				Net variance	236

5.2 Net expenditure on services for the year was £7.517 million compared to a revised budget of £10.634 million, resulting in an overspending (once adjusted for amounts transferred to reserves and carried forward into 2016/17; and income brought forward from 2014-15) of £236,000. A detailed report on the 2015/16 outturn position was presented to Executive on 14 March 2017, where details of the variances will be found. In addition to the above, the Council faced a shortfall of £9.1 million in the amount of business rates retained, as a result of the settlement of a successful appeal by Sellafield Limited. This shortfall was covered by a reduction in earmarked reserves of £5 million following consideration by a Members' Review of Reserves Task and Finish Group, income brought forward from 2014-15 and limiting transfers to reserves and amounts carried forward.

2015-16 Capital expenditure compared to budget

5.3 A detailed report on the 2015/16 outturn position was presented to Executive on 14 March 2017. The following tables show capital expenditure in 2015/16 compared to the revised capital budget and how that expenditure was financed.

Project	Revised Budget £'000s	Actual £'000s	Variance £'000s	Budget Carried Forward £'000s	Adjusted Variance £'000s
Accommodation Strategy	1,498	1,174	(324)	324	-
Vehicle Fleet Replacement	425	22	(403)	-	(403)
Whitehaven Cemetery	250	10	(240)	240	-
Millom Cemetery Land	137	113	(24)	24	-
Operational Buildings	4	16	12	-	12
Mount Pleasant Park	3	-	(3)	3	-
Disabled Facilities Grants	780	565	(215)	182	(33)
Whitehaven Townscape Heritage	742	356	(386)	386	-
Beacon Museum	1,551	194	(1,357)	1,357	-
Copeland Pool Fitness Extension	195	155	(40)	18	(22)
Empty Homes Clusters	58	58	-	-	-
Ginns Car Parking	64	25	(39)	39	-
Pay and Display Equipment	71	-	(71)	71	-
Castle Park	28	28	-	-	-
Crematorium	22	22	-	-	-
Total Expenditure	**5,828**	**2,738**	**(3,090)**	**2,644**	**(446)**

Financing			
Capital Receipts	3,013	2,018	(995)
Grants and Contributions	2,542	681	(1,861)
Revenue	273	39	(234)
Total Financing	**5,828**	**2,738**	**(3,090)**

5.4 The Council spent £2.738 million on its capital programme in 2015/16 compared to the revised capital budget of £5.828 million. This expenditure was financed through a combination of capital receipts, Government grants, other third party contributions and revenue.

5.5 The variance between revised budget and outturn for the year was £3.090 million. This variance is largely attributable to changes made to the profile of planned expenditure on schemes straddling financial years. These changes, identified after submission of the revised capital budget, will require £2.644 million of planned expenditure to be carried forward to 2016/17 together with associated financing. The largest variances were in respect of the Beacon Museum project which was delayed by a number of factors including poor weather conditions and the vehicle fleet replacement, where vehicles were leased instead of purchased.

5.6 Funding for the Council's future capital will come from a variety of sources – capital receipts generated by asset sales, Government grants (including Public Finance Initiative

(PFI) grant), contributions from third parties, use of the Council's revenue resources and internal borrowing.

Financial position at the Balance Sheet date

5.7 The following table summarises the Council's financial position at 31 March 2016.

	At 31 March 2015 £'000s	At 31 March 2016 £'000s	Movement £'000s
Non-current Assets and Long-term Debtors	39,935	43,616	3,681
Net Current Assets (Debtors, stock and cash less creditors and liabilities)	31,001	20,040	(10,961)
Long-term Liabilities and Provisions	(44,483)	(31,235)	13,248
Net Assets	**26,453**	**32,421**	**5,968**
Represented by:			
Revenue Reserves (General Fund and Earmarked)	17,250	9,940	(7,310)
Other Usable Reserves	3,516	2,845	(671)
Unusable Reserves	5,687	19,636	13,949
Total Reserves	**26,453**	**32,421**	**5,968**

5.8 During 2015/16:

- Non-current assets, including property plant and equipment (PPE), heritage assets, investment property and long-term debtors increased by £3.681 million, underpinned by additions to and net upward revaluation of PPE of £3.439 million.
- Net current assets fell by £10.961 million to £20.040 million, mainly as a result of an increased investment of surplus cash of £21.114 offset by an increase in creditors (mainly the Government) of £29.052 million.
- Long-term liabilities and provisions reduced by £13.248 million due primarily to a reduction in the provision for successful appeals against business rates liabilities of £10.275 million and a reduction in the net defined benefit pension liability of £2.615 million (see section 8 below).
- Unusable Reserves increased by £13.949 million, largely as a result of the effects of accounting for Council Tax and NNDR (£7.438 million), changes (including revaluations and depreciation) to the measurement of the Council's property, plant and equipment (£3.865 million) and a reduction (£2.615 million) in the Council's net pension liability (which results in an increase in unusable reserves).

6. Revenue Reserves

6.1 At 31 March 2016 General Fund reserves were £3.743 million (31 March 2015, £6.084 million) and earmarked revenue reserves £6.197 million (31 March 2015, £11.166 million). Earmarked reserves include amounts set aside to meet planned future expenditure (including budgets carried forward to meet existing commitments), to ring-fence unspent revenue grants and as a contingency to cushion the impact of unexpected events or transactions.

6.2 Movements in the Council's revenue reserves during the year are summarised in the following tables. Fuller details for Earmarked Reserves are shown in Note 10 to the Statement of Accounts.

General Fund	2014-15 £'000s	2015-16 £'000s
Balance at beginning of year	9,108	6,084
Net income from / (cost of) the provision of services	1,616	(6,401)
Adjustment for what can actually be charged to the balance under regulations	834	(909)
Contribution (to) / from earmarked reserves	(5,474)	4,969
Balance at end of year	6,084	3,743

Earmarked Reserves		
Balance at beginning of year	5,692	11,166
Contributions to reserves from the General Fund	6,506	1,744
Contributions from reserves to the General Fund	(1,032)	(6,713)
Balance at end of year	11,166	6,197

6.3 Contributions to earmarked reserves of £1.744 million include amounts set aside from existing unspent budgets to reflect the re-profiling of associated expenditure plans across financial years and the ring-fencing of unbudgeted income earmarked for specified purposes (£1.124 million). Contributions from the reserves to the General Fund reflect agreed financing of expenditure in the year as well as amounts required, after a detailed review, to underpin the Council's overall financial position.

6.4 The General Fund balance at 31 March 2016 includes the revenue deficit on the provision of services for the year, the transfers from earmarked reserves and a balance held to provide a contingency to protect services against unexpected events or emergencies, cushion uneven cash flows and avoid unnecessary temporary borrowing.

7. Cash flows

7.1 During 2015/16 the net increase in cash and cash equivalents was £1.213 million.

Cash Flows	At 31 March 2015 £'000s	At 31 March 2016 £'000s
Net cash flows from operating activities	(9,220)	(16,104)
Net cash flows from investing activities	193	20,325
Net cash flows from financing activities	(4,189)	(5,434)
Net increase in cash and cash activities	(13,216)	(1,213)

7.2 Net cash inflows from operating activities of £16.104 million were offset by:

- a net cash outflow from investing activities of £20.325 million – including cash outflows of £1.758 million associated with the purchase of property plant and equipment, net outflows from the purchase and redemption of short-term investment balances of £19.994 million and capital grants of £1.275 million.
- a net cash inflow of £5.434 million from financing activities including inflows of £5.838 million in respect of cash received relating to agency bodies for Council Tax and NNDR.

8. Defined Benefits Pensions Liability

8.1 The Council offers retirement pensions to its staff under a statutory scheme and also makes contributions on their behalf. Although the pension benefits are not payable until employees retire, the Council has a commitment to make the payments and must account for them in the year in which the future entitlements are earned. This commitment is offset by pension fund assets (investments) and the net amount is included in the accounts as an asset or liability.

8.2 At the end of 2015/16 the Council's net pension liability was £20.703 million (31 March 2015 £23.318 million). Although this sum has a significant impact on the net worth of the Council as shown in its Balance Sheet, the deficit will be addressed by increased contributions to the scheme in future years. These increased contributions are reflected in the Council's MTFS.

8.3 The decrease in the net pension liability over the year of £2.615 million arises from the remeasurement of:

- scheme liabilities (£2.791 million) - including changes to the financial assumptions underpinning the actuarial valuation of the pension liability
- scheme assets (£0.176 million) – including the difference between the actual investment return on plan assets and the interest rate used to calculate the net interest cost included in the Comprehensive Income and Expenditure Statement

9. Asset Valuations

9.1 The Council carries out a rolling programme of revaluations to ensure that Property, Plant and Equipment assets, required to be measured at current value are:

- revalued at intervals of not more than five years
- reported in the Balance Sheet at a carrying amount that does not differ materially from that which would be determined using the assets current value at the balance sheet date.

9.2 The implementation of IFRS 13, with effect from 1 April 2015, had significant implications for the valuation of those assets classed as Surplus Assets. The overall value of such assets increased by £2.332m, although it is not possible to separately quantify how much of this was attributable to the adoption of the new standard and how much to other factors.

9.3 Investment Properties are revalued annually. During 2015/16 the fair value of the Council's investment properties increased by £260,000.

10. Significant Provisions

10.1 The Council's balance sheet at 31 March 2016 includes provisions of £426,000 (31 March 2015, £10.884 million). This includes a provision of £263,000 (31 March 2015, £10.538 million) in respect of business rates appeals. The significant reduction in the level of this provision resulted from a successful appeal by Sellafield Limited against the rateable value of their property, the use of the provision to settle the claim and the return of unused provision to the Collection Fund.

11. Treasury Management

11.1 The Council's treasury management activity is underpinned by Government Guidance on Local Government Investments (CLG Investment Guidance) and CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2011 Edition ('the Treasury Management Code').

11.2 The main principles governing the Council's investment criteria are the security and liquidity of its investments with yield (or return) then being considered. The Council's counterparty list is derived from minimum credit ratings and limits the Council to use the counterparties for investments that are at or above the minimum criteria approved. The Council's treasury management strategy sets out the overall policy parameters, with judgement being used within the parameters set as required. The security of principal sums invested is achieved through active management of the Council's credit risk exposures. Further details of the financial risks to which the Council is exposed as a consequence of its treasury management activities and the policies and strategies employed to manage these risks are described in Note 35.

11.3 At 31 March 2016 the Council's external borrowing (inclusive of accrued interest) was £5.075 million (31 March 2015 £5.037 million). This consists of a single loan with accrued interest.

11.4 At 31 March 2016 investments held for treasury management purposes (including those classified as cash equivalents) stood at £59.716 million (31 March 2015 £38.602 million) – inclusive of accrued interest.

11.5 The Council has maintained an under-borrowed position throughout 2015/16. At 31 March 2016 actual borrowing was £1.997 million below the Council's underlying need to borrow for capital purposes (the capital financing requirement – "CFR"). By utilising cash from reserves, revenue balances and favourable cash flow the Council has been able to avoid the need to borrow up to the level of the CFR. This has allowed the Council to minimise its borrowing costs and reduce overall treasury risk by reducing the level of its external investment balances.

12. Material events after the Balance Sheet date

12.1 Details of any material events after the balance sheet date are set out in Note 6 to the Financial Statements.

13. Employee information

13.1 The Council employed 257 people on full time and part time contracts. Information on the makeup of the Council's workforce at the end of the financial year is provided in the following table:

	At 31 March 2016			
	Number of Staff		**Full Time Equivalents**	
	Male	**Female**	**Male**	**Female**
Senior Managers	-	3	-	3
Other Staff	116	138	110	107
Total	**116**	**141**	**110**	**110**

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The responsible officer is designated as the Chief Financial Officer, or equivalent. In this council, that officer is the Director of Commercial and Corporate Resources (and Section 151 Officer);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

I certify that the Statement of Accounts gives a 'true and fair view' of the financial position of Copeland Borough Council as at the accounting date and of its expenditure and income for the year ended 31 March 2016.

Signed

Fiona Rooney

Director of Commercial and Corporate Resources (and Section 151 Officer)

Date 22 May 2017

Movement in Reserves Statement

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

	Note	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2014		**(9,108)**	**(5,692)**	**(3,623)**	**(126)**	**(18,549)**	**(10,942)**	**(29,491)**
Movement in reserves during 2014/15								
(Surplus) or deficit on provision of services		(1,616)	-	-	-	**(1,616)**	-	**(1,616)**
Other Comprehensive Expenditure and Income		-	-	-	-	**-**	4,654	**4,654**
Total Comprehensive Expenditure and Income		**(1,616)**	**-**	**-**	**-**	**(1,616)**	**4,654**	**3,038**
Adjustments between accounting basis & funding Basis under regulations	7	(834)	-	319	(86)	**(601)**	601	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(2,450)**	**-**	**319**	**(86)**	**(2,217)**	**5,255**	**3,038**
Transfers to/from Earmarked Reserves	10	5,474	(5,474)	-	-	**-**	-	**-**
Increase/Decrease (movement) in Year		**3,024**	**(5,474)**	**319**	**(86)**	**(2,217)**	**5,255**	**3,038**
Balance at 31 March 2015 carried forward		**(6,084)**	**(11,166)**	**(3,304)**	**(212)**	**(20,766)**	**(5,687)**	**(26,453)**
Movement in reserves during 2015/16								
(Surplus) or deficit on provision of services		5,245	-	-	-	**5,245**	-	**5,245**
Other Comprehensive Expenditure and Income		-	-	-	-	**-**	(11,213)	**(11,213)**
Total Comprehensive Expenditure and Income		**5,245**	**-**	**-**	**-**	**5,245**	**(11,213)**	**(5,968)**
Adjustments between accounting basis & funding Basis under regulations	7	2,066	-	1,896	(1,226)	**2,736**	(2,736)	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		**7,311**	**-**	**1,896**	**(1,226)**	**7,981**	**(13,949)**	**(5,968)**
Transfers to/from Earmarked Reserves	10	(4,969)	4,969	-	-	**-**	-	**-**
Increase/Decrease (movement) in Year		**2,342**	**4,969**	**1,896**	**(1,226)**	**7,981**	**(13.949)**	**(5,968)**
Balance at 31 March 2016 carried forward		**(3,742)**	**(6,197)**	**(1,408)**	**(1,438)**	**(12,785)**	**(19,636)**	**(32,421)**

Comprehensive Income and Expenditure Statement

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

2014/15					2015/16		
Gross Expenditure Restated £'000	Gross Income £'000	Net Expenditure Restated £'000		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,155	(663)	492	Central Services		2,519	(956)	1,563
4,382	(1,258)	3,124	Cultural and Related Services		4,181	(1,532)	2,649
4,891	(2,185)	2,706	Environmental and Regulatory Services		5,373	(2,304)	3,069
2,491	(1,207)	1,284	Planning Services		4,041	(2,049)	1,992
695	(414)	281	Highways and Transport Services		518	(472)	46
23,064	(21,894)	1,170	Housing Services		22,503	(21,128)	1,375
1,433	26	1,459	Corporate and Democratic Core		2,109	(39)	2,070
38,111	**(27,595)**	**10,516**	**Net Cost of Services**		**41,244**	**(28,480)**	**12,764**
519	(199)	320	Other Operating Income and Expenditure	11	1,183	(110)	1,073
2,707	(1,336)	1,371	Financing and Investment Income and Expenditure	12	1,729	(573)	1,156
-	(13,823)	(13,823)	Taxation and Non Specific Grant Income	13	-	(9,748)	(9,748)
		(1,616)	**(Surplus) or Deficit on Provisions of Services**				**5,245**
		(73)	(Surplus)/Deficit on revaluation of non-current assets				(7,936)
		4,727	Re-measurement of the net defined benefit liability/(asset)	29			(3,277)
		4,654	**Other Comprehensive Income and Expenditure**				**(11,213)**
		3,038	**Total Comprehensive Income and Expenditure**				**(5,968)**

Balance Sheet

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

31st March 2015			31st March 2016
£'000		**Note**	**£'000**
35,579	Property, Plant & Equipment	20	39,018
1,569	Heritage Assets	21	1,569
2,243	Investment Property	22	2,503
97	Intangible Assets		54
447	Long Term Debtors	25	472
39,935	**Long Term Assets**		**43,616**
14,990	Short Term Investments	34	34,984
863	Assets Held for Sale	24	666
75	Inventories		57
5,485	Short Term Debtors	25	2,791
23,614	Cash and Cash Equivalents	26	24,734
45,027	**Current Assets**		**63,232**
(137)	Cash and Cash Equivalents	26	(44)
(13,702)	Short Term Creditors	27	(42,754)
(187)	Provisions	28	(394)
(14,026)	**Current Liabilities**		**(43,192)**
(10,697)	Provisions	28	(32)
(5,037)	Long Term Borrowing	34	(5,075)
(23,318)	Net Pensions Liability	29	(20,703)
(5,431)	Other Long Term Liabilities	32,33,34	(5,425)
(44,483)	**Long Term Liabilities**		**(31,235)**
26,453	**Net Assets**		**32,421**
20,766	**Usable Reserves**	8	12,785
5,687	**Unusable Reserves**	9	19,636
26,453	**Total Reserves**		**32,421**

These financial statements replace the unaudited financial statements certified by the Director of Commercial and Corporate Resources on 19 January 2017.

Fiona Rooney 22 May 2017

Director of Commercial and Corporate Resources (and Section 151 officer)

Cash Flow Statement

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

2014/2015 £'000		Note	2015/2016 £'000
(1,616)	**Net (surplus) or deficit on the provision of services**		**5,245**
(8,353)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	37	(22,776)
749	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	37	1,427
(9,220)	**Net cash flows from operating activities**		**(16,104)**
193	Investing Activities	38	20,325
(4,189)	Financing activities	39	(5,434)
13,216	**Net increase or (decrease) in cash and cash equivalents**		**1,213**
10,261	Cash and cash equivalents at the beginning of the reporting period		23,477
23,477	**Cash and cash equivalents at the end of the reporting period**		**24,690**

Notes to the Financial Statements

Contents

Page

1. ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Accounts and Audit Regulations 2015 require the Council to prepare an annual Statement of Accounts which must be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice (SERCOP) 2015/16, supported by International Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

1.2 Accruals of Income and Expenditure

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

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

In respect of council tax and national non-domestic rates (NNDR) income, although the amounts credited to the Collection Fund represent the accrued income for the year, the amounts recognised in the Council's Comprehensive Income and Expenditure Statement are based on previous statutory estimates and a share of accumulated surpluses or deficits on the Collection Fund. The latter amounts are reversed out through the Movement in Reserves Statement to the Collection Fund Adjustment Account. Tax and ratepayers' arrears and prepayments are shared proportionately between the Council, the preceptors (Cumbria County Council and Cumbria Police and Crime Commissioner) and the Government; as are end of year balances on the Collection Fund and provisions for bad and doubtful debts and successful NNDR appeals. The total net shares of preceptors and the Government are shown as debtors or creditors in the Council's Balance Sheet.

1.3 Cash and Cash Equivalents

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

Cash equivalents are highly liquid investments that mature in less than 3 months from the date of acquisition and that are readily converted to known amounts of cash with insignificant risk of change of value.

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

1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

1.5 Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments - its Private Finance Initiative (PFI) liability, Lender Option Borrower Option (LOBO) fixed rate loan and its short-term investments - at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

1.6 Charges to Revenue for Non-Current Assets

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

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

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

1.7 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post-employment Benefits

The majority of employees of the Council are members of the Local Government Pensions Scheme administered by Cumbria County Council. The scheme is accounted for as a defined benefits scheme:

- The liabilities of the Cumbria pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.8% based on the market yields at the reporting date of high quality corporate bonds.

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

quoted securities – current bid price;

unquoted securities – professional estimate;

unitised securities – current bid price; and

property – market value.

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

- Service cost comprising:
  - Current service cost - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment the effect of which relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - Net interest on the defined benefit liability (asset), i.e. net interest expense for the Council (the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.) This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - The return on plan assets (excluding amounts included in the net interest on the defined benefit liability (asset)) charged to the Pension Reserve as Other Comprehensive income and Expenditure
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

  In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves

Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

1.8 Events After the Reporting Period

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

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

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

1.9 Financial Instruments

Financial Liabilities

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus interest accrued at the year end and interest charged to the Comprehensive Income and

Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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

Financial assets

Financial assets are classified into two types:

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

The Council does not have any available-for-sale assets.

Loans and Receivables

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

However, the Council has made a number of loans to organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the Housing Cost of Service line) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood 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 relevant service (for receivables specific for that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

1.10 Government Grants and Contributions

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

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

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

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

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

Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.11 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As non-financial assets, investment properties are measured at highest and best use. Properties are not depreciated but are valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and sale proceeds greater than £10,000 to the Capital Receipts Reserve.

1.12 Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property applied to write down the lease liability; and
- A finance charge, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased asset. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss (i.e. netted off against the carrying value of the asset at the time of disposal) matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premium received) and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve.

Operating Leases

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

1.13 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service, in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

These two cost categories are defined in SERCOP and accounted for under separate headings in the Comprehensive Income and Expenditure Statement as part of Net Cost Services.

1.14 Heritage Assets

Tangible and Intangible Heritage Assets (described here as heritage assets)

The Council's Heritage Assets are held at the Beacon Museum, the Museum Resource Centre at Haig Enterprise Park, the Museum Store at Moresby and Copeland Centre. They are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the borough's history and local area. Heritage Assets are recognised and measured in accordance with the Council's accounting policies for property, plant and equipment, although some of the measurement rules are relaxed as detailed below. The collections of assets are accounted for as follows.

- Civic Regalia are reported in the Balance Sheet at insurance valuation which is based on market value. The items were last valued in February 2012.

- The Copeland Collection consists of pictures prints and sculptures. 67 lower value items are reported in the Balance Sheet at historic cost and 5 higher value items at insurance valuation as at November 2012. There is no cost information for the remaining 14 low value items, and the Council considers that the cost of valuing the items would be disproportionate in comparison to the benefit to the users of the Council's financial statements. The Council does not recognise those items on the Balance Sheet.
- The Museum Collection comprises fine and decorative arts, social history, archaeology, photographs, prints and natural science. Items with an estimated value of £500 or more are carried in the Balance Sheet at insurance valuation as at November 2012. The remaining low value items are not recognised in the Balance Sheet for the reason given for the low value items in the Copeland Collection.

All valued items are revalued at least once every 5 years. Any acquisition, impairment or disposal of Heritage Assets is accounted for in accordance with the policies in respect of property, plant and equipment (see note 1.15). The Council considers that its Heritage Assets have indeterminate lives and hence does not consider it appropriate to charge deprecation.

1.15 Property, Plant and Equipment (PPE)

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

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be reliably measured. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred. The de-minimis level for recognition of capital expenditure is £6,000.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in a Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, assets under construction and vehicles plant and equipment – depreciated historical cost
- community assets – historical cost
- surplus assets – current value determined as fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of current value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of current value. Where non-property assets that have short useful lives or low values (or both) depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying value is not materially different from their current value at the year-end, but as a minimum every 5 years.

Increases in valuations of property, plant and equipment are matched by credits to the Revaluation Reserve to recognise unrealised gains, unless they arise from the reversal of a loss previously charged to a service when the gains are credited to the Surplus or Deficit on the Provision of Services up to the level of the previous loss.

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

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

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

Impairment

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

Impairment losses are accounted for by:

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Other buildings – straight line allocation over the remaining life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – straight line allocation over the estimated useful life of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- Infrastructure – straight line allocation 10 to 20 years.

Where an item of Property Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The de minimis value of an item, below which components are not depreciated separately, is £900,000.

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Capital receipts are credited to the Usable Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement).

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

1.16 Private Finance Initiative (PFI) and Similar Contracts

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

The original recognition of the asset at fair value, based on the cost of construction, was balanced by the recognition of a liability for amounts due to the scheme provider to pay for the asset.

Non-current 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 provider each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI provider
- lifecycle replacement costs – recognised as non-current assets on the Balance Sheet as they are incurred.

1.17 Provisions

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

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

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

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

1.18 Contingent Assets and Liabilities

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

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the financial statements but disclosed in a note to the accounts.

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

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

1.19 Reserves

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

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

1.20 Revenue Expenditure Funded from Capital under Statute (REFCuS)

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

1.21 Value Added Tax (VAT)

Income and expenditure excludes any amounts relating 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.

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

The Council is required to disclose information relating to the impact of accounting changes on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council. For 2015/16 the following changes apply:

Amendments to IAS 19: Defined Benefit Plans: Employee Contributions - Clarifies the treatment of contributions to defined benefit plans by employees based on whether those contributions are dependent on the number of years' service provided by the employee. For the pension schemes relevant to local government, employee contributions are determined independently of years' service and should be recognised in the period the relevant service is rendered and not attributed in part to earlier years of service.

Annual Improvements to IFRS's 2010–2012 Cycle

(i) IFRS 3 Business Combinations - Accounting for contingent consideration in a business combination - Clarifies that all contingent consideration should subsequently be measured at fair value at each reporting date; and that changes in fair value should be recognised in the surplus or deficit on provision of services.

(ii) IFRS 8 Operating Segments; Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets - Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria to operating segments; and that disclosure of the reconciliation of segment assets to total assets is only required if the reconciliation is reported regularly to the chief operating decision maker.

(iii) Amendment to the Basis for Conclusions on IFRS 13 Fair Value Measurement - Clarifies that the issue of IFRS 13 and consequential amendments to IAS 39 [and IFRS 9] do not remove the ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, when the effect of not discounting is immaterial.

(iv) IAS 16 Property, Plant and Equipment - Revaluation method – proportionate restatement of accumulated depreciation and IAS 38 Intangible Assets - Revaluation method - proportionate restatement of accumulated amortisation.

Removes perceived inconsistencies in the accounting for accumulated depreciation and amortisation when an item of property, plant and equipment (PPE) or an intangible asset is revalued. When an item of PPE or intangible asset is revalued the carrying amount of that asset is adjusted to the revalued amount either by (a) the non-elimination method - adjusting the gross carrying amount in a manner that is consistent with the revaluation of the carrying amount and adjusting accumulated depreciation/amortisation at the date of the revaluation to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses or (b) the elimination method - eliminating any accumulated depreciation (and impairment) at the date of valuation against the gross carrying amount of the assets and restating the net amount to the revalued amount of the asset (the elimination method). However, a change to the adaptations and interpretation of IAS 16 for the public sector context means that for PPE (excluding the new Highways Network Asset) the option in IAS 16 for the treatment of accumulated depreciation and impairment where the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset is withdrawn.

(v) IAS 24 Related Party Disclosures - Clarifies that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity subject to the related party disclosures. Consequently, the reporting entity should disclose as related party transactions amounts incurred for key management personnel services provided by a separate management entity.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations.
Requires the acquisition of an interest in a joint operation that constitutes a business as defined in IFRS 3 - Business Combinations - to be accounted for using the business combinations accounting principles contained in IFRS 3 and other standards, with the exception of those principles that conflict with the guidance in IFRS 11, and disclose the information that is required in those IFRS's in relation to business combinations.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation.
Prohibits the use of revenue-based depreciation for PPE and limits the use of revenue-based amortisation for intangible assets to those circumstances where the predominant limiting factor that is inherent in an intangible asset is the achievement of a revenue threshold, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Annual Improvements to IFRS's 2012–2014 Cycle.
Amendments to various IFRS's only one of which is applicable to local authorities. IFRS 7 – Financial Instruments: Disclosures - Servicing contracts, clarifies whether a servicing contract constitutes continuing involvement in a transferred financial asset for the purposes of the disclosures required.

Amendments to IAS 1- Presentation of Financial Statements: Disclosure Initiative.
Clarifies (1) the materiality requirements in IAS 1; (2) that entities have flexibility as to the order in which they present the notes to financial statements; (3) that specific line items in the Comprehensive Income and Expenditure Statement and Balance Sheet may be disaggregated; and (4) that the share of other comprehensive income and expenditure of associates and joint ventures accounted for using the equity method, must be presented classified between those items that will or will not be subsequently reclassified to the Surplus or Deficit on the Provision of Services. Also clarifies the requirements that apply when additional subtotals are presented in the Balance Sheet and in the Comprehensive Income and Expenditure Statement.

Code of Practice 2016/17 - Changes to the format of the Comprehensive Income and Expenditure Statement (CI&ES), the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.
Requires that, from 2016/17, the CI&ES service analysis is presented on the basis of the organisational structure (including, where relevant, corporate support services) under which an authority operates, rather than in accordance with the format and formal definition of 'Total Cost' specified in the Service Reporting Code of Practice (SERCOP). This change will require the comparative year (2015/16) service analysis to be restated in line with the new format for reporting service income and

expenditure. The new Expenditure and Funding Analysis will show how expenditure is used and funded from annual resources (Government grants, rents, council tax and business rates) - as defined by statutory provisions for council tax purposes - in comparison with those economic resources consumed or earned by authorities in accordance with generally accepted accounting practices (as reported in the Comprehensive Income and Expenditure Statement); and how this expenditure is allocated for decision making purposes. The Expenditure and Funding Analysis will be supported by a streamlined Movement in Reserves Statement and replace most of the existing segmental reporting requirements contained in the Code.

Adoption of the above amendments is not expected to have a material impact on the Council's accounts.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- The Council leases a number of vehicles through Kier FPS Ltd. The leases vary in terms so each individual contract is assessed, using best judgement against a set of criteria, to determine if the lease falls into the category of finance or operating lease. This in turn determines if the vehicle is included on the Balance Sheet within Property, Plant and Equipment or charged to service lines within the Comprehensive Income and Expenditure Statement. If a lease is deemed to be a finance lease the Council has estimated an implied interest rate to calculate interest and capital payments.
- The Council also entered into a PFI agreement with London Regional and the agreement was assessed to determine whether it also fit the criteria of Finance Lease or Operating Lease. It was deemed to be a Service Concession arrangement under IFRIC12, and as defined in the CIPFA Code of Practice, so is therefore included on the Balance Sheet within Property, Plant and Equipment.
- The Council sublet some areas of the Copeland Centre administrative building during the year. It is deemed that the areas leased do not comprise investment property under International Accounting Standard (IAS) 40.
- There is a high degree of uncertainty about future levels of funding for local government, and the Council remains at risk from the localisation of both Council Tax and National Non-Domestic Rates (NNDR), both of which may result in cost to the Council.

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

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

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- The pension liability to the Council at 31 March 2016 has been valued by the actuary to Cumbria Pension Fund using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about life expectancy, employee turnover rates, inflation and pay growth. The net pension liability at 31 March 2016 was £20.703 million. If the assumptions made prove incorrect there will be significant changes to the pension liability. A sensitivity analysis of key assumptions made is in Note 29 at page 77.
- Property, Plant and Equipment is depreciated over its estimated useful life. Judgement is required to determine what that useful life is and under the current economic climate it is possible that some assets will not be maintained to the current standard with some assets being disposed of or mothballed. Assets could also be reclassified as new ways are found to utilise some properties. This could result in changes to the value of assets held and the amount of depreciation or impairment being charged to the Comprehensive Income and Expenditure Statement. It is estimated that, should the estimated useful lives reduce by one year, depreciation would increase by £455,000.
- The PFI contract was assessed at the inception of the lease using estimated interest rates and RPI forecasts. As time elapses there will be variances from those originally forecast and the actual interest rates.
- The Council has used its best judgement to provide for refunds of non-domestic (business) rates in the event of successful appeals by ratepayers (see Note 28 (i) at page 72). Estimates have been made using local information and professional advice. The total provision stands at £658,000 at 31 March 2016, the Council's share of which is £263,000. Although the settlement of an appeal by the Council's major ratepayer (Sellafield Limited) has significantly reduced both the required provision and the resultant uncertainty, the latter could increase in 2016-17 prior to the introduction of a revalued rating list nationally with effect from 1 April 2017.

5 MATERIAL ITEMS OF INCOME AND EXPENSE

Material Items within the Comprehensive Income and Expenditure Statement include:

- Housing Benefits

  The Council has incurred spending of £20.250 million on housing benefits in 2015/16 and received a government subsidy of £19.527 million to meet this cost.

- Non Domestic Rates

Arrangements for the settlement of the major Non Domestic Rates appeal liability required an amount of £7.495m to be charged to the General Fund in 2015-16.

- Council Tax

  The Council received £4.699 million from the Collection Fund as its share of council tax receipts in 2015/16.

- Pension Deficit Payment

  The Council paid £0.554 million, in respect of the pension fund deficit, into the Local Government Pension Scheme.

- Grants

  The Council received a number of material grants during the year and details of these are contained in Note 14 (page 55).

- PFI Charges

  The Council paid unitary charges of £1.528 million in 2015/16 relating to the Copeland Centre.

6 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue on 22 May 2017 by Fiona Rooney, Director of Commercial and Corporate Resources (and Section 151 Officer). Events taking place after this date are not reflected in the financial statements or notes. No events have taken place prior to this date but after 31 March 2016 which provided information which required the financial statements and notes to be amended. A significant asset disposal of £4.6m, for the site at Harras Moor, was agreed in March 2017 and completed in April 2017, but this did not require any amendment to the financial statements, with the final price (which did not, in any event, vary from the carrying value at 31 March 2016 by a material amount) being determined by factors arising after 31 March 2016.

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the usable reserves that the adjustments are made against.

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2015/16	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of Items debited or credited to the CIES				
Charges for depreciation and impairment of non-current assets	(2,098)	-	-	2,098
Revaluation Losses on Property Plant and Equipment	(3,570)	-	-	3,570
Movements in the market value of Investment Properties	(31)	-	-	31
Amortisation of intangible assets	(90)	-	-	90
Capital grants and contributions applied	681	-	-	(681)
Revenue Expenditure funded from capital under statute	(979)			979
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(445)	-	-	445
Insertion of items not debited or credited to the CIES				
Statutory Repayment of Debt (Finance Lease Liabilities)	103	-	-	(103)
Statutory Repayment of Debt (PFI)	301	-	-	(301)
Capital expenditure charged against the General Fund	32	-	-	(32)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,226	-	(1,226)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Adjustments primarily involving the Capital Receipts				

Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	102	(95)	-	(7)
VAT sharing proceeds	50	(50)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	2,018	-	(2,018)
Capital Grants Repaid	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1)	1	-	-
Transfer from Deferred Capital Receipts Reserve on receipt of cash	-	22	-	(22)
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to CIES	-	-	-	-
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	34	-	-	(34)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,885)	-	-	1,885
Employer's pension contributions and direct payments to pensioners payable in the year	1,223	-	-	(1,223)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax and NNDR income credited to the CIES is different from council tax and NNDR income calculated for the year in accordance with statutory requirements	7,438	-	-	(7,438)
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(25)	-	-	25
Total Adjustments	**2,066**	**1,896**	**(1,226)**	**(2,736)**

2014/15	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of Items debited or credited to the CIES				
Charges for depreciation and impairment of non-current assets	(3,088)	-	-	3,088

Revaluation Losses on Property Plant and Equipment	647	-	-	(647)
Movements in the market value of Investment Properties	75	-	-	(75)
Amortisation of intangible assets	(128)	-	-	128
Capital grants and contributions applied	892	-	-	(892)
Revenue Expenditure funded from capital under statute	(946)	-	-	946
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(238)	-	-	238
Insertion of items not debited or credited to the CIES				
Statutory Repayment of Debt (Finance Lease Liabilities)	228	-	-	(228)
Statutory Repayment of Debt (PFI)	295	-	-	(295)
Capital expenditure charged against the General Fund	15	-	-	(15)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	212		(212)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	126	(126)
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	183	(183)	-	-
VAT sharing proceeds	199	(199)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	770	-	(770)
Capital Grants Repaid				
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-
Transfer from Deferred Capital Receipts Reserve on receipt of cash	-	(69)	-	69
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to CIES	10	-	-	(10)
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	5	-	-	(5)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,576)	-	-	1,576
Employer's pension contributions and direct payments to pensioners payable in the year	1,048	-	-	(1,048)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax and NNDR income credited to the CIES is different from council tax and	1,345	-	-	(1,345)

NNDR income calculated for the year in accordance with statutory requirements				
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(12)	-	-	12
Total Adjustments	**(834)**	**319**	**(86)**	**601**

8 USABLE RESERVES

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

9 UNUSABLE RESERVES

Unusable Reserves	As at 31 March 2015 £000	As at 31 March 2016 £000
Revaluation Reserve	(13,602)	(20,916)
Deferred Capital Receipts Reserve	(637)	(659)
Capital Adjustment Account	(18,961)	(15,512)
Financial Instruments Adjustment Account	100	66
Collection Fund Adjustment Account	4,017	(3,421)
Pensions Reserve	23,318	20,703
Accumulated Absences Account	78	103
Total Unusable Reserves	**(5,687)**	**(19,636)**

Revaluation Reserve

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

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

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

As at 31 March 2015 £000	Revaluation Reserve	As at 31 March 2016 £000
(14,672)	Balance at 1 April	**(13,602)**
(2,784)	Upward revaluation of assets	(11,135)

2,712	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	3,199
(72)	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**(7,936)**
995	Difference between fair value depreciation and historical cost depreciation	346
147	Accumulated gains on assets sold, transferred or scrapped	248
-	Revaluation balances on assets reclassified as investment properties	28
1,142	Amount written off to the Capital Adjustment Account	**622**
(13,602)	Balance at 31 March	**(20,916)**

Deferred Capital Receipts Reserve

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

As at 31 March 2015 £000	Deferred Capital Receipts Reserve	As at 31 March 2016 £000
(697)	**Balance at 1 April**	**(637)**
(10)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
70	Transfer to the Capital Receipts Reserve on receipt of cash	(22)
(637)	**Balance at 31 March**	**(659)**

Capital Adjustment Account

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

The account contains accumulated gains and losses on investment properties.

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

Note 20 on page 66 provide details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

As at 31 March 2015 £000	Capital Adjustment Account	As at 31 March 2016 £000
(19,170)	**Balance at 1 April**	**(18,961)**
	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
3,087	Charges for depreciation and impairment of non-current assets	2,098
(647)	Revaluation Losses on Property Plant and Equipment charged to the CIES	3,570
128	Amortisation of intangible assets	90
946	Revenue Expenditure funded from capital under statute	979
238	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	445
3,752		**7,182**
(1,142	Adjusting amounts written out of the Revaluation Reserve	(622)
2,610	Net written out amount of the cost of non-current assets consumed in the year	**6,560**
	Capital Financing applied in the year:	
(770)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,018)
(892)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(681)
(126)	Application of grants to capital financing from the Capital Grants Unapplied Account	-
-	Other	(7)
(523)	Statutory minimum revenue provision for the financing of capital investment charged against the General Fund balance	(404)
(15)	Capital expenditure charged against the General Fund	(32)
(2,326)		**(3,142)**
(75)	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	31
(18,961)	**Balance at 31 March**	**(15,512)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expense relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans, which are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

As at 31 March 2015 £000	Financial Instruments Adjustment Account	As at 31 March 2016 £000
105	**Balance at 1 April**	**100**
(5)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(34)
100	**Balance at 31 March**	**66**

Collection Fund Adjustment Account

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

As at 31 March 2015 £000	Collection Fund Adjustment Account	As at 31 March 2016 £000
5,362	**Balance at 1 April**	**4,017**
(1,345)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(7,438)
4,017	**Balance at 31 March**	**(3,421)**

Pensions Reserve

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

As at 31 March 2015 £000	Pensions Reserve	As at 31 March 2016 £000
18,063	**Balance at 1 April**	**23,318**
4,727	Remeasurements of the net defined benefit liability/asset	(3,277)
1,576	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	1,885
(1,048)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,223)
23,318	**Balance at 31 March**	**20,703**

Accumulated Absences Account

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

As at 31 March 2015 £000	Accumulated Absences Account	As at 31 March 2016 £000
67	**Balance at 1 April**	**78**
(67)	Settlement or cancellation of accrual made at the end of the preceding year	(78)
78	Amounts accrued at the end of the current year	103
78	the year in accordance with statutory requirements	**103**
78	**Balance at 31 March**	**103**

10 TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund Balance in Earmarked Reserves to provide financing for the future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2015/16.

Earmarked Reserve	Balance as at 31 March 2014 £'000	Transfers Out 2014/15 £'000	Transfers In 2014/15 £'000	Balance as at 31 March 2015 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance as at 31 March 2016 £'000
Corporate							
Delivering Differently Fund	**673**	(225)	200	**648**	-	6	**654**
Mayor's Charity Bequest	**13**	-	-	**13**	(13)	-	**-**
Budget Carry Forwards	**572**	(572)	474	**474**	(474)	8	**8**
External Resources Shortfall	**-**	-	5,178	**5,178**	(5,178)	-	**-**
Commercial and Corporate Resources							
Information Technology	**210**	-	-	**210**	-	-	**210**
Asset and Land Management	**109**	-	-	**109**	(39)	30	**100**
PFI Reserves	**1,785**	(7)	167	**1,945**	(24)	156	**2,077**
Coastal Management	**191**	-	-	**191**	-	9	**200**
Repair and Maintenance	**130**	-	-	**130**	(117)	20	**33**
Insurance	**463**	-	19	**482**	(412)	-	**70**
Budget Carry Forwards	**-**	-	-	**-**	-	555	**555**
Customer and Community Services							
Revenues and Benefits	**215**	-	-	**215**	(65)	-	**150**
Welfare Support	**30**	-	10	**40**	(40)	-	**-**
Housing	**43**	(8)	30	**65**	(20)	11	**56**
The Beacon	**105**	-	91	**196**	-	-	**196**
Refuse Collection and Recycling	**133**	(21)	-	**112**	-	-	**112**
Car Parks	**102**	-	24	**126**	-	25	**151**
Crematorium	**171**	(31)	62	**202**	(22)	61	**241**
Knotweed Treatment	**20**	(1)	-	**19**	-	-	**19**
Mayoral and Members	**5**	-	100	**105**	(105)	-	**-**
Elections	**36**	-	20	**56**	-	21	**77**
Budget Carry Forwards	**-**	-	-	**-**	-	532	**532**
Economic Growth							
Planning	**159**	(10)	-	**149**	(34)	-	**115**
Development and Building Control	**47**	-	-	**47**	(32)	-	**15**
Community Asset Transfers	**20**	(20)	33	**33**	(33)	-	**-**
Dangerous Structures and Dilapidated Buildings	**55**	-	-	**55**	(38)	-	**17**
Coastal Park	**121**	(50)	-	**71**	(27)	-	**44**
Enabling Growth Strategy	**74**	(25)	-	**49**	-	-	**49**
Nuclear Activities	**210**	(62)	58	**206**	-	281	**487**
Localism Grants	**-**	-	29	**29**	(29)	-	**-**
Environmental Protection and Food Hygiene	**-**	-	11	**11**	(11)	-	**-**
Budget Carry Forwards	**-**	-	-	**-**	-	29	**29**
Total	**5,692**	**(1,032)**	**6,506**	**11,166**	**(6,713)**	**1,744**	**6,197**

Note 10 has been amended, better to reflect the classification of individual reserves. 2014/15 has been restated accordingly.

11 OTHER OPERATING INCOME AND EXPENDITURE

2014/15 £'000	Other Operating Income and Expenditure	2015/16 £'000
473	Parish council precepts	828
(199)	VAT Shelter proceeds	(50)
1	Payments to the Government Housing Capital Receipts Pool	1
25	(Gains)/losses on the disposal of non-current assets	271
20	Pensions administration cost	23
320	**Total**	**1,073**

12 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014/15 £'000	Financing and Investment Income and Expenditure	2015/16 £'000
1,046	Interest Payable and similar charges	947
772	Pension interest cost and expected return on pensions assets	727
(254)	Interest receivable and similar income	(358)
(154)	Income and expenditure in relation to investment properties and changes in their fair value	(160)
(39)	Other investment income	-
1,371	**Total**	**1,156**

13 TAXATION AND NON SPECIFIC GRANT INCOME

2014/15 £'000	Taxation and Non Specific Grant Income	2015/16 £'000
(4,248)	Council tax income	(4,705)
(4,500)	Non domestic rates	63
(4,563)	Non-ring fenced government grants	(3,831)
(512)	Capital grants and contributions	(1,275)
(13,823)	**Total**	**(9,748)**

14 GRANT INCOME

The Council credited the following grants and contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15 and 2015/16. Further analysis (Capital Grants and Contributions, Social Investment Funding and Revenue Expenditure Funded from Capital) of Other Grants has been provided compared with the 2014/15 Statement of Accounts and that year's figures restated accordingly.

Credited to Taxation and Non Specific Grant Income	2014/15 £'000	2015/16 £'000
Council Tax 2nd Home Discount Grant	(108)	(148)
Revenue Support Grant	(2,514)	(1,711)
PFI Grant	(837)	(837)
Capital Grants and Contributions	(512)	(1,275)
New Home Bonus Grant	(481)	(616)
Non-Domestic Rates Relief Grants	(434)	(422)
New Burdens Grant	(103)	(31)
Other Grants	(86)	(66)
Total	**(5,075)**	**(5,106)**
Credited to Services	**£'000**	**£'000**
Rent Allowance Subsidy	(20,265)	(19,527)
Administration Grants	(435)	(490)
Social Investment Funding	(400)	(500)
Revenue Expenditure Funded from Capital	(568)	(632)
Other Grants	(1,050)	(1,062)
Total	**(22,718)**	**(22,211)**

15 TRADING OPERATIONS

The Council operates a number of trading units which are required to operate in a commercial environment and maintain a balanced budget by generating income from third parties. Details of those units with a turnover of over £100,000 are as follows:

		2014/15 £000	2015/16 £000
Charged to Financing and Investment Income and Expenditure			
The Council sublets part of the Copeland Centre. The cost of renting out the premises are covered by the rental revenues generated.	Turnover	(735)	(659)
	Expenditure	735	659
	(Surplus)/deficit	**-**	**-**
Charged to Net Cost of Services			
The Council operates pay and display car parks where the running costs include rates, electricity and water charges, maintenance of ticket machines and car parking orders. The operation recovers its costs apart from capital charges which are mitigated through the Movement in Reserves Statement.	Turnover	(401)	(442)
	Expenditure	513	430
	(Surplus)/deficit	**112**	**(12)**
The Council collects and disposes of waste collected from commercial and non-domestic properties. A charge per collection is made.	Turnover	(229)	(250)
	Expenditure	227	272
	(Surplus)/deficit	**(2)**	**22**

16 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

(i) Service Information

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

- no charges are made in relation to capital expenditure whereas depreciation, revaluation, impairment losses and amortisation are charged to services in the Comprehensive Income and Expenditure Statement
- the cost of retirement benefits is based on payment of employer's pension contributions rather than the current service cost of benefits accrued in the year as included in the Comprehensive Income and Expenditure Statement
- expenditure on some support services is budgeted for centrally but is fully recharged to services in the Comprehensive Income and Expenditure Statement.

The income and expenditure of the Council reported in the quarterly monitoring and out turn budget reports for the year is as follows:

Year ended 31 March 2016	Chief Executive £'000	Director of Customer and Community Services £'000	Director of Economic Growth £'000	Director of Resources and Strategic Commissioning £'000S	Total £'000
Fees, charges and other service income	(523)	(4,471)	(1,572)	(1,334)	(7,900)
Government grants	(13)	(20,944)	(239)	(73)	(21,269)
Total Income	(536)	(25,415)	(1,811)	(1,407)	**(29,169)**
Employee expenses	1,823	3,769	1,516	466	7,574
Other operating expenses	1,646	23,494	1,057	2,915	29,112
Total Operating Expenses	3,469	27,263	2,573	3,381	**36,686**
Net Cost of Services	**2,933**	**1,848**	**762**	**1,974**	**7,517**

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

	£'000
Net Cost of Services in Comprehensive Income and Expenditure Statement (CI&ES) (see note ii)	12,764
Service costs and income not in main analysis in the CI&ES	(5,326)
Amounts not reported to management but included in the CI&ES	79
Net Cost of Services	**7,517**

Year ended 31 March 2015	Chief Executive £'000	Director of Resources and Strategic Commissioning £'000	Director of Economic Growth £'000	Head of Copeland Services £'000	Head of Customer and Community Services £'000	Total £'000
Fees, charges and other service income	(180)	(2,617)	(857)	(2,621)	(758)	(7,033)
Government grants	(45)	(21,009)	-	(18)	-	(21,072)
Total Income	**(225)**	**(23,626)**	**(857)**	**(2,639)**	**(758)**	**(28,105)**
Employee expenses	1,302	895	935	2,587	937	6,656
Other operating expenses	1,501	26,470	528	2,128	1,131	31,758
Total Operating Expenses	**2,803**	**27,365**	**1,463**	**4,715**	**2,068**	**38,414**
Net Cost of Services	**2,578**	**3,739**	**606**	**2,076**	**1,310**	**10,309**

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

	£'000
Net Cost of Services in Comprehensive Income and Expenditure Statement (CI&ES) (see note ii)	10,516
Service costs and income not in main analysis in the CI&ES	2,604
Amounts not reported to management but included in the CI&ES	(2,811)
Net Cost of Services	**10,309**

(ii) Reconciliation to subjective analysis

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

Year ended 31 March 2016	Service Analysis £'000	Spending / Income not in Net Cost of Services £'000	Items not reported to Management £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	(7,514)	1,263	-	(6,251)	(1,984)	(8,235)
Government grants	(21,269)	-	(5,690)	(26,959)	(3,831)	(30,790)
Income from council tax	-	-	-	-	(4,705)	(4,705)
Interest receivable	(355)	-	-	(355)	(358)	(713)
Change in fair value of investment properties	-	-	-	-	(908)	(908)
Gains and losses on sale of assets	-	-	-	-	(60)	(60)
Total Income	**(29,138)**	**1,263**	**(5,690)**	**(33,565)**	**(11,846)**	**(45,411)**
Employee expenses	7,574	87	(149)	7,512	-	7,512
Other operating expenses	28,702	3,976	-	32,678	661	33,339
Depreciation, amortisation and impairment	-	-	5,760	5,760	-	5,760

Interest payable	379	-	-	379	1,697	2,076
Precepts and levies	-	-	-	-	890	890
Change in fair value of Investment Properties	-	-	-	-	1,467	1,467
Gains and losses on sale of assets	-	-	-	-	17	17
Total Expenditure	**36,655**	**4,063**	**5,611**	**46,329**	**4,732**	**51,061**
(Surplus)/Deficit on the provision of services	**7,517**	**5,326**	**(79)**	**12,764**	**(7,114)**	**5,650**

Year ended 31 March 2015	**Service Analysis £'000**	**Spending / Income not in Net Cost of Services £'000**	**Items not reported to Management £'000**	**Net Cost of Services £'000**	**Corporate Amounts £'000**	**Total £'000**
Fees, charges and other service income	(6,777)	139	-	**(6,638)**	(1,090)	**(7,728)**
Government grants	(21,072)	128	(400)	**(21,344)**	(4,775)	**(26,119)**
Income from council tax	-	-	-	**-**	(4,248)	**(4,248)**
Income from NNDR	-	-	-	**-**	(4,500)	**(4,500)**
Interest Receivable	(256)	-	-	**(256)**	(254)	**(510)**
Charge in fair value of investment properties	-	-	-	**-**	(191)	**(191)**
Gains and losses on sale of assets	-	-	-	**-**	(300)	**(300)**
Total Income	**(28,105)**	**267**	**(400)**	**(28,238)**	**(15,358)**	**(43,596)**
Employee expenses	6,656	(286)	-	**6,370**	792	**7,162**
Other operating expenses	31,380	(2,585)	-	**28,795**	1,247	**30,042**
Depreciation, amortisation and impairment	-	-	3,211	**3,211**	-	**3,211**
Interest Payable	378	-	-	**378**	1,046	**1,424**
Precepts & levies	-	-	-	**-**	-	**-**
Change in fair value of Investment Properties	-	-	-	**-**	116	**116**
Gains and losses on sale of assets	-	-	-	**-**	25	**25**
Total Expenditure	**38,414**	**(2,871)**	**3,211**	**38,754**	**3,226**	**41,980**
(Surplus)/Deficit on the provision of services	**10,309**	**(2,604)**	**2,811**	**10,516**	**(12,132)**	**(1,616)**

17 OFFICERS' REMUNERATION

The remuneration of the Council's senior employees is shown in the table below.

Post Holder Information	Note	Year	Salary, Fees & Allowances	Expenses	Benefits in Kind (e.g. Car Allowance)	Compensation for loss of Office	Total Remuneration excluding Pension	Pension Contributions	Total Remuneration including Pension
Chief Executive	7	2015/16	87,500	-	3,979	80,460	**171,939**	6,893	**178,832**
		2014/15	110,000	29	5,000	-	**115,029**	13,640	**128,669**
Managing Director	7	2015/16	48,884	92	-	-	**48,976**	6,062	**55,038**
		2014/15	-	-	-	-	**-**	-	**-**
Finance Manager and Section 151 Officer	8	2015/16	-	-	-	-	**-**	-	**-**
	1	2014/15	-	-	-	-	**-**	-	**-**
Director of Resources and Strategic Commissioning / Director of Commercial and Corporate Resources	9	2015/16	-	-	-	-	**-**	-	**-**
	2	2014/15	-	-	-	-	-	-	**-**
Director of Economic Growth	10	2015/16	38,250	49	-	-	**38,299**	4,743	**43,042**
	3	2014/15	75,375	66	-	-	**75,441**	9,346	**84,787**
Head / Director of Customer and Community Services	11	2015/16	72,473	25	315	-	**72,812**	8,987	**81,799**
	4	2014/15	52,854	505	-	-	**53,359**	6,554	**59,913**
Head of Policy and Transformation		2015/16	-	-	-	-	-	-	-
	5	2014/15	3,550	-	-	-	3,550	440	3,990
Head of Copeland Services	12	2015/16	4,470	16	128	-	**4,614**	554	**5,168**
	6	2014/15	52,854	825	-	-	**53,679**	6,554	**60,233**

Notes

Note 17 has been amended, better to reflect regulations in respect of disclosure. 2014/15 figures have been restated accordingly.

Following a review of the management team structure in quarter four of 2013/14, with changes introduced from 1st April 2014, the Corporate Leadership Team structure was further reviewed in 2015/16.

2014-15

1. The post of Finance Manager and Section 151 Officer was covered by interim resources for the year at a cost to the Council of £122,341.
2. The previous post of Head of Corporate Resources was redesignated Director of Resources and Strategic Commissioning with effect from 1 April 2014. The post was covered on an interim basis for the year at a cost to the Council of £109,723.
3. The previous post of Corporate Director of People and Places was redesignated Director of Economic Growth with effect from 1 April 2014.
4. The previous post of Head of Regeneration and Community was redesignated Head of Customer and Community Services with effect from 1 April 2014.
5. The post of Head of Policy and Transformation was deleted in early 2014-15.
6. The previous post of Head of Neighbourhoods was redesignated Head of Copeland Services with effect from 1 April 2014.

2015-16

7. The post of Chief Executive was deleted with effect from 1 October 2015 and replaced by the post of Managing Director.
8. The post of Finance Manager and Section 151 Officer was covered by interim resources for the year at a cost to the Council of £133,004. Section 151 responsibilities were transferred to the Director of Commercial and Corporate Resources in August 2015.
9. The post of Director of Resources and Strategic Commissioning was redesignated Director of Commercial and Corporate Resources in November 2015 and was partly covered by an interim resource for the year at a cost to the Council of £135,655.
10. The Director of Economic Growth was appointed Managing Director with effect from 1 October 2015.
11. The post of Head of Customer and Community Services was redesignated Director of Customer and Community Services during the year.
12. The post of Head of Copeland Services was deleted from the end of April 2015 and the responsibilities of the post transferred to the Director of Economic Growth and Head of Customer and Community Services.

Compensation payments for loss of office are disclosed in Note 31 on page 77 and are directly due to the corporate leadership team review.

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

Remuneration band	2014/2015 No of employees	2015/16 No of employees
£50,000 - £54,999	1	1

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15 £	2015/16 £
£0-£20,000	3	-	-	-	**3**	**-**	**7,438**	**-**
£60,001-£80,000	-	-	-	1	**-**	**1**	**-**	**80,560**
Total	**3**	**-**	**-**	**1**	**3**	**1**	**7,438**	**80,560**

18 MEMBERS' ALLOWANCES

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

	2014/15 £000	2015/16 £000
Allowances	221	187
Expenses	9	9
Total	**230**	**196**

19 EXTERNAL AUDIT COSTS

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

	2014/15 £000	2015/16 £000
Fees payable for the certification of grant claims and returns	16	15
Fees payable with regard to external audit services carried out by the appointed auditor	71	102*
Rebates received from the Audit Commission	(7)	-
Total	**80**	**117**

* Includes £48k of additional fees in respect of the 2014-15 accounts, as agreed in August 2016

20 PROPERTY, PLANT AND EQUIPMENT

20.1 Movements on Balances

Movements in 2015/16

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets Included in Property, Plant and Equipment £'000
Cost or Valuation								
As at 1 April 2015	**25,254**	**5,654**	**7,166**	**22**	**5,604**	**334**	**44,034**	**4,415**
Additions	1,162	226	10	141	25	194	**1,758**	16
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,597	(152)	-	-	1,686	-	**7,131**	1,837
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,155)	(32)	-	-	332	-	**(3,855)**	(1,344)
De-recognition - Disposals	-	(28)	-	-	-	-	**(28)**	-
De-recognition - Other	(449)	-	-	-	-	-	**(449)**	(16)
Reclassifications	(335)	66	137	13	-	(334)	**(453)**	25
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	**-**	-
Other movements in cost or valuation	-	-	-	-	-	-	**-**	-
At 31 March 2016	**27,074**	**5,734**	**7,313**	**176**	**7,647**	**194**	**48,138**	**4,933**
Accumulated Depreciation and Impairment								
As at 1 April 2015	**377**	**4,003**	**3,786**	**-**	**289**	**-**	**8,455**	**-**
Charged in year	1,248	364	485	-	1	-	**2,098**	501
Depreciation written out to the Revaluation Reserve	(489)	(27)	-	-	(289)	-	**(805)**	(79)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(475)	(6)	-	-	(1)	-	**(482)**	(239)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	**-**	-
De-recognition - Disposals	-	(28)	-	-	-	-	**(28)**	-
De-recognition - Other	(118)	-	-	-	-	-	**(118)**	-
Reclassifications	-	-	-	-	-	-	**-**	-
Other movements in depreciation and impairment	-	-	-	-	-	-	**-**	-
At 31 March 2016	**543**	**4,306**	**4,271**	**-**	**-**	**-**	**9,120**	**183**
Net Book Value								
As at 31 March 2016	**26,531**	**1,428**	**3,042**	**176**	**7,647**	**194**	**39,018**	**4,750**
As at 1 April 2015	**24,877**	**1,651**	**3,380**	**22**	**5,315**	**334**	**35,579**	**4,415**

Movements in 2014/15

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets Included in Property, Plant and Equipment £'000
Cost or Valuation								
As at 1 April 2014	**25,785**	**5,617**	**7,166**	**22**	**8,716**	**217**	**47,523**	**4,388**
Additions	16	-	-	-	-	837	**853**	16
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,642)	48	-	-	(1,067)	-	**(3,661)**	13
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(476)	-	-	-	(170)	-	**(646)**	(2)
De-recognition - Disposals	-	(11)	-	-	-	-	**(11)**	-
Reclassifications	2,700	-	-	-	(1,875)	(720)	**105**	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other movements in cost or valuation	(129)	-	-	-	-	-	(129)	-
At 31 March 2015	**25,254**	**5,654**	**7,166**	**22**	**5,604**	**334**	**44,034**	**4,415**
Accumulated Depreciation and Impairment								
As at 1 April 2014	**3,213**	**3,655**	**3,302**	**-**	**365**	**-**	**10,535**	**858**
Charged in year	1,708	450	484	-	446	-	**3,088**	228
Depreciation written out to the Revaluation Reserve	(3,164)	(91)	-	-	(480)	-	**(3,735)**	(223)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,251)	-	-	-	(42)	-	(1,293)	(864)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
De-recognition - Disposals	-	(11)	-	-	-	-	**(11)**	-
De-recognition - Other	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	(129)	-	-	-	-	-	(129)	-
At 31 March 2015	**377**	**4,003**	**3,786**	**-**	**289**	**-**	**8,455**	**-**
Net Book Value								
As at 31 March 2015	**24,877**	**1,651**	**3,380**	**22**	**5,315**	**334**	**35,579**	**4,415**
As at 1 April 2014	**22,572**	**1,962**	**3,864**	**22**	**8,351**	**217**	**36,988**	**3,530**

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

The history of asset valuations is as follows:

	Land & Buildings £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Carried at Historic Cost	-	-	**-**
Valued at fair value as at:			
31 March 2016	19,667	7,647	**27,314**
31 March 2015	3,145	-	**3,145**
31 March 2014	3,186	-	**3,186**
31 March 2013	969	-	**969**
31 March 2012	107	-	**107**
Total	**27,074**	**7,647**	**34,721**

Surplus assets comprise land holdings from which the Council does not provide services and which do not meet the criteria required in order to be classified as either investment properties or assets held for sale. The Council has determined all of its surplus assets are valued at level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly at 31 March 2016. There were no such quoted prices at 31 March 2016. There were no transfers between levels during 2015-2016. In estimating the fair value of the Council's surplus assets, the highest and best use of the properties is their current use.

20.3 Capital Commitments

Disabled Facilities

The Council has a commitment to providing facilities for the disabled. This is included within the capital programme and is to be grant funded. The level of commitment as at 31 March 2016 was £182,000.

21 HERITAGE ASSETS

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

	Civic Regalia **£000**	Paintings and Fine Art **£000**	Museum Exhibits **£000**	Total Assets **£000**
Cost or valuation				
1 April 2014	208	780	581	**1,569**
Revaluations	-	-	-	**-**
Impairment Losses/(reversals) recognised in the Revaluation Reserve	**-**	**-**	-	**-**
31 March 2015	**208**	**780**	**581**	**1,569**
Revaluations	-	-	-	**-**
Impairment Losses/(reversals) recognised in the Revaluation Reserve	**-**	**-**	-	**-**
31 March 2016	**208**	**780**	**581**	**1,569**

An insurance valuation was carried out by on 17th November 2012 on all Beacon Museum exhibits and material items within the Copeland Collection paintings. There have been no further transactions relating to the heritage assets contained within the Balance Sheet in the previous four accounting periods.

Heritage assets held by the Council consist of Civic Regalia, Paintings and Fine Arts and Museum Exhibits which are exhibited or stored in the Beacon Museum, the Museum Resource Centre at Haig Enterprise Park, the Museum Store at Moresby or the Copeland Centre.

The assets are generally carried in the Balance Sheet at insurance valuation on the basis of open market replacement and are revalued at least once every five years. Exceptionally, 67 assets are carried at a total historic cost of £11,000. Museum exhibits of an estimated individual value of less than £500 (unless considered a high risk by the curator), and a number of smaller value items where no historical cost data is available, are not carried in the Balance Sheet on the basis that the cost of valuing the items would be disproportionate in comparison to the benefit to the users of the Council's financial statements.

Civic Regalia

Items of jewellery and civic regalia are carried in the Balance Sheet at an insurance valuation of £0.208 million. The valuations were based on a current estimate of market value and were carried out by Michael King Ltd. in February 2012.

Paintings and Fine Arts

The Copeland Collection consist of paintings and sculptures on display or stored in the Beacon Museum and other public buildings. It includes four paintings by Robert Salmon with a combined value of £310,000. Assets are included in the Balance Sheet at a value of £780,000 based on a valuation by H.R. Naylor ASFAV in November 2012.

Museum Exhibits

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

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

Museum Collection assets are made up of the following categories:

- Archaeology
- Geographical & Natural Sciences
- The Norman Roberts Collection
- Decorative Arts
- Historic Pictures for
- Print Collection Fine Arts
- Maps
- Photographs
- Social History
- Other collections

As well as assets held and displayed in buildings, the Council also owns other heritage assets which are in situ throughout Copeland. These comprise buildings or structures for which there is no recorded historic cost, and therefore they are not carried on the Balance Sheet.

The Council's policies on Heritage Assets, which includes details of the collections' acquisition, preservation, management, disposal and documentation can be accessed on the Beacon website.

22 INVESTMENT PROPERTIES

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

	2014/15 £000	2015/16 £000
Rental income from investment property	118	318
Net gains/losses from fair value adjustments	75	(31)
Gain/loss on disposal of investment property	-	(72)
Direct operating expenses arising from investment property	(39)	(55)
Net gain/(loss)	**154**	**160**

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

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

	2014/15 £000	2015/16 £000
Balance at start of the year	**2,326**	**2,243**
Additions:		
Subsequent expenditure	-	-
Disposals	(53)	(114)
Net gains/losses from fair value adjustments	75	(31)
Transfers:		
to/from Property, Plant and Equipment	(105)	405
Balance at end of the year	**2,243**	**2,503**

Investment properties have been re-valued as at 31 March 2016 at fair value (Level 2 – Other Significant Observable Inputs) by Amcat(UK) Ltd. Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2016 are shown below.

Category	Other significant observable inputs (Level 2) £000	Fair Value at 31 March 2016 £000
Garage sites	87	87
Grazing plots	241	241
Industrial units	557	557
Offices and other commercial premises	1,557	1,557
Other	61	61
Total	**2,503**	**2,503**

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

23 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year (investment) is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement in the CFR is analysed in the second part of the note.

	31 March 2015 £'000	31 March 2016 £'000
Opening Capital Financing Requirement	**7,925**	**7,402**
Capital Investment		
Property, Plant and Equipment	853	1,759
Revenue Expenditure Funded from Capital under Statute	946	979
Sources of Finance		
Capital receipts	(770)	(2,018)
Governments grants and other contributions	(1,018)	(681)
Sums set aside from revenue	-	(32)
Other	(11)	(7)
Minimum revenue provision	(523)	(405)
Closing Capital Finance Requirement	**7,402**	**6,997**
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(523)	(405)
Total movement in year	**(523)**	**(405)**

24 ASSETS HELD FOR SALE

	2014/15 £000	2015/16 £000
Balance outstanding at start of year	**1,049**	**863**
Assets newly classified as held for sale from		
- Property, Plant & Equipment	-	-
Revaluation losses	-	(197)
Assets declassified as held for sale to		
- Property, Plant & Equipment	-	-
Assets sold	(186)	-
Transfers from non-current to current	-	-
Balance outstanding at year-end	**863**	**666**

25 DEBTORS

	31 March 2015		31 March 2016	
	£'000	£'000	£'000	£'000
	Current	Long Term	Current	Long Term
Central government bodies	3,179	-	1,071	-
Other local authorities	322	-	164	-
Other entities and individuals	1,984	447	1,556	472
Total	**5,485**	**447**	**2,791**	**472**

26 CASH AND CASH EQUIVALENTS

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

	31 March 2015 £000	31 March 2016 £000
Cash held by the Council	2	2
Bank current accounts	(137)	(44)
Short-term deposits with building societies	23,612	24,732
Total Cash and Cash Equivalents	**23,477**	**24,690**

27 CREDITORS

	31 March 2015 £'000	31 March 2016 £'000
Central government bodies	(8,196)	(20,779)
Other local authorities	(2,398)	(7,894)
Other entities and individuals	(3,108)	(14,081)
Total	**(13,702)**	**(42,754)**

28 PROVISIONS

Short Term Provisions	NNDR Appeals Provision £'000	Search Fees Provision £'000	Other Provisions £'000	Total £'000
Balance as at 1 April 2015	**-**	**(80)**	**(107)**	**(187)**
Reclassified to/from long term	(263)	(8)	-	(271)
New provision raised 2015/16	-	-	(49)	(49)
Utilised in 2015/16	-	78	-	78
Reversed unused in 2015/16	-	-	35	35
Reclassified	-	-	-	-

Balance as at 31 March 2016	(263)	(10)	(121)	(394)
Long Term Provisions	**NNDR Appeals Provision £'000**	**Search Fees Provision £'000**	**Other Provisions £'000**	**Total £'000**
Balance as at 1 April 2015	**(10,538)**	**(120)**	**(39)**	**(10,697)**
Reclassified to/from current	263	8	-	271
New provision raised 2015/16	(80)	-	(32)	(112)
Utilised in 2015/16	10,355	-	4	10,359
Reversed unused in 2015/16	-	112	35	147
Reclassified	-	-	-	-
Balance as at 31 March 2016	**-**	**-**	**(32)**	**(32)**
Total Provisions	**(263)**	**(10)**	**(153)**	**(426)**

(i) NNDR Appeals Provision - all business ratepayers can appeal against the value of their premises which is set by the Valuation Office Agency and used to calculate the amount of rates payable. If an appeal is successful, the value reduces as does the amount payable. A number of ratepayers have appealed against the values in effect from 2010/11 to date. The provision is made to meet any refunds of rates. Almost all of the total provision at 1 April 2015 was in respect of an appeal by Sellafield Ltd. The appeal was successful and the provision was used to offset the reduction in the amount payable. Unused provision in the year was also reversed. The total provision at 31 March 2016 is £658,000 which has been made by the Government (£329,000), the Council (£263,000) and the County Council (£66,000). It is based on a 3.8% reduction in rateable value compared with 3% in 2014/15.

(ii) Search Fees Provision - is the amount estimated for the cost of the revocation of the personal search fee of the local land charges register. Virtually all claims were settled in the year.

(iii) Other Provisions – all other provisions are individually insignificant.

29 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its staff, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Cumbria Local Government Pension Scheme (LGPS) which is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The LGPS is a statutory scheme operated under the regulatory framework established under the Superannuation Act 1972. This framework sets out the administrative arrangements and processes for the scheme, specifies the nature and amounts of benefits payable and establishes the basis for calculating contributions payable by the Council and its employees.

Cumbria County Council is the administering authority for the Cumbria LGPS and is responsible for administering the scheme e.g. collecting employer and employee contributions, maintaining members' records and paying out benefits; and investing the accumulated contributions of the scheme until they are used to pay the benefits. The Cumbria Pensions Committee is responsible for ensuring that these responsibilities are discharged in accordance with the relevant regulations and that appropriate governance arrangements are in place and operating effectively.

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

In addition, there are arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions Relating to Post-Employment Benefits

The Council recognises 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 made against council tax is based on the cash payable in the year. In order to make this adjustment, the real cost of retirement benefits is reversed out of the General Fund balance via the Movement in Reserves Statement.

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

	2014/15 £'000s	2015/16 £'000s
Comprehensive Income and Expenditure Statement		
Cost of services		
Service cost comprising:		
Current service cost	784	1,135
Administration expense	20	23
Financing and Investment Income and Expenditure		
Net interest expense	772	727
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**1,576**	**1,885**

Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
Actuarial (gains) and losses arising on changes in financial assumptions	10,263	(4,047)
Re-measurement of plan assets	(5,536)	770
Total Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**4,727**	**(3,277)**
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**6,303**	**(1,392)**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	**(528)**	**(662)**
Actual Amount charged against the General Fund Balance for pensions in the year		
Employers contributions payable to the scheme	**1,048**	**1,223**

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefits plans is as follows:

	LGPS		**Discretionary**	
	2014/15 £'000s	**2015/16 £'000s**	**2014/15 £'000s**	**2015/16 £'000s**
Present value of the defined benefit obligation	(80,016)	(77,335)	(1,473)	(1,363)
Fair value of plan assets	58,171	57,995	-	-
Net Liability arising from the defined benefit obligation	**(21,845)**	**(19,340)**	**(1,473)**	**(1,363)**

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

	LGPS		**Discretionary**	
	2014/15 £'000s	**2015/16 £'000s**	**2014/15 £'000s**	**2015/16 £'000s**
Benefit obligation at 1 April	**(68,961)**	**(80,016)**	**(1,399)**	**(1,473)**
Current service cost	(784)	(1,135)	-	-
Interest cost	(2,972)	(2,524)	(59)	(45)
Contribution by scheme participants	(301)	(289)	-	-
Re-measurement (gains) and losses:				
Actuarial (gains) and losses arising on changes in financial assumptions	(10,135)	4,000	(128)	47
Benefits Paid	3,137	2,629	113	108
Benefit obligation at 31 March	**(80,016)**	**(77,335)**	**(1,473)**	**(1,363)**

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

	LGPS 2014/15 £'000s	LGPS 2015/16 £'000s	Discretionary 2014/15 £'000s	Discretionary 2015/16 £'000s
Opening fair value of scheme assets	**52,297**	**58,171**	**-**	**-**
Interest income	2,259	1,842	-	-
Re-measurement gain/(loss):				
The return on plan assets, excluding the amount included in the net interest expense	5,536	(770)	-	-
Administration expenses	(20)	(23)	-	-
Contributions by employer	935	1,115	113	108
Contributions by scheme participants	301	289	-	-
Benefits paid	(3,137)	(2,629)	(113)	(108)
Closing fair value of scheme assets	**58,171**	**57,995**	**-**	**-**

Local Government Pension Scheme assets comprised:

	2014/15 £'000s	2015/16 £'000s
Equities		
• UK quoted	7,969	7,654
• Global quoted	10,587	10,903
• UK equity pooled	2,909	2,030
• Overseas equity pooled	9,249	9,569
Bonds		
• UK corporate bonds	4,072	4,002
• Overseas corporate bonds	233	232
• UK government indexed pooled	10,703	10,381
Property		
• UK	4,188	4,466
• Property funds	1,978	2,088
Alternatives		
• Hedge funds	58	-
• Private equity funds	989	1,218
• Infrastructure funds	2,967	3,190
• Real estate debt funds	233	406
Cash		
• Cash accounts	1,920	1,798
• Net current assets	116	58
Total	**58,171**	**57,995**

In summary:

	2014/15 %	2015/16 %
Equities	52.8	52.0
Government bonds	18.4	17.9
Other bonds	7.4	7.3
Property	10.6	11.3
Cash / liquidity	3.5	3.2
Other	7.3	8.3
Total	**100.0**	**100.0**

Basis for Estimating Assets and Liabilities

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.

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels, etc. Funded and unfunded liabilities have been assessed by Mercers Human Resource Consulting Limited, an independent firm of actuaries using estimates based on the latest full valuation of the scheme at 31 March 2013. The significant actuarial assumptions used to determine the present value of the defined benefit obligation are set out in the following table:

	2014/15	2015/16
Life expectancy		
Current pensioner aged 65 male (female)	23.0 (25.6) years	23.1(25.7) years
Future pensioner aged 65 in 20yr time male (female)	25.8 (28.8) years	25.9 (28.9) years
Rate of CPI inflation	2.0%	2.0%
Rate of increase in salaries	3.5%	3.5%
Rate of increase in pensions	2.0%	2.0%
Rate for discounting scheme liabilities	3.2%	3.5%

The estimated defined benefit obligation is sensitive to changes in the actuarial assumptions set out in the preceding table. The sensitivity analysis below shows how the defined benefit obligation would have been affected by reasonably possible changes in the actuarial assumptions at the balance sheet date. The impact of the change in each assumption assumes that all other assumptions remain constant. The estimations in the sensitivity analysis are calculated on an actuarial basis using the projected unit credit method.

	As at 31 March 2016 £'000s	+0.1% p.a. discount rate £'000s	+0.1% p.a. inflation £'000s	+0.1% p.a. pay growth £'000s	+1 year increase in life expectancy £'000s
Liabilities	78,698	77,393	80,024	78,914	80,254
Assets	(57,995)	(57,995)	(57,995)	(57,995)	(57,995)
Deficit/(Surplus)	20,703	19,398	22,029	20,919	22,259
Projected service cost for next year	1,029	995	1,063	1,029	1,051
Projected net interest cost for next year	701	674	749	710	757

Impact on the Council's Cash Flows

The objective of the scheme is to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% by employers paying additional contributions over a period of up to 25 years. Funding levels are monitored on an annual basis. The next triennial valuation (as at 31 March 2016) is due to be completed by 31 March 2017.

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

The Council anticipates paying £1.356 million in employer contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 17 years (2014/15 - 17 years).

30 CONTINGENT LIABILITIES

At 31 March 2016 the Council had no material contingent liabilities.

31 TERMINATION BENEFITS

The Council terminated the contract of 1 employee during 2015/16 as part of its corporate leadership team review. See Note 17, page 63, for the number of exit packages and total cost per band. This resulted in costs of £80,560 being incurred in the year, all of which were paid in year.

32 PRIVATE FINANCE INITIATIVE AND SIMILAR CONTRACTS

Copeland Centre PFI Scheme

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

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

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

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

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

The Copeland Centre is recognised on the Council's Balance Sheet. Movements in the value over the year are detailed in the analysis of Property, Plant and Equipment in Note 20 on page 64.

The Council was committed at 31 March 2016 to making the following payments under the Copeland Centre PFI scheme:

	Repayments of Liability £'000s	Interest (excluding contingent rents) £'000s	Service charges £'000s	Lifecycle replacement costs £'000s	Contingent Rents £'000s	TOTAL £'000s
Due within 1 year	(84)	434	644	645	(84)	**1,555**
Due within 2>5 years	1,225	1,616	2,546	757	1,723	**7,867**
Due within 6>10 years	1,893	1,404	3,558	1,461	2,677	**10,993**
Due within 11>15 years	2,150	434	2,738	586	2,552	**8,460**
Total	**5,184**	**3,888**	**9,486**	**3,449**	**6,868**	**28,875**

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

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

	2014/15 £'000s	2015/16 £'000s
As at 1 April	**5,806**	**5,498**
Finance Lease Liability Redemption Payments During Year	(308)	(314)
As at 31 March	**5,498**	**5,184**
Short Term	315	(84)
Long Term	5,183	5,268
Total	**5,498**	**5,184**

33 LEASES

Council as Lessee

Finance Leases

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

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

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

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	As at 31 March 2015 £000	As at 31 March 2016 £000
Vehicles, Plant, Furniture and Equipment	293	196
Total	**293**	**196**

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

	As at 31 March 2015 £000	As at 31 March 2016 £000
Finance Lease liabilities (net present value of minimum lease payments)		
Current	102	91
Non-current	247	156
Finance costs payable in future years	84	45
Minimum lease payments	**433**	**292**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	As at 31 March 2015 £000	As at 31 March 2016 £000	As at 31 March 2015 £000	As at 31 March 2016 £000
Not later than 1 year	141	117	102	91
Later than 1 year and not later than five years	292	175	247	156
Later than 5 years	-	-	-	-
Total	**433**	**292**	**349**	**247**

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

Council as Lessor

Operating Leases

The Council sublets portions of the Copeland Centre (disclosed under the PFI Note 32 page 78) to the Department for Work and Pensions under an operating lease that run to September 2029. There was previously also a lease with Copeland Homes, but this terminated in August 2015. The future minimum lease receipts due under non-cancellable leases in future years are:

	As at 31 March 2015 £000	As at 31 March 2016 £000
Not later than one year	241	241
Later than one year and not later than five years	965	965
Later than five years	2,364	2,123
Total	**3,570**	**3,329**

The minimum lease receipts do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews (unless agreed at the start of the contract). In 2015/16 £210,393 contingent rents were receivable by the Council (2014/15 £221,571).

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

Most of these leases are deemed to be operating leases.

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

	As at 31 March 2015 £000	As at 31 March 2016 £000
Not later than one year	77	71
Later than one year and not later than five years	163	151
Later than five years	123	100
Total	**363**	**322**

The minimum lease receipts do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews (unless agreed at the start of the contract). Contingent rents receivable by the Council relating to these leases in 2015/16 was £24,731 (2014/15 - £19,996).

34 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long Term		Current	
	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000
Financial Assets				
Investments	-	-	14,990	34,984
Cash and cash equivalents	-	-	23,614	24,734
Total investments and cash equivalents	**-**	**-**	**38,604**	**59,718**
Debtors				
Loans and receivables	447	472	4,483	1,734
Total included in debtors	**447**	**472**	**4,483**	**1,734**
Financial Liabilities				
Cash and cash equivalents	-	-	(137)	(44)
Financial liabilities at amortised cost	(5,037)	(5,075)	-	-
Total borrowings	**(5,037)**	**(5,075)**	**(137)**	**(44)**

Other Liabilities				
PFI lease liabilities	(5,184)	(5,268)	(315)	84
Finance lease liabilities	(247)	(156)	(102)	(91)
Total Other Liabilities	**(5,431)**	**(5,424)**	**(417)**	**(7)**
Creditors				
Financial liabilities at amortised cost	-	-	(1,336)	(1,467)
Total included in creditors	**-**	**-**	**(1,336)**	**(1,467)**

Accounting practice requires that the carrying value of the financial instrument is shown in the balance sheet as the principal amount borrowed or lent and further adjustments for items such as impairment and accrued interest. Accrued interest is shown separately in current assets or liabilities where the payments or receipts are due within one year, but the principal amount has a longer term. The Council has no instruments where an effective interest rate is applicable.

Material Soft Loans Made by the Council

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

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

	2014/15 £000	2015/16 £000
Opening balance at start of year	**402**	**386**
Fair value adjustment on initial recognition	4	13
Loans repaid	(20)	-
Other changes	-	22
Closing balance at end of year	**386**	**421**
Fair Value at 31 March	**487**	**507**

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as in the following table.

	2014/15			2015/16		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	(1,046)	-	**(1,046)**	(947)	-	**(947)**
Reductions in fair value	-	-	**-**	-	-	**-**
Impairment Losses	-	-	**-**	-	-	**-**
Total expense in the Surplus or Deficit on the Provision of Services	**(1,046)**	**-**	**(1,046)**	**(947)**	**-**	**(947)**
Interest income	-	253	**253**	-	358	**358**
Total income in the Surplus or Deficit on the Provision of Services	**-**	**253**	**253**	**-**	**358**	**358**
Net gain/(loss) for the year	**(1,046)**	**253**	**(793)**	**(947)**	**358**	**(589)**

Fair Values of Assets and Liabilities

Financial liabilities and financial assets held by the Council are classified as loans and receivables and long-term debtors and creditors and are carried in the Balance Sheet at amortised cost. The Council does not hold any financial instruments on the balance sheet at fair value, for which there is a requirement also to separately disclose their fair value using the following levels of evidence:

Level 1	Quoted prices in active markets for identical assets/liabilities that the Council can access at the measurement date
Level 2	Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly
Level 3	Unobservable inputs for the asset or liability

All of the financial assets are classed as Loans and Receivables and held with Money Market Funds and Notice Accounts. The financial liability is held with a Market lender. None of these investments and borrowings were quoted on an active market and so a Level 1 valuation is not available. Fair value has been calculated using a Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the Balance Sheet date. Given that the interest rates/discount factors which will determine the present value are observable inputs, this is a Level 2 assessment.

The fair values calculated are as follows:

Fair Value of financial liabilities	31 March 2015		31 March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Creditors	1,336	1,336	1,467	1,467
Bank Overdraft	137	137	44	44
PFI Finance Lease	5,499	8,824	5,184	7,901
Other Finance Lease	349	349	247	247
LOBO Commercial Loan	5,037	9,037	5,075	8,978

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

Fair Value of financial assets	31 March 2015		31 March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Cash and Cash Equivalents	23,614	23,614	24,734	24,734
Short Term Investments	14,990	15,066	34,984	34,990
Debtors	4,983	4,983	2,206	2,206

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value. The fair value of short term investments is marginally higher than the carrying amount as the interest rate on the investments are marginally higher than the market rates at the balance sheet date.

35 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 required 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 procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through legislation.

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

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

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

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 26th February 2015. The key issues within the strategy were:

- The Authorised Limit for 2015/16 was set at £17 million. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £12 million. 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:

	£million
Limits on fixed interest rates based on net debt	5.1
Limits on variable interest rates based on net debt	5.1
Limits on fixed interest rates	
Debt only	5.1
Investments only	54.0
Limits on variable interest rates	
Debt only	5.1
Investments only	54.0

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

Credit risk

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

- This risk is minimised through the Annual Investment Strategy which has regard to the Government's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes ("the CIPFA TM Code"). The strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poor's Credit Ratings Services. The Council's investment priorities will be security first, liquidity second and then return.
- The Council uses a creditworthiness service provided by a third party, which uses a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element. It does not rely solely on the current credit ratings of counterparties but also uses credit watches and credit outlooks from rating agencies, credit default swap spreads to give early warning of likely changes in credit ratings and sovereign ratings to select counterparties from only the most creditworthy countries.
- The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. During the exceptional market conditions which were experienced in the recent past, the Section 151 Officer restricted further investment activity to those counterparties considered of a higher credit quality than the minimum criteria set out for approval, and this approach has continued. The time periods for investments has also been restricted.
- The Annual Investment Strategy for 2015/16 was approved by the Council on 26 February 2015.

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

	Value at 31 March 2016 £'000	Default based on previous experience %	Default adjusted for current market conditions %	Estimated maximum exposure to default at 31 March 2016 £'000	Estimated maximum exposure to default at 31 March 2015 £'000
Deposits with Banks cash equivalent	24,732	-	-	-	-
Deposits with Banks and other Financial Institutions A rated	25,004	0.01	0.01	3	2
Deposits with Banks and other Financial Institutions BBB+ rated	9,980	0.04	0.04	4	-
Customers	2,206	5.00	5.00	110	246
Total	**61,922**	**-**	**-**	**117**	**248**

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

Whilst the effects of the recent credit crisis on the overall possibility of default are, to some extent, still being felt, 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 £1.144 million of the £1.795 million balance can be analysed by age as follows:

	31 March 2015 £'000	31 March 2016 £'000
30 - 60 Days Outstanding	143	113
60 - 90 Days Outstanding	61	70
90+ Days Outstanding	946	961
Total	**1,150**	**1,144**

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

	31 March 2015 £'000	31 March 2016 £'000
Balance at 1 April	**(829)**	**(959)**
(Increase)/Decrease in provision for year	(130)	(27)
Balance at 31 March	**(959)**	**(986)**

Liquidity risk

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

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

The maturity analysis of financial assets is as follows:

	31 March 2015 £'000	31 March 2016 £'000
Less than one year	43,146	61,705
Between one and five years	12	324
Between five and ten years	382	128
Between ten and fifteen years	14	7
More than fifteen years	33	10
Total	**43,587**	**62,174**

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures outlined above safeguard the Council against shorter term risk, there is a longer term risk to the Council in respect of managing the exposure to replacing longer term financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicators for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team addresses 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 provides stability of maturities and returns in relation to the longer term cash flow needs.

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

	31 March 2015 £'000	31 March 2016 £'000
Less than one year	3,761	1,474
Between one and five years	1,058	1,381
Between five and ten years	1,768	1,893
Between ten and fifteen years	2,604	2,150
Between fifteen and twenty years	-	-
Between twenty and twenty five years	-	-
Between twenty five and thirty years	5,037	5,075
Total	**14,228**	**11,973**

Market risk

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

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

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

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

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

	£'000 +1%	£'000 -1%
Increase in interest payable on variable rate borrowings	-	-
Increase in interest receivable on variable rate investments	-	-
Impact on Surplus or Deficit of the Provision of Services	-	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	1,644	(1,644)

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

Foreign exchange risk – The Council holds a single bank account denominated in Euros, the balance on which at the year-end was £517 when converted at the exchange rate prevailing at 31 March 2016. Whilst this means that the Council is exposed to fluctuation in exchange rates the amount is negligible.

36 RELATED PARTIES

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

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits and council tax bills). Grants received from Government departments are set out in the subjective analysis in Note 14 on page 55 – reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are included within amounts disclosed in Note 25 on page 71.

Members of the Council have direct control over the Council's financial and operating policies. The total of Members allowances paid in 2015/16 is disclosed in Note 18 on page 63. In addition, details of any transactions (if they exist) are recorded in the Register of Members' Interests, open to public inspection at the Council's offices or on the Council's website. This is in addition to specific declarations obtained in respect of Related Party Transactions. Material transactions that have taken place with related parties during 2015/16 are as follows:

Copeland Community Fund

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

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

- Arts, culture and sport
- Community action
- Improvements to the built environment
- Quality open spaces
- Training, employment and social enterprise
- Youth activity

The Council received £189,452 from the Fund in 2015/16 to pay for the costs of staffing and the management charges required to administer the activities of the Fund.

North Country Leisure

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

There are two Copeland members on the board and NCL was paid £245,000 during 2015/16.

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

Other public bodies - Transactions in relation to the Local Government Pension Scheme administered by Your Pension Service, run by Cumbria County Council are set out in Note 29 on page 72.

37 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2014/15 £'000		2015/16 £'000
(254)	Interest received	(358)
1,046	Interest paid	947

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2014/15 £'000		2015/16 £'000
(3,089)	Depreciation	(2,098)
706	Impairments and downward revaluations	(3,601)
(128)	Amortisations	(90)
(130)	Increase/decrease in impairment for bad debts	(45)
(1,596)	(Increase)/decrease in creditors	(23,612)
(1,853)	Increase/(decrease) in debtors	(2,663)
5	Increase/decrease in inventories	(18)
(528)	Movement in pension liability	(662)
(238)	Carrying amount of non-current assets sold	(445)
(1,502)	Other non-cash items charged to the net surplus or deficit on the provision of services	10,458
(8,353)		**(22,776)**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

250	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	102
300	Capital grants	1,275
199	Vat sharing receipts	50
749		**1,427**

38 CASH FLOW STATEMENT – INVESTING ACTIVITIES

2014/15 £'000		2015/16 £'000
852	Purchase of property, plant and equipment, investment property and intangible assets	1,758
67,843	Purchase of short term and long term investments	106,218
(250)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(102)
(67,753)	Proceeds from short term and long term investments	(86,224)
(499)	Other receipts from investment activities	(1,325)
193	**Net cash flows from investing activities**	**20,325**

39 CASH FLOW STATEMENT – FINANCING ACTIVITIES

2014/15 £'000		2015/16 £'000
536	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	404
(4,725)	Council Tax and NNDR adjustments	(5,838)
(4,189)	**Net cash flows from financing activities**	**(5,434)**

Collection Fund

	2015/16 Council Tax £000	2015/16 NNDR £000	2015/16 Total £000	2014/15 Total £000
INCOME				
Council Tax amount due	(33,114)		(33,114)	(31,758)
Non-Domestic Rates (NNDR)				
Amount due		(13,411)	(13,411)	(43,631)
Reduction in the provisions for appeals		(25,686)	(25,686)	
Contribution to previous year's deficit				
Central Government		(8,717)	(8,717)	(2,127)
Cumbria County Council		(1,743)	(1,743)	(1,701)
Copeland Borough Council		(6,973)	(6,973)	(425)
Total Income	**(33,114)**	**(56,530)**	**(89,644)**	**(79,642)**
EXPENDITURE				
Council Tax				
Precepts and demands				
Cumbria County Council	23,510		23,510	22,744
Police and Crime Commissioner	4,219		4,219	4,085
Copeland Borough Council	4,617		4,617	4,141
Distribution of previous year's surplus				
Cumbria County Council	452		452	208
Police and Crime Commissioner	81		81	37
Copeland Borough Council	82		82	37
Non-Domestic Rates				
Shares				
Central Government		18,138	18,138	20,007
Cumbria County Council		3,628	3,628	4,002
Copeland Borough Council		14,511	14,511	16,006
Cost of Collection		112	112	112
Transitional Protection Payments		1,088	1,088	70
Increase in the provision for appeals		-	-	4,337
Increase in the provisions for bad debts	48	150	198	54
Write offs / (ons)	74	325	399	169
Total Expenditure	**33,083**	37,952	71,035	**76,009**
(Surplus) / Deficit for the year	**(31)**	**(18,578)**	**(18,609)**	**(3,633)**
(Surplus) / Deficit at 1 April	(1,031)	10,432	9,401	13,034
(Surplus) / Deficit at 31 March	**(1,062)**	**(8,146)**	**(9,208)**	**9,401**

Notes to the Collection Fund

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, calculated using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cumbria County Council, Cumbria Police and Crime Commissioner and the Council for the forthcoming year and dividing this by the council tax base. The council tax base, which was 19,846.39 for 2015/16 (19,581.31 for 2014/15), is the aggregate of the total number of properties in each valuation band (reduced by allowances for discounts and an estimated collection rate) adjusted by a proportion to convert the number to Band D equivalent chargeable dwellings.

The tax base was calculated as follows:

Band	Number of Properties	Proportion	Band D Equivalent Dwellings
A Disabled	85.50	5/9	47.50
A	16,708.70	6/9	11,138.80
B	4,130.30	7/9	3,212.40
C	3,814.43	8/9	3,390.60
D	2,886.60	9/9	2,886.60
E	1,697.9	11/9	2,075.20
F	411.70	13/9	594.70
G	80.40	15/9	134.00
H	5.30	18/9	10.50
Total			**23,490.30**
Allowance for discounts			3,238.90
Total Equivalent Chargeable Dwellings			20,251.40
Tax Base at 98% Collection Rate			**19,846.39**

The basic amount of council tax for a Band D property of £1,588.12 (£1,557.40 for 2014-15) is multiplied by the proportion specified for the particular band to give an individual amount due.

2. NATIONAL NON-DOMESTIC RATES

National Non-Domestic Rates (NNDR) is based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate (a “multiplier”) set nationally by Central Government. The national multipliers for 2015/16 were 48.0p for qualifying small businesses and 49.3p for all other businesses (47.1p and 48.2p respectively in 2014/15).

The NNDR income due (after exemptions and reliefs) of £13.411 million for 2015/16 (£43.631 million in 2014/15) was based on an average rateable value for the Council’s area of £96.580 million for the year (£97.434 million in 2014/15).

Independent Auditor's Report to the Members of Copeland Borough Council

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

We have audited the financial statements of Copeland Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Commercial and Corporate Resources (and Section 151 Officer) and auditor

As explained more fully in the Statement of Responsibilities, the Director of Commercial and Corporate Resources (and Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Commercial and Corporate Resources (and Section 151 Officer) ; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Basis for qualified value for money conclusion

Our review of the Authority's arrangements identified a number of matters:

- The Council's scenario and financial modelling for 2015/16 and 2016/17 did not fully take into account the potential implications of a successful large business rate appeal. A large business rate appeal was determined in February 2016 and this led to a £9.1 million funding gap in 2015/16. The Council had to address this by using reserves, minimising carry forwards and limiting transfers to reserves in 2015/16;

- The Council did not prepare its draft 2015/16 financial statements by the statutory deadline of 30 June 2016. The draft 2015/16 financial statements were provided for audit in January 2017 with the Narrative Statement reporting a £366,000 revenue budget overspend. In March 2017 the revenue outturn report for 2015/16 was produced and showed a £236,000 budget underspend. The Narrative Statement within the financial statements has been amended to reflect the correct outturn position;

- The Council had to rely upon a continued interim appointment to a key finance role in order to produce its draft 2015/16 financial statements, due to gaps identified in the skills and technical accounting abilities within the finance team.

These issues are evidence of weaknesses in proper arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintaining statutory functions, understanding and using appropriate cost information to support informed decision-making, producing reliable and timely financial reporting that supports the delivery of strategic priorities and planning, organising and developing the workforce effectively to deliver strategic priorities.

Qualified Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

Jackie Bellard

Jackie Bellard
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
MANCHESTER
M3 3EB

22 May 2017

Annual Governance Statement 2015/16

Scope of Responsibility

Copeland Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Copeland Borough Council also has a duty, under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Copeland Borough Council is 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.

In 2013, Copeland Borough Council 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*. A copy of the authority's code can be viewed at http://www.copeland.gov.uk/attachments/code-corporate-governance. This is currently being updated to reflect mayoral authority arrangements and new guidance. The updated code will be presented to Audit and Governance Committee as part of the 2016/17 Draft Statement of Accounts.

This statement explains how Copeland Borough Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which Copeland Borough Council is directed and controlled, and its activities through which it accounts to, engages with, and leads its communities. It enables us to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

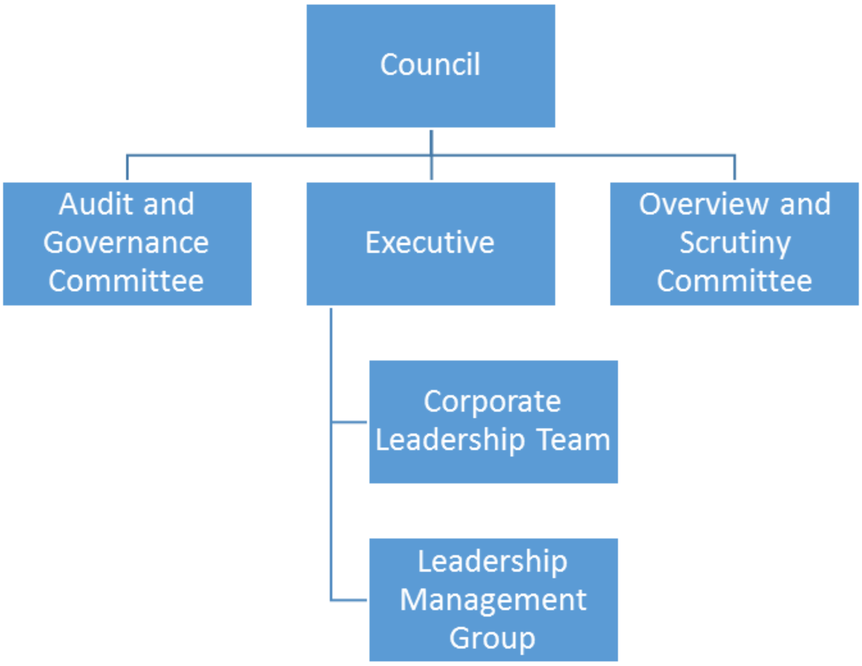
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system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

The governance framework has been in place at Copeland Borough Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

Copeland Borough Council's Governance Framework

Copeland Borough Council's Code of Corporate Governance is based on the *CIPFA/SOLACE: Delivering Good Governance in Local Government Framework (2012)*. Figure 1 below shows the Corporate Governance Structure within the Council along with the statutory responsibilities.

Figure 1: Governance Reporting Process within Copeland Borough Council



Full Council

The Full Council is responsible within the scope of its responsibilities under law, for ensuring that the Authority's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. All reports to Full Council document the financial, legal and operational implications of the decisions to be made. Reports are reviewed to ensure there are no governance issues identified or, where such an issue is identified, to ensure that it is appropriately addressed.

Council's Executive

The Council's Executive, comprising the Elected Mayor and three Portfolio Holders, is responsible, within the scope of its responsibilities under the law, for ensuring that the Councils business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. All reports to Executive document the financial, legal, governance, policy and equality implications of the decisions to be made. Reports are reviewed to ensure there are no governance issues identified or, where such an issue is identified, to ensure that it is appropriately addressed. The findings of the Annual Governance Statement are reported to and discussed with the Elected Mayor.

Head of Paid Service

The Head of Paid Service is responsible for the corporate and overall strategic management of the Authority's staff in accordance with Section 4 of the Local Government and Housing

Act 1989. This responsibility is held by the Managing Director (was previously held by the Chief Executive until October 2015).

Section 151 Officer
The Section 151 Officer (held by the Director of Commercial and Corporate Resources) has statutory duties in relation to the financial administration and stewardship of the Authority arising from Section 151 of the Local Government Act 1972.

Monitoring Officer
The Monitoring Officer has a responsibility to ensure compliance with relevant laws, regulations and policies and procedures and that expenditure is lawful. The Monitoring Officer also has responsibility for promoting and maintaining high standards of conduct and reporting any actual or potential breaches of the law or maladministration to the full Council and/or to the Executive as set out in Section 5(2) of the Local Government and Housing Act 1989. Following a Service Review, the Council's Solicitor now also holds the Monitoring Officer responsibility. The Deputy Monitoring Officer role is held by the Director of Customer and Community Services.

Corporate Leadership Team
The Corporate Leadership Team (CLT) acts as the organisation's overall 'management board', providing strategic direction to enable the business of the Authority to be undertaken. The Team provides ultimate assurance to the Cabinet and non-executive Members in relation to the governance arrangements in place. The Annual Governance Statement is reviewed by the Corporate Leadership Team as part of the production of the Statement.

Audit and Governance Committee
The Audit and Governance Committee improves corporate governance by reviewing the stewardship of the Authority's resources. The Audit and Governance Committee enhances the profile of audit throughout the Authority and enables it to be strong and effective. The findings of the annual governance review are reported to the Audit and Governance Committee and they monitor the progress of the resulting action plan.

Overview and Scrutiny Committee
The aim of the Overview and Scrutiny Committee is to improve services by scrutinising decisions made by the Council and making recommendations for change. This is done by investigating issues of interest and concern to communities, involving communities in its work and making recommendations to decision makers on how services can be improved. The Overview and Scrutiny Committee has a Performance Sub-Committee that scrutinises all performance and financial monitoring reports and makes recommendations for improvement.

Internal Audit
Internal Audit plays a key role in the assessment of the control environment within the Council. Although part of the Council's overall control framework, Internal Audit is not a substitute for effective internal control. The Head of Internal Audit provides an annual summary of the results and conclusions of the year's work.

External Audit
Officers meet regularly with the External Audit team, who also attend key Council meetings. Action plans are formulated to address any formal recommendations raised by external inspectors. The views of our external auditors are expressed through their annual reports.

Performance and Risk Management
Risk Management is undertaken at operational and strategic level and is also a key element of managing our projects and partnerships. The Corporate Leadership Team takes an active part in ensuring that strategic risks are identified and managed taking into consideration the Councils' priorities. All strategic risks are managed at corporate level and are jointly owned by the relevant member of the Corporate Leadership Team and Executive Member(s). All risks are reviewed on a regular basis by the risk owner to ensure that they are being managed effectively, with progress reported to Corporate Leadership Team and the Audit and Governance Committee.

Review of Effectiveness

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 annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The work of the above committees and individuals has been used in compiling this Annual Governance Statement and arriving at an assessment of the internal control arrangements in place within the Council. Listed below are the additional processes that have been using to maintain and review the effectiveness of the governance framework.

- The Council's internal management processes, and reporting mechanisms, such as Performance and Risk Management, Change Programme via the Efficiency Plan and theme working groups, staff appraisal framework, customer feedback, health & safety, policy development framework, etc.
- An assessment of the Council's Partnership Working Framework.
- An annual self-assessment of the adequacy of governance arrangements within Services undertaken by Service Managers and the Business Support Manager.

The CIPFA Delivering Good Governance in Local Government Framework (2012) details the principles of Good Governance. These principles are underpinned by key features that need to be in place to allow the Council to demonstrate how we comply with these principles. **Table 1** below, shows examples of how we comply with these principles.

Table 1: Examples of Evidence to show Compliance with the Core Principles of Good Governance.

`Core Principle	Supporting Principles	Examples of Evidence
1. Focus on the purpose of the authority for the community and creating and implementing a vision for the local area	1.1: Strategic Leadership – development and communicating the Council's vision	Corporate Strategy 2016-2020 Copeland Growth Strategy 2016-2020 2015/16 and 2016/17 Service Plans Consultation during budget process
	1.2: Best use of resources	Efficiency Plan 2016-2020 Medium Term Financial Strategy 2016-2020 External Audit Review Audit & Governance Committee Financial reporting Financial Planning Service Review Process
	1.3: High Quality of Service	Monitoring Process Quarterly Budget Monitoring Performance Management Internal Audits Service Reviews
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles	2.1 Effective leadership	The Constitution Executive attended by Corporate Leadership Team Regular meetings between Executive and Corporate Leadership Team Leadership Management Group Compliance with CIPFA guidance on the "the role of the chief finance officer" and "the role of the head of internal audit"

`Core Principle	Supporting Principles	Examples of Evidence
	2.2 Clear relationships with partners and public	Partnership Boards Health & Wellbeing Board Performance Reports Employees' / Members' Code of Conduct Individual Appraisals
	2.3 Constructive working relationships between elected members and officers	The Constitution Member Development Programme Executive & Corporate Leadership Team Meetings Portfolio Holder Meetings Overview & Scrutiny Committee Work Plan and Meetings
3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	3.1 High standards of conduct and effective governance	Council Values Officers Code of Conduct Members Codes of Conduct
	3.2 Organisational values are put in practice and are effective	Officers Code of Conduct Members Code of Conduct Values considered with developing Corporate Strategy and Service Plans Whistleblowing Policy Counter Fraud and Corruption Strategy National Fraud Initiative Customer Relationships and investigating complaints
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	4.1 Rigorous and transparent decision making	Forward Plans, agendas and key decisions and minutes for all Committee meetings available publically via ModGov on Council's internet site Work plan and meetings of the Overview & Scrutiny Committee Audit & Governance Committee

`Core Principle	Supporting Principles	Examples of Evidence
	4.2 Quality Information	Information Management Strategy 2016 and underpinning Information Management Framework documents
	4.3 Effective Risk Management	Risk Management Framework Strategic and Operational Risk Management systems in place Risks jointly owned by members, directors and officers Confidential Reporting Policy in place (whistleblowing)
	4.4 Legal and Financial Powers	Arrangements in place for the discharge of duties for the posts of Head of Paid Service, Monitoring Officer, Chief Finance Officer and Head of Internal Audit Legislative requirements of posts are highlighted Training Needs Assessments (Appraisals) Continuing Professional Development
5. Developing the capacity and capability of members and officers to be effective	5.1 Ensuring members and officers have the appropriate skills, knowledge and experience	Individual Appraisals Member Development Programme Core Curriculum
	5.2 Capability of people charged with governance responsibilities	Governance Arrangement Job Descriptions and Person Specifications Individual Appraisals
	5.3 Encouraging new talent	Leadership and Management Group One to Ones Appraisals
6. Engaging with local people and other stakeholders to ensure robust public accountability	6.1 Dialogue with, and accountability, to the public	Elected Mayor's Public Meetings Public Consultations for Corporate Strategy Customer Feedback Procedures and Reports
	6.2 Meeting responsibility to staff	Human Resources Policies and Procedures

`Core Principle	Supporting Principles	Examples of Evidence
		Occupational Health Procedures Health & Safety Policies & Reporting Engagement with Trade Unions
	6.3 Robust scrutiny function which engages local people and partnerships	Overview & Scrutiny Committee Meeting Minutes and work Plan Public Engagement / Consultation Mayor's Public Meetings Website Partnership Significance Assessment Scoreboard(s)

In addition to the above, the following evidence has been reviewed and considered as part of the review:

- An annual Partnership Significance Assessment is undertaken for each strategic partnership to focus on ensuring good governance is in place for the lost significant partnerships first. The scorecard looks at, amongst other things, the partnership's relationship to the Council's ambitions and strategic outcomes.
- A review has been undertaken of all partial assurance rated internal audits for both 2015/16 and 2016/17 and where appropriate these have been added to the Action Plan.
- The Council fully participated in the National Fraud Initiative for both the Finance and Revenue and Benefits streams.
- The Head of Internal Audit's Annual Report 2015/16 gave 'Reasonable Assurance' based on the work undertaken over the year.
- The Audit & Governance Committee performed its core functions as identified in CIPFAs *Audit Committee: Practical Guidance for Local Authorities,* as detailed in the Review of Audit Committee Effectiveness in 2015/16.
- An Internal Audit review of Corporate Governance, performed in February 2016, considered current controls to provide reasonable assurance.
- The Annual Governance Framework Action Plan from 2014/15 has been continually reviewed and updated throughout the year. An action plan update can be found in **Appendix A.**
- The Director of Commercial and Corporate Resources (& Section 151 Officer) has completed a governance statement which outlines the arrangements in place to ensure that the Section 151 Officer duties are carried out effectively. The statement is based on "*The Role of the Chief Finance Office in Local Government*" published by CIPFA. The new Finance Team structure was implemented in December 2016 and more information is included in the 2015/16 Action Plan in **Appendix B.**
- Evidence was provided to show that the Council's assurance arrangements conform with the governance requirements of the CIPFA Statement on the "*Role of the Head of Internal Audit" (2010*). From April 2017, the Internal Audit Service came back in-house. Interim arrangements are in place with an Internal Audit Manager (chief internal auditor) while we review the structure of the team.

Management of Change – 2016-2020 Efficiency Plan

The Council's change programme is now reported in its Efficiency Plan and financial targets are incorporated into the 2016-2020 Medium Term Financial Strategy and Plan. A series of working groups look after the day-to-day delivery of the change projects via the three themes of Business, Customer and Growth, each chaired by a member of the Corporate Leadership Team. The overall Efficiency Plan is then monitored through Corporate Leadership Team meetings. Change projects are managed in line with the Council's Project Management Framework.

Overall Assessment of the Governance Arrangements in Place

The Corporate Leadership Team and relevant Officers have reviewed the evidence outlined above and have taken the view that the governance arrangement in place in 2015/16 were adequate and there is reasonable assurance that they were fit for purpose in accordance with the Council's Code of Corporate Governance.

SIGNIFICANT GOVERNANCE ISSUES

The details of the review have provided reasonable overall assurance of the effectiveness of the Council's systems of internal controls identified as part of the assurance process. A number of risks require addressing in terms of governance and internal controls and are included in the attached Action Plan. This outlines the agreed actions to be taken in 2016/17 and 2017/18 to further improve both the Code of Corporate Governance and compliance (**Appendix B** refers).

The issues with producing timely, good quality accounts and the skills gaps in Finance are being addressed but the Council acknowledges that these class as significant governance risks. It is imperative that the actions identified in the Action Plan are addressed to the timescales set down so as to mitigate these risks for the future.

In addition, the Council faces a number of issues and areas of significant change that will require consideration and action over the medium to long term.

- Continuing ongoing impact of reduced government funding;
- Impact of the Central Government Business Rate Retention Scheme;
- New strategies and policies to support Information Management have strengthened the Council's position, further development and implementation of Information Management Systems (including IT) need effective management to reduce risks; and
- Moving towards a change in Customer Service Focus.

SIGNATURES

We, the undersigned, 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:	**Signed:**
Mike Starkie: Elected Mayor **Copeland Borough Council**	**Pat Graham: Managing Director** **Copeland Borough Council**
Date:	**Date:**

I confirm that the Audit Committee (at its meeting on 22nd May 2017) was satisfied on the basis of the information available to it, that the Annual Governance Statement for 2015/16, which is required under the Regulations governing the audit of local government accounts, has been prepared and approved after due and careful enquiry.

Signed:

Michael Bonner
Chair of Audit and Governance Committee

Date:

The Annual Governance Statement will be considered for approval by Audit and Governance Committee on 22 May 2017.

Appendix A – 2014/15 Annual Governance Review Action Plan Update

No	Issue to be Addressed	Action Agreed	Owner	Target Date	Update/State of Completion
1	Counter Fraud and Corruption Strategy needs to be updated.	Update Counter Fraud and Corruption Strategy	Internal Audit Manager	September 2017	A draft has been completed and will be finalised for approval by September 2017. As this has been raised as an issue in 2015/16, this has been **transferred to the 2015/16 Action Plan.**
2	Council's approach to Information Management needs to be strengthened	Review and produce new Information Management Strategy and related Policies	Programmes & Performance Manager	November 2016	**Completed.** Endorsed by Audit and Governance Committee on 10 November 2016 and approved by Executive on 22 November 2016.
3	Embed and keep an active learning and review process to support the Council's new Mayoral governance model.	Constitution updates as required during the first year of operation.	Managing Director	March 2016	**Completed.**
4	To have a fully resourced and fit for purpose finance function	To review the Council's support services and implement a revised organisational structure	Director of Commercial and Corporate Resources (& Section 151 Officer)	April 2017	**Completed.** Revised Support Services structure approved December 2016. Finance Manager post currently being recruited. All other posts filled by permanent members of staff.

Appendix B – 2015/16 Annual Governance Review Action Plan

No	Issue to be Addressed	Action Agreed	Owner	Target Date	Update/State of Completion
1	New CIPFA guidance "*Delivering Good Governance in Local Government 2016*" has been published and may require amendments to the Council's Code of Corporate Governance.	Review and update the Code of Corporate Governance and gain approval from Audit and Governance Committee.	Director of Commercial and Corporate Resources (& Section 151 Officer)	August 2017	The Code is currently being reviewed in line with new guidance issued by the Chartered Institute of Public Finance and Accountancy. This will be reported as part of the 2016/17 Statement of Accounts for approval by the Audit and Governance Committee.
2	A good number of Human Resources Policies are now outdated and do not reflect current practices.	Review all Human Resources Policies to ensure they are all up to date and reflect current practice.	Human Resources Business Partner	March 2018	A Terms and Conditions Working Group has been set up with the Trades Unions to review all of the HR policies.
3	The Council is dependent on its Information and Communications Technology Systems to deliver its services. Failure of these systems, from any cause, will impact on service delivery, the Council's ability to	Ensure timely implementation of the ICT Strategy work programme.	Business Support Manager	June 2017 September 2017	A comprehensive work programme is being developed. The ICT Strategy is being reviewed and a

	manage its finances and the Council's reputation.				draft will be available by September 2017. Learning lessons from the last Strategy, we will produce a Work Programme for implementing the new Strategy at the same time.
4a	Finance Service is not currently fit for purpose to support the Council's change agenda and corporate strategy.	Ensure implementation of proposed organisational change as a result of the Support Services Review	Director of Commercial and Corporate Resources (& S151 Officer) and Finance Manager	March 2017	**Completed.**
4b	Publication of the Accounts on a timely basis	Produce a timetable and resources plan to ensure the successful, timely publication of the annual accounts, in accordance with current regulations.	Director of Commercial and Corporate Resources (& S151 Officer) and Finance Manager	January 2017	Due to the later closedown of the 2015/16 accounts, as a direct and related result of the 2014/15 issues, the 2016/17 closedown timetable is having to be amended. A new timetable will be available in May 2017 and a timetable for the earlier closedown of the 2017/18 accounts by 31 May 2018 will

					be developed alongside the 2016/17 process.
4c	Financial skills gap with budget holders and budget managers	Develop a budget management handbook and provide relevant support and training to managers.	Director of Commercial and Corporate Resources (& S151 Officer) and Finance Manager	October 2017	This will be developed alongside improvements to the financial management reports. A training programme will be developed jointly with HR.
4d	Capacity to provide appropriate financial training on an ongoing basis to elected members to help them discharge their responsibilities	Devise a comprehensive training programme in collaboration with the Member Development Group.	Director of Commercial and Corporate Resources (& S151 Officer) and Finance Manager	October 2017	Will be developed alongside response to 4c above.
4e	Risk that the Council will fail to consider the potential full financial implications of a large business rate appeal and not take it into account in its medium term financial planning.	Examine potential scenarios for the refresh of the medium term financial strategy as part of the 2017/18 budget setting process.	Director of Commercial and Corporate Resources (& S151 Officer) and Finance Manager	March 2017	**Completed.** This was examined by Overview and Scrutiny Committee and the Executive as part of the 2017/18 budget setting process and governance.
5	Information Management has moved forward within the organisation,	Develop and deliver a mandatory training programme in	Director of Customer and Community Services and	December 2017	Work has started and will continue on all aspects of training in this

	however, further guidance needs to be developed to support the implementation of the Information Management Strategy	Information Management for all officers and members	Business Support Manager		area.
6	Counter Fraud and Corruption awareness training within the Council needs to be refreshed in light of new guidance.	The outstanding Counter Fraud and Corruption Strategy needs to be updated and implemented, ensuring it complies with England's counter fraud and corruption strategy for local government *"Fighting Fraud and Corruption Locally" (CIPFA 2016)* Counter Fraud and Corruption Awareness refresher training to be delivered to all officers and members within the Council.	Internal Audit Manager	September 2017 December 2017	A draft has been completed and will be finalised for approval by September 2017. A training programme will be developed for delivery during the third quarter of 2017/18.
7a	ICT Team lacks resilience in terms of ability to cover each other's roles.	New team structure, with training and development programme to be produced for the ICT Team.	Business Support Manager	September 2017	New Team in place, one vacancy being recruited to currently.

7b	Incompleteness of ICT Disaster Recovery Plan documentation.	ICT Disaster Recovery Plan to be reviewed and	Business Support Manager	September 2017	New appointments made, this has been classified as a priority and an urgent matter. An ICT health check has been commissioned to ensure the Council is compliant for PSN Certification.
8	Weaknesses in Freedom of Information internal guidelines and reporting/monitoring.	FOI Policy to be to be updated and procedures to be established for the reporting and monitoring of FOIs.	Business Support Manager	July 2017	FOI Policy updated and approved by Executive 2016.
9	Performance Management Framework in place but not adhered to consistently. Weakness in use made of the Council's performance management recording/reporting system (Covalent).	Establish a Quality Assurance process to ensure performance data is accurate and reliable. Review usage of system and roll out training as required.	Business Support Manager	August 2017	A template has been devised to capture the data used to evidence each key performance indicator in the Corporate Plan and individual performance indicators in Service Plans.
10a	Risk Management Strategy / Policy have not been reviewed for some time.	Strategy and Policy to be reviewed. Arrangements required for regular,	Director of Commercial and Corporate Resources / Business	September 2017	Review will commence Quarter 1 2017/18 now that new team is in place.

		structured review to be put in place.	Support Manager		
10b	Reporting of high level risk is not consistent and requires proper definition.	As 10a above.	As above.	September 2017	As above.
11	Community Asset Transfer process has no written procedure and there are no standardised criteria for assessment.	Develop and document process and criteria.	Director of Commercial and Corporate Resources / Finance Manager	October 2017	Work will commence Quarter 2 2017/18.
12	Internal Audit Service has come back in-house so need to ensure continuity of service.	New structure to be devised. Internal Audit Plan for 2017/18 to be drafted for approval.		September 2017 June 2017	Interim arrangements in place. Service Review was carried out in 2015/16; new structure to be devised and approved.

Glossary of Terms

Accounting period

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

Accounts

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

Accrual

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

Actuary

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

Actuarial gains and losses

Actuarial gains or losses for defined benefit pension scheme arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or the actuarial assumptions have changed.

Amortisation

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

Appropriation

An Appropriation is the transfer of resources between the reserves.

Asset

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

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

Audit

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

Audit Commission

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

Audit of accounts

An independent examination of the Council's financial affairs.

Balance Sheet

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

Best Value Accounting Code of Practice (BVACOP)

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

Billing authority

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

Budget

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

Capital Adjustment Account

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

Capital expenditure

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

Capital financing

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

Capital programme

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

Capital receipt

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

CFR
Capital financing requirement.

CIPFA - The Chartered Institute of Public Finance and Accountancy

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

Collection Fund

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

Community assets

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

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

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

Consistency

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

Constructive obligation

An obligation that derives from the Council'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 Council'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 Council's control; or

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

Corporate and democratic core

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

Council Tax

A local tax set by local authorities to finance the budget requirement.

Creditor

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

Current Assets

An asset held which will be used, or received, within the next financial year.

Current Liabilities

An amount which becomes payable, or could be called in, within the next financial year.

Current service cost

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

Debtor

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

Deferred Liabilities

This represents the liability for principal repayments on finance leases.

Deferred receipts

Deferred receipts represent income still to be received, where the Council has agreed that amounts are payable beyond the next year, either at some point in the future, or by an annual sum over a period of time.

Defined benefit pension scheme

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

Department for Communities and Local Government (DCLG)

The Central Government department responsible for local government affairs.

Depreciation

The measure of the cost of the wearing out, consumption or other reduction in the useful economic life of the authority's non-current assets during the accounting period, whether from use, passage of time or obsolescence through technological or other changes.

Discretionary benefits

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

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 that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fees and Charges

Charges made to the public for a variety of services such as parking charges and hire of meeting facilities.

Finance lease

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

General Fund

The main revenue fund of a local authority which is split between unallocated and risk based; which has been set aside to assist the Council with its statutory responsibility of managing risks. The unallocated element funds revenue payments to meet the costs of providing services (such as wages, electricity, paper)

Going concern

The concept that the Statement of Accounts is prepared on the assumption that the Council 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 Council. These grants may be specific to a particular scheme or may support the revenue spend of the authority in general.

Housing benefits

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

Impairment

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

Income

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

Infrastructure assets

Non-current assets belonging to the Council 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.

Interest

An amount received or paid for the use of a sum of money when it is invested or borrowed.

Interest cost (pensions)

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

International Accounting Standards (IAS)

These are issued by the Accounting Standards Board to provide information on the required standards for the preparation of the authority's financial statements. As far as possible, The Council prepares its financial statements in accordance with IAS, where they apply to local authorities.

International Financial Reporting Standards (IFRS)

IFRS is the prescribed format for all local authority Statement of Accounts. The Code of Practice gives detailed guidance on how the Council will account for its transactions in the statements and notes explaining the transactions.

Investments (Pension Fund)

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

Liability

A liability is where the Council 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 Council without disrupting its business and are either:

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

Long-term contract

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

Materiality

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

Minimum Revenue Provision (MRP)

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

National Non-Domestic Rates (NNDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the Government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of the Council itself, Central Government and Cumbria County Council

Net book value

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

Net debt

The Council's borrowings less cash and liquid resources.

Net worth

This is the overall value of the Balance Sheet at the end of the financial period.

Non-current Assets

Assets that have physical substance and are held for the provision of services, or for administration purposes, on a continuing basis.

Non-distributed costs

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

Operating lease

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

Outturn

The actual results for the financial year in question.

Past service costs

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

Pension scheme liabilities

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

Private finance initiative (PFI)

A Central Government initiative whereby local authorities do not buy assets used to provide public services but rather pay for the use of assets held by the private sector.

Post Balance Sheet events

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

Precept

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

Prior period adjustment

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

Projected unit method

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

Provision

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

Prudence

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

Public Works Loan Board (PWLB)

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

Rateable value

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

Related parties

A detailed definition of related parties can be found in IFRS 8. For the Council's purposes, related parties are deemed to include the Council's members, the Managing Director, its Directors, and close family and household members of those persons.

Related party transactions

Material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

Reserves

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

Residual value

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

Retirement benefits

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

Revaluation Reserve

An account representing the balance of net surpluses arising on the revaluation of non-current assets (excluding investments).

Revenue expenditure

The day-to-day expenses of providing services.

Revenue Expenditure Funded from Capital under Statute

Capital expenditure, which may be properly capitalised but which does not result in or remain matched with tangible non-current assets, owned by the Council e.g. expenditure on disabled facilities grants.

Revenue Support Grant

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

Section 151 Officer (S.151)

Section 151 of the Local Government Act 1972 requires the Council to appoint an officer responsible for the proper administration of the Council's financial affairs. The Director of Commercial and Corporate Resources is the Council's Section 151 Officer.

Statement of Standard Accounting Practice

These are methods of accounting approved by the Accounting Standards Committee and are applicable to all accounts which are intended to give a true and fair view. They are gradually being replaced by International Financial Reporting Standards.

Stocks

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

Temporary borrowing

Money borrowed for a period of less than one year.

Useful economic life

The period over which the Council will derive benefits from the use of a non-current asset.

Work in progress

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