COPELAND BOROUGH COUNCIL

Statement of Accounts

For the year ended 31 March 2017

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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 2016 to 31 March 2017. 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 2016/17 financial year and its financial position at 31st March 2017. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the "Code") supported by International Financial Reporting Standards (IFRS).

The Statement of Responsibilities for the Statement of Accounts (page 24) 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.

Expenditure and Funding Analysis (page 25) – This is included here for prominence, although technically classified as a note to the financial statements by the Code.

This analysis shows how annual expenditure is used and funded from resources (Government grants, fees and charges, Council Tax and Business Rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision-making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices are presented more fully in the Comprehensive Income and Expenditure Statement.

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 26)

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable and unusable reserves (see below). The Total Comprehensive Income and Expenditure line is that shown in the Comprehensive Income and Expenditure Statement. The adjustments made are analysed in Note 9 (page 55) and result in the amounts funded from taxation (the General Fund) for the year and movements in the capital and unusable reserves.

Comprehensive Income and Expenditure Statement (page 27)

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 differs from the accounting cost. The taxation position is shown in the Movement in Reserves Statement and the Expenditure and Funding Analysis. The Comprehensive Income and Expenditure Statement is prepared in accordance with the requirements of the Code and is shown in the format of the management reporting segments used by the Council. This has required the restatement of figures for 2015/16 (see Note 6 page 50 *et seq*).

Balance Sheet (page 28)

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 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’.

Cash Flow Statement (page 29)

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 101)

The Collection Fund statement reflects the statutory obligation for billing authorities such as the Council 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 107)

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 and Presentation

2.1 Changes to accounting standards effective for periods commencing on or after 1 April 2017 affect accounting and reporting by pension funds and are not relevant to the Council. However, following a review of the presentation of local authority financial statements, the 2016/17 Code introduced new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement and a new Expenditure and Funding Analysis. In particular, both the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis include a segmental analysis which requires local authorities to report performance on the basis of how they are structured and how they operate, and monitor and manage financial performance. This compares with previous years when reporting had to be in a format specified by the Service Reporting Code of Practice (SeRCOP). There is no impact on the Balance Sheet as a result of this change in accounting policy and a third Balance Sheet is not required to be prepared. However, where necessary, 2015/16 figures have been restated to allow comparison between years.

3. The Council's Priorities and Corporate Strategy

3.1 The Council's priorities for 2016/17 were incorporated in the Corporate Strategy for 2016-2020 approved by Full Council in January 2016. The Strategy reflected the Elected Mayor's priorities, substantial changes taking place in national policy and the significant reductions taking place in local government funding. The Strategy sets out the Council's mission and priorities and is key to the Council meeting the financial challenges in the years ahead. The mission statement reflects 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 Strategy set out four ambitions:

- Town Centre Regeneration.
- Increase the Commercial Activity of the Council.
- Improve Employment Skills and Social Wellbeing.
- Strengthen the way the Council Operates.

The Council's Corporate Policy Framework, Performance Management Framework and Corporate Delivery Plan support the Strategy. The Policy Framework is revised regularly to recognise policy changes taking place at national, regional and local level. The Performance Management Framework ensures delivery of the priorities in the Strategy and demonstrates effective and efficient use of resources to residents and other key stakeholders. The Corporate Delivery Plan is reviewed annually and holds a series of key deliverables that aim to demonstrate whether plans are on track to achieve the four ambitions for Copeland. During the year, progress against the key deliverables was reported quarterly to the Council's Executive, and Overview and Scrutiny Performance Sub-Committee. The information was also made available to the public via the Council's website.

Progress and Performance

3.2 This is assessed based on:

- achievement of Key Deliverables set out in the Corporate Delivery Plan by way of milestones reached
- performance against corporate Key Performance Indicators designed to measure delivery of core services and the strategic outcomes of the Corporate Strategy 2016 to 20.
- work with key strategic partnerships and by enabling communities.

Key Deliverables

3.3 There were 32 Key Deliverables and associated Milestones for 2016/17 of which 22 (69%) were reached and 10 (31%) were carried forward. Progress and performance against each is shown below.

Ambition 1 – Town Centre Regeneration

3.3.1 ***Improve Town Centres and High Streets***
During the year a needs analysis was undertaken and resources for a town/village centre regeneration scheme were identified and included in the Council's 2017/18 budget. The scheme supports the Copeland Pride of Place initiative and provides investment for shops and businesses in towns and villages to enhance their external appearance; and improve the borough's built environment and street scene. The scheme targeted buildings improvements initially and the launch date and roll out were planned for 2017/18.

3.3.2 ***Working with partners to carry out a Town Centre Opportunity Study for each of the four main towns***
Local communities were consulted on all plans and revisions incorporated. A second round of consultation was planned for the first quarter of 2017/18. Growth Plans and Masterplan completion were to be reprogrammed to tie in with the revisions to other key planning documents as part of the Local Plan update.

3.3.3 ***Borough wide car parking review and strategy development***
The review and strategy development were delayed, with the strategy to follow the development of the Town Centre Master Plan completion. A place and parking strategy would fall out of the Growth Plan for Whitehaven, whilst interim activities to ease short term issues rested with Cumbria County Council.

3.3.4 ***Identify funding and resources to oversee Town Centre regeneration and the transformation of Town Centre buildings***
During the year grant and partnership arrangements were agreed with Whitehaven Town Council for Whitehaven Market. Derelict and dilapidated buildings work was ongoing and tied in to the Copeland Pride of Place scheme. Britain's Energy Coast continued to progress the North Shore development scheme. Investment opportunities were identified along Egremont Main Street, which were to be developed in 2017/18.

3.3.5 ***Transform and enhance Whitehaven Market Place and build upon existing Townscape Heritage Initiatives***
The Foyer building was completed and formally opened. The final claim in respect of 45 Market Place was being finalised, with works on James Street and 48/50 Market Place to be completed by Autumn 2017. A Lime Masterclass held at Muncaster Castle was very successful with over 30 attendees. A creative writing workshop at St. Benedict's school gave an insight into the history of the area and linked it with the public realm. The Whitehaven Market was rebranded and relaunched in September 2016.

3.3.6 ***Promote tourism by establishing a Tourist Information resource in Whitehaven***
A feasibility study and options appraisal advised against the Council resourcing a stand-alone Tourist Information Centre. Discussions continued with partners to identify the most suitable way to provide a Tourist Information facility in Whitehaven Town Centre with general leaflets and information available to the public at the Beacon Museum.

3.3.7 ***Maintain appropriate land supply across the borough to facilitate growth***
A review of land assets and opportunities was ongoing during the year. A review into housing market deliverability in Copeland was commissioned at the end of 2016/17. The outcome of the review and proposed action to boost housing land supply were to be considered in May 2017. The Council continued to work with the Homes and Communities Agency to secure the strategic disposal of the Council's assets.

Ambition 2 – Commercialisation

3.3.8 ***Income Generation***
Value Added Tax and debt collection processes were reviewed during the year. In addition, the Income Generation Strategy, Corporate Charging Policy and Discretionary Rate Relief Policy were agreed and reflected in the Council's 2017/18 budget. A draft Trading Policy, and proposed governance and structure arrangements for a Council holding company, were completed in 2016/17, for approval in early 2017/18.

3.3.9 ***Creating a Commercial Culture***
Cultural change requirements were identified; and a direction, vision and plan for change established, in the first six months of the year. Five commercial opportunities reports were evaluated in the year and, although not all were commercially viable, they would support other key ambitions of the Council. Discussions with Whitehaven Town Council at the beginning of 2017/18 were to explore how to progress one of the suggestions. A programme of work in 2017/18 was to revitalise the development of a commercial culture within the Council by:

- setting up a dedicated commercial inbox for staff suggestions and feedback

- benchmarking good practice across other local authorities
- working closely with service managers to identify commercial opportunities and gaps
- working with external organisations to develop a knowledge base and training programme
- reviewing and revising commercial processes to ensure a consistent corporate approach.

3.3.10 ***Promoting Services***
A 'Future Opportunities Group', with a collective focus on the promotion of services was established during 2016/17 and the "Open for Business" brand used for the relaunch of Whitehaven Market. A second "Open for Business" event in 2017/18 was planned.

3.3.11 ***Delivery Models***
Advertising and the sponsorship of Council assets as a potential revenue stream for the Council were highlighted during the year. An outline business case and policy were to be considered in April 2017. A potential income generating opportunity was identified to procure electric, hybrid and biofuel buses through the green bus scheme of the Office for Low Emission Vehicles (OLEV); and establish a transport company to provide a private hire bus service to and from the Sellafield site. This would also increase mobility, reduce congestion and reduce carbon. Options for commercial services sub-branding were progressed, including graphic design and future proofing of the brand. The existing collaboration business model for the Beacon Museum completed its third year of a five year business plan with a surplus to ensure the Beacon Reserve is robust and assists future developments. A review of the Bereavement Services and particularly the Crematorium was underway with investment options identified and considered in 2017/18.

Ambition 3 – Employment, Skills and Social Wellbeing

3.3.12 ***Attracting Investment, industry and jobs for the whole of Copeland***
Work continued to attract investment, industry and jobs for the whole of Copeland through ongoing partnership working and engagement. Channels for attracting investment included Growth and Master Planning for the four main towns in the borough, the DCLG Growth Deal, the Copeland Pride of Place initiative and the Future Opportunities Group.

3.3.13 ***Support the development of first-class education services in Copeland***
The Council continued to provide strategic support for the Whitehaven Education Campus Project through the steering group and project board. The business plan for the project was agreed, Cumbria County Council awarded the contract and ground works started on site.

3.3.14 ***Combine efforts to develop first-class health services in Copeland***
The Council continued to chair and facilitate the Copeland Health and Wellbeing Forum. This group encourages joint working and can influence the spending of public health money targeted in Copeland, by ensuring the money goes to where it is needed locally. The Chair was active in the Cumbria Public Health Alliance. During 2016/17 public

health resources were used to commission public health interventions in Copeland focusing on childhood obesity, older people and alcohol and hoarding, with the resources and commissioning lead being provided by Cumbria County Council.

3.3.15 ***Establish a local Apprenticeship Scheme***
During the year the Council employed two apprentices through the development of its Apprenticeship Programme. Apprentice roles were built into the new organisational structure, to be supported through the new apprentice levy from 1 May 17. The Council will have a public-sector target of 2.3% of the workforce headcount. The scheme has built on the Council's previous experience of running an Apprentice Scheme with Lakes College. Recruitment of apprentices was planned for Summer 2017.

3.3.16 ***Support Cumbria-wide and local initiatives to address domestic violence in Copeland***
The Council continued to benefit from the Copeland Hub venture which facilitates joint working and information sharing to tackle anti-social and criminal behaviours in the borough. The Council was an active member of the West Cumbria Community Safety Partnership which feeds into Safer Cumbria activities and co-ordination. It also continued to attend bi-annual Multi Agency Public Protection Alliance meetings. Support continued for the Police and Crime Commissioner and Copeland link in on domestic violence issues. A Government grant to the Council and other district councils was agreed in quarter four providing £88,000 over two years to deliver crisis support to people affected by or at risk of domestic abuse and sexual exploitation and provide crisis housing in Copeland. The Cumbria wide activity from the bid will provide training and support for workers engaged in domestic violence support.

3.3.17 ***Work collaboratively with voluntary sector and other partners to address some of the issues around social investment and isolation***
The Council organised and collaborated with the community and voluntary sector through its Voluntary Sector Liaison Group. In liaison with this group, the Council refined key ideas around its social investment programme including social isolation. The Council, with partners, continued to commission and support a number of projects around social investment using a mix of internal and external resources.

3.3.18 ***To develop a policy and social investment plan to help address Social Inclusion amongst the elderly in Copeland***
The Council continued to work in partnership with Citizens Advice, the Credit Unions and the Department for Work and Pensions after the first stage roll out of Universal Credit across Copeland in November 2015 and then full service roll out in the past year. This has been particularly focused on the issues of financial inclusion taking advantage of the DWP resourced Delivery Partnership Agreement. It also worked with partners on projects designed to improve social inclusion, including an Age UK run project which focuses on reducing social isolation issues for elderly residents; and the Howgill Family Centre which facilitates family focussed interventions aimed at increasing social inclusivity.

3.3.19 ***Use the Council's work and skills partnership lead role to develop new initiatives and attract new resources***

The Council worked with Copeland Community Fund during 2016/17 to help them revise their priorities around work and skills and provide advice on how to commission new projects in support of work and skills development. The Council continue to lead the Work and Skills Partnership and manage the programme, projects and action plan. The three year partnership initiative receives external funding and delivered effectively in 2016/17. Key successes include:

- Nine individuals from organisations within the Partnership commenced Information Advice or Guidance Qualifications, one of whom successfully completed the qualification.
- The Employability Fund supported seven individuals during the year, with childcare costs to access employment support programmes, transition costs, training courses and travel expenses.
- A Sector Based Work Academy programme was delivered in Cleator Moor with eight individuals receiving employability and interview skills as well as work experience. Two of the individuals involved secured employment.

Ambition 4 – Strengthen the way the Council operates

3.3.20 ***Review of Council finances to ensure SMART procurement***

A vacant management post was filled in February 2017 allowing an urgent review of Council contracts which have expired but continue in place, and a review and updating of the Council's contracts register, to be treated as a priority. During the year a Member group was established to review the Council's reserves, in response to an indicated shortfall of £9.1 million in the amount of business rates retained because of a successful rates appeal by Sellafield Limited. The number and type of reserves was simplified, and the purpose, use and balance on individual reserves agreed by Full Council in February 2017. The Council's 2015/16 Statement of Accounts was finalised and submitted for external audit in January 2017, with the audit report and certified closure of audit given on 22 May 2017.

3.3.21 ***To support the Centre of Nuclear Excellence (CoNE) to support a sustainable nuclear sector in Copeland***

The Council continued to represent the best interests of the borough through regular meetings and communications. The Council's continued promotion and support for CoNE is articulated through Growth work and associated literature.

3.3.22 ***To support Nationally Significant Infrastructure projects – Moorside and North West Coast Connections***

NuGeneration Ltd. commenced a design review and optioneering process in respect of the Moorside project in the autumn of 2016. Numerous comments were made by stakeholders and project information gaps identified through the consultation process. The outcome was awaited. The Council continued to work with the County Council on a range of work-streams. The Council received additional resources provided through a performance planning agreement (PPA) to establish a robust evidence base and planning policy context for the project and assessment of impacts and potential mitigations for the project. National Grid launched a stage 2 consultation for the North-West Coast Connections Project in October 2016 which ran until January 2017. There were over 8,000 individual responses to the latest proposals and the Council's response was submitted in January 2017. The outcome was awaited.

3.3.23 ***Review the Council's own Business Support Services to make sure they are fit for purpose***
The review was completed in the year. There were no compulsory redundancies and 21 voluntary redundancies at a total cost of £560,643. 4 employees resigned during the consultation period and 64 employees were assimilated into or appointed to roles. The external recruitment to any unfilled posts following the review was undertaken in quarter four.

3.3.24 ***Embed and implement improvements identified as part of the Service Review process***
Service plans were approved and ongoing performance management started in the first half year. The annual review and revision of the Service Planning process was underway in the second half year in line with the Performance management and Improvement Framework. Service Plans were expected to be completed and ready for approval by the end of June 2017.

3.3.25 ***Developing a sustainable budget over the longer term***
On 16 November 2016, the Mayor received formal confirmation that the Council was accepted for the multi-year settlement which covers Revenue Support Grant and Rural Delivery Grant. Financial modelling following the successful Sellafield Ltd. rates appeal continued during quarter three and information and scenarios shared with the Overview and Scrutiny Committee. Budget proposals for 2017/18 were progressed in readiness for approval during quarter four. The 2017/18 budget was approved by Full Council in February 2017, including consideration of the scenarios and sensitivity analyses carried out during the process. The Local Government Association reviewed the budget proposal which added an extra layer of assurance to the process.

3.3.26 ***Focus on IT enabled customer access improvements***
The website development project started and continued during the year with the identification of the requirements and aspirations of each service. Questionnaires were issued to all service managers, followed up by a one-to-one in depth discussions. Outcomes were collated and fed into a website design tender specification document. The project team drew skilled staff from a range of staff teams to ensure a detailed and managed work stream approach to prepare for a new website presence. The tender process was to take place in 2017/18.

3.3.27 ***Deliver an online planning solution***
An options appraisal was completed for a replacement software system to serve Planning, Building Control and Land Charges. The proposed option for a replacement system was through the company who took over the current software supplier. The system would deliver the on-line capabilities required. Capital resources were included in the 2017/18 budget for the new software and an agreement reached with the suppliers to provide support for the existing software for another 12 months pending discussions on the implementation of the replacement software.

3.3.28 ***Deliver an energised Delivering Differently Programme***
Delivering Differently theme groups continued to meet monthly and all projects were reviewed on an ongoing basis to ensure focus on the key themes and value for money. An issues log and risk register was updated regularly and escalated as required.

Key Performance Indicators (KPI's)

3.4 In addition to the Corporate Delivery Plan Key Deliverables and Milestones, the Council also utilises a set of targeted KPI's to ensure that Corporate Strategic Outcomes and Core Services are being delivered within expectations. In addition to these indicators, service managers use a range of measures to manage their service performance on a week by week, month by month operational basis. The Corporate Leadership Team and Executive regularly discuss the KPI's together with the wider changes taking place to monitor the overall direction of travel of the organisation and consider any strategic risks and mitigations required. There were twenty-six KPI's for 2016/17. Seven out of the twenty-six were introduced in 2016/17 and baseline data was collected against these KPI's for that year. Of the other 19 KPI's, the results for 9 were on or exceeded target and for 10 were off target. KPI's are in the table below which shows targets and performance in 2016/17 compared, where applicable, with 2015/16.

Strategic Outcome/Indicator	**2015/16**		**2016/17**	
	Target	**Result**	**Target**	**Result**
Strategic Outcome 1: For our towns, villages and streets to reflect the prosperity of the area				
Percentage of Council Tax collected	73.6%	97.9%	98.5%+	97.7%
Number of long term (>6 months) empty homes within the borough	N/a	N/a	768 or less	821
Number of empty homes brought back into use as a direct result of Council action	New	New	New	18
Number of new homes built	230	100	230+	53
Number of new affordable homes built	35	0	35+	4
Number of executive homes built	New	New	New	32
Strategic Outcome 2: Grow the commercial activity of the Council to benefit the people of Copeland, ensuring the wealth generated remains in Copeland				
Percentage of CBC income and contract savings from commercial activity	New	New	New	8.71%
Achieve Income Generation through Commercial Strategy	New	New	New	859,168
Number of new commercial products offered by the Council	New	New	New	5
Strategic Outcome 3: Attract businesses and professionals to Copeland and retain our talented young people and work with partners to support the most vulnerable				
Percentage of Non-domestic rates collected	74.2%	99.3%	90%+	99.14%
Number of empty business premises within the borough	New	New	New	183
Number of new businesses within the borough. (New business registrations).	New	New	New	48
Number of apprentices within the Council	N/a	N/a	5+	2
Time taken to process new benefit claims (days)	22.0	21.5	20 or less	23.66
Time taken to process benefit change (days)	10.0	5.6	10 or less	9.13

Strategic Outcome/Indicator	**2015/16**		**2016/17**	
	Target	**Result**	**Target**	**Result**
Number of repeat homelessness cases	0	0	0	0
Number of Domestic Violence incidents with a repeat victim	N/a	N/a	510 or less	474
Strategic Outcome 4: Continually review services provided to ensure they meet the needs of Copeland and ensure they are efficient and effective				
Complaints resolved at stage 1	N/a	N/a	95%+	89%
Freedom of Information requests resolved within timescales	N/a	N/a	90% in <20 days	94%
Household waste sent for reuse, recycling and composting	38.0%	23.6%	40%+	34.4%
Corporate Plan Key Deliverables delivered within timescales	N/a	N/a	95%+	67%
Transactions received using e-payment methods (Direct Debit, BACs and online)	N/a N/a	N/a N/a	50% 80% of money taken	39.5% 84%
Strategic Outcome 5: Maximise opportunities for growth				
Processing of major planning applications within 13 weeks	65.0%	33.3%	80%+	100%
Processing of minor planning applications within 8 weeks	80.0%	63.9%	80%+	95.1%
Processing of other planning applications within 8 weeks	80.0%	88.6%	80%+	100%

Partnerships

3.5 The Council continued to engage actively and productively with its partner bodies during the year. Outcomes are embedded in the progress and performance reports in the above paragraphs. The Council is a member body of the following Strategic Partnerships.

Copeland Community Fund
Greenwich Leisure Ltd
Copeland Partnership
Copeland Works and Skills Partnership
Howgate and Distington Partnership
Regen NE Copeland
West Copeland Partnership
Mid Copeland Partnership
Whitehaven Locality Partnership
South Copeland Partnership
Copeland Housing Partnership
Copeland Health and Wellbeing Forum
WC Community Safety Partnership
West Cumbria Site Stakeholder Group

Britain's Energy Coast Properties
Cumbria Resilience Forum
Cumbria Local Enterprise Partnership
Joint District Forum
Cumbria Housing Group
Public Health Alliance
Cumbria Strategic Waste Partnership
Lake District National Park Partnership
Cumbria Police and Crime Panel
Nuclear Legacy Advisory Forum (NULEAF)
Cumbria Leadership Board
Lake District National Park Authority
Cumbria Local Nature Partnership
New Nuclear Local Authorities Group (NNLAG)

4. 2016/17 Budgets and Medium Term Financial Strategy

4.1 The Council's Revenue and Capital Budgets for 2016/17 and Medium Term Financial strategy (MTFS) for the period to 2019/20 were approved by Full Council on 25 February 2016.

2016/17 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 reductions in public sector spending, provided a challenging financial environment for the Council during 2016/17. The amounts notified by the Government for its general grants and NNDR in early February 2016 resulted in a reduction in the Council's spending power, compared to 2015/16, of £0.325 million or 3.8%. This was a total reduction, since 2013/14, of £1.460 million or 15.6%. This meant that, taking into account budget increases, in order to balance the Council's original budget, reserves of £0.592 million had to be used and savings and efficiencies of £0.955 million made.

4.4 The Council's original net revenue budget for 2016/17 was set at £9.391 million and was subsequently revised during the year to £10.514 million with the inclusion of amounts approved to be carried forward from 2015/16. The budget was funded as follows:

	Original	**Revised**
	£'000	**£'000**
Council Tax	3,974	3,974
Revenue Support Grant	1,159	1,159
New Homes Bonus	694	694
Other grants and contributions	837	837
NNDR	2,135	2,135
Reserves	592	1,715
Total	**9,391**	**10,514**

4.5 The amount of Revenue Support Grant provided to the Council through the 2016/17 Local Government Finance Settlement was £1.159 million, a reduction of £0.553 million (32.3%) on the amount (£1.712 million) awarded in 2015/16.

4.6 The Council's share of Council Tax was increased by 1.95% in 2016/17 while the tax base (the taxable capacity of the borough) for 2016/17 was set at 20,121.16, an increase of 1.38% on the 2015/16 tax base of 19,846.39. These changes resulted in an increase in the Council's share of Council Tax on band D properties (excluding parish precepts) from £190.93 to £194.65; and total Council Tax income available to the Council in 2016/17, excluding parish precepts, of £3.974 million (including the Council's share of the estimated surplus at 31 March 2016 of £57,000).

4.7 The original and revised budgets included an estimate of NNDR income for 2016/17 at the safety net level (a guaranteed amount below which the Council's income could not fall under the national system) of £2.135 million.

4.8 The original and revised budgets included Government grant of £0.837 million in respect of the Council's Private Finance Initiative (PFI) scheme.

2016/17 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 2016/17 capital budget was set at £1.355 million (exclusive of budget carry forwards from 2015/16) and was subsequently revised during the year to £5.529 million. The revised budget was to be financed as follows:

	Original	**Revised**
	£'000	**£'000**
Capital Receipts	535	1,299
Grants and contributions from third parties	820	2,474
Revenue and reserves	-	776
Internal borrowing	-	980
Total	**1,355**	**5,529**

4.11 The most significant items in the revised capital budget were the Beacon Museum (£1.357 million), the Council's Accommodation Strategy (£1.816 million), Disabled Facilities Grants (£0.781 million) and Whitehaven Townscape Heritage Initiative (£0.636 million).

Medium Term Financial Strategy

4.12 The 2016/17 revenue budget was set within the context of the Council's four-year Medium Term Financial Strategy (MTFS) which was based on the Chancellor's Autumn Statement and the Spending Review of November 2015 together with the final 2016/17 Local Government Finance Settlement. It was also developed alongside a new 2016 to 20 Corporate Strategy and 2016/17 Corporate Delivery Plan. At the time it required the Council to make significant efficiency savings and generate additional income estimated to be in the region of £3.7 million over the following 3 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

2016/17 Revenue expenditure compared to budget

5.1 During the year the Council had to manage the impact of a particular major local pressure resulting from the outcome of a business rates valuation appeal. The successful appeal resulted in a large backdated refund of rates and a reduction in the resources available to the Council of some £9.1 million. The effect on the Council's financial position was such that the Council's status as a going concern was brought into question. The Council's section 151 officer carried out a detailed financial analysis of the position and concluded that the Council remained a going concern so long as Members considered and took some difficult decisions in respect of available, and in some cases earmarked, resources. A small Member group was established which, over a number of weeks, considered in detail the Council's available reserves and their proposed use. As a result, spending plans were shelved and reserves simplified and rationalised. The result was a realignment of the Council's financial position which was approved by Council in February 2017.

5.2 The table below shows actual expenditure for 2016/17 compared to the revised budget.

Service	Revised Budget £'000	Net Expenditure £'000	Carried Forward to 2017-18 £'000	Actual £'000	Variance £'000
Audit	94	93	-	93	(1)
Business Support	207	188	-	188	(19)
Corporate Health and Safety	15	3	-	3	(12)
Democratic Services	599	516	35	551	(48)
Director of Commercial and Corporate Resources	311	180	-	180	(131)
Financial Services	798	917	-	917	119

Service	Revised Budget £'000	Net Expenditure £'000	Carried Forward to 2017-18 £'000	Actual £'000	Variance £'000
Human Resources	293	271	-	271	(22)
ICT Services	527	595	-	595	68
Legal Services	94	93	-	93	(1)
Procurement	32	34	-	34	2
Property and Estates	1,887	1,960	-	1,960	73
Beacon Museum	174	174	-	174	-
Copeland Community Fund	40	47	-	47	7
Customer Services	369	342	-	342	(27)
Director of Customer and Community Services	161	12	64	76	(85)
Parks and Open Spaces	(124)	(263)	60	(203)	(79)
Refuse and Recycling	1,638	1,639	12	1,651	13
Revenues and Benefits	588	294	154	448	(140)
Strategic Housing	531	427	101	528	(3)
Building Control	77	97	-	97	20
Communications	58	46	-	46	(12)
Economic Development	164	113	1	114	(50)
Elections	263	282	-	282	19
Environmental Health	586	555	29	584	(2)
Head of Paid Service	971	1,004	7	1,011	40
Licensing	(40)	(72)	-	(72)	(32)
Nuclear	123	123	-	123	0
Strategic Planning	78	84	-	84	6
Net Service Expenditure	**10,514**	**9,754**	**463**	**10,217**	**(297)**

5.3 Net expenditure on services for the year was £9.754 million compared to a revised budget of £10.514 million, resulting in an underspending (once adjusted for amounts carried forward into 2017/18) of £0.297 million. A detailed provisional report on the 2016/17 outturn position was presented to Executive on 18 July 2017, where details of the variances will be found. A final report, on which the above analysis is based, was submitted on 12 December 2017.

5.4 The 2016/17 Code introduced some revised reporting and presentation requirements for the Comprehensive Income and Expenditure Statement (page 27) and a (newly required) Expenditure and Funding Analysis (page 25). The segments (services shown in the table in paragraph 5.2) to be reported must now be based on the Council's internal management reporting. However, not all of the segments need to be shown separately and aggregation into groups is permitted. The segments aggregated are described in Note 6 page 50.

5.5 The table below reconciles the actual outturn shown in the table in paragraph 5.2 above (£10.217 million) with the Net Cost of Services chargeable to the General Fund Balance (£8.656 million) in the Expenditure and Funding Analysis.

	£'000
Actual outturn	10,217
Less transfers to and from Earmarked Reserves	(1,354)
Amounts transferred from Net Service Expenditure to Other Income and Expenditure	(207)
Net Cost of Services	**8,656**

The Net Cost of Services in the Expenditure and Funding Analysis at page 25 then reconciles to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

2016/17 Capital expenditure compared to budget

5.5 A detailed report on the 2016/17 outturn position was presented to Executive on 18 July 2017. The following tables show capital expenditure in 2016/17 compared to the revised capital budget and how that expenditure was financed.

Project	Revised Budget £'000	Actual £'000	Variance £'000	Budget Carried Forward £'000	Adjusted Variance £'000
Accommodation Strategy	1,816	101	(1,715)	1,715	-
Vehicle Fleet Replacement	5	-	(5)	-	(5)
Whitehaven Cemetery	240	-	(240)	240	-
Millom Cemetery Land	24	20	(4)	2	(2)
Pay and Display Equipment	71	61	(10)	5	(5)
Mount Pleasant Park	3	-	(3)	3	-
Disabled Facilities Grants	781	494	(287)	287	-
Whitehaven Townscape Heritage	636	294	(342)	342	-
Beacon Museum	1,357	950	(407)	407	-
Copeland Pool	57	18	(39)	39	-
Car Parking	39	2	(37)	37	-
Town Centre Regeneration	250	-	(250)	250	-
Land Development	250	-	(250)	250	-
Total Expenditure	**5,529**	**1,940**	**(3,589)**	**3,577**	**(12)**

Financing			
Capital Receipts	1,299	-	(1,299)
Grants and Contributions	2,474	1,940	(534)
Revenue and reserves	776	-	(776)
Internal borrowing	980	-	(980)
Total Financing	**5,529**	**1,940**	**(3,589)**

5.6 The Council spent £1.940 million on its capital programme in 2016/17 compared to the revised capital budget of £5.529 million. The expenditure was financed solely from third party grants and contributions following a review of the resources available.

5.7 The variance between revised budget and outturn for the year was £3.589 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 £3.577 million of planned expenditure to be carried forward to 2017/18 together with associated financing. The largest variances were in respect of the Council's accommodation strategy which had a revised start date of September 2017; the Beacon Museum Expansion project, work on which took longer than anticipated; the Whitehaven Townscape Heritage initiative for which fewer grant applications were received and progress on existing works took longer than anticipated; and Disabled Facilities Grants funds for which were committed but not distributed until after the year end.

5.8 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, if necessary, internal borrowing.

Financial position at the Balance Sheet date

5.9 The following table summarises the Council's financial position at 31 March 2017.

	At 31 March 2016 £'000	**At 31 March 2017 £'000**	**Movement £'000**
Non-current Assets and Long-term Debtors	43,616	40,797	(2,819)
Net Current Assets (Debtors, stock and cash less creditors and liabilities)	20,040	24,154	4,114
Long-term Liabilities and Provisions	(31,235)	(37,383)	(6,148)
Net Assets	**32,421**	**27,568**	**(4,853)**
Represented by:			
Revenue Reserves (General Fund and Earmarked)	9,939	12,572	2,633
Other Usable Reserves	2,846	1,926	(920)
Unusable Reserves	19,636	13,070	(6,566)
Total Reserves	**32,421**	**27,568**	**(4,853)**

5.10 During 2016/17:

- Non-current assets, including property plant and equipment, heritage assets, investment property and long-term debtors fell by £2.819 million, mainly as a result of the reclassification of an asset (land at Harras Moor) from "surplus" to "held for sale", offset by an increase in assets under construction in respect of works at the Beacon. Assets Held for Sale increased by £4.868 million. The land at Harras Moor was carried in the Balance Sheet at 31 March 2017 at a value of £5.400 million. It was sold in early April 2017.
- Net current assets increased by £4.114 million to £24.154 million. As the result of the payment of an NNDR refund, investments and cash and cash equivalents reduced by some £35 million although this was largely offset by the consequent reduction in short-term creditors. The net increase was a result of the asset reclassification referred to above.

- Long-term liabilities increased by £6.148 million mainly as a result of an increase in the net defined benefit pension liability (see section 8 below).
- Unusable Reserves fell by £6.566 million, largely as a result of the increase in the Council's net pension liability (which results in a reduction in unusable reserves) and the effects of accounting for Council Tax and NNDR (£2.037 million).
- Usable reserves increased by £1.713 million, mainly as a result of an increase in the Council's revenue reserves (£2.633 million) offset by the use, and therefore reduction in, capital grants of £1.109 million.

6. Revenue Reserves

6.1 At 31 March 2017 General Fund reserves were £3.902 million (31 March 2016, £3.742 million) and earmarked revenue reserves £8.670 million (31 March 2016, £6.197 million). Earmarked reserves include amounts set aside to meet planned future expenditure (including budgets carried forward to meet existing commitments) and to ring-fence unspent revenue grants.

6.2 Movements in the Council's revenue reserves during the year are summarised in the following tables.

General Fund (including Earmarked Reserves)	**2015/16 £'000**	**2016/17 £'000**
Balance at beginning of year	17,250	9,939
Net income from / (cost of) the provision of services	(5,245)	(2,371)
Adjustment for what can actually be charged to the balance under regulations	(2,066)	5,004
Balance at end of year	9,939	12,572
Earmarked Reserves		
Balance at beginning of year	11,166	6,197
Contributions to reserves from the General Fund	1,744	4,079
Contributions from reserves to the General Fund	(6,713)	(1,606)
Balance at end of year	6,197	8,670

6.3 The General Fund balance at 31 March 2017 incorporates earmarked reserves and includes the revenue deficit on the provision of services for the year, adjustments as described 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.

6.4 Contributions to earmarked reserves of £4.079 million include amounts set aside from existing unspent budgets to reflect the re-profiling of associated expenditure plans across financial years, and a contribution to the reserve established to offset any further reductions in external resources in the future. 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. Fuller details for Earmarked Reserves are shown in Note 12 to the Statement of Accounts.

7. Cash flows

7.1 During 2016/17 the net reduction in cash and cash equivalents was £19.846 million.

Cash Flows	At 31 March 2016 £’000	At 31 March 2017 £’000
Net cash flows from operating activities	(16,104)	14,024
Net cash flows from investing activities	20,325	(14,041)
Net cash flows from financing activities	(5,434)	19,863
Net (increase) or decrease in cash and cash activities	**(1,213)**	**19,846**

7.2 Net cash outflows from operating activities were £14.024 million in the year. In addition there was

- a net cash inflow from investing activities of £14.041 million – including a net cash inflow of £15.002 million from the sale and purchase of investments; and a cash outflow of £1.152 million for the purchase of property plant and equipment.
- a net cash outflow of £19.863 million from financing activities in respect of net cash paid and received relating to 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 2016/17, the Council’s net pension liability was £27.274 million (31 March 2016 £20.703 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 increase in the net pension liability over the year of £6.571 million arises from the remeasurement of:

- scheme liabilities (£20.351 million) - including changes to the financial assumptions underpinning the actuarial valuation of the pension liability, particularly a material reduction in the interest rate used to discount future benefits payable to present values
- scheme assets (£13.780 million) – mainly as a result of significant gains in investment markets

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 Investment Properties and Assets Held for Sale are revalued annually. During 2016/17 the fair value of the Council's investment properties increased by £55,000 (£260,000 during 2015/16). The value of Assets Held for Sale increased by £4.868 million during the year (compared to a reduction of £197,000 in 2015/16).

10. Significant Provisions

10.1 The Council's balance sheet at 31 March 2017 includes provisions of £534,000 (31 March 2016, £426,000). This includes a provision of £444,000 (31 March 2016, £263,000) in respect of business rates appeals. This is the Council's share of a total provision of £1.111 million – the balance being met by the Government and the County Council. Of the Council's share, £68,000 is in respect of appeals settled early in 2017/18 with the balance being for outstanding appeals from Sellafield Ltd. (£153,000) and other ratepayers (£223,000).

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 36.

11.3 At 31 March 2017 the Council's external borrowing (inclusive of accrued interest) was £5.061 million (31 March 2016 £5.075 million). This consists of a single loan with accrued interest.

11.4 At 31 March 2017 investments held for treasury management purposes (including those classified as cash equivalents) stood at £24.826 million (31 March 2016 £59.716 million) – inclusive of accrued interest.

11.5 The Council has maintained an under-borrowed position throughout 2016/17. At 31 March 2017 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 5 to the Financial Statements.

13. Employee Information

13.1 The Council employed 261 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 in the following table:

	At 31 March 2017			
	Number of Staff		**Full Time Equivalents**	
	Male	**Female**	**Male**	**Female**
Senior Managers	-	3	-	3
Other Staff	129	129	123	105
Total	**129**	**132**	**123**	**108**

14. Further Information

14.1 Further information about the accounts is available on request from the Director of Commercial and Corporate Resources (and Section 151 Officer), the Copeland Centre, Catherine Street, Whitehaven, CA28 7SJ.

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 – a function that is delegated to the Audit and Governance Committee.

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 2017.

Signed

FR Rooney.

Fiona Rooney

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

Date 21 March 2018

Expenditure and Funding Analysis

This analysis, which is not a Core Statement, shows how annual expenditure is used and funded from resources (Government grants, fees and charges, Council Tax and Business Rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision-making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices are presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16				2016/17		
Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
900	75	975	Corporate Services	1,445	37	1,482
269	2,218	2,487	Customer and Community Services	404	440	844
1,249	(11)	1,238	Democracy	1,169	(40)	1,129
1,275	391	1,666	Housing and Environmental Health	1,281	18	1,299
1,362	684	2,046	Planning and Economic Development	1,212	110	1,322
(947)	2,008	1,061	Property and Estates	(528)	981	453
2,327	175	2,502	Refuse and Recycling	2,505	(26)	2,479
1,047	(7)	1,040	Revenues and Benefits	1,176	(38)	1,138
(251)	0	(251)	All Other	(8)	(5)	(13)
7,231	**5,533**	**12,764**	**Net Cost of Services**	**8,656**	**1,477**	**10,133**
80	(7,599)	(7,519)	Other Income and Expenditure	(11,289)	2,711	(8,578)
7,311	**(2,066)**	**5,245**	**Surplus or Deficit**	**(2,633)**	**4,188**	**1,555**
(17,250)			**Opening General Fund Balance**	(9,939)		
7,311			Less/plus surplus or deficit on General Fund Balance in year	(2,633)		
(9,939)			**Closing General Fund Balance at 31 March**	**(12,572)**		

Note: This is a new reporting format introduced by the Code. Information for 2015-16 has been restated accordingly (see also Note 6 page 50 *et seq*). There is no impact on the Balance Sheet because of this change in accounting policy and a third Balance Sheet is not required to be prepared.

Movement in Reserves Statement

This Statement shows the movement from the start of the year until the end 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 'unusable reserves'. The Statement shows how the movements in the year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Increase or Decrease line shows the statutory General Fund Balance movements in the year following those adjustments. (Note: There is a minor change in reporting format introduced by the Code, with the figures for Earmarked Reserves now being merged into a single column with the General Fund Balance, whereas they previously appeared separately. Information for 2015-16 has been restated accordingly. There is no impact on the Balance Sheet as a result of this change in accounting policy and a third Balance Sheet is not required to be prepared. The full detail of Earmarked Reserves continues to be disclosed and can be found at Note 12.)

	Note	Revenue General Fund Balance £'000	Capital Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2015		**(17,250)**	**(3,304)**	**(212)**	**(20,766)**	**(5,687)**	**(26,453)**
Movement in reserves during 2015/16							
Total Comprehensive Income and Expenditure		5,245	-	-	**5,245**	(11,213)	**(5,968)**
Adjustments between accounting basis and funding basis under regulations	9	2,066	1,896	(1,226)	**2,736**	(2,736)	**-**
Increase or Decrease in 2015/16		**7,311**	**1,896**	**(1,226)**	**7,981**	**(13.949)**	**(5,968)**
Balance at 31 March 2016 carried forward		**(9,939)**	**(1,408)**	**(1,438)**	**(12,785)**	**(19,636)**	**(32,421)**
Movement in reserves during 2016/17							
Total Comprehensive Income and Expenditure		1,555	-	-	**1,555**	3,298	**4,853**
Adjustments between accounting basis and funding basis under regulations	9	(4,188)	(189)	1,109	**(3,268)**	3,268	**-**
Increase or Decrease in 2016/17		**(2,633)**	**(189)**	**1,109**	**(1,713)**	**6,566**	**4,853**
Balance at 31 March 2017 carried forward		**(12,572)**	**(1,597)**	**(329)**	**(14,498)**	**(13,070)**	**(27,568)**

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 both the Expenditure and Funding Analysis and the Movement in Reserves Statement. (Note: There is a change in reporting format introduced by the Code, with the previous prescribed service groupings now being replaced by 'service segments', which the Council has discretion in defining and which are more aligned to the organisation's management reporting structure. Information for 2015/16 has been restated accordingly (see also Note 6 page 50 *et seq*). In addition, the 2015/16 gross expenditure and income of Property and Estates has been restated to reflect a revised treatment and disclosure of trading operations in 2016/17. There is no impact on the Balance Sheet because of these changes in accounting policy and a third Balance Sheet is not required to be prepared).

2015/16					2016/17		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,204	(229)	975	Corporate Services		1,521	(39)	1,482
5,338	(2,851)	2,487	Customer and Community Services		3,512	(2,668)	844
1,358	(120)	1,238	Democracy		1,482	(353)	1,129
2,102	(436)	1,666	Housing and Environmental Health		2,130	(831)	1,299
2,802	(756)	2,046	Planning and Economic Development		1,941	(619)	1,322
1,792	(731)	1,061	Property and Estates		1,112	(659)	453
3,970	(1,468)	2,502	Refuse and Recycling		4,004	(1,525)	2,479
22,373	(21,333)	1,040	Revenues and Benefits		21,188	(20,050)	1,138
964	(1,215)	(251)	All Other		1,452	(1,465)	(13)
41,903	**(29,139)**	**12,764**	**Net Cost of Services**		**38,342**	**(28,209)**	**10,133**
1,183	(110)	1,073	Other Operating Income and Expenditure	13	1,112	(190)	922
1,729	(573)	1,156	Financing and Investment Income and Expenditure	14	1,439	(464)	975
-	(9,748)	(9,748)	Taxation and Non Specific Grant Income	15	-	(10,475)	(10,475)
		5,245	**(Surplus) or Deficit on Provisions of Services**				**1,555**
		(7,936)	(Surplus)/Deficit on revaluation of non-current assets	11			(2,825)
		-	Impairment losses on non-current assets charged to the Revaluation Reserve	11			33
		(3,277)	Re-measurement of the net defined benefit liability/(asset)	30			6,090
		(11,213)	**Other Comprehensive Income and Expenditure**				**3,298**
		(5,968)	**Total Comprehensive Income and Expenditure**				**4,853**

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 is 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 is 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 2016 £'000		Note	31st March 2017 £'000
39,018	Property, Plant & Equipment	21	36,161
1,569	Heritage Assets	22	1,569
2,503	Investment Property	23	2,558
54	Intangible Assets		31
472	Long Term Debtors	26	478
43,616	**Long Term Assets**		**40,797**
34,984	Short Term Investments	35	19,982
666	Assets Held for Sale	25	5,534
57	Inventories		47
2,791	Short Term Debtors	26	3,109
24,734	Cash and Cash Equivalents	27	4,844
63,232	**Current Assets**		**33,516**
(44)	Cash and Cash Equivalents	27	-
(42,754)	Short Term Creditors	28	(8,828)
(394)	Provisions	29	(534)
(43,192)	**Current Liabilities**		**(9,362)**
(32)	Provisions	29	-
(5,075)	Long Term Borrowing	35	(5,061)
(20,703)	Net Pensions Liability	30	(27,274)
(5,425)	Other Long Term Liabilities	33,34,35	(5,048)
(31,235)	**Long Term Liabilities**		**(37,383)**
32,421	**Net Assets**		**27,568**
12,785	**Usable Reserves**	10	14,498
19,636	**Unusable Reserves**	11	13,070
32,421	**Total Reserves**		**27,568**

These financial statements replace the unaudited financial statements certified by the Director of Commercial and Corporate Resources on 9 November 2017.

Fiona Rooney FRRooney. **21 March 2018**

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.

2015/2016 £'000		Note	2016/2017 £'000
5,245	**Net (surplus) or deficit on the provision of services**		**1,555**
(22,776)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	38	12,264
1,427	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	38	205
(16,104)	**Net cash flows from operating activities**		**14,024**
20,325	Investing Activities	39	(14,041)
(5,434)	Financing activities	40	19,863
(1,213)	**Net (increase) or decrease in cash and cash equivalents**		**19,846**
23,477	Cash and cash equivalents at the beginning of the reporting period		24,690
24,690	**Cash and cash equivalents at the end of the reporting period**		**4,844**

Note: In the interests of greater clarity, the signage for the Net (increase) or decrease in cash and cash equivalents has been amended in 2015/16, compared to that shown in the Statement of Accounts for that year.

Notes to the Financial Statements

Contents

1. ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. The Statement must be prepared in accordance with proper accounting practices which primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) supported by International Financial Reporting Standards (IFRS), and statutory guidance issued under section 21 of the Local Government Act 2003. The financial statements are prepared on a going concern basis.

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

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.

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 policy 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 Council'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 (Minimum Revenue Provision) 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 Council Tax and Non-Domestic Rates

Billing authorities such as the Council act as agents, collecting council tax and non-domestic rates (NNDR) on behalf of the major preceptors (including the Government for NNDR) and, as principals, collecting council tax and NNDR for themselves. Billing authorities are required by statute to maintain a separate fund (called the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NNDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and the Government share proportionately the risk and the reward that the amount of Council Tax and NNDR collected could be less or more than predicted.

Accounting for Council Tax and NNDR

The Council Tax and NNDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NNDR that must be included in the Council's General Fund. The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

1.8 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 segment or, where applicable, to a corporate service segment 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 – 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 2.5% 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 because 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.

1.9 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.

1.10 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 accrued interest) 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 which 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 which 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 service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited 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.

1.11 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.

1.12 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.

1.13 Leases

Leases are classified 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 property, plant or equipment. 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 credited to the Comprehensive Income and Expenditure Statement 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 financial 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.

1.14 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

1.15 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 the 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, based on market value.
- 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.

If possible, 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 1.16). The Council considers that its Heritage Assets have indeterminate lives and hence does not consider it appropriate to charge deprecation.

1.16 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 which 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 initial estimate of the costs of dismantling and removing the item(s) and restoring the site on which it is or they are located.

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 the 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 from 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 as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains 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. A proportion of capital receipts relating to housing disposals is payable to the Government. The balance of receipts remains within the 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). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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.

1.17 Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services where the responsibility for making available the non-current assets needed to provide the service passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI scheme and, as through an option to purchase (at market value) the residual interest in the non-current asset at the end of the contract, the Council is deemed 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 operator to pay for the capital investment.

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 operator each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to 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 operator. The profile of write-downs is calculated using the same principles as for a finance lease
- lifecycle replacement costs – either recognised immediately as additions to Property, Plant and Equipment on the Balance Sheet when the relevant works are carried out or, if required, a prepayment is posted to the Balance Sheet for the lifecycle costs payable in that year and then recognised as additions to PPE when the relevant works are carried out. Where it is not possible to evidence that lifecycle replacements costs meet the capital expenditure definition, then they are treated as revenue.

1.18 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 when the Council has an 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 for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

1.19 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 Balance Sheet, but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.20 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. 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 transferred back into 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, local taxation, and employee and retirement benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies.

1.21 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 in the year to the relevant service 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 from the General Fund Balance 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.

1.22 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2 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 Essential Fleet Services Limited. 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.
- The original agreement for the annual amount to be paid by the Council to the provider for occupation of Copeland Centre included assumptions around the amounts of expenditure, both revenue and capital, that would be needed over the lifecycle of the building. These were estimates across a 25-year period, rather than definite plans, with the underlying commitment being to maintain

the building in its required state. Technical accounting adjustments are required each year in respect of the capital element of these lifecycle costs. Up until 2015-16, these were of limited importance, because neither the amounts in the original schedule nor the level of actual capital expenditure were material. In 2016-17, the figure in the original schedule was £645,000 and only a relatively small amount of expenditure has been made by the provider. A judgement has therefore had to be made as to whether or not the payment of the unitary charge effectively included a prepayment in respect of these capital works, i.e. it should be assumed that they will occur at some future date, or the view taken that there is only a limited likelihood that they will occur and that this notional element in the overall payment should be treated on the same basis as the general service charge. In coming to a decision on this, the following have been considered:

  - Over the lifetime of the agreement to date, actual capital expenditure has remained low, at the level necessary to keep building in required state rather than carrying out major works.
  - No plans have been notified by the provider of intention to carry out such major works in the medium-term future.
  - There are current refurbishment plans, which stand outside the main agreement, which will themselves potentially obviate the need for works that might have been required later.

  A further consideration was that the treatment chosen for what is a technical accounting issue (the actual amounts payable by the Council are not affected) should be one which aids understanding of the underlying substance of the transactions by users of the Statement of Accounts. For a combination of these reasons, the judgement made has been to treat the payment on the same basis as the general service charge.

- 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.

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

The Statement of Accounts contains estimated figures 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 2017 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 2017 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 2017 was £27.274 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 30 at page 80.

- 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 £327,000.
- 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 29 (i) at page 79). Estimates have been made using local information and professional advice. The total provision stands at £1,111,000 at 31 March 2017, the Council's share of which is £444,000. 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 2017-18 following the introduction of a revalued rating list nationally with effect from 1 April 2017 and the possibility of further appeals.

4 MATERIAL ITEMS OF INCOME AND EXPENSE

Material Items within the Comprehensive Income and Expenditure Statement include:

- Housing Benefits
  The Council has incurred spending of £19.265 million on housing benefits in 2016/17 (£20.250 million in 2015/16) and received Government grants of £18.856 million to meet this cost (£19.527 million in 2015/16).
- Non Domestic Rates
  The Council received Non Domestic Rates of £18.939 million under the rate retention system in 2016/17 (£7.563 million in 2015-16). This was offset by a payment to the Government, under the system, of £14.594 million in respect of a tariff and levy (£15.057 million in 2015/16).
- Council Tax
  The Council received £4.851 million from the Collection Fund as its share of Council Tax receipts in 2016/17 (£4.699 million in 2015/16).
- Pension Deficit Payment
  The Council paid £0.687 million in 2016/17 (£0.554 million in 2015/16) into the Local Government Pension Scheme, in respect of the pension fund deficit.

- Grants

  The Council received a number of material grants during the year and details of these are contained in Note 16 (page 65).

- PFI Charges

  The Council paid unitary charges of £1.544 million in 2016/17 (£1.528 million in 2015/16) relating to the Copeland Centre.

- Professional Support Services

  The Council paid £1.090 million in 2016/17 (£0.413 million in 2015/16) for third party professional support services in respect of the proposed Moorside nuclear generating station. Under a Planning Performance Agreement made in July 2014 between the Council, NuGeneration Limited and Cumbria County Council, these costs are reimbursable to the Council by NuGeneration Limited.

5 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue on 9 November 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 2017 which provided information which required the financial statements and notes to be amended. The Council sold land at Harras Moor for a total consideration of £6.094 million. Transfer of title for a portion of this asset took place on 13 April 2017 for a consideration of £4.863 million. Transfer of title for the remaining portion took place on 24 November 2017 for a consideration of £1.231 million. The financial statements and notes have not been adjusted for that event as it is relevant to an understanding of the Council's financial position but does not relate to conditions at the Balance Sheet date.

6 SEGMENT REPORTING AGGREGATION

The segments (service descriptions) reported in the Expenditure and Funding Analysis (page 25) and the Comprehensive Income and Expenditure Statement (page 27) are based on the Council's internal management reporting. In some cases, the segments reported are an aggregation of a number of services in accordance with the following table.

Segment	Aggregation
Corporate Services	Audit. Business Support. Director of Commercial and Corporate Resources. Financial Services. Human Resources. ICT Services. Legal Services. Procurement. Corporate Health and Safety. Communications. Head of Paid Service.
Customer and Community Services	Beacon Museum. Copeland Community Fund. Customer Services. Director of Customer and Community Services. Parks and Open Spaces.
Democracy	Democratic Services. Elections.
Housing and Environmental Health	Strategic Housing. Environmental Health.
Planning and Economic Development	Building Control. Economic Development. Strategic Planning.
Property and Estates	None.
Refuse and Recycling	None.
Revenues and Benefits	None.
All Other	Licensing. Nuclear.

In restating the 2015/16 Expenditure and Funding Analysis and Comprehensive Income and Expenditure Statement to accord with the new segment reporting requirements (see pages 25 and 27 respectively), items have been reclassified and restated as follows. In addition, the 2015/16 gross expenditure and income of Property and Estates have been increased by £659,000 in the Comprehensive Income and Expenditure Statement to reflect a revised treatment and disclosure of trading operations in 2016/17. There is no impact on the Balance Sheet because of these changes in accounting policy and a third Balance Sheet is not required to be prepared).

Comprehensive Income and Expenditure Statement Segments	Corporate Services	Customer and Community Services	Democracy	Environmental Health	Planning and Economic Development	Property and Estates	Refuse and Recycling	Revenues and Benefits	All Other	**Original 2015/16**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Central Services	(96)	47	193	79	-	794	25	521	-	**1,563**
Cultural and Related Services	-	2,531	-	-	32	86	-	-	-	**2,649**
Environmental and Regulatory Services	9	(186)	-	730	25	1	2,554	-	(64)	**3,069**
Planning Services	43	(40)	-	2	1,982	180	12	-	(187)	**1,992**
Highways, Roads and Transport	-	135	-	-	-	-	(89)	-	-	**46**
Housing General Fund	-	-	-	855	-	-	-	520	-	**1,375**
Corporate and Democratic Core	1,019	(1)	1,045	-	7	-	-	-	-	**2,070**
Restated 2015/16	**975**	**2,486**	**1,238**	**1,666**	**2,046**	**1,061**	**2,502**	**1,041**	**(251)**	**12,764**

7 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2016-17				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes (Note 1)**	**Net Change for Pensions Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Corporate Services	46	5	(14)	37
Customer and Community Services	502	(57)	(5)	440
Democracy	(23)	(15)	(2)	(40)
Housing and Environmental Health	36	(33)	15	18
Planning and Economic Development	143	(31)	(2)	110
Property and Estates	986	(5)	-	981
Refuse and Recycling	37	(68)	5	(26)
Revenues and Benefits	-	(39)	1	(38)
All Other	(3)	(2)	-	(5)
Net Cost of Services	**1,724**	**(245)**	**(2)**	**1,477**
Other income and expenditure from the Expenditure and Funding Analysis	52	726	2,037	**2,711**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**1,672**	**481**	**2,035**	**4,188**

Adjustments between Funding and Accounting Basis 2015-16				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes (Note 1)**	**Net Change for Pensions Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Corporate Services	70	-	5	75
Customer and Community Services	2,222	(9)	5	2,218
Democracy	3	(15)	1	(11)
Housing and Environmental Health	429	(7)	(31)	391
Planning and Economic Development	699	(18)	3	684
Property and Estates	2,008	0	0	2,008
Refuse and Recycling	200	(30)	5	175
Revenues and Benefits	-	(9)	2	(7)
All Other	-	0	-	0
Net Cost of Services	**5,631**	**(88)**	**(10)**	**5,533**
Other income and expenditure from the Expenditure and Funding Analysis	(911)	750	(7,438)	**(7,599)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**4,720**	**662**	**(7,448)**	**(2,066)**

Notes

1. Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, together with the costs and income associated with Revenue Expenditure Funded From Capital Under Statute (see glossary for definition) and for:

- Other Operating Expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written out for those assets.
- Financing and Investment Income and Expenditure – the statutory charges for capital financing – Minimum Revenue Provision and revenue contributions to capital expenditure are deducted from other income and expenditure, as these are not chargeable under generally accepted accounting practices.
- Taxation and Non-specific Grant Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practice. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2. Net Change for Pensions Adjustments

The net change for the removal of pension contributions and the addition of employee benefits pension-related expenditure and income under generally accepted accounting practice:

- for services - this represents the removal of the employer's pension contributions made by the Council as allowed by statute and the replacement by current service costs and past service costs.
- for Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

3. Other Differences

Other differences between amounts debited or credited to the Comprehensive Income and Expenditure Statement and amounts payable or receivable to be recognised under statute:

- for Financing and Investment Income and Expenditure, adjustments to the General Fund for the timing differences for premiums and discounts.
- for Taxation and Non-specific Grant Income and Expenditure, the difference between what is chargeable under statutory regulations for Council Tax and National Non-Domestic Rates projected to be received at the start of the year and the income recognised under generally accepted accounting practice in the Code. This is a timing difference, which will be brought forward in future Surpluses or Deficits on the Collection Fund.

8 EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed as follows:

Expenditure/Income	2015/16 £'000	2016/17 £'000
Expenditure		
Employee benefits expenses	8,257	8,622
Other services expenses	28,696	28,702
Depreciation, amortisation and impairment	5,760	1,751
Interest payments	948	734
Precepts and levies	827	877
Change in fair value of investment properties	31	(72)
Gain on the disposal of assets	333	34
Total Expenditure	**44,852**	**40,648**
Income		
Fees, charges and other service income	(8,840)	(9,031)
Interest and Investment income	(358)	(209)
Income from council tax and non-domestic rates	(3,608)	(7,151)
Government grants and contributions	(26,801)	(22,702)
Total Income	**(39,607)**	**(39,093)**
Surplus or Deficit on the Provision of Services	**5,245**	**1,555**

9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments 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 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 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 use 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.

2016-17	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
Adjustments to Revenue Reserves			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions costs (transferred to (or from) the Pensions Reserve)	(481)	-	-
Financial instruments (transferred to the Financial Instruments Adjustments Account)	15	-	-
Council tax and NNDR (transfers to or from Collection Fund Adjustment Account)	(2,037)	-	-
Holiday Pay (transferred to the Accumulated Absences Reserve)	16	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account)	(1,940)	-	-
Total Adjustments to Revenue Resources	**(4,427)**	**-**	**-**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	190	(190)	-
Payments to the Government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1)	1	-
Transfer of capital grants to the Capital Grants Unapplied Account	80	-	(80)
Write off and impairment of loan advances (transferred from the Deferred Capital Receipts Reserve)	(30)	-	-
Total Adjustments between Revenue and Capital Resources	**239**	**(189)**	**(80)**
Adjustments to Capital Resources			
Application of capital grants to finance capital expenditure	-	-	1,189
Cash payments in relation to deferred capital receipts	-	-	-
Total Adjustments to Capital Resources	**-**	**-**	**1,189**
Total Adjustments	**(4,188)**	**(189)**	**1,109**

2015-16	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
Adjustments to Revenue Reserves			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions costs (transferred to (or from) the Pensions Reserve)	(662)	-	-
Financial instruments (transferred to the Financial Instruments Adjustments Account)	34	-	-
Council tax and NNDR (transfers to or from Collection Fund Adjustment Account)	7,438	-	-
Holiday Pay (transferred to the Accumulated Absences Reserve)	(25)	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account)	(6,532)	-	-
Total Adjustments to Revenue Resources	**253**	**-**	**-**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	102	(102)	-
Payments to the Government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1)	1	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	404	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	32	-	-
Transfer of capital grants to the Capital Grants Unapplied Account	1,226	-	(1,226)
Total Adjustments between Revenue and Capital Reserves	**1,763**	**(101)**	**(1,226)**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	2,025	-
Cash payments in relation to deferred capital receipts	-	22	-
Other	50	(50)	-
Total Adjustments to Capital Resources	**50**	**1,997**	**-**
Total Adjustments	**2,066**	**1,896**	**(1,226)**

10 USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement (page 26).

11 UNUSABLE RESERVES

Unusable Reserves	As at 31 March 2016 £'000	As at 31 March 2017 £'000
Revaluation Reserve	(20,916)	(23,150)
Deferred Capital Receipts Reserve	(659)	(629)
Capital Adjustment Account	(15,512)	(15,319)
Financial Instruments Adjustment Account	66	51
Collection Fund Adjustment Account	(3,421)	(1,384)
Pensions Reserve	20,703	27,274
Accumulated Absences Account	103	87
Total Unusable Reserves	**(19,636)**	**(13,070)**

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 2016 £'000	Revaluation Reserve	As at 31 March 2017 £'000
(13,602)	Balance at 1 April	**(20,916)**
(11,135)	Upward revaluation of assets	(3,313)
3,199	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	521
(7,936)	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**(2,792)**
346	Difference between fair value depreciation and historical cost depreciation	472
248	Accumulated gains on assets sold, transferred or scrapped	86
28	Revaluation balances on assets reclassified as investment properties	-
622	Amount written off to the Capital Adjustment Account	**558**
(20,916)	**Balance at 31 March**	**(23,150)**

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 2016 £'000	Deferred Capital Receipts Reserve	As at 31 March 2017 £'000
(637)	**Balance at 1 April**	**(659)**
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
(22)	Transfer to the Capital Receipts Reserve on receipt of cash	-
-	Provision for irrecoverable amounts	30
(659)	**Balance at 31 March**	**(629)**

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.

Notes 21-25 on pages 70 to 77 provide details of the source of all the transactions posted to the account in the financial year.

As at 31 March 2016 £'000	Capital Adjustment Account	As at 31 March 2017 £'000
(18,961)	**Balance at 1 April**	**(15,512)**
	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
2,098	Charges for depreciation and impairment of non-current assets	1,788
3,570	Revaluation Losses on Property Plant and Equipment charged to the CIES	(60)
90	Amortisation of intangible assets	23
979	Revenue Expenditure Funded from Capital Under Statute	788
445	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	224
7,182		**2,763**
(622)	Adjusting amounts written out of the Revaluation Reserve	(558)
6,560	**Net written out amount of the cost of non-current assets consumed in the year**	**2,205**
	Capital Financing applied in the year:	
(2,018)	Use of the Capital Receipts Reserve to finance new capital expenditure	-
(681)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(751)
-	Application of grants to capital financing from the Capital Grants Unapplied Account	(1,189)
(7)	Other	-
(404)	Statutory Minimum Revenue Provision for the financing of capital investment charged against the General Fund balance	-
(32)	Capital expenditure charged against the General Fund	-
(3,142)		**(1,940)**
31	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(72)
(15,512)	**Balance at 31 March**	**(15,319)**

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 2016 £'000	Financial Instruments Adjustment Account	As at 31 March 2017 £'000
100	**Balance at 1 April**	**66**
(34)	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	(15)
66	**Balance at 31 March**	**51**

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 taxpayers and business ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

As at 31 March 2016 £'000	Collection Fund Adjustment Account	As at 31 March 2017 £'000
4,017	**Balance at 1 April**	**(3,421)**
(7,438)	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	2,037
(3,421)	**Balance at 31 March**	**(1,384)**

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 2016 £'000	Pensions Reserve	As at 31 March 2017 £'000
23,318	**Balance at 1 April**	**20,703**
(3,277)	Remeasurements of the net defined benefit liability/asset	6,090
1,885	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	1,865
(1,223)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,384)
20,703	**Balance at 31 March**	**27,274**

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 be neutralised by transfers to or from the account.

As at 31 March 2016 £'000	Accumulated Absences Account	As at 31 March 2017 £'000
78	**Balance at 1 April**	**103**
(78)	Settlement or cancellation of accrual made at the end of the preceding year	(103)
103	Amounts accrued at the end of the current year	87
103	Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**87**
103	**Balance at 31 March**	**87**

12 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 future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2016/17.

Earmarked Reserve	Balance as at 31 March 2015 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance as at 31 March 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance as at 31 March 2017 £'000
Corporate							
Delivering Differently Fund	**648**	-	6	**654**	(384)	6	**276**
Mayor's Charity Bequest	**13**	(13)	-	**-**	-	-	**-**
Budget Carry Forwards	**474**	(474)	8	**8**	(7)	-	**1**
External Resources Shortfall	**5,178**	(5,178)	-	**-**	-	2,300	**2,300**
Commercial and Corporate Resources							
Information Technology	**210**	-	-	**210**	-	10	**220**
Asset and Land Management	**109**	(39)	30	**100**	(3)	-	**97**
PFI Reserves	**1,945**	(24)	156	**2,077**	(7)	171	**2,241**
Coastal Management	**191**	-	9	**200**	-	-	**200**
Repair and Maintenance	**130**	(117)	20	**33**	-	236	**269**
Insurance	**482**	(412)	-	**70**	-	-	**70**
Budget Carry Forwards	**-**	-	555	**555**	(555)	35	**35**
Customer and Community Services							
Revenues and Benefits	**215**	(65)	-	**150**	-	-	**150**
Welfare Support	**40**	(40)	-	**-**	-	-	**-**
Housing	**65**	(20)	11	**56**	-	203	**259**
The Beacon	**196**	-	-	**196**	-	40	**236**
Refuse Collection and Recycling	**112**	-	-	**112**	-	5	**117**
Car Parks	**126**	-	25	**151**	-	20	**171**
Crematorium	**202**	(22)	61	**241**	-	85	**326**
Knotweed Treatment	**19**	-	-	**19**	(1)	-	**18**
Mayoral and Members	**105**	(105)	-	**-**	-	-	**-**
Elections	**56**	-	21	**77**	(22)	169	**224**
Budget Carry Forwards	**-**	-	532	**532**	(532)	391	**391**
Economic Growth							
Planning	**149**	(34)	-	**115**	-	-	**115**
Development and Building Control	**47**	(32)	-	**15**	-	-	**15**
Community Asset Transfers	**33**	(33)	-	**-**	-	-	**-**
Dangerous Structures and Dilapidated Buildings	**55**	(38)	-	**17**	-	-	**17**
Coastal Park	**71**	(27)	-	**44**	-	-	**44**
Enabling Growth Strategy	**49**	-	-	**49**	-	-	**49**
Nuclear Activities	**206**	-	281	**487**	(66)	371	**792**
Localism Grants	**29**	(29)	-	**-**	-	-	**-**
Environmental Protection and Food Hygiene	**11**	(11)	-	**-**	-	-	**-**
Budget Carry Forwards	**-**	-	29	**29**	(29)	37	**37**
Total	**11,166**	**(6,713)**	**1,744**	**6,197**	**(1,606)**	**4,079**	**8,670**

13 OTHER OPERATING INCOME AND EXPENDITURE

2015/16 £'000	Other Operating Income and Expenditure	2016/17 £'000
828	Parish council precepts	877
(50)	VAT Shelter proceeds	-
1	Payments to the Government Housing Capital Receipts Pool	1
271	(Gains)/losses on the disposal of non-current assets	17
23	Pensions administration cost	27
1,073	**Total**	**922**

14 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2015/16 £'000	Financing and Investment Income and Expenditure	2016/17 £'000
947	Interest Payable and similar charges	733
727	Pension interest cost and expected return on pensions assets	699
(358)	Interest receivable and similar income	(209)
(160)	Income and expenditure in relation to investment properties and changes in their fair value	(248)
1,156	**Total**	**975**

15 TAXATION AND NON SPECIFIC GRANT INCOME

2015/16 £'000	Taxation and Non Specific Grant Income	2016/17 £'000
(4,705)	Council tax income	(4,866)
63	Non domestic rates	(2,285)
(3,831)	Non-ring fenced government grants	(3,309)
(1,275)	Capital grants and contributions	(15)
(9,748)	**Total**	**(10,475)**

16 GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16 and 2016/17.

Credited to Taxation and Non Specific Grant Income	2015/16 £'000	2016/17 £'000
Council Tax 2nd Home Discount Grant	(148)	(144)
Revenue Support Grant	(1,711)	(1,159)
PFI Grant	(837)	(837)
Capital Grants and Contributions	(1,275)	(15)
New Home Bonus Grant	(616)	(699)
Non-Domestic Rates Relief Grants	(422)	(353)
New Burdens Grant	(31)	(59)
Other Grants	(66)	(58)
Total	**(5,106)**	**(3,324)**
Credited to Services	**£'000**	**£'000**
Rent Allowance Subsidy	(19,527)	(18,422)
Administration Grants	(490)	(415)
Social Investment Funding	(500)	(500)
Revenue Expenditure Funded from Capital	(632)	(816)
Community Housing Fund	-	(194)
Other Grants	(1,062)	(292)
Total	**(22,211)**	**(20,639)**

17 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:

Charged to Net Cost of Services		2015/16 £'000	2016/17 £'000
The Council operates pay and display car parks where the running costs include rates, electricity and water charges, maintenance of ticket machines and car parking orders. The operation recovers its costs apart from capital charges, which are mitigated through the Movement in Reserves Statement.	Turnover	(442)	(452)
	Expenditure	430	633
	(Surplus)/deficit	**(12)**	**181**
The Council collects and disposes of waste collected from commercial and non-domestic properties. A charge per collection is made.	Turnover	(250)	(275)
	Expenditure	272	329
	(Surplus)/deficit	**22**	**54**

18 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		2016/17	-	-	-	-	**-**	-	**-**
	1	2015/16	87,500	-	3,979	80,460	**171,939**	6,893	**178,832**
Managing Director		2016/17	91,886	20	198	-	**92,104**	11,019	**103,123**
	1	2015/16	48,884	92	-	-	**48,976**	6,062	**55,038**
Director of Resources and Strategic Commissioning / Director of Commercial and Corporate Resources	6	2016/17	-	-	-	-	**-**	-	**-**
	2	2015/16	-	-	-	-	**-**	-	**-**
Director of Economic Growth	3	2016/17	-	-	-	-	**-**	-	**-**
	3	2015/16	38,250	49	-	-	**38,229**	4,743	**43,042**
Head / Director of Customer and Community Services		2016/17	75,750	8	280	-	**76,038**	9,393	**85,431**
	4	2015/16	72,473	25	315	-	**72,812**	8,987	**81,799**
Head of Copeland Services	5	2016/17	-	-	-	-	**-**	-	**-**
	5	2015/16	4,470	16	128	-	**4,614**	554	**5,168**

Notes

2015/16

1. The post of Chief Executive was deleted with effect from 1 October 2015 and replaced by the post of Managing Director.
2. 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.
3. The Director of Economic Growth was appointed Managing Director with effect from 1 October 2015.
4. The post of Head of Customer and Community Services was redesignated Director of Customer and Community Services during the year.
5. 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.

2016/17

6. The post of Director of Resources and Strategic Commissioning was redesignated Director of Commercial and Corporate Resources in November 2015 and was covered by an interim resource for the year at a cost to the Council of £149,316.

Compensation payments for loss of office are disclosed in Note 32 on page 85 and were mainly a result of the outcome of the organisational review of the Council's support services.

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	2015/2016 No of employees	2016/17 No of employees
£50,000 - £54,999	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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £	2016/17 £
Up to £20,000	-	-	-	9	**-**	**9**	**-**	**73,981**
£20,001-£40,000	-	-	-	6	**-**	**6**	**-**	**172,997**
£40,001-£60,000	-	-	-	5	**-**	**5**	**-**	**235,516**
£60,001-£80,000	-	-	-	1	**-**	**1**	**-**	**78,149**
£80,001-£100,000	-	-	1	-	**1**	**-**	**80,560**	**-**
Total	**-**	**-**	**1**	**21**	**1**	**21**	**80,560**	**560,643**

19 MEMBERS' ALLOWANCES

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

	2015/16 £'000	2016/17 £'000
Allowances	187	201
Expenses	9	8
Total	**196**	**209**

20 EXTERNAL AUDIT COSTS

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

	2015/16 £'000	2016/17 £'000
Fees payable for the certification of grant claims and returns	18	12
Fees payable with regard to external audit services carried out by the appointed auditor	88	54
Total	**106**	**66**

The amounts for 2015/16 include an additional £3,000 in respect of the certification of grant claims and an additional £34,000 in respect of external audit services.

21 PROPERTY, PLANT AND EQUIPMENT

21.1 Movements on Balances

Movements in 2016/17

	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 2016	27,074	5,734	7,313	176	7,647	194	48,138	4,750
Additions	119	61	-	20	2	950	1,152	78
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,707	-	-	-	500	-	2,207	(308)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(42)	-	-	-	(18)	-	(60)	(218)
De-recognition - Disposals	-	-	-	-	-	-	-	-
De-recognition - Other	(44)	-	-	-	-	-	(44)	-
Reclassifications	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	(5,100)	-	(5,100)	-
Other movements in cost or valuation	-	-	-	-	-	-	-	-
At 31 March 2017	28,814	5,795	7,313	196	3,031	1,144	46,293	4,302
Accumulated Depreciation and Impairment								
As at 1 April 2016	543	4,306	4,271	-	-	-	9,120	-
Charged in year	949	412	425	-	2	-	1,788	202
Depreciation written out to the Revaluation Reserve	(615)	-	-	-	(2)	-	(617)	(109)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(170)	-	-	-	-	-	(170)	(93)
Impairment losses/(reversals) recognised in the Revaluation Reserve	32	-	-	-	-	-	32	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
De-recognition - Disposals	-	-	-	-	-	-	-	-
De-recognition - Other	(21)	-	-	-	-	-	(21)	-
Reclassifications								
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2017	718	4,718	4,696	-	-	-	10,132	-
Net Book Value								
As at 31 March 2017	28,096	1,077	2,617	196	3,031	1,144	36,161	4,302
As at 1 April 2016	26,531	1,428	3,042	176	7,647	194	39,018	4,750

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**	41
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,597	(152)	-	-	1,686	-	**7,131**	1,654
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)**	-
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**	**4,750**
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**	327
Depreciation written out to the Revaluation Reserve	(489)	(27)	-	-	(289)	-	**(805)**	(88)
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**	**-**
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**

21.2 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., and in particular Tim Ellams BSc Est. Man, MRICS; Sarah J LewisBriggs BA (Hons) MRICS; and Michael P Churm BSc (Hons) MRICS. 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 2017	22,227	3,031	**25,258**
31 March 2016	238	0	**238**
31 March 2015	2,972	0	**2,972**
31 March 2014	3,186	0	**3,186**
31 March 2013	192	0	**192**
Total	**28,815**	**3,031**	**31,846**

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. All Surplus Assets have been re-valued as at 31 March 2017 at fair value by Amcat (UK) Ltd. A description of the different levels of the hierarchy used in fair value valuations and an analysis of the Council's Surplus Assets between them is shown in the table below.

Level	Fair Value at 31 March 2016 £000	Fair Value at 31 March 2017 £000
Other significant observable inputs (Level 2)	7,647	2,831
Unobservable inputs (Level 3)	-	200
Total	**7,647**	**3,031**

Surplus Assets Categorised Within Level 3

	31 March 2016 £000	31 March 2017 £000
Opening Balance	-	-
Transfers Into Level 3	-	160
Transfers out of Level 3	-	-
Total gains or losses resulting from changes in Fair Value	-	-
Transfers from Assets Held For Sale	-	40
Total	**-**	**200**

21.3 Capital Commitments

Disabled Facilities Grants

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 2017 was £331,202 (£182,000 at 31 March 2016).

22 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 2015	**208**	**780**	**581**	**1,569**
Revaluations	-	-	-	**-**
Impairment Losses/(reversals) recognised in the Revaluation Reserve	**-**	**-**	-	**-**
31 March 2016	**208**	**780**	**581**	**1,569**
Revaluations	-	-	-	**-**
Impairment Losses/(reversals) recognised in the Revaluation Reserve	**-**	**-**	-	**-**
31 March 2017	208	780	581	1,569

An insurance valuation was carried out by H. R. Naylor ASFAV on 17th November 2012 on all Beacon Museum exhibits and material items within the Copeland Collection paintings. There have been no acquisitions or disposals relating to the heritage assets contained within the Balance Sheet since that time.

Heritage assets held by the Council consist of Civic Regalia, Paintings, 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 based on open market replacement and mostly 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 based on a current estimate of market value by Michael King Ltd. in February 2012.

Paintings and Fine Arts

The Copeland Collection consists 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 and Natural Sciences
- The Norman Roberts Collection
- Decorative Arts
- Historic Pictures
- 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 collection's acquisition, preservation, management, disposal and documentation, can be accessed on the Beacon website.

23 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:

	2015/16 £'000	2016/17 £'000
Rental income from investment property	318	200
Net gains/losses from fair value adjustments	(31)	72
Gain/loss on disposal of investment property	(72)	(17)
Direct operating expenses arising from investment property	(55)	(7)
Net gain/(loss)	**160**	**248**

There are no restrictions on the Council's ability to realise the value inherent in its investment property nor 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:

	2015/16 £'000	2016/17 £'000
Balance at start of the year	**2,243**	**2,503**
Additions:		
Subsequent expenditure	-	-
Disposals	(114)	(17)
Net gains/losses from fair value adjustments	(31)	72
Transfers:		
to/from Property, Plant and Equipment	405	-
Balance at end of the year	**2,503**	**2,558**

Investment properties have been re-valued as at 31 March 2017 at fair value (using a combination of Level 2 – other significant observable inputs and Level 3 – unobservable inputs) by Amcat (UK) Ltd. Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2017 are shown below.

Category	Other significant observable inputs (Level 2) at 31 March 2016 £000	Unobserv-able inputs (Level 3) at 31 March 2016 £000	Fair Value at 31 March 2016 £000	Other significant observable inputs (Level 2) at 31 March 2017 £000	Unobserv-able inputs (Level 3) at 31 March 2017 £000	Fair Value at 31 March 2017 £000
Garage sites	87	-	87	114	-	114
Grazing plots	241	-	241	234	-	234
Industrial units	557	-	557	659	-	659
Offices and other commercial premises	1,557	-	1,557	1,443	-	1,443
Other	61	-	61	80	28	108
Total	**2,503**	**-**	**2,503**	**2,530**	**28**	**2,558**

Investment Properties Categorised Within Level 3

	31 March 2016 £000	31 March 2017 £000
Opening Balance	-	-
Transfers Into Level 3	-	61
Transfers out of Level 3	-	-
Total gains or losses resulting from changes in Fair Value	-	(33)
Total	**-**	**28**

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

24 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 2016 £'000	31 March 2017 £'000
Opening Capital Financing Requirement	**7,402**	**6,997**
Capital Investment		
Property, Plant and Equipment	1,759	1,152
Revenue Expenditure Funded from Capital under Statute	979	788
Sources of Finance		
Capital receipts	(2,018)	-
Governments grants and other contributions	(681)	(1,940)
Sums set aside from revenue	(32)	-
Other	(8)	-
Minimum revenue provision	(404)	-
Closing Capital Finance Requirement	**6,997**	**6,997**
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(405)	-
Total movement in year	**(405)**	**-**

25 ASSETS HELD FOR SALE

	2015/16 £'000	2016/17 £'000
Balance outstanding at start of year	**863**	**666**
Assets newly classified as held for sale transferred from Property, Plant & Equipment	-	5,400
Assets newly classified as Property, Plant & Equipment transferred from held for sale	-	(300)
Revaluation losses	(197)	(48)
Assets sold	-	(184)
Balance outstanding at year-end	**666**	**5,534**

26 DEBTORS

	31 March 2016 £'000 Current	£'000 Long Term	31 March 2017 £'000 Current	£'000 Long Term
Central government bodies	1,071	-	431	-
Other local authorities	164	-	377	-
Other entities and individuals	1,556	472	2,301	478
Total	**2,791**	**472**	**3,109**	**478**

27 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents consists of the following elements:

	31 March 2016 £'000	31 March 2017 £'000
Cash held by the Council	2	2
Bank current accounts	(44)	20
Short-term deposits with building societies	24,732	4,822
Total Cash and Cash Equivalents	**24,690**	**4,844**

28 CREDITORS

	31 March 2016 £'000	31 March 2017 £'000
Central government bodies	(7,894)	(3,527)
Other local authorities	(20,779)	(2,094)
Other entities and individuals	(14,081)	(3,207)
Total	**(42,754)**	**(8,828)**

29 PROVISIONS

Short Term Provisions	NNDR Appeals Provision £'000	Search Fees Provision £'000	Other Provisions £'000	Total £'000
Balance as at 1 April 2016	**(263)**	**(10)**	**(121)**	**(394)**
Reclassified to/from long term	-	-	-	-
New provision raised 2016/17	(343)	-	(15)	(358)
Utilised in 2016/17	162	10	-	172
Reversed unused in 2016/17	-	-	46	46
Reclassified	-	-	-	-
Balance as at 31 March 2017	**(444)**	**-**	**(90)**	**(534)**
Long Term Provisions	**NNDR Appeals Provision £'000**	**Search Fees Provision £'000**	**Other Provisions £'000**	**Total £'000**
Balance as at 1 April 2016	**-**	**-**	**(32)**	**(32)**
Reclassified to/from current	-	-	-	-
New provision raised 2016/17	-	-	-	-
Utilised in 2016/17	-	-	-	-
Reversed unused in 2016/17	-	-	32	32
Reclassified	-	-	-	-
Balance as at 31 March 2017	-	-	-	-
Total Provisions	**(444)**	**-**	**(90)**	**(534)**

(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. The total provision at 31 March 2017 is £1,111,000, which has been made by the Government (£556,000), the Council (£444,000) and the County Council (£111,000). It is based on a 20.0% reduction in rateable value in respect of Sellafield Ltd. and 4.2% for other properties (compared with an average 3.8% in 2015/16).

(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. The provision is no longer required at 31 March 2017.

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

30 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 - 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.

	2015/16 £'000	2016/17 £'000
Comprehensive Income and Expenditure Statement		
Cost of services		
Service cost comprising:		
Current service cost	1,135	1,095
Curtailments	-	44
Administration expense	23	27
Financing and Investment Income and Expenditure		
Net interest expense	727	699
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**1,885**	**1,865**
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	(4,047)	17,679
Actuarial (gains) and losses arising on changes in demographic assumptions	-	(707)
Experience (gains) and losses	-	2,283
Re-measurement of plan assets	770	(13,165)
Total Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(3,277)**	**6,090**
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(1,392)**	**7,955**
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	**(662)**	**(481)**
Actual Amount charged against the General Fund Balance for pensions in the year		
Employers contributions payable to the scheme	**1,223**	**1,384**

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	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Present value of the defined benefit obligation	(77,335)	(97,632)	(1,363)	(1,417)
Fair value of plan assets	57,995	71,775	-	-
Net Liability arising from the defined benefit obligation	**(19,340)**	**(25,857)**	**(1,363)**	**(1,417)**

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

	LGPS		Discretionary	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Benefit obligation at 1 April	**(80,016)**	**(77,335)**	**(1,473)**	**(1,363)**
Current service cost	(1,135)	(1,095)	-	-
Interest cost	(2,524)	(2,659)	(45)	(46)
Contribution by scheme participants	(289)	(285)	-	-
Re-measurement (gains) and losses:				
Actuarial (gains) and losses arising on changes in financial assumptions	4,000	(17,473)	47	(206)
Actuarial (gains) and losses arising on changes in demographic assumptions	-	701	-	6
Experience (gains) and losses	-	(2,371)	-	88
Past service cost	-	(44)	-	-
Benefits Paid	2,629	2,929	108	104
Benefit obligation at 31 March	**(77,335)**	**(97,632)**	**(1,363)**	**(1,417)**

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

	LGPS		Discretionary	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Opening fair value of scheme assets	**58,171**	**57,995**	**-**	**-**
Interest income	1,842	2,006	-	-
Re-measurement gain/(loss):				
The return on plan assets, excluding the amount included in the net interest expense	(770)	13,165	-	-
Administration expenses	(23)	(27)	-	-
Contributions by employer	1,115	1,280	108	104
Contributions by scheme participants	289	285	-	-
Benefits paid	(2,629)	(2,929)	(108)	(104)
Closing fair value of scheme assets	**57,995**	**71,775**	**-**	**-**

Local Government Pension Scheme assets comprised:

	2015/16 £'000	2016/17 £'000
Equities		
• UK quoted	7,654	9,259
• Global quoted	10,903	14,427
• UK equity pooled	2,030	718
• Overseas equity pooled	9,569	12,058
Bonds		
• UK corporate bonds	4,002	4,522
• Overseas corporate bonds	232	215
• UK government indexed pooled	10,381	13,996
Property		
• UK	4,466	5,024
• Property funds	2,088	2,225
Alternatives		
• Private equity funds	1,218	1,794
• Infrastructure funds	3,190	4,235
• Real estate debt funds	406	646
• Private Debt Fund	-	359
Cash		
• Cash accounts	1,798	2,225
• Net current assets	58	72
Total	**57,995**	**71,775**

In summary:

	2015/16 %	2016/17 %
Equities	52.0	50.8
Government bonds	17.9	19.5
Other bonds	7.3	6.6
Property	11.3	10.1
Cash / liquidity	3.2	3.1
Other	8.3	9.9
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 Mercer Limited, an independent firm of actuaries using estimates based on the latest full valuation of the scheme at 31 March 2016. The significant actuarial assumptions used to determine the present value of the defined benefit obligation are set out in the following table:

	2015/16	2016/17
Life expectancy		
Current pensioner aged 65 male (female)	23.1(25.7) years	23.1(25.7) years
Future pensioner aged 65 in 20yr time male (female)	25.9 (28.9) years	25.4 (28.4) years
Rate of CPI inflation	2.0%	2.3%
Rate of increase in salaries	3.5%	3.8%
Rate of increase in pensions	2.0%	2.3%
Rate for discounting scheme liabilities	3.5%	2.5%

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 2017 £'000	+0.1% p.a. discount rate £'000	+0.1% p.a. inflation £'000	+0.1% p.a. pay growth £'000	+1 year increase in life expectancy £'000
Liabilities	99,049	97,437	100,687	99,289	101,133
Assets	(71,775)	(71,775)	(71,775)	(71,775)	(71,775)
Deficit/(Surplus)	27,274	25,662	28,912	27,514	29,358
Projected service cost for next year	1,574	1,530	1,620	1,574	1,608
Projected net interest cost for next year	663	648	706	671	717

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 reasonable timeframe. The weighted average duration of the defined benefit obligation for scheme members is 16 years (2015/16 - 17 years). Funding levels are monitored on an annual basis. The next triennial valuation (as at 31 March 2019) is due to be completed by 31 March 2020. The Council anticipates paying £1.478 million in employer's contributions to the scheme in 2017/18.

31 CONTINGENT LIABILITIES

The Council has used its best judgement to provide for refunds of non-domestic rates in the event of successful appeals by ratepayers up until 31 March 2017 (see Note 3 page 48). It is not possible to estimate the likelihood of ratepayers both submitting and being successful with appeals against a new valuation list effective from 1 April 2017, and the Council has made no provision in its accounts in respect of such appeals.

32 TERMINATION BENEFITS

The Council terminated the contract of 21 employees during 2016/17 as part of its support services review. See Note 18, page 67, for the number of exit packages and total cost per band. This resulted in costs of £560,643 being incurred in the year.

33 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 (the 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)
- retendering for the provision of services
- pursuing 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 21 on page 70.

The Council was committed at 31 March 2017 to making the following payments under the Copeland Centre PFI scheme:

	Repayments of Liability £'000	Interest (excluding contingent rents) £'000	Service charges £'000	Lifecycle replacement costs £'000	Contingent Rents £'000	TOTAL £'000
Due within 1 year	287	441	625	143	94	**1,590**
Due within 2>5 years	1,289	1,513	2,610	831	1,820	**8,063**
Due within 6>10 years	2,052	1,245	3,647	1,489	2,834	**11,267**
Due within 11>15 years	1,640	254	1,972	327	1,902	**6,095**
Total	**5,268**	**3,453**	**8,854**	**2,790**	**6,650**	**27,015**

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.

	2015/16 £'000	2016/17 £'000
As at 1 April	**5,498**	**5,184**
Finance Lease Liability Redemption Payments During Year	(314)	84
As at 31 March	**5,184**	**5,268**
Short Term	(84)	287
Long Term	5,268	4,981
Total	**5,184**	**5,268**

34 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 2016 £'000	As at 31 March 2017 £'000
Vehicles, Plant, Furniture and Equipment	196	116
Total	**196**	**116**

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 consist of the following amounts.

	As at 31 March 2016 £0'00	As at 31 March 2017 £'000
Finance Lease liabilities (net present value of minimum lease payments)		
Current	91	89
Non-current	156	67
Finance costs payable in future years	45	19
Minimum lease payments	**292**	**175**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	As at 31 March 2016 £'000	As at 31 March 2017 £'000	As at 31 March 2016 £'000	As at 31 March 2017 £'000
Not later than 1 year	117	103	91	89
Later than 1 year and not later than five years	175	72	156	67
Later than 5 years	-	-	-	-
Total	**292**	**175**	**247**	**156**

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 33 page 85) 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 2016 £'000	As at 31 March 2017 £'000
Not later than one year	241	241
Later than one year and not later than five years	965	965
Later than five years	2,123	1,882
Total	**3,329**	**3,088**

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 2016/17 contingent rents of £221,512 were receivable by the Council (2015/16 £210,393).

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 2016 £'000	As at 31 March 2017 £'000
Not later than one year	71	48
Later than one year and not later than five years	151	138
Later than five years	100	71
Total	**322**	**257**

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 2016/17 was £28,916 (2015/16 £24,731).

35 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long Term		Current	
	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Financial Assets				
Investments	-	-	34,984	19,982
Cash and cash equivalents	-	-	24,734	4,844
Total investments and cash equivalents	**-**	**-**	**59,718**	**24,826**
Debtors				
Loans and receivables	472	478	1,734	2,083
Total included in debtors	**472**	**478**	**1,734**	**2,083**
Financial Liabilities				
Cash and cash equivalents	-	-	(44)	-
Financial liabilities at amortised cost	(5,075)	(5,061)	-	-
Total borrowings	**(5,075)**	**(5,061)**	**(44)**	**-**
Other Liabilities				
PFI lease liabilities	(5,268)	(4,981)	84	(287)
Finance lease liabilities	(156)	(67)	(91)	(89)
Total Other Liabilities	**(5,424)**	**(5,048)**	**(7)**	**(376)**
Creditors				
Financial liabilities at amortised cost	-		(1,467)	(2,295)
Total included in creditors	**-**		**(1,467)**	**(2,295)**

Accounting practice requires that the carrying value of the financial instruments 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 homeowners so they could 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.

	2015/16 £'000	2016/17 £'000
Opening balance at start of year	**386**	**421**
Fair value adjustment on initial recognition	13	15
Loans repaid	-	-
Other changes	22	(9)
Closing balance at end of year	**421**	**427**

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are as follows.

	2015/16			2016/17		
	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	(947)	-	**(947)**	(733)	-	**(733)**
Reductions in fair value	-	-	**-**	-	-	**-**
Impairment Losses	-	-	**-**	-	-	**-**
Total expense in the Surplus or Deficit on the Provision of Services	**(947)**	**-**	**(947)**	**(733)**	**-**	**(733)**
Interest income	-	358	**358**	-	209	**209**
Total income in the Surplus or Deficit on the Provision of Services	**-**	**358**	**358**	**-**	**209**	**209**
Net gain/(loss) for the year	**(947)**	**358**	**(589)**	**(733)**	**209**	**(524)**

Fair Values of Assets and Liabilities

Financial liabilities and financial assets held by the Council are classified as loans and receivables, 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 separately to 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 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 2016		31 March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Creditors	1,467	1,467	2,295	2,295
Bank Overdraft	44	44	-	-
PFI Finance Lease	5,184	7,901	5,268	7,914
Other Finance Lease	247	247	156	156
LOBO Commercial Loan	5,075	8,978	5,061	9,784

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 2016		31 March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Cash and Cash Equivalents	24,734	24,734	4,844	4,844
Short Term Investments	34,984	34,990	19,982	19,982
Debtors	2,206	2,206	2,561	2,561

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 in 2015/16 was marginally higher than the carrying amount as the interest rate on the investments were marginally higher than the market rates at the balance sheet date. This was no longer the case in 2016/17.

36 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, because 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 exposure 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 instruments exposure. Actual performance is also reported quarterly in addition to a mid-year update and final outturn report.

The annual Treasury Management Strategy, which incorporates the prudential indicators, was approved by Council on 25 February 2016. The key issues within the strategy were:

- The Authorised Limit for 2016/17 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	100.0
Limits on variable interest rates	
Debt only	5.1
Investments only	100.0

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 – "TMPs") covering specific areas such as interest rate risk, credit risk and the investment of surplus cash. These TMPs 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 2016/17 was approved by the Council on 25 February 2016.

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

	Value at 31 March 2017 £'000	Default based on previous experience %	Default adjusted for current market conditions %	Estimated maximum exposure to default at 31 March 2017 £'000	Estimated maximum exposure to default at 31 March 2016 £'000
Deposits with Banks cash equivalent	4,844	-	-	-	-
Deposits with Banks and other Financial Institutions A rated	9,988	0.01	0.01	1	3
Deposits with Banks and other Financial Institutions BBB+ rated	9,994	0.04	0.04	4	4
Customers	2,561	5.00	5.00	128	110
Total	**27,370**			**133**	**117**

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 £1.228 million of the £1.766 million balance can be analysed by age as follows:

	31 March 2016 £'000	31 March 2017 £'000
30 - 60 Days Outstanding	113	259
60 - 90 Days Outstanding	70	19
90+ Days Outstanding	961	950
Total	**1,144**	**1,228**

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

	31 March 2016 £'000	31 March 2017 £'000
Balance at 1 April	**(959)**	(986)
(Increase)/Decrease in provision for year	(27)	(34)
Balance at 31 March	**(986)**	**(1,020)**

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 2016 £'000	31 March 2017 £'000
Less than one year	61,705	26,912
Between one and five years	324	441
Between five and ten years	128	18
Between ten and fifteen years	7	7
More than fifteen years	10	9
Total	**62,174**	**27,387**

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 2016 £'000	31 March 2017 £'000
Less than one year	1,474	2,671
Between one and five years	1,381	1,356
Between five and ten years	1,893	2,052
Between ten and fifteen years	2,150	1,640
Between twenty and twenty five years	-	5,061
Between twenty five and thirty years	5,075	-
Total	**11,973**	**12,780**

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 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	474	*
Impact on Surplus or Deficit of the Provision of Services	474	*
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)	1,813	(1,813)

* No figure is shown for the impact of a 1% reduction in the rate of interest receivable, because in line with the market rates available throughout 2016-17, the overall average rate was less than 1%

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 £560 when converted at the exchange rate prevailing at 31 March 2017. Whilst this means that the Council is exposed to fluctuation in exchange rates, the amount is negligible.

37 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 part 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 shown in Note 16 page 65. Grant receipts outstanding at 31 March 2017 are included within amounts disclosed in Note 26 on page 78.

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2016/17 is disclosed in Note 19 on page 69. 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 2016/17 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 eight members two of which are from the Council - Councillor David Moore and Elected Mayor Mike Starkie. In addition, there are two members from Cumbria County Council, one from the NDA, one from the Low Level Waste Repository (LLWR) and two independent members. The Fund is an agreement negotiated with the Government to recognise the service Copeland provides to the nation by hosting the repository close to the village of Drigg. The overriding principle is that the Fund is managed to provide a benefit to the residents of Copeland even after the borough has ceased receiving waste.

The Council received £184,504 from the Fund in 2016/17 to pay for the costs of staffing and the management charges required to administer the activities of the Fund (£189,452 in 2015/16).

North Country Leisure / Greenwich Leisure Limited

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

There are two Copeland Councillors on the board. NCL was paid £244,528 during 2016/17 (£245,000 in 2015/16) and was owed £18,727 at 31 March 2017 (nil at 31 March 2016).

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 30 on page 80.

38 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2015/16 £'000		2016/17 £'000
(358)	Interest received	(209)
947	Interest paid	733

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

2015/16 £'000		2016/17 £'000
(2,098)	Depreciation	(1,788)
(3,601)	Impairments and downward revaluations	132
(90)	Amortisations	(23)
(45)	Increase/decrease in impairment for bad debts	(50)
(23,612)	(Increase)/decrease in creditors	14,457
(2,663)	Increase/(decrease) in debtors	359
(18)	Increase/decrease in inventories	(10)
(662)	Movement in pension liability	(481)
(445)	Carrying amount of non-current assets sold	(224)
10,458	Other non-cash items charged to the net surplus or deficit on the provision of services	(108)
(22,776)		**12,264**

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

102	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	190
1,275	Capital grants	15
50	Vat sharing receipts	-
1,427		**205**

39 CASH FLOW STATEMENT – INVESTING ACTIVITIES

2015/16 £'000		2016/17 £'000
1,758	Purchase of property, plant and equipment, investment property and intangible assets	1,152
92,408	Purchase of short term and long term investments	34,990
(102)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(190)
(72,414)	Proceeds from short term and long term investments	(49,992)
(1,325)	Other receipts from investment activities	(1)
20,325	**Net cash flows from investing activities**	**(14,041)**

40 CASH FLOW STATEMENT – FINANCING ACTIVITIES

2015/16 £'000		2016/17 £'000
404	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	-
(5,838)	Council Tax and NNDR adjustments	19,863
(5,434)	**Net cash flows from financing activities**	**19,863**

Collection Fund

	2016/17 Council Tax £'000	2016/17 NNDR £'000	2016/17 Total £'000	2015/16 Total £'000
INCOME				
Council Tax amount due	(34,567)		(34,567)	(33,114)
Non-Domestic Rates (NNDR)				
Amount due		(42,781)	(42,781)	(13,411)
Reduction in the provision for appeals		-	-	(25,686)
Contribution to previous year's deficit				
Central Government		-	-	(8,717)
Cumbria County Council		-	-	(1,743)
Copeland Borough Council		-	-	(6,973)
Total Income	**(34,567)**	**(42,781)**	**(77,348)**	**(89,644)**
EXPENDITURE				
Council Tax				
Precepts and demands				
Cumbria County Council	24,786		24,786	23,510
Police and Crime Commissioner	4,359		4,359	4,219
Copeland Borough Council	4,794		4,794	4,617
Distribution of previous year's surplus				
Cumbria County Council	291		291	452
Police and Crime Commissioner	52		52	81
Copeland Borough Council	57		57	82
Non-Domestic Rates				
Shares				
Central Government		19,625	19,625	18,138
Cumbria County Council		3,925	3,925	3,628
Copeland Borough Council		15,700	15,700	14,511
Distribution of previous year's surplus				
Central Government		4,007	4,007	-
Cumbria County Council		801	801	-
Copeland Borough Council		3,206	3,206	-
Cost of Collection		112	112	112
Transitional Protection Payments		40	40	1,088
Increase in the provision for appeals		453	453	-
Increase in the provision for bad debts	50	43	93	198
Write offs	60	18	78	399
Total Expenditure	**34,449**	**47,930**	**82,379**	**71,035**
(Surplus) / Deficit for the year	**(118)**	**5,149**	**5,031**	**(18,609)**
(Surplus) / Deficit at 1 April	(1,062)	(8,146)	(9,208)	9,401
(Surplus) / Deficit at 31 March	**(1,180)**	**(2,997)**	**(4,177)**	**(9,208)**

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 20,121.16 for 2016/17 (19,846.39 for 2015/16), is the aggregate of an adjusted 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	86.26	5/9	47.92
A	16,765.37	6/9	11,176.91
B	4,206.50	7/9	3,271.72
C	3,762.75	8/9	3,344.67
D	2,918.25	9/9	2,918.25
E	1,720.85	11/9	2,103.26
F	412.90	13/9	596.41
G	83.55	15/9	139.25
H	5.50	18/9	11.00
Total			**23,609.39**
Allowance for discounts			3,077.59
Total Equivalent Chargeable Dwellings			20,531.80
Tax Base at 98% Collection Rate			**20,121.16**

The basic amount of Council Tax for a Band D property of £1,643.15 (£1,588.12 for 2015-16) 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 2016/17 were 48.4p for qualifying small businesses and 49.7p for all other businesses (48.0p and 49.3p respectively in 2015/16).

The NNDR income due (after exemptions and reliefs) of £42.781 million for 2016/17 (£13.411 million in 2015/16) was based on an average rateable value for the Council’s area of £89.012 million for the year (£96.580 million in 2015/16).

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 2017 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, including the Expenditure and Funding Analysis. 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 2016/17.

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 Authority's 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 2016/17, 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 Statement 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 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Statement and the Annual Governance Statement for the financial year for which the financial statements are prepared 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: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements for securing 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 for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, 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 this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. 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 for securing economy, efficiency and effectiveness in its use of resources.

Basis for qualified conclusion

In considering the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources we identified the following matters:

- T**he Authority did not prepare its draft 2016/17 financial statements by the statutory deadline of 30 June 2017. The draft 2016/17 financial statements were provided for audit on 10 November 2017**. **This is the second year that financial statements have not been presented for audit by the statutory deadline.** This matter is evidence of weaknesses in proper arrangements for informed decision making with untimely financial reporting that does not support the delivery of strategic priorities.
- The Authority has not been able to recruit permanent qualified accountants to its senior technical accounting posts within the finance department. Since the production of the 2014/15 financial statements, t**he Authority has relied upon interim appointments to these roles in order to produce its financial statements**. These roles are key to the department due to the technical accounting expertise required. This matter is evidence of weaknesses in proper arrangements for sustainable resource deployment and poor workforce development, with over reliance on costly interim consultants.
- The Authority has not acted on a timely basis to address the weaknesses in its internal control environment, which were highlighted in recommendations made by Internal Audit and in its Annual Governance Statement Action Plan. These weaknesses are in a number of areas including the Council's arrangements for implementing the Information and Communications Technology Strategy and business continuity planning processes. As at the date of this audit opinion, eleven high priority Internal Audit recommendations remain outstanding from dates ranging between 2014 and 2015. In addition, the same weaknesses are being reported in the Authority's Annual Governance Statement over the last three years. This matter identifies weaknesses in the Authority's ability to implement in a timely manner high priority Internal Audit and Annual Governance Statement Action Plan recommendations. This matter is evidence of weaknesses in proper arrangements for informed decision making with significant and longstanding weaknesses in the Authority's system of internal control not being addressed.

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 2016, except for the effects of the matters described in the Basis for qualified conclusion paragraphs above, we are satisfied that in all significant respects, *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Gareth Kelly

Gareth Kelly

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

110 Queen Street

Glasgow

G1 3BX

21 March 2018

Annual Governance Statement 2016/17

Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Council also has a best value 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 responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFSA / SOLACE Framework for Delivering Good Governance in Local Government 2016. A copy of the Local Code is available on our website at: https://www.copeland.gov.uk/attachments/local-code-corporate-governance

This statement explains how the Council has complied with its Code and also meets the requirements of Regulation 6 (1) (b) of the Accounts and Audit (England & Wales) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

What is Corporate Governance?

Corporate Governance generally refers to the processes by which organisations are directed, controlled, led and held to account.

The Council's governance framework aims to ensure that in conducting business it:

- Operates in a lawful, open, inclusive and honest manner
- Ensures that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- Has effective arrangements for the management of risk
- Secures continuous improvements in the manner in which it operates.

These aims are inherent to the principles upon which the Local Code is based.

The purpose of the Governance Framework

The governance Framework comprises the culture, values, systems and processes by which the Council is directed and controlled. The Local Code forms a key part of the Framework, which brings together an underlying set of legislative requirements, good practice principles and management processes that support and give practical application of the principles contained in the Code.

Adhering to this Framework enables the Council to monitor the success of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate/ cost effective services. Both risk management and internal control measurements are a significant part of the Council's corporate governance framework and are designed to manage risk to a reasonable level. These safeguarding processes cannot eliminate all risk of failure to achieve the goals set by our policies, aims and strategic objectives and can therefore only provide reasonable, rather than absolute assurances of their effectiveness.

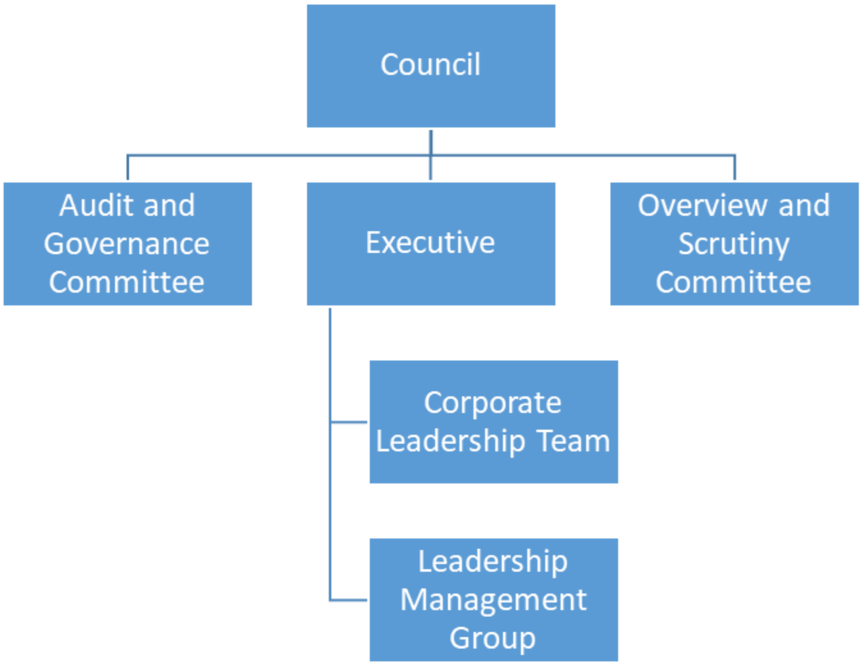
The systems of risk management and internal control are based upon an ongoing process, designed to identify and prioritise the risk to the achievement of the Councils' policies, aims and strategic objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at Copeland Borough Council for the year ended 31 March 2017 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 (2016)*. 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 Council'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 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.

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. Up until December 2017, Monitoring Officer responsibility was held by the Council's Solicitor. In that month, the six month review of the support services review implementation addressed the difficulties that had been encountered in legal capacity within the Council as a result of this arrangement. To enable the necessary capacity within the legal service the Monitoring Officer function has been removed from the Solicitor's job profile and temporarily passed to the existing alternative Monitoring Officer, ie the Director of Customer and Community Services. This arrangement is effective from 1st January 2018 and will remain in place until the recruitment of a Monitoring Officer, as agreed by the Personnel Panel and Full Council

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 Executive and making appropriate recommendations. 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. In 2016-17 the Head of Internal Audit provided an annual summary of the results and conclusions of the year's work. During that year, Internal Audit was delivered by a shared service with neighbouring councils. In April 2017, the Council reverted to in-house provision of the service.

External Audit
Officers meet regularly with the External Audit team, from Grant Thornton, 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 used 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.

Principles of Good Governance

The CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' identifies seven core principles of governance best practice and the Council's governance framework is aligned to these core principles. The principles are listed below, together with examples of the key elements of the activities, systems and processes which comprise the practical detail of the Council's governance arrangements and which are the means by which these principles are put into effect.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Examples of evidence of the application of this Principle in practice are:

- Council Values
- Members Codes of Conduct
- Officers 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

B. Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Examples of evidence of the application of this Principle in practice are:

- Elected Mayor's Public Meetings
- Public Consultations for Corporate Strategy
- Customer Feedback Procedures and Reports
- Human Resources Policies and Procedures
- Occupational Health Procedures
- Health & Safety Policies & Reporting
- Engagement with Trade Unions
- Overview & Scrutiny Committee Meeting Minutes and Work Plan
- Public Engagement / Consultation
- Website
- Partnership Significance Assessment Scoreboard(s)

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

Examples of evidence of the application of this Principle in practice are:

- Corporate Strategy 2016-2020
- Copeland Growth Strategy 2016-2020
- 2016/17 and 2017/18 Service Plans
- Consultation during budget process
- Efficiency Plan 2016-2020
- Medium Term Financial Strategy 2016-2020
- External Audit Review
- Audit & Governance Committee

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

Examples of evidence of the application of this Principle in practice are:

- Audit & Governance Committee
- Financial reporting
- Financial Planning
- Service Review Process
- Monitoring Process
- Quarterly Budget Monitoring
- Performance Management
- Internal Audits
- Service Reviews

E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfill its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Examples of evidence of the application of this Principle in practice are:

- The Constitution
- 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”
- Partnership Boards
- Health & Wellbeing Board
- Performance Reports
- Employees’ / Members’ Code of Conduct
- Member Development Programme
- Portfolio Holder Meetings
- Overview & Scrutiny Committee Work Plan and Meetings
- Individual Appraisals
- Member Development Programme
- Job Descriptions and Person Specifications

F. Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. This includes the need to establish and maintain effective fraud and anti-corruption arrangements. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Examples of evidence of the application of this Principle in practice are:

- Risk Management Framework
- Strategic and Operational Risk Management systems in place
- Risks jointly owned by members, directors and officers
- A clear Fraud and Anti-Corruption strategy is in place and has been recently updated.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Examples of evidence of the application of this Principle in practice are:

- 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
- Information Management Strategy 2016 and underpinning Information Management Framework documents
- Confidential Reporting Policy in place (whistleblowing)
- 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

Other Sources of Evidence

In addition to the sources listed for the individual principles 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 most 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 2016/17 and where appropriate these have been included in 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 2016/17 gave 'Reasonable Assurance' based on the work undertaken over the year.
- The Audit & Governance Committee performed its core functions as identified in the CIPFA publication *Audit Committee: Practical Guidance for Local Authorities*.
- An Internal Audit review of Corporate Governance, performed in February 2016, considered current controls to provide reasonable assurance.
- The Annual Governance Framework Action Plan 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.
- 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) pending finalisation of 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 arrangements in place in 2016/17 were <u>adequate</u> and there is <u>reasonable assurance</u> that they were fit for purpose in accordance with the Council's Local Code of Corporate Governance 2017.

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 2017/18 to further improve compliance (**Appendix B** refers).

At the end of August 2017 the Council was the target of a major 'zero-day' cyber-attack (ie one that exploits a previously unknown security vulnerability), which temporarily disabled the Council's IT network and access to corporate systems and continued to have a disruptive effect on Council services and functions for several months. The virus was disabled on the day it was discovered; servers were isolated and shut down to prevent the virus spreading, but many systems had already been encrypted.

The National Cyber Security Centre (NCSC) confirmed that files were encrypted with strong encryption for which there is currently no decryption method. On the advice of NCSC, the Council did not pay any ransom to the cyber criminals.

The attack targeted Microsoft Windows servers and encrypted all file types on many council servers. It affected:

- all business applications hosted internally on Windows servers
- infrastructure services (such as the firewall, Active Directory and file shares)
- backups
- network routing
- access to healthy applications which were not themselves directly affected
- access to personal machines while the virus was being removed from other parts of the system

Windows desktops and some servers were unaffected. The recent adoption of hosted services and applications, such as Microsoft Office 365, Microsoft Azure for offline back-ups, ModGov, Civica payments and Webaspx, meant that the Council could still offer many services. This, combined with other Business Continuity arrangements, successfully ensured that key frontline services continued to be available.

Some partner organisations suspended network communications with the Council, which meant that access to their services was temporarily blocked. Most organisations restored access once the Council had removed the virus from the network and updated the anti-virus software.

Since the attack, the Strategic Coordinating Group has managed the recovery and improvement of Council systems. The IT team has been supplemented with additional specialists to analyse, redesign, rebuild and enhance the Council's network and applications.

Recovery activity initially focused on the rapid restoration of services, however, it became clear that many of the applications were several years old and those systems required review and update. In many cases, applications were recovered to an enhanced state compared to that before the attack, while operating systems and software versions were upgraded. Software and server patches are now centrally controlled. Where necessary, old servers and user machines have been retired and the network has been rebuilt from the bottom up.

Risk of further attack has been reduced with a blend of soft and hard initiatives; for example, user education, central monitoring of desktop server patches, updates to hardware, improved security settings, improved and monitored firewalls, and up-to-date documentation of system use roles.

From this a list of specific actions has been defined, combining both elements that relate directly to the occurrence of the cyber-attack and those which had previously been identified, but which will now be implemented in the context of the recovery from the attack and the completion and consolidation of the Council's new ICT infrastructure. These appear as items 2(a)-(e) in the Action Plan shown at Appendix B.

The production of the annual Statement of Accounts to the required standards and in accordance with the statutory deadlines has not yet been achieved. Commencement of the preparation of the 2016/17 Draft Statement was delayed by the knock-on effect of the 2015/16 Statement not being finalised until May 2017, but significant progress was nonetheless achieved. Comprehensive provisional outturn reports for the year – a key output directly linked to the closure of the accounts – were received by Executive in mid-July, just a few weeks outside of normal timescales, and the robustness of these was demonstrated by the very limited movement that occurred between these reports and the final versions produced in December. In terms of the production of the Draft Statement itself, this was substantially complete by the end of September and it can realistically be stated that, had it not been for the occurrence of the cyber-attack at the end of August, it would have been fully complete by then. Despite the resultant delays, the Draft Statement was signed by the S151 Officer on 9 November, more than two months earlier than the equivalent date for 2015/16.

After that date, the continuing impact of the cyber-attack and the outcomes and impacts of other events and the effect of these on the availability of key individuals, combined to delay the prompt completion of the audit of the Draft Statement. In addition to the hard work and commitment of Council staff in these difficult circumstances, the flexibility and commitment to assisting the Council to achieve its objectives, while comprehensively fulfilling their own duties and responsibilities, shown by the Council's auditors, Grant Thornton LLP, has been invaluable. Although, given the circumstances, it could not be expected that their findings would be entirely uncritical, the dialogue and interaction has been consistently constructive and itself an important contribution to ensuring that the Council will achieve the target of getting the production of its Accounts back within the statutory timescales.

At the time of writing, it is expected that the audited Statement of Accounts for 2016/17 will be presented for approval by Audit and Governance Committee on 21 March 2018, again a full two months ahead of the equivalent date for 2015/16.

While to meet this date under the circumstances in which it has been done is an achievement in itself, there is no escaping the fact that it is later than had been planned and hoped for. While there are clear reasons why this has been the case, it in turn has significant implications for the prospects of achieving the timely production of the 2017/18 Statement to the new and tighter timescales of having a Draft Statement by the end of May and a final audited version by the end of July. This must now be seen as extremely challenging. Initial work has already commenced and the planning and timescales are being reviewed. It is important that the updated plans are demonstrably achievable, both in terms of producing the Draft Statement and in liaising with the Council's auditors in respect of the timing of their work. It may prove necessary to plan for completion of the Draft Statement by June/July, but with the clear objective and commitment that this is a stepping stone to timely completion the following year. Timescales for the audit would then be subject to discussion with the auditors.

One other matter is that there has also been a continuing reliance on interim members of staff to deliver the Statement of Accounts. This has however been reduced compared to previous years, with a number of permanent appointments made which have strengthened capacity in the junior and intermediate level posts and are expected to deliver progressively greater benefits over the medium- to long-term. The objective remains to ensure that the Council recruits and retains a range of permanent staff that secures the full range of skills, experience and expertise needed to successfully deliver the annual Statement of Accounts within the statutory deadlines.

At the end of March 2017, a permanent appointment was made to the post of Director of Commercial and Corporate Resources (& Section 151 Officer). It was subsequently identified that the process for the appointment, and the determination of the salary associated with it, did not fully comply with the Council's Constitution and that, in making the appointment and determining the salary, the Executive had exceeded its powers. As soon as this was identified, the matter was promptly and thoroughly addressed, with the appointment and salary being regularised by Personnel Panel at the end of October 2017 and that a procedural breach had occurred, albeit inadvertently and with no detriment to the Council, being reported to Full Council on 5 December 2017.

At the same time as the matter was being dealt with, and continuing after its conclusion, there was a series of events which had a highly adverse personal impact on the officer appointed. The post will subsequently become vacant at the end of April 2018. Plans are in place to ensure a smooth handover to a new S151 officer.

In connection with wider difficulties which have been encountered over recent months, an item has been added to the Action Plan covering the review of the volume of the Freedom of Information Requests and the volume and nature of Code of Conduct complaints which the Council receives, and how these are responded to.

The following are also currently being addressed and, together with the matters outlined above, are identified as being the subject of specific actions in Appendix B:

- A project is under way to review the Council's Human Resources policies to ensure that these continue to reflect the latest requirements and best practice.

- A fresh round of training in Counter Fraud and Corruption awareness is to take place, covering the latest guidance. This follows on from recent update to the Council's Fraud Prevention and Anti-Corruption Strategy.
- Arrangements for the ongoing monitoring and review of Strategic Risk Management are being refreshed. This review includes consideration of ensuring consistency in the reporting of strategic risk by providing further clarity of the definition of what constitutes a high level risk.
- A formal written procedure, with standardised assessment criteria, is being prepared for the evaluation and implementation of proposals for Community Asset Transfers.
- Long-term arrangements for the management and delivery of Internal Audit services are being finalised, following the return to an in-house service in 2017/18.
- One area of concern highlighted in the Audit Findings Report is that a significant number of both Internal Audit recommendations and a proportion of the preceding year's Action Plan remain outstanding. Regular review of the progress being achieved against these, together with the identification of any necessary corrective action, will form part of the regular business to be considered by meetings of both Corporate Leadership Team and the wider Leadership & Management Group, from the beginning of April 2018 onwards.

Each of these has been incorporated as specific items in the Action Plan shown at Appendix B.
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 forward with our Customer Strategy including new website.

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:

Mike Starkie: Elected Mayor
Copeland Borough Council

Date: 21/3/18.

Signed:

Pat Graham: Managing Director
Copeland Borough Council

Date: 21/3/18

I confirm that the Audit and Governance Committee (at its meeting on 21 March 2018) was satisfied on the basis of the information available to it, that the Annual Governance Statement for 2016/17, 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: 21/03/2018

Appendix A – 2015/16 Annual Governance Review Action Plan Update

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	Completed November 2017 The Code has been reviewed in line with new guidance issued by the Chartered Institute of Public Finance and Accountancy and a new version produced. This new Local Code of Corporate Governance will be presented for approval by the Audit and Governance Committee at its meeting on 9 November 2017.
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	In progress. Working Group active and policies are being prioritised for approval. On track to meet target date. *To be incorporated into the 2016/17 Action Plan*.

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 manage its finances and the Council's reputation.	Ensure timely implementation of the ICT Strategy work programme.	Business Support Manager	June 2017 September 2017	A comprehensive work programme had been developed and initiated by the target date. Implementation was, however, interrupted by and has effectively been superseded by the occurrence of the major cyber-attack at the end of August 2017 and its aftermath. *To be incorporated in revised form into the 2016/17 Action Plan, with a target date of March 2018.*
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	**Complete.**

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	The 2016/17 Draft Statement of Accounts was produced at the end of October 2017, an improvement of almost 3 months compared to 2015/16, but still behind the statutory deadline. A limiting factor was that the final approval of the 2015/16 Statement did not occur until late May 2017, so overlapping with the timetable for 2016/17. A key objective is to ensure that this is not the case for 2017/18 and the Council's auditors are closely supporting these efforts. Plans are being made to ensure the 2017/18 Statement is completed on time, despite the statutory deadline being brought further forward. *To be incorporated into the 2016/17 Action Plan with a revised target date of January 2018 for a plan to ensure the timely completion of the 2017/18 Statement of Accounts*.
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	In progress. Finance staff have continued to work with budget holders to strengthen working relationships and awareness and ownership of financial management and this will further inform the content of the guidance and training. Progress has been delayed by the impact of the recent cyber-attack. *To be incorporated into the 2016/17 Action Plan with a revised target date of March 2018.*
4d	Capacity to provide appropriate financial training on an	Devise a comprehensive training programme in collaboration with the	Director of Commercial and Corporate	October 2017	As for 4c above.

	ongoing basis to elected members to help them discharge their responsibilities	Member Development Group.	Resources (& S151 Officer) and Finance Manager		
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	**Complete.** 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, however, further guidance needs to be developed to support the implementation of the Information Management Strategy	Develop and deliver a mandatory training programme in Information Management for all officers and members	Director of Customer and Community Services and Business Support Manager	December 2017	**Complete.**
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	Internal Audit Manager	September 2017 December 2017	Completed draft has been circulated for comment and is due to be considered by Audit & Governance Committee on 9 November 2017. In progress. A training programme is being developed for delivery during the before the end of 2017/18, although this may now not occur until the final Quarter of the year. *To be incorporated into the 2016/17 Action Plan with a revised target date of April 2018.*

		members within the Council.			
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 with one remaining vacancy. Additional resource currently in place to complete recovery from recent cyber-attack. A training programme is in place for the ICT team and implementation of this *will be incorporated into the 2016/17 Action Plan with a target date (allowing for the immediate term focussing of resource on the completion of recovery from the cyber-attack) of March 2018*.
7b	Incompleteness of ICT Disaster Recovery Plan documentation.	ICT Disaster Recovery Plan to be reviewed.	Business Support Manager	September 2017	Review of the ICT Disaster Recovery Plan was underway at the time of the cyber-attack at the end of August 2017. This will be further progressed once the process of recovery from the attack has been completed, and the robustness of the new ICT infrastructure has been thoroughly tested. This will allow both for resource to be focussed, in the immediate term, on completion of recovery and for the incorporation of the full benefits of the experience gained into the updated Plan. *To be incorporated into the 2016/17 Action Plan with a revised target date of March 2018.* 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	**Complete.**
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	**Complete.** Implementation of the use of the standardised data capture template is in place.
10a	Risk Management Strategy / Policy have not been reviewed for some time.	Strategy and Policy to be reviewed. Arrangements required for regular, structured review to be put in place.	Director of Commercial and Corporate Resources / Business Support Manager	September 2017	Review is complete and a draft Policy has been prepared. The Council's insurers, Zurich Municipal, have agreed to review the documentation and to provide a workshop to review the strategic risk process and this will *be incorporated into the 2016/17 Action Plan with a target date of April 2018.*
10b	Reporting of high level risk is not consistent and requires proper definition.	As 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	In progress. *To be incorporated into the 2016/17 Action Plan with a target date of March 2018.*
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	Finalisation of new structure in progress, expected to be complete by December 2017. Interim management arrangements remain in place. *To be incorporated into the 2016/17 Action Plan with a target date of December 2017.* **Complete.**

Appendix B – 2016/17 Annual Governance Review Action Plan

No	Issue to be Addressed	Action Agreed	Owner	Target Date	Update/State of Completion
1	A 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	June 2018	Working Group active and policies are being prioritised for approval. Revision of the Managing Change policy has been completed. Consideration is being given to securing additional resource in order to expedite completion of the review.
2a	Complete recovery from cyber-attack.	Process of recovery from attack to be.	IT Manager	March 2018	The infrastructure is now almost fully recovered and a health check is scheduled for the first half of March.
2b	Implement arrangements for future IT security and resilience.	Revised arrangements for the future security and integrity of the Council's IT systems and infrastructure to be devised, tested and implemented.	IT Manager	March 2018	Resilience has been a primary concern throughout the rebuilding of the infrastructure and comprehensive arrangements are now in place.

2c	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 manage its finances and the Council's reputation.	Ensure timely implementation of the ICT Strategy work programme.	IT Manager	June 2018	From September 2017 onwards, over the short- and medium-term ICT Strategy work was entirely refocussed on the recovery and rebuilding processes. The network has been comprehensively reconfigured and the current strategic objective is its completion and consolidation, following which a longer-term strategy will be developed based upon it.
2d	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.	IT Manager	June 2018	Appointments had been made prior to the cyber-attack, with one remaining vacancy. Significant additional resource was put in place to address recovery from the attack and some of this resource remains in place. The future configuration of the team is being reviewed at corporate level to ensure that this is matched to the requirements of the new infrastructure.

2e	Completion of revised ICT Disaster Recovery Plan documentation.	New ICT Disaster Recovery Plan to be produced.	IT Manager	June 2018	The preparation of this documentation is dependent upon the completion of integration of all of the major systems into the new infrastructure to provide maximum resilience and value to the estate and so will be progressed when this has been done.
3a	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	See text	Although progress has been made, finalisation of the 2016/17 Statement has still been well outside of the statutory deadlines. Significant progress was achieved, with the Draft Statement substantially complete by the end of September 2017, but since then a number of factors have combined to delay its finalisation. The achievement of the new tighter statutory deadline for 2017/18 of producing a Draft Statement by the end of May and finalisation by the end of July must now be seen as extremely challenging. It is important that any plans made are demonstrably achievable and it may prove necessary to plan for completion of the Draft Statement by June/July, but with the clear objective and commitment that this is a stepping stone to timely completion the following year. There has also been a continuing reliance on interim members of staff to deliver the Statement of Accounts. This has however been reduced compared to previous years, with a number of permanent appointments made which have strengthened capacity and are expected to

					deliver progressively greater benefits over the medium- to long-term.
3b	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)/ Finance Manager	July 2018	Progress towards this has been delayed by the impacts of the recent cyber-attack and other events, but has now resumed. Finance staff are continuing to work with budget holders to strengthen working relationships and awareness and ownership of budgets financial management, and to jointly identify the most appropriate form and content for the guidance and training.
3c	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)/ Finance Manager	August 2018	As for 3b above.

4	Counter Fraud and Corruption awareness training within the Council needs to be refreshed in light of new guidance.	Counter Fraud and Corruption Awareness refresher training to be delivered to all officers and members within the Council.	Internal Audit Manager	June 2018	A training programme has been developed ready for delivery early in 2018/19. The training materials are complete and arrangements are being made for the delivery of the training to officers and members by the target date.
5a	Review of Strategic Risk Management arrangements.	Strategy to be reviewed and draft Policy finalised. Arrangements required for regular, structured review to be put in place.	Director of Commercial and Corporate Resources	April 2018	The Council's insurers, Zurich Municipal, will review the draft revised Policy and to provide a workshop to review the strategic risk process.
5b	Reporting of high level risk is not consistent and requires proper definition.	As above.	As above.	April 2018	As above.
6	Community Asset Transfer process has no written procedure and there are no standardised criteria for assessment.	Develop and document process and criteria.	Finance Manager/ Solicitor	July 2018	In progress.
7	Internal Audit Service has come back in-house so need to ensure continuity of service.	New structure to be devised.	Internal Audit Manager	April 2018	Finalisation of new structure in progress.

8	Review volume of Freedom of Information Requests and volume and nature of Code of Conduct complaints which the Council receives, and how these are responded to.	Review volumes and nature of items and application of relevant policies and procedures.	Managing Director/ Monitoring Officer	June 2018	In progress.

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. The end of the accounting period is the Balance Sheet date.

Accounting Policies

The various conventions, rules, principles and practices which the Council applies in preparing and presenting financial statements.

Accounts

A generic term for financial 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 on 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

The transfer of resources to and from the reserves.

Asset

An asset is a resource controlled by the Council as a result of past events, from which future economic benefits or service potential is expected to flow to the Council. 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 of accounts

An independent examination of the Council's financial affairs, to ensure that relevant legal obligations and codes of practice have been conformed with.

Balance Sheet

The Balance Sheet shows the value of all assets and liabilities recognised by the Council at the Balance Sheet date.

Billing Authority

A local council charged by statute with the responsibility for the collection of, and accounting for, Council Tax and Non-Domestic Rates, which are then distributed amongst relevant local government bodies in the local county area (including the billing authority itself) and, in the case of Non-Domestic Rates, also central government.

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 covers the same period as the financial year and is typically accompanied by longer term financial forecasts.

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 applied 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

Details the capital schemes the Council intends to carry out over a specified period of time and also provides estimates of the resources needed to finance the programme.

Capital receipt

The proceeds from the disposal of land or other non-current assets. Proportions of capital receipts of up to 100% can be used to finance new capital expenditure, within rules set down by the Government. They cannot be used to finance revenue expenditure, except in very restricted circumstances.

Capital Financing Requirement (CFR)

The Capital Financing Requirement is a measure of the Council's need to borrow to support capital expenditure, which has yet to be repaid.

Cash Equivalents

Short term, highly liquid investments, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are used for the purpose of meeting short term cash commitments, rather than for investment or other purposes.

Cash Flow Statement

This is a mandatory part of the Statement of Accounts and sets out movements in Cash and Cash Equivalents arising from various aspects of the Council's activities.

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 Non-Domestic Rates.

Community assets

Assets that the Council 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. Community Assets exclude those assets which are classified as Heritage Assets.

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

The revenue account of the Council 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.

Componentisation

The identification and depreciation of parts of an asset separately, where these have different useful lives and are individually significant relative to the total value of the asset.

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 Council has indicated to other parties that it will accept certain responsibilities; and

• as a result, the Council 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.

Council Tax

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

Creditor

Amount owed by the Council for works carried out, 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 twelve months of the Balance Sheet date.

Current Liabilities

An amount which becomes payable, or could be called in, within twelve months of the Balance Sheet date.

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 carried out, 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

A Deferred Liability is a sum of money that is either not payable until some time after the financial year end, or is paid over a number of years. For the Council, this normally relates to phased payments in respect of 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 Council's non-current assets during the accounting period, whether from use, passage of time or obsolescence through technological or other changes.

Direct Revenue Contribution/Financing

Resources provided from the revenue budget to help finance the cost of capital projects.

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.

Earmarked Reserves

Those reserves which have been established to meet specific, known or estimated future expenditure.

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 Council 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 Council 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

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.

Fees and Charges

Councils are permitted to agree fees and charges to help cover the cost of a range of services. Amongst the most common examples are those for planning applications, building control, car parking and licences.

Finance lease

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

General Fund

The main revenue fund of a local council to which day-to-day income and expenditure on and from services are charged and credited. It also receives income in respect of Government financial support, Non-Domestic Rates and Council Tax. A balance is maintained to provide assurance against future financial risk and to support, or receive a surplus from, net expenditure on services.

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 Council in general.

Heritage Assets

Tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities, which are held principally for their contribution to knowledge or culture.

Housing Benefits

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

Impairment Loss

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

An identifiable non-monetary asset which has no physical substance. It must be controlled by the Council and future economic benefits must be expected to flow from it to the Council. The most common form of Intangible Asset in local authorities is 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 Council'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 councils' Statement of Accounts. The Code of Practice gives detailed guidance on how the council should 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.

Investment Property

A property held solely to earn rentals or for capital appreciation (or both).

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.

Members' Allowances

A scheme of payments to elected Council members in recognition of their duties and responsibilities.

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 or other credit arrangements entered into 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 in its role as billing authority and is apportioned between 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.

Operating (or Service) Segment

A service, or group of services, based on the Council's internal management structure, which is used in the reporting of expenditure and income in the Comprehensive Income and Expenditure Statement. The objective of reporting in this way is to enable users for the financial statements to evaluate the nature and financial effects of the activities in which the Council engages and the economic environments in which it operates.

Outturn

The final financial position for the year.

Past service costs

For a defined benefit scheme, the change to 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 by 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 a private sector provider, who is responsible for making the asset available to the Council, for maintaining it and for managing the risks associated with it.

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 demand made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax payers 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

Prudence is the accounting concept that seeks to ensure that estimates of income are conservative and not overstated and that estimates of liabilities and costs are not understated.

Prudential Indicators

The CIPFA Prudential Code For Capital Finance In Local Authorities requires authorities to agree and monitor a defined suite of indicators to help inform whether capital investment plans are affordable, prudent and sustainable.

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 (REFCUS)

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. This expenditure typically relates to Disabled Facilities Grants and other grants made to individuals or organisations to fund works to their properties, but can also include other items specified by the Secretary of State under the relevant legislation.

Revenue Support Grant

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

Risk Management

The proactive adoption of a planned and systematic approach to the identification, evaluation and management of risk.

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.

Service Reporting Code of Practice (SeRCOP)

A CIPFA Code of Practice designed to facilitate consistency in accounting for and reporting costs and income across local authorities, thereby allowing more meaningful comparisons of financial information between them.

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 a council 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.

Treasury Management

The management of the Council's borrowing, investments and cash flow, the associated risks and the pursuit of appropriate returns, consistent with those risks. Treasury Management also encompasses setting and monitoring compliance with a defined suite of Prudential Indicators.

Work in progress

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