

Copeland Borough Council

Unaudited Statements of Account



For the year ended 31 March 2008

www.copeland.gov.uk

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Foreword

1 Introduction

This document sets out the Council's annual statutory Statement of Accounts and provides a brief overview of the Council's financial activities for the financial year ending 31 March 2008 as compared against budget.

The 2007/08 Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – the Statement of Recommended Practice 2007 (SORP) issued by the Chartered Institute of Public Finance and Accountancy / LASAAC Joint Committee. The SORP is amended annually for changes in statute and accounting practices and with effect from 1 April 2007, local authorities have had to adopt a major change of accounting policy in order to comply with the 2007 SORP.

The SORP 2007 has introduced fundamental changes in relation to the valuation and disclosure of financial instruments and to the capital accounting regime and valuation of assets that will impact on the 2007/08 Statement of Accounts. These changes are discussed further in the Authority's accounting policies.

There was no need to restate the 2006/07 Income and Expenditure Account (I&E) for making previous year comparisons as a result of changes in accounting policies emanating from the 2007 SORP; however, there was a need to restate the 2006/07 figures in the I&E to take account of significant changes arising during the course of the audit of the 2006/07 accounts. The only comparative figures that needed to be re-stated as a result of changes to the 2007 SORP appear in the Balance Sheet (the balances on the Fixed Asset Restatement Account and Capital Financing Account are written off to the new Capital Adjustment Account) and these will be explained in more detail in the accounting policies and notes to the accounts.

The Statement of Accounts comprises of various financial and non-financial statements as outlined in the commentary below.

- **Statement of Accounting Policies** details the policies adopted by Council for accounting purposes and is the framework within which the Council's accounts are prepared, published and regulated and hence explains the basis of the figures in the accounts.
- **Income & Expenditure Account** reports the cost of resources consumed in performing the Council's functions as measured in accordance with principles as set out in the SORP.
- **Statement of Movement on the General Fund Balance** reconciles the Authority's actual financial performance as accounted for in the Income & Expenditure Account with the statutory provisions relating to how an Authority sets its budget.
- **Statement of Total Recognised Gains and Losses** aggregates all the gains and losses of the Authority for the year to determine any changes in its net worth.
- **The Balance Sheet** sets out the financial position of the authority at 31 March 2008. It summarise the assets owned and liabilities owed as well as the reserves held at the authority's disposal to show the total net worth of the organisation.
- **Cash Flow Statement** summarise the overall inflows and outflows of cash in the year for revenue and capital purposes.
- **Housing Revenue Account** reflects a statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989
- **Collection Fund** shows the transactions related to the collection of non-domestic rates and council tax as due for the period to the Authority, acting in its capacity as the billing authority for Copeland on behalf of precepting authorities as well as for itself.

Notes to the Core Financial Statements explain the key figures outlined in the core financial statements including the contribution to the County Pension Fund as follows:

- **Pension Fund Net Assets Statement** shows the underlying assets and liabilities for retirement benefits attributable to the Authority.

The following non-financial statements also form part of the statement of accounts:

- **Statement of Responsibilities** identifies the Officer who in legislation is responsible for the proper administration of the Authority's financial affairs and hence the production of the statement of accounts.
- **Statement on the System of Internal Control** identifies: (a) the systems that the Authority has in place to ensure that its business is conducted in accordance with the law and proper standards; (b) that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

2 Budgeted Income and Expenditure Analysis 2007/08

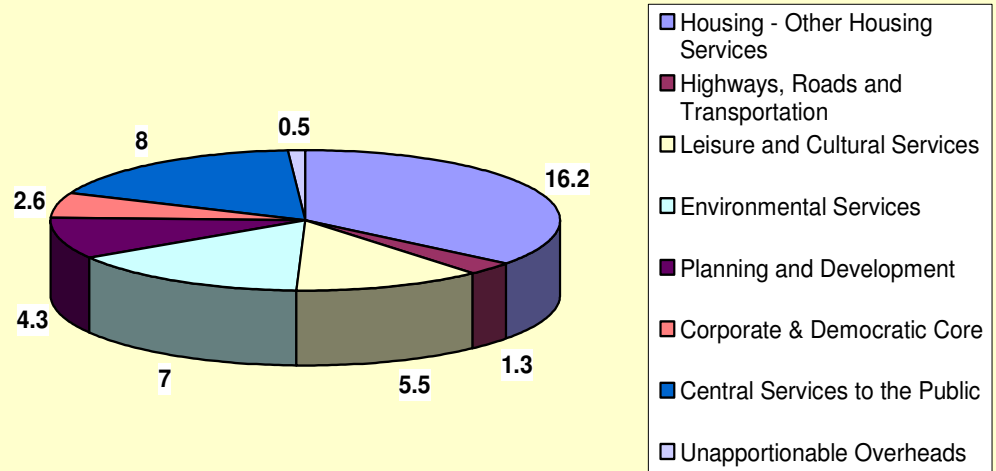
2.1 Revenue

The provisional out-turn position for the year was an under spend of £548k (4.6%) against a net operating budget of £11.8m. In the main the under spend relates to staffing vacancies which have been reported net of £360k set aside from the salary budget for job evaluation purposes. Members approved the carry forward in principle, subject to the audit findings to ensure that the corporate plan is delivered over the medium term time frame in accordance with the budget strategy.

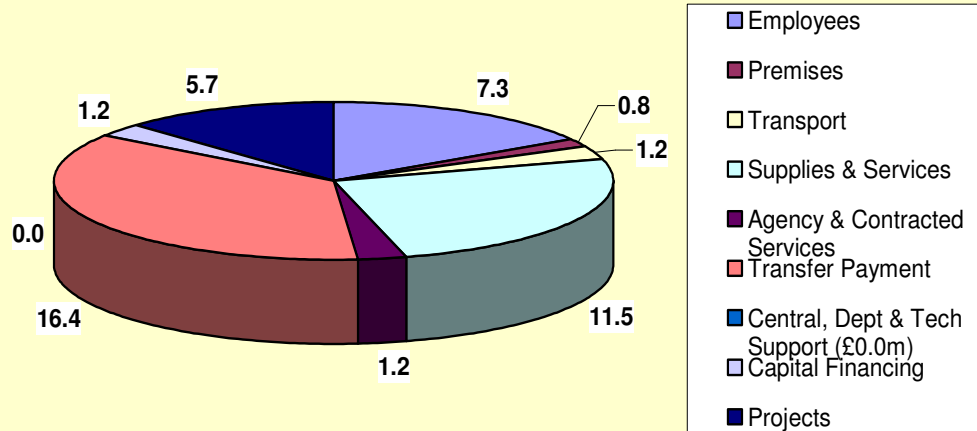
The table below shows how actual spending compared with the revised budget:

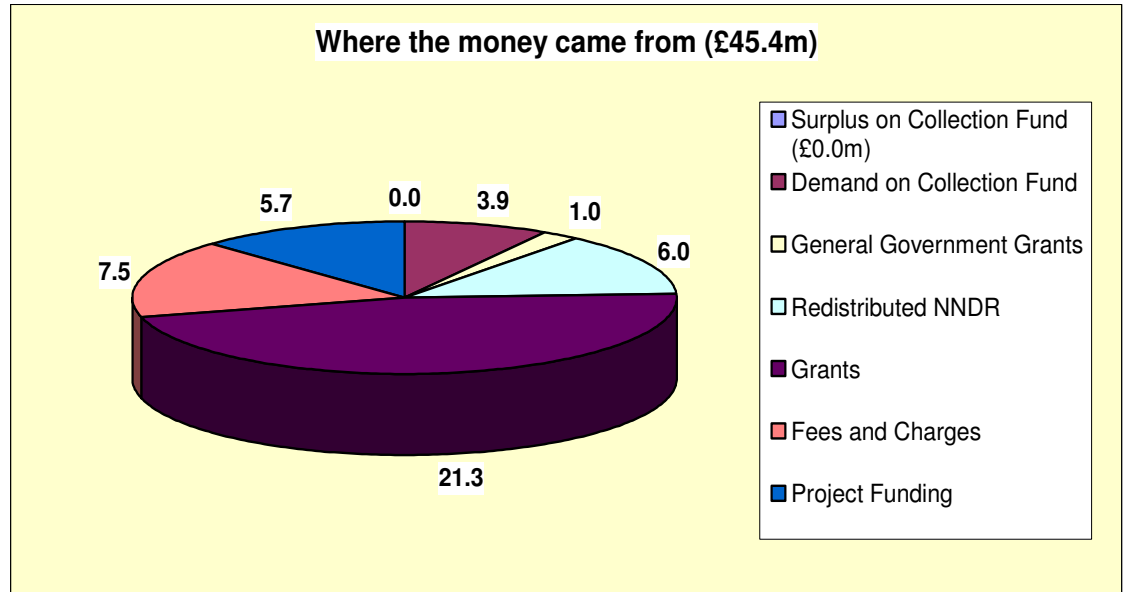
| | Budget £'000 | Actual £'000 | Variance £'000 |
|---------------------------------------|-------------------------|-------------------------|---------------------------|
| Net operating expenditure on services | 11,776 | 11,228 | 548 |
| Contribution to / (from) balances | (1,170) | (622) | (548) |
| Budget level met by: | 10,606 | 10,606 | |
| Council tax | 3,577 | 3,931 | |
| Business rates | 6,019 | 6,019 | |
| Revenue support grant | 1,010 | 1,010 | |
| | 10,606 | 10,960 | |

Services on which money was spent (£45.4m)



Where the money was spent (£45.4m)





The main elements of income are:

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

Non-Domestic Rates £6.0m – a tax on domestic properties collected by local authorities and paid into a national “pool” which the Government then shares out to local authorities according to a fixed amount per head of population.

Revenue Support Grant £1.0m

Other Government Grants £21.3m – these are grants from the Government for support on a range of specific services including Housing Benefits (£14.7m), Council Tax Benefits (£4.8m), and various other (£1.8m).

Sales, Fees and Charges, and Other Income £7.5m – these are fees and charges for services provided, ranging from planning applications to car park fines.

Project Funding £5.7m – this is use of specific earmarked reserves for the financial year.

Outlook for 2008/09

The Council increased Council Tax by 3.9% (which was in line with inflation at Nov 2007 price levels when the budget was calculated). The Government efficiency target of 3% was met from central services and re-invested in front line housing services. The Revenue Support Grant (RSG) remained at the same level as the previous year, however, the Council was awarded the new general purpose Area Based Grant (ABG). ABG was distributed by Central Government based on local deprivation factors, to fund ongoing budget pressures and priorities. Private Sector Housing Renovation Grants and initiatives aimed at partnership working for providing sustainable working neighbourhood are to met from reserves.

The following table outlines Copeland's three year Budget Strategy in £'000

| | 2008/09 | 2009/10 | 2010/11 | 3 yr. Total |
|--|---------------|---------------|---------------|---------------|
| Net base budget requirement funded from CT/NNDR/RSG | 10,903 | 11,102 | 11,313 | 33,318 |
| Net budget pressures/priorities funded from efficiency savings | 305 | 318 | 369 | 992 |
| Net budget pressures/priorities funded from ABG | 1,266 | 1,135 | 1,270 | 3,671 |
| Private Sector Housing Renovation Grants funded from reserves | 500 | 500 | 214 | 1,214 |
| Working neighbourhood initiatives funded from reserves | 1,000 | 1,000 | 842 | 2,842 |
| Total funded Operating Budget | 13,974 | 14,055 | 14,008 | 42,037 |

The Authority held the following reserves during 2007/08:

General Fund Reserves

The Council has a number of earmarked revenue reserves set aside for specific purposes (along with capital receipts to fund future capital projects). These reserves have been committed in the budget planning process for future spending. It is planned that reserves will fall to £3.5m by the end of 2010/11 with £1.4m held in contingency and the remaining £2.1m set aside for specified costs known to arise at some time in the future.

| | 01 April 2007 £'000 | 31 March 2008 £'000 |
|--------------------------|------------------------|------------------------|
| General fund | 3,167 | 3,103 |
| Other earmarked reserves | 4,797 | 6,616 |
| Total | 7,964 | 9,719 |

2.2 Capital Expenditure

The annual capital programme of £6.3m including slippage from previous financial year of £4.5m, is summarised below:

| | Expenditure £m | Financing | | |
|-----------------------------------|-------------------|---------------------------------|---------------------------|------------------------------------|
| | | Grants / Contributions £m | Capital Receipts £m | Use of Earmarked Reserves £m |
| Tangible and Intangible Assets | 5.6 | 4.3 | (0.1) | 1.4 |
| Private Sector Renovation | 1.1 | 1.8 | 0.1 | (0.8) |
| Total | 6.7 | 6.1 | 0.0 | 0.6 |

There was slippage of £2.7m in the capital programme to be carried forward to 2008/09. Members agreed that this under spend be carried forward to ensure completion of the programme. The main reason for the slippage was due to the fact that the programme was rather ambitious in light of the level of staffing shortages experienced by the authority in recent years

Capital reserves total £7.6m:

£4.1m from capital receipts from sale of assets and repayment of third party loans
£1.5m VAT sharing receipt following the Housing Stock Transfer
£2.0m from Right to Buy sales of Council Housing pre Housing Stock Transfer.

Usable Capital Receipt Reserve remains unchanged to hold capital receipts before they are used to either finance capital expenditure or repay debt.

3 Collection Fund

Council Tax, Business Rates and residual Community Charges are paid into the Collection Fund. Payments are made to the National Business Rate Pool (for redistribution to Local Authorities) and precepts to Cumbria County Council, Cumbria Police Authority, Parish Councils and the Council's General Fund.

Band D Council Taxes were set as follows:

| | £ |
|--------------------------|-----------------|
| Copeland Borough Council | 161.54 |
| Cumbria County Council | 1,070.30 |
| Cumbria Police Authority | 171.09 |
| Total | 1,402.93 |

4 **Investments and Borrowing**

The Council's authorised limit for external debt for 2007/08 was £9.0m, with an operational limit of £5.0m.

Investments at financial year end amounted to £22.1m. Borrowing at the financial year end stood at £5.0m.

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

Julie Crellin
Head of Finance and Management Information Systems
Copeland Borough Council

11 November 2008

Statement of accounting policies

The accounting policies in the Statement of Accounts comply with the code of practice issued by the Chartered Institute of Public Finance and Accounting (CIPFA) and its Statement of Recommended Practice on the Application of Accounting Standards to Local Authorities in Great Britain; a fuller explanation is provided below

1 Accruals of Income and Expenditure

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

- fees, charges and rents due from customers are accounted for as income at the date the Authority provides the relevant goods or services
- supplies are recorded as expenditure when they are consumed, and where there is a gap between the date supplies are received and their consumption they are carried as stocks on the Balance Sheet
- works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet
- interest payable on borrowings and receivable on investments is accounted for in the year to which it relates on a basis that reflects the overall effect of the loan or investment
- where income and expenditure has been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected
- income and expenditure is credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

2 Provisions

Provisions have been made where a liability of uncertain amount or timing has arisen as the result of a decision or event having happened that places an obligation (either legal or constructive) on the authority to settle the liability at some time in the future, but only where a reliable estimate can be made of the financial impact of settling that obligation.

3 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies for budgeting purposes. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance and hence are classified as budgeted expenditure, but are not accounted for in the Income and Expenditure account until utilised. When expenditure to be financed from reserves is incurred, it is charged to the appropriate service revenue account in that year and hence is accounted for in the net cost of services in the Income and Expenditure Account, but the reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax.

In addition to the above the Code of Practice requires the following two reserve accounts, neither of which can be used to support spending, to be shown on the Balance Sheet:

- Revaluation Reserve. This reserve was created on 1 April 2007 with a zero balance and reflects the cumulative surplus arising on the revaluation of fixed assets held.
- Capital Adjustment Account (formerly the capital financing account). This reserve was renamed on 31 March 2007 at which point the balance on the Fixed Asset Restatement Account was written off against the balance on the Capital Financing Account to arrive at a balance on the Capital Adjustment Account as at 31 March 2007. Movements in this account reflect all aspects of capital expenditure which are required to be removed from general fund balances in calculating the movement on general fund for the year.

4 Government Grants and Contributions (Revenue)

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

5 Retirement Benefits

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

Detailed information on the operation and valuation of the pension scheme is provided in note 34 in the Notes to the Core Financial Statements.

The Authority is required to prepare its Income and Expenditure account in a manner compliant with Financial Reporting Standard Number 17 Retirement Benefits. This standard requires the reporting entity to reflect in its performance statements for the year (being the income and expenditure account and the statement of recognised gains and losses) the incremental obligation to pay future pensions arising as a result of the service rendered by members of the pension scheme during the year. This incremental obligation is significantly different from the actual cash contributions made by the Authority in the year.

Statutory provisions limit the Authority to raising council tax to cover the amounts payable by the Authority to the pension fund in the year. Hence it is necessary to make adjustments to the deficit realised in the year and reporting within the Income and Expenditure account to segregate the actual cash contributions paid and payable by the Authority and the charges recognised under FRS17. To this end there are adjustments recognised within the Statement of Movements on the General Fund Balance which remove the costs calculated under FRS17 and replace them with the actual cash payable by the Authority to the pension scheme for the year of account, with the net of the adjustment being taken to the Pension Reserve.

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

7 Value Added Tax

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

8 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service, in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2007. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation
- Non-distributed costs – the cost of discretionary benefits awarded to employees retiring early.

These two costs are accounted for as separate headings in the Income and Expenditure Account as part of net cost of services.

9 Intangible Fixed Assets

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

10 Tangible Fixed assets

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

Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Authority and the services that it provides for more than one financial year. Expenditure that secures, but does not extend the previously assessed standards of performance of the asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement

Fixed assets are valued according to accounting principles drawn from FRS11 Impairment of Fixed Assets and Goodwill, FRS10 Intangible Assets and FRS15 Accounting for Fixed Assets.

Two new reserves, a Revaluation Reserve and a Capital Adjustment Account, replace the Fixed Asset Restatement Account (FARA) and Capital Financing Account (CFA). There are now two capital Reserves as follows which are described in policy number 2.

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

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- Land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- Infrastructure and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

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

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

Impairment

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

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

removed from the revaluation reserve and the excess of impairment over historical gains is recognised in the Income and Expenditure Account for the year of account.

Disposals

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the remaining life of the property as estimated by an authorised valuer
- Vehicles, plant and equipment – straight line allocation over the estimated useful life of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Community assets and non operational assets – no depreciation is provided on these classes of assets.

Grants and contributions

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

11 Financial Instruments

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost.

Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

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

Financial assets

Financial assets are classified into two types:

loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement. However, the council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account. Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

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

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

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired, because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account. Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

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

12 Charges to revenue for fixed assets

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

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service
- Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

13 Deferred charges

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Deferred charges are amortised to revenue over an appropriate period consistent with the consumption of the economic benefits controlled by the Authority; usually this will be in the same year the expenditure is incurred e.g. private sector housing renovation grants.

Where the Authority determines to meet the cost of the deferred charges from existing capital resources, or by borrowing, a transfer is made to the Capital Adjustment Account to reverse out the amount charged in the Statement of Movement on General Fund balance so there is no impact on the level of council tax.

14 Leases

The Authority accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Authority.

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

15 Investments

Surplus Collection Fund and General Fund monies are invested with outside bodies in accordance with the Authority's treasury management strategy.

Investments are carried at cost. If the value of an investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss made in the Income and Expenditure Account if this is unlikely to be a temporary fall.

16 Stocks and work in progress

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

17 Interests in Companies and other entities

The Authority has no material interests in companies and other entities that have the nature of subsidiaries, associates, and joint ventures, and therefore there is no requirement to prepare group accounts.

18 Public Finance Initiative

In accordance with SSAP21 and FRS5, the terms of the PFI payments with regard to the Copeland Centre, are equivalent to an operating lease, in that transactions are dealt with purely within the revenue account, and no asset is recognised on the Balance Sheet.

Government grants received for the PFI scheme, in excess of current in year expenditure, are carried forward as an earmarked reserve to fund future contract expenditure.

19 Prior period adjustment

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

Statement of responsibilities

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts and authorise their issue.

Acting in the capacity of the Council's Accountancy Services' Manager during the period in which the accounts were finalised, I am responsible for the preparation of the Authority's Statement of Accounts, which in terms of the CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2008.

In preparing this Statement of Accounts I have:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code
- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Balance Sheet as at 31 March 2008 and the Income and Expenditure Account for the year 2007/08 present fairly the financial position of the Borough of Copeland.

Julie Crellin

Head of Finance and Management Information Systems

Audit Committee Approval:

The statement of Accounts was approved by the Audit Committee on

On behalf of the Audit Committee:

Chair of Audit Committee

Annual governance Statement

COPELAND BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2007/08

Scope of responsibility

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

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

Copeland Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. Information about how the Council complies with this framework can be obtained from the Monitoring Officer. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

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

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

The governance framework has been in place at Copeland Borough Council for the year ended 31 March 2008 and up to the date of approval of the *annual report* and statement of accounts.

The governance framework

The Governance Framework includes:

• identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

- A 5 year Council Plan was adopted on 17 April 2007.
- Key objectives published in the annual Best Value Performance Plan 2007/8 and in the Corporate Plan 2007-12.
- Individual Service Plans, linked to the Corporate Plan, set out key objectives. Service Plans for 2007/08 were in place by April 2007, and Service Plans for 2008/9 have been developed using the objectives in the 5 year Council Plan to reinforce deliverability.
- Achievement of the main objectives also reported annually in the BVPP for 2007/8, and thereafter in other communications with the public, for example the Council Tax leaflet.
- A Communications Manager was appointed following the restructure in 2005 and a Communications Strategy was approved in May 2006 by Executive. The Communications Strategy includes reviewing existing methods of consultation and feedback on performance, and an initial evaluation of progress made in January 2007 resulted in a further redraft.
- Improvement plan drawn up following the 2003/04 Corporate Performance Assessment (CPA). Progress continued to be monitored in 2007/08 by the Improvement Board, in particular the links from CPA into Comprehensive Area Assessment (CAA).

• reviewing the authority's vision and its implications for the authority's governance arrangements

- Corporate and service targets and objectives are reviewed quarterly. Performance against Corporate Plan objectives are reported to the Executive quarterly. Service key objectives are monitored by the Chief Executive /relevant Director.
- A light-touch refresh of the Corporate Plan was started in autumn 2007, to ensure that the Council's targets and objectives were still relevant and reflect the developing environment for local authorities, particularly in light of the enactment of Local Government and Public Involvement in Health Act 2007. This was due to be complete in June 2008.
- Developments in the CPA and CAA process have been consulted upon, discussed and responded to by the Council. Progress in meeting the new requirements has been reported Improvement Board and OSC Management.

• measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

- Standards and targets have been in place for many years and further development on customer service standards is ongoing.
- Standards for customer service were adopted by Management Group in September 2005 and were formally approved by the Executive 21/2/06. Work continued in 2007/8 to refine and embed these, including a mystery shopping exercise.
- Performance against national Best Value Performance Indicators (BVPI's) and implementation plans for all Best Value Reviews are monitored through individual service performance reports and, corporately, by Performance Improvement. Quarterly reports are made to Executive on progress against the BVPIs Where

Annual governance statement (continued)

performance is falling short of the target, corrective action has to be approved, including specific targets included in Service Plans.

- Resources Planning Working Group ensures that resources are allocated to Council priorities.
- Procurement Strategy prepared and adopted, with an improvement action plan. Currently the Procurement Officer post is vacant.

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

- Council's Constitution provides a general framework for governance which is Reviewed annually.
- The Executive meet at least monthly to facilitate prompt decision-making, with a "call in arrangement", preventing decisions being implemented for 5 working days, to allow for effective scrutiny.
- The Executive received regular reports on corporate performance throughout 2007/08 and approved the Best Value Performance Plan.
- Forward Plan details key decisions to be made by the Executive.
- Individual Portfolio Holders have delegated powers.
- Four Overview and Scrutiny Committees, based on cross-cutting themes, have work plans which provide a mechanism for feeding into policy making.
- Overview & Scrutiny Committees: there were no significant control issues arising from the "call in" of decisions. In 2007/8 the Overview and Scrutiny Committees reviewed a range of topics proposed by stakeholders and arising from internal sources. These reviews resulted in recommendations for changes in Council policy or practice.
- The Improvement Board continued to monitor progress with the Improvement Plan drawn up following the CPA inspection in 2003/04.
- Individual Heads of Service provided an annual assurance statement on the operation of controls in their service area
- Risk management and progress on developing a business continuity plan, was monitored regularly by Corporate Team. Completing a full and tested Business Continuity Plan was regarded as a priority for 2007/8 and the final version was expected by 30/6/08, having been tested in an exercise in February 2008.

•• developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

- The Councillors' Code of Conduct is signed up to by all Members of the Council
- The Employee Code of Conduct was reviewed and reissued at April 2007. All employees were required to sign to say they had received it.
- Reminders of the Whistleblowing Policy were issued to employees, contractors and partners in 2007/8.
- The Council achieved level 2 of the Equalities Standard for Local Government in March 2008, which included a significant effort in training and raising awareness of the law among Councillors, employees, partners and contractors.

•• reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

- The governing body (Full Council) - reviewed the Constitution in April 2006, and full Council approved in June 2006. The Council approved further changes in April 2007

Annual governance statement (continued)

to take account of the Local Government White Paper “Strong and Prosperous Communities”. A further review was in hand for May 2008.

- Minor amendments to Financial regulations were approved in December 2007.

•• undertaking the core functions of an audit committee, as identified in CIPFA’s Audit Committees – Practical Guidance for Local Authorities

- The Audit Committee considered the annual Audit & Inspection Letter (Audit Commission) in March 2008 and an annual report on compliance with the Good Governance Standard for Public Services (internal audit) on 28 May 2008.
- The Audit Committee monitored internal and external audit work, including reviewing the adequacy of internal controls.
- Internal Audit also submitted an Annual Report on Internal Control to the Audit Committee on 28 May 2008
- External Audit – published the Annual Audit and Inspection Letter, presented to Members 20 March 2008. Other Audit Commission reports included the Auditor’s report on the Strategic Housing Service, Access to Services, Best Value Performance Plan, the Direction of Travel Report and the Use of Resources Judgement.

•• ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

- There were no S.151 reports issued in 2007/08.
- No Monitoring Officer reports were produced in 2007/08, other than periodic reports to Corporate Team on review of risks.

•• whistle-blowing and for receiving and investigating complaints from the public

- There were no adverse Ombudsman reports in 2007/08.
- The Confidential Reporting Code was reviewed and re-launched in 2007/8.

•• identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

- A Members’ Development Plan was in place during 2007/8, arrived at through in depth discussions with individual members. The Council achieved the Members Development Charter form North West Employers Organisation in 2007/8
- The employees’ Training and Development Plan was delivered in 2007/8, based on training needs identified through the Employee Development Interviews and service and corporate planning activities.
- The Council held the Investors in People award during 2007/8

•• establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

- The Council consulted the public on the development of a range of its service and corporate objectives, including the budget for 2008/9.
- Through the West Cumbria Strategic Partnership and other partnerships the Council was engaged in a range of activities to communicate with the public, including on the future of the nuclear industry in West Cumbria.
- To achieve Level 2 of the Equality Standard for Local Government the Council talked to a range of community organisations about improving service access during 2007/8.

•• incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission’s report on the governance of

partnerships,(ref 7) and reflecting these in the authority's overall governance arrangements.

(ref7). Governing Partnerships: Bridging the Accountability Gap, Audit Commission, 2005.

- In order to increase its effective and efficient partnership working the Council has developed and formally agreed revised protocols and service level agreements
- The governance of the West Cumbria Strategic Partnership was subject to review in Autumn 2007 resulting in a revised structure and reporting arrangements.
- External Audit opinion found that there were still improvements that the Council could achieve in developing sound governance of partnerships. This requirement has been incorporated into improvement plans for 2008/9

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

- the **Authority** has continued to review its Constitution in 2007/8;
- the **Executive** has included in its Forward Plan decisions relating to the Council's governance;
- the **Audit Committee/Overview and Scrutiny Committees** have included a range of reviews of aspects of the Council's governance in their programmes of work, including, in the case of the Audit Committee, some statutory governance reports.
- the **Standards Committee** has undertaken a review of ethical governance and agreed an action plan for improvement.
- **Internal Audit** has created a plan for and undertaken a number of reviews including governance issues and reported its findings to Corporate Team and the Audit Committee;
- **other explicit review/assurance mechanisms.** Heads of Service have stated that to the best of their knowledge that in 2007/8 their services have complied with the Council's framework of policy and procedure in managing resources and observing the requirements of probity.

The Council has been advised on the implications of the result of the review of the effectiveness of the governance framework by Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

We have identified the following significant governance issues which require attention in 2008/9:

- 1) Address the partnership governance issues that have been identified;
- 2) Ensure that the Council has in place proper arrangements to review and revise the Council's practices in financial reporting to meet the requirements of the latest guidance in accordance with statute.
- 3) Keep under review the Council's Constitution and take any further reviews to Council for approval as are required.

Annual governance statement (continued)

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

Signed:
Leading Member (or equivalent)

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

Date:.....

on behalf of Copeland Borough Council

Income and Expenditure Account
For the year ended 31 March 2008

| | | 2007/08 | | 2006/07 |
|--|--------------------|-----------------|--------------------|--------------------|
| | Gross | Gross | Net | Net |
| | Expenditure | Income | Expenditure | Expenditure |
| | £000 | £000 | £000 | £000 |
| Central Services | 8,071 | (7,669) | 402 | 481 |
| Cultural, environmental and planning services | 17,204 | (8,958) | 8,246 | 7,045 |
| Highways, roads and transport services | 1,318 | (405) | 913 | 1,025 |
| Housing Services | 16,207 | (15,638) | 569 | 619 |
| Corporate and Democratic Core | 2,218 | (298) | 1,920 | 2,390 |
| Non Distributed Costs | 517 | - | 517 | 24 |
| Net Cost of Services | 45,988 | (33,421) | 12,567 | 11,584 |
| Discontinued operations | | | - | (24) |
| Loss/(Gain) on the disposal of fixed assets | | | 490 | 6 |
| Parish council precepts | | | 354 | 335 |
| Interest Payable and similar charges | | | 378 | 378 |
| Contribution of housing capital receipts to government pool | | | - | 4 |
| Interest and investment income | | | (1,584) | (1,180) |
| Pension interest costs and expected return on pension assets | | | 10 | 142 |
| Net Operating Expenditure | | | 12,215 | 11,245 |
| Demand on the collection Fund | | | (3,931) | (3,841) |
| Share of collection fund surplus | | | - | (44) |
| LABGI Grant | | | (141) | - |
| General Government Grants | | | (1,010) | (1,099) |
| Non-domestic rates redistribution | | | (6,019) | (5,693) |
| Deficit for the year | | | 1,114 | 568 |

Discontinued operations relate to the now closed Housing Revenue Account. All other results derive from continuing operations.

Statement Of Movement On the General Fund Balance

For the year ended 31 March 2008

| | | 2007/08 | 2006/07 |
|--|-------------|----------------|-------------------------|
| | Note | £000 | As Restated £000 |
| Deficit for the year | | 1,114 | 568 |
| Amounts to be included in the Income and Expenditure account but required by statute to be excluded when determining the movement on the general fund balance for the year | 31 | (2,869) | (1,497) |
| Amounts not included in the Income and Expenditure account but required to be included by statute when determining the movement on the general fund balance for the year | | - | 286 |
| Transfers to or from the general fund balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year | 31 | 1,819 | 331 |
| (Increase)/decrease in General Fund Balance for the year | | 64 | (312) |
| General Fund Balance Brought Forward | | (3,167) | (2,745) |
| Housing Revenue Account surplus transferred to general fund | | - | (110) |
| General Fund Balance Carried Forward | | (3,103) | (3,167) |

Statement of Total Recognised Gains and Losses

For the year ended 31 March 2008

| | Note | 2007/08 £000 | 2006/07 £000 |
|---|------|-----------------|-----------------|
| Deficit for the year | | 1,114 | 568 |
| (Surplus)/deficit for the year arising on revaluation of fixed assets | 11 | (11,481) | (11,214) |
| Actuarial (gains)/losses on pension fund assets and liabilities | 34 | 5,831 | (2,819) |
| (Gains)/losses on the collection fund | | (46) | 303 |
| Other (gains) / losses for the year | | - | (19) |
| Total recognised gains/(losses) for the year | | (4,582) | (13,181) |
| Net worth as at 1 April | | (35,962) | (22,781) |
| Net worth as at 31 March | | (40,544) | (35,962) |

Balance Sheet
As at 31 March 2008

| | | 31 March 2008 | | 31 March 2007 |
|--|-------------|----------------------|---------------|-------------------------|
| | Note | £000 | £000 | As restated £000 |
| Intangible Fixed Assets | 16 | | 295 | 378 |
| Tangible Fixed Assets | | | | |
| Operational assets | | | | |
| - Other Land and Buildings | 11 | 23,421 | | 19,900 |
| - Vehicles, plant, furniture and Equipment | 11 | 2,591 | | 1,108 |
| - Infrastructure assets | 11 | 2,494 | | 2,473 |
| - Community assets | 11 | 551 | | - |
| | | | 29,057 | 23,481 |
| Non Operational Assets | | | | |
| - Investment properties | 11 | 521 | | 448 |
| - Assets under construction | 11 | 22 | | 9 |
| - Surplus assets, held for disposal | 11 | 12,824 | | 8,091 |
| | | | 13,367 | 8,548 |
| Total Fixed Assets | | | 42,719 | 32,407 |
| Long-term investments | 19 | | 40 | 6,010 |
| Long-term debtors | 20 | | 161 | 84 |
| Current assets | | | | |
| Stocks and work in progress | 21 | 71 | | 79 |
| Debtors | 22 | 6,739 | | 5,495 |
| Investments | 23 | 22,137 | | 13,103 |
| Cash and bank | | 2,579 | | - |
| | | | 31,526 | 18,677 |
| Total assets | | | 74,446 | 57,178 |
| Current Liabilities | | | | |
| Borrowing repayable on demand or within 12 months | | - | | (4) |
| Creditors | 26 | (9,058) | | (3,887) |
| Bank overdraft | | (1,205) | | (1,227) |
| | | | (10,263) | (5,118) |
| Total assets less current liabilities | | | 64,183 | 52,060 |
| Borrowing repayable within a period in excess of 12 months | 27 | | (5,060) | (5,000) |
| Provisions | 28 | | (281) | (582) |
| Government grants deferred | 29 | | (4,191) | (2,437) |
| Deferred Grants Unapplied | | | (461) | (461) |
| Liability related to defined benefit pension scheme | 34 | | (13,646) | (7,618) |
| Total assets less liabilities | | | 40,544 | 35,962 |
| Capital adjustment account | 31 | | 26,839 | 28,356 |
| Deferred capital receipts | 31 | | 40 | 41 |
| Financial instrument adjustment account | 31 | | (44) | - |
| Revaluation reserve | 31 | | 10,074 | - |
| Pensions reserve | 31 | | (13,646) | (7,618) |
| Capital receipts reserve | 31 | | 7,616 | 7,319 |
| General Fund Balance | 31 | | 3,103 | 3,167 |
| Collection Fund Balance | | | (54) | (100) |
| Fund balances and earmarked reserves | 31 | | 6,616 | 4,797 |
| Total Net Worth | | | 40,544 | 35,962 |

The notes on numbered 1 to 37 form part of these financial statements.

Cashflow statement
For the year ended 31 March 2008

| | 2007/08 | | 2006/07 | |
|--|----------------|-------------|----------------|-------------|
| | £000 | £000 | £000 | £000 |
| Revenue Activities | | | | |
| Cash outflows | | | | |
| Cash paid to and on behalf of employees | 8,918 | | 8,658 | |
| Other operating cash payments | 14,496 | | 12,476 | |
| Payments to capital pool | - | | 4 | |
| Housing benefit paid out | 14,350 | | 14,216 | |
| National non-domestic rates | 26,185 | | 27,978 | |
| Precepts paid | 27,844 | | 26,839 | |
| | | 91,793 | | 90,171 |
| Cash inflows | | | | |
| Council tax receipts | (23,876) | | (25,217) | |
| National non-domestic rates receipts | (33,900) | | (27,425) | |
| Revenue support grant | (1,010) | | (1,099) | |
| NNDR receipt from the pool | (6,019) | | (5,693) | |
| DWP grants for benefits | (13,937) | | (14,425) | |
| Other government grants | 36 (10,441) | | (7,694) | |
| Cash received for goods and services | (8,246) | | (7,587) | |
| Other operating cash receipts | - | | (98) | |
| | | (97,429) | | (89,238) |
| Net cash (inflow) / outflow on revenue activities | 36 | (5,636) | | 933 |
| Return on investment and servicing on finance | | | | |
| Interest paid | 378 | | 378 | |
| Interest received | (1,157) | | (1,294) | |
| | | (779) | | (916) |
| Capital Activities | | | | |
| Purchase of fixed assets | 3,070 | | 600 | |
| Payment of renovation and other deferred charges | 3,065 | | 1,239 | |
| Sale of fixed assets | (1,356) | | (812) | |
| Capital grants received | (3,462) | | (1,263) | |
| Other capital receipts | (6,000) | | (2,179) | |
| | | (4,683) | | (2,415) |
| Net cash (inflow) before financing | | (11,098) | | (2,398) |
| Management of liquid resources | | | | |
| Net increase / (decrease) in short term deposits | | 8,497 | | (2,115) |
| Net (increase) in cash | | (2,601) | | (4,513) |

Notes to the financial statements

1. Prior Period Adjustment

The Balance sheet figures have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve which replaces the Fixed Asset Revaluation Account (FARA). The credit balance of £19.164 million at 31 March 2007 on the FARA has been written off to the Capital Financing Account (£47.520 million) to form the Capital Adjustment Account with a balance of £28.356 million. The Revaluation Reserve has been included in the balance sheet with a zero opening balance.

In addition to this the Housing Revenue Account was closed in the prior year and the remaining balance on the HRA (£110,000) has been consolidated into the general fund balance.

2. Section 137 Of The Local Government Act 1972 (As Amended)

Section 137(3) of the 1972 Act has been retained, following the Local Government Act 2000 repealing the majority of the provisions under Section 137, which empowers parish / community councils, subject to various conditions and limits, to incur expenditure which in their opinion is in the interest of their area for any part of it, or all or some of its inhabitants, but for which no specific statutory power exists. The expenditure is limited to £1.97 per head of population. Based on a population of 70,400, the authority was permitted to spend £138,688 under this power in 2007/08. The actual expenditure incurred was zero.

3. Publicity Account

Under Section 5(1) of the Local Government Act 1986 the Authority is required to keep a separate record of its expenditure on publicity. The amounts set out in the table below are included in the appropriate headings in the Income and Expenditure Account.

| | 2007/08 £000 | 2006/07 £000 |
|-----------------------------------|-----------------|-----------------|
| Staff Advertising | 60 | 37 |
| Advertising | | |
| Development Services | 11 | 12 |
| Leisure Management | 13 | 5 |
| General | 10 | 13 |
| Business rates / Council tax | - | 3 |
| | <hr/> 34 | <hr/> 33 |
| Promotions and exhibitions | | |
| Economic Development | - | 3 |
| Heritage Centre | - | 11 |
| Green waste recycling project | 21 | 20 |
| | <hr/> 21 | <hr/> 34 |

4. Building Control Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

2007/08

| | Chargeable | Non | Total |
|---|-------------------|-------------------|--------------|
| | £000 | Chargeable | £000 |
| | | £000 | |
| Expenditure | | | |
| Employee expenses | 180 | 57 | 237 |
| Transport | 10 | 3 | 13 |
| Supplies and services | 22 | 5 | 27 |
| Central and support costs | 4 | 43 | 47 |
| Total Expenditure | 216 | 108 | 324 |
| Income | | | |
| Building regulation charges | (208) | - | (208) |
| (Surplus) / Deficit for the year | 8 | 108 | 116 |

2006/07

| | Chargeable | Non | Total |
|---|-------------------|-------------------|--------------|
| | | Chargeable | |
| Total Expenditure | 202 | 132 | 334 |
| Income | (217) | (1) | (218) |
| (Surplus) / Deficit for the year | (15) | 131 | 116 |

5. Agencies

The Authority does not provide any material agency based services.

6. Local Authority (Goods and Services) Act 1970

The Authority is empowered by the Act to provide goods and services to other public bodies. The Authority provided grass verge maintenance and weed control in connection with land for which Cumbria County Council is responsible, and maintenance work for a number of parish councils.

| | 2007/08 | 2006/07 |
|----------------------------|----------------|----------------|
| | £000 | £000 |
| Income | (23) | (22) |
| Expenditure | 20 | 26 |
| (Surplus) / Deficit | (3) | 4 |

7. Councillors' Allowances and Officer Emoluments

Councillors' Allowances – the total of Councillors' allowances paid during the year was £266,938 (2006/07 £227,796)

Officer Emoluments – The Accounts and Audit Regulations 1996 introduced a specific requirement of disclosure of officer emoluments under Regulation 6(2).

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £10,000, were as follows:

| Remuneration Band | 2007/08 Number of Employees | 2006/07 Number of Employees |
|--------------------------|--|--|
| £50,000 – £59,999 | 6 | 3 |
| £60,000 - £69,999 | 2 | 2 |
| £70,000 - £79,999 | 0 | 1 |
| £80,000 - £89,999 | 0 | 0 |
| £90,000 - £99,999 | 1 | 0 |

8. Related Party Transactions

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

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

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

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

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

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

Whitehaven Rugby Club Limited

Whitehaven Rugby Club Limited is judged to be a related party by virtue of the Council's shareholding in Whitehaven 1992 Limited. During the year the Council extended a loan of £56,000 to the Rugby Club to fund working capital. The loan is repayable in 2010/11.

9. Audit Fees

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

| | 2007/08 | 2006/07 |
|---|----------------|----------------|
| Statutory inspection under section 10 of the Local Government Act | 1,700 | 1,500 |
| Certification of grant claims and returns under section 28 of the Audit Commission Act 1998 | 40,000 | 57,300 |
| Code of audit practice in accordance with section 5 of the Audit Commission Act 1988 | 123,700 | 109,400 |
| Total | 165,400 | 168,200 |

10. Revenue Provision For The Payment Of External Debt

The Authority is required by statute to set aside a minimum revenue provision for the redemption of debt. For 2007/08 this is equivalent to 4% of the opening capital financing requirement or zero whichever is the greater.

For the year 2007/08 the capital financing requirement was calculated as £(0) and hence no provision has been made from revenue.

11. Tangible Fixed Assets

| | Land & Buildings | Community Assets | Plant & Vehicles | Infrastructure | Surplus Held for Sale | Investment | Asset under construction | Total |
|-----------------------|------------------|------------------|------------------|----------------|-----------------------|------------|--------------------------|---------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost | | | | | | | | |
| As at 1 April 2007 | 21,193 | - | 2,311 | 3,582 | 8,091 | 448 | 9 | 35,634 |
| Additions | 420 | 523 | 1,524 | 206 | 273 | 73 | - | 3,019 |
| Disposals | (47) | - | (239) | - | (1,837) | - | - | (2,123) |
| Gains on revaluation | 3,420 | - | 136 | - | 7,306 | - | 13 | 10,875 |
| Impairments | (465) | - | - | - | (907) | - | - | (1,372) |
| Reclassification | 74 | 28 | - | - | (102) | - | - | - |
| As at 31 March 2008 | 24,595 | 551 | 3,732 | 3,788 | 12,824 | 521 | 22 | 46,033 |
| Depreciation | | | | | | | | |
| As at 1 April 2007 | 1,293 | - | 1,203 | 1,109 | - | - | - | 3,605 |
| Charged in year | 491 | - | 177 | 185 | - | - | - | 853 |
| On Disposals | (4) | - | (239) | - | - | - | - | (243) |
| Revaluation in year | (606) | - | - | - | - | - | - | (606) |
| As at 31 March 2008 | 1,174 | - | 1,141 | 1,294 | - | - | - | 3,609 |
| Net Book Value | | | | | | | | |
| At 31 March 2008 | 23,421 | 551 | 2,591 | 2,494 | 12,824 | 521 | 22 | 42,425 |
| At 1 April 2007 | 19,900 | - | 1,108 | 2,473 | 8,091 | 448 | 9 | 32,029 |

Capital Expenditure has been financed as follows;

| | 2007/08 £000 | 2006/07 £000 |
|---|-----------------|-----------------|
| Capital Expenditure | | |
| Additions to tangible and intangible fixed assets | 3,069 | 110 |
| CBC Asset with no enhancement | - | 1,030 |
| Deferred Charges | 3,065 | 1,227 |
| | <u>6,134</u> | <u>2,367</u> |
| Sources of Finance | | |
| Single capital pot | - | 1,319 |
| Capital receipts | 1,096 | 334 |
| Government grants and other contributions | 5,038 | 646 |
| Earmarked Reserves | - | 68 |
| | <u>6,134</u> | <u>2,367</u> |

12. Capital Commitments**Unadopted Sewers**

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

13. Information On Assets Held

Fixed assets owned by the Council include the following:

| | Number as at 31 March 2008 | Number as at 31 March 2007 |
|-----------------------------------|----------------------------------|----------------------------------|
| Operational assets | | |
| Other land and Buildings | | |
| Headquarters | 0 | 0 |
| Depots | 3 | 3 |
| Crematorium | 1 | 1 |
| Cemeteries | 5 | 5 |
| Civic Halls | 1 | 1 |
| Swimming Pools | 1 | 1 |
| Sports Centres | 1 | 1 |
| Nursery | 1 | 1 |
| Beacon / heritage centre | 1 | 1 |
| Bowls centre | 1 | 1 |
| Sports fields and playing grounds | 14 | 14 |
| Vehicles, plant and equipment | | |
| Vehicles | 4 | 0 |
| Non Operation assets | | |
| Commercial Properties | | |
| Ex depots | 3 | 4 |
| Garage plots | 284 | 284 |
| Estate shops | 2 | 2 |

14. Finance/Operating Lease Rentals

Copeland entered into a PFI building operating lease on 18 September 2004 for a 25 year period, for the main administration centre in Whitehaven.

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

The amount paid under these arrangements in 2007/08 was £2,160,000 (2006/07 1,899,000).

The Authority is committed to making payments of £2,124,000 under these leases in 2007/08, comprising the following elements:

| | £000 |
|--------------------------------------|-------|
| Leases expiring in 1 year | 31 |
| Leases expiring in 1 to 5 years | 373 |
| Leases expiring in more than 5 years | 1,720 |

The leases expiring in more than 5 years includes the Public Finance Initiative lease on the Copeland Centre. The Council sublets a portion of this building to the Department for Work and Pensions on a 25 year lease. The Council will receive £520,000 under the terms of this lease in 2008/09.

The information in the following table pertains to the contract between the PFI operator and the Council and sets out

- The payments the Council has made for services provided under these contracts, which are charged to the Net Cost of Services within the Income and Expenditure Account.

- The Government grants received towards the capital element of these schemes, a proportion of which will be appropriated to the PFI earmarked revenue reserves from 2008-2009 to meet future payments.

| | 2007/08 £000 | 2006/07 £000 |
|------------------------------------|-----------------|-----------------|
| Payments to contractor | 1,366 | 1,323 |
| Grant received | 837 | 837 |
| Appropriation to earmarked reserve | 122 | 142 |

The following table provides the best estimates of payments in future periods, on the assumption the annual uplift, which is linked to the retail prices index, will be 5% per annum.

| | 2007/08 £000 |
|-------------------------|-----------------|
| Within 1 year | 1,401 |
| Between 1 and 5 years | 5,979 |
| Between 5 and 10 years | 8,226 |
| Between 10 and 15 years | 9,184 |
| Between 15 and 20 years | 10,296 |
| Between 20 and 25 years | 3,257 |
| | <u>38,343</u> |

The Council is not party to any finance leases.

15. Fixed Asset Valuation

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

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

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

Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset.

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

The history of asset valuations is as follows:

| Gross Book Value | Other land and buildings | Community Assets | Infrastructure & Intangible | Vehicles, Plant & Equipment | Surplus held for sale assets | Investment assets | Asset Under Construction | Total |
|--------------------------|-----------------------------|---------------------|--------------------------------|-----------------------------------|------------------------------------|----------------------|-----------------------------|--------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Valued at historic cost | | 551 | 4,597 | 3,732 | | | | 8,880 |
| Carried at revalued cost | | | | | | | | |
| 2007/08 | 8,880 | | | | 7,164 | | 22 | 16,066 |
| 2006/07 | 15,051 | | | | 5,154 | 151 | | 20,356 |
| 2005/06 | 664 | | | | 506 | 370 | | 1,540 |
| Total | 24,595 | 551 | 4,597 | 3,732 | 12,824 | 521 | 22 | 46,842 |

16. Intangible Fixed Assets

| | Intangible Fixed assets |
|-------------------------|-------------------------------|
| Cost | £000 |
| As at 1 April 2007 | 759 |
| Additions | 50 |
| As at 31 March 2008 | 809 |
| Depreciation | |
| As at 1 April 2007 | 381 |
| Charged in year | 133 |
| As at 31 March 2008 | 514 |
| Net Book Value | |
| At 31 March 2008 | 295 |
| At 1 April 2007 | 378 |

17. Net Assets Employed

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

18. Shareholdings

The Authority holds 30,000 £1 ordinary shares in Whitehaven 1992 Limited representing 45.8% of the total called up share capital of the company. The Council invested in this company in order to provide support to the Whitehaven Rugby League Football Club which is a wholly owned subsidiary of the Whitehaven 1992 Limited Company.

The latest set of accounts available for Whitehaven 1992 Limited are made up to 31 December 2007 and record the following key statistics:

| | 31 December 2007 |
|--|---------------------|
| | £000 |
| Net Assets / (Liabilities) | 66 |
| Turnover for the year ended | Nil* |
| Net Profit / (Loss) for the year ended | Nil* |

*The company is dormant

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

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

19. Long Term Investments

| | 31 March 2008 | 31 March 2007 |
|---|---------------|---------------|
| | £000 | £000 |
| Debenture | 10 | 10 |
| Investments maturing in more than 12 months | - | 6,000 |
| Shareholding in Whitehaven 1992 Limited | 30 | - |
| | 40 | 6,010 |

The debenture holding relates to an investment made in the Association of District Councils (property Ltd). This company entered liquidation in August 2008; the full value of the Council's investment was returned as a distribution on liquidation.

The investment in Whitehaven 1992 Limited relates to the Council's ongoing support of the Whitehaven Rugby Football League Club. Further details are disclosed within Note 19 Shareholdings and Note 8 Related Parties.

20. Long Term Debtors

| | 31 March 2008 | 31 March 2007 |
|--|---------------|---------------|
| | £000 | £000 |
| Loans to employees and related parties | 78 | 40 |
| Mortgage Debtors | 46 | 46 |
| Sundry Debtors | 37 | 14 |
| Provision for bad debts | - | (16) |
| | 161 | 84 |

21. Stocks and Work In Progress

| | 31 March 2008 | 31 March 2007 |
|--------------|---------------|---------------|
| | £000 | £000 |
| Other Stocks | 71 | 79 |
| | 71 | 79 |

22. Debtors

| | 31 March 2008 | 31 March 2007 |
|-------------------------------------|---------------|---------------|
| | £000 | £000 |
| Amounts Owed by Government Entities | 1,169 | 1,954 |
| Collection Fund Debtors | 2,377 | 2,240 |
| Sundry Debtors | 4,302 | 2,290 |
| Gross Debtors | 7,848 | 6,484 |
| Provision for bad debts | (1,109) | (989) |
| | 6,739 | 5,495 |

23. Short Term Investments

| | 31 March 2008 | 31 March 2007 |
|----------------------|---------------|---------------|
| | £000 | £000 |
| External Investments | 22,137 | 13,103 |
| | 22,137 | 13,103 |

24. Financial Instruments

Types of financial instruments - Accounting regulations require the “financial instruments” (investment, lending and borrowing of the Council) shown on the balance sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the Balance Sheet are made up of the following categories of “financial instruments”.

| | Long-Term | | Current | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 31/03/08 £000s | 31/03/07 £000s | 31/03/08 £000s | 31/03/07 £000s |
| Borrowings | | | | |
| Financial liabilities at amortised cost | 5,060 | 5,000 | 0 | 0 |
| | | | | |
| Investments | | | | |
| Loans and receivables | 10 | 6,010 | 22,137 | 13,103 |
| Equity Instrument held at cost (Available for sale financial instrument) | 30 | - | | |

Notes – 1. Since the balances at 31/03/07 are not reclassified into the SORP 2007 categories, only the total borrowing and investment figures are shown in the table above (see introduction). 2. A “Lender Option, Borrower Option” (LOBO) instrument of £5m has been included in long-term borrowing but has a call date in the next 12 months.

The above long term figures are based on paragraph B12 of SORP 2007, which states that in undertaking EIR calculations the maturity period for a LOBO should be taken as being the contractual period to maturity.

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

| | Liabilities measured at amortised cost £000s | Financial Assets Loans and receivables £000s | Total £000s |
|---------------------------------------|---|--|----------------|
| Interest expense | (378) | 0 | (378) |
| Interest income | 0 | 1,584 | 1,584 |
| Net income/(expenditure) for the year | (378) | 1,584 | 1,206 |

Comparable figures are not available for 2006/07 due to the change in accounting standards.

Fair value of assets and liabilities carried at amortised cost- The fair value of each class of financial assets and liabilities that are carried in the Balance Sheet at amortised cost is disclosed below. The Council has not calculated fair values as at 31/03/07.

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

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the premature repayment rate.

The Council's treasury management consultants obtained the rates quoted in this valuation on 31 March, using bid/offer/ask prices where applicable. The calculations are made with the following assumptions:

- For other market debt and investments, the discount rate used is the rates available for an instrument with the same terms from a comparable lender
- The Council has used interpolation techniques between available rates where the exact maturity period was not available
- No early repayment or impairment is recognised
- The Council has calculated fair values for all instruments in the portfolio, but only disclose those that are materially different from the carrying value.

The fair values are calculated as follows:

| | 31/03/08 | | 31/03/07 | |
|-------|-------------------------|--------------------|-------------------------|--------------------|
| | Carrying amount £000 | Fair Value £000 | Carrying amount £000 | Fair Value £000 |
| LOBOs | 5,060 | 8,141 | 5,000 | 7,671 |

Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

Fair value of assets carried at amortised cost

| | 31/03/08 | | 31/03/07 | |
|--|--------------------------|---------------------|--------------------------|---------------------|
| | Carrying amount £000s | Fair value £000s | Carrying amount £000s | Fair value £000s |
| Deposits with banks and building societies | 22,137 | 22,137 | 19,113 | n/a |

The fair value is the same as the carrying amount because the Council's portfolio of investments comprises only short-term fixed interest deposits at the Balance Sheet date, with a latest maturity of 19/03/09.

Nature and extent of risks arising from financial instruments - The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

1. Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions to a maximum of £3m and a limit on the maximum size of one transaction in placing a deposit of £3m.

No credit limits were exceeded during the financial year and the Council expects full repayments on the due date of deposits placed with its counterparties.

2. Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to limit exposure to loans maturing within any financial year and within any rolling five-year period through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments. The maturity structure of financial liabilities is as follows (at nominal value):

Liquidity risk

In the more than 10 years category there are £5m of LOBOs that have a call date in the next 12 months.

3. Market Risk

Interest rate risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep no borrowing in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates, or the authority's cost of borrowing, and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

Interest Rate Risk

The Council is exposed to interest rate risk on the uncertainty of interest received on variable rate instruments.

Decreases in interest rates will affect interest earned on variable rate investments potentially reducing income credited to the Income and Expenditure Account.

Based on the current average level of investment of £20m., for every 0.5% decrease in interest rates, this will reduce income credited to the Council's Income and Expenditure Account by £100k.

The Council currently has a £5m. long term fixed interest loan, and is not exposed to interest rate risk in the short to medium term.

The Council does not currently have any variable interest loans.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated.

Foreign exchange risk

The Council holds a single bank account denominated in Euros, the balance on this account at the year end was £516 when converted at the exchange rate prevailing at 31 March 2008. Whilst this means that Council is exposed in this small measure to fluctuation in exchange rates these are judged to be wholly inconsequential to the overall financial performance of the Authority.

25. Euro Costs

Assets and liabilities denominated in foreign currencies are translated into GB pounds at the rates prevailing at the year end. At 31 March 2008 the assets comprised the balance of Euro 654.12 in the Euro account held at the Authority's bank account. There were no liabilities at this date.

26. Creditors

| | 31 March 2008 £000 | 31 March 2007 £000 |
|-----------------------------------|-----------------------|-----------------------|
| Government Departments | (5,827) | (1,159) |
| Sundry Creditors | (2,471) | (2,071) |
| Council tax payers and ratepayers | (655) | (597) |
| Accrued interest deposits | - | (60) |
| Pension Contributions due | (105) | - |
| | (9,058) | (3,887) |

27. Long Term Liabilities

| | 31 March 2008 £000 | 31 March 2007 £000 |
|--|-----------------------|-----------------------|
| Borrowings Repayable in more than 1 year | (5,060) | (5,000) |
| | (5,060) | (5,000) |

The carrying value of the loan has been adjusted to reflect the balance of interest due but not paid as at 31 March 2008.

28. Provisions

| | Insurance Provision £000 | Staff Related Provisions £000 | Other Provisions £000 | Total £000 |
|------------------------------------|--------------------------------|--|-----------------------------|---------------|
| Balance as at 1 April 2007 | (302) | (267) | (13) | (582) |
| New provisions raised | (225) | (6) | (1) | (232) |
| Utilised in year | 17 | 47 | | 64 |
| Reversed unused | 229 | 226 | 14 | 469 |
| Balance as at 31 March 2008 | (281) | - | - | (281) |

29. Government Grants and Contributions Deferred

| | Government Grants and Contributions Deferred £000 |
|------------------------------------|---|
| Balance as at 1 April 2007 | (2,437) |
| Released to revenue | 298 |
| Applied to fixed assets in year | (2,052) |
| Balance as at 31 March 2008 | <u>(4,191)</u> |

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

The Income and Expenditure Account (page 15) shows the Council's actual financial performance for the year, measured in terms of resources consumed and generated over the past twelve months. However the Council is required to raise council tax on a different basis, the main two differences being:

- Capital expenditure is accounted for as it is financed; and
- Retirement benefits are charged as amounts become payable to pensioners or as employer contributions become payable rather than as future benefits are earned.
- The Statement of Movement on the County Fund Balance (page 16) adjusts the deficit on the Income and Expenditure account to reflect whether the Council has over or under spent against the revenue that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The deficit on the Income and Expenditure Account was £1,272,000 (£568,000 in 2006/07), however after allowing a £1,050,000 net additional amount required by statute and non-statutory proper practices to be credited to the General Fund (£1,122,000 million in 2006/07) the increase in the General Fund was £64,000 (£222,000 decrease in 2006/07).

31. Movement on Reserves

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

General Fund Balances (GFB)

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

Collection Fund (CF)

This balance represents the surplus on the collection fund which is required by statute to be maintained on a ring fenced basis.

Deferred Capital Receipts Reserve (DCR)

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

Capital Adjustment Account (CAA) (formerly the Capital Financing Account)

The opening balance on this reserve has been adjusted from that reported in the financial statements for the year ended 31 March 2007 to reflect changes to the statement of recommended practice which, in introducing the revaluation reserve, required that the balance of the fixed asset restatement account be written off against the balance of the capital adjustment account (see note 1: prior period adjustment). This account now exists to capture those elements of capital accounting required by the Statement of Recommended Practice other than those taken through the revaluation reserve.

Earmarked Reserves (EMR)

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

Financial Instrument Adjustment Account (FIAA)

This account is newly created this year and exists to capture the difference between the interest receivable and payable as calculated under FRS 25, 26 and 29 and that required by the statement of recommended practice to be recorded in the movement in general fund balances.

Pension Reserve (PR)

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

Revaluation Reserve (RR)

This reserve is newly created in the current year and captures the cumulative surplus recognised (but not realised) on the revaluation of fixed assets held by the Council.

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

Notes to the financial statements

Movement on reserves (continued)

| | GFB | CF | UCRR | DCR | CAA | EMR | FIAA | PR | RR | Net worth |
|--|----------------|-----------|----------------|-------------|-----------------|----------------|-----------|---------------|-----------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| As at 1 April 2007 | (3,167) | 100 | (7,319) | (41) | (28,356) | (4,797) | - | 7,618 | - | (35,962) |
| Deficit on Income & Expenditure | 1,114 | - | - | - | - | - | - | - | - | 1,114 |
| Actuarial Loss on pension liabilities | - | - | - | - | - | - | - | 5,831 | - | 5,831 |
| Gains on revaluation of fixed assets | - | - | - | - | - | - | - | - | (11,481) | (11,481) |
| Surplus on collection fund | - | (46) | - | - | - | - | - | - | - | (46) |
| Depreciation Charged in year | (986) | - | - | - | 986 | - | - | - | - | - |
| Impairments charged to I&E | (1,372) | - | - | - | 1,372 | - | - | - | - | - |
| Government grant recognised in respect of depreciation | 298 | - | - | - | (298) | - | - | - | - | - |
| Deferred charges charged to I&E | (3,065) | - | - | - | 3,065 | - | - | - | - | - |
| Grant funding in respect of deferred charges | 2,987 | - | - | - | (2,987) | - | - | - | - | - |
| Loss on disposal of fixed assets | (490) | - | (1,392) | - | 475 | - | - | - | 1,407 | - |
| Removal of FRS17 Charges | (1,251) | - | - | - | - | - | - | 1,251 | - | - |
| Cash cost of pensions | 1,054 | - | - | - | - | - | - | (1,054) | - | - |
| Adjustment of interest on soft loans | (44) | - | - | - | - | - | 44 | - | - | - |
| Amount to be included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the general fund balance for the year | (2,869) | - | - | - | - | - | - | - | - | - |
| Minimum Revenue Provision | - | - | - | - | - | - | - | - | - | - |
| Amounts not included in the Income and Expenditure account but required by to be included by statute when determining the movement on the general fund balance for the year | - | - | - | - | - | - | - | - | - | - |
| Net Transfer to earmarked reserves | 1,819 | - | - | - | - | (1,819) | - | - | - | - |
| Other transfers between reserves | - | - | 1,095 | 1 | (1,096) | - | - | - | - | - |
| As at 31 March 2008 | (3,103) | 54 | (7,616) | (40) | (26,839) | (6,616) | 44 | 13,646 | (10,074) | (40,544) |

32. Contingent Liabilities and Assets

Two contingent liabilities exist at the year end, these are;

Municipal Mutual Insurance

The Authority has £400,000 (since 1993) of insurance receipts with Mutual Municipal (MMI), the Authority's previous insurers. Mutual Municipal is currently being wound up and potentially the £400,000 is at risk if the wind up of MMI results in insolvency.

33. Trust Funds

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

In neither case do the funds held represent assets of the Authority and as such they have not been included in the Authority's balance sheet. The net assets of the trusts as at 31 March 2008 were;

| | |
|----------------------|----------|
| Whitehaven Maternity | £20,000 |
| Pipers Educational | £160,000 |

34. Retirement Benefits

The Authority participates in the Cumbria Superannuation Fund administered by the County Council which is accounted for in accordance with Financial Reporting Standard no. 17 Retirement Benefits (FRS17). This is a defined benefit scheme. The Authority and its employees pay contributions into the fund, calculated at a level intended to balance pension liabilities with investment assets.

Under FRS17, the Authority is required to recognise the cost of retirement benefits in the net cost of services when earned by the employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against Council Tax is based on the cash payable in the year. In order to make this adjustment, the real cost of retirement benefits is reversed out of the General Fund balance via the Statement of Movement on General Fund Balances.

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

| | 2007/08 £000 | 2006/07 £000 |
|--|-----------------|-----------------|
| Net cost of services | | |
| Current Service Costs | 937 | 1,052 |
| Past Service costs | 304 | 130 |
| Curtailment loss | - | 70 |
| Settlement gain | - | (268) |
| Net operating expenditure | 1,241 | 984 |
| Interest cost | 2,813 | 2,581 |
| Expected return on assets in the scheme | (2,803) | (2,439) |
| Amounts included within the deficit for the year in respect of pensions | 1,251 | 1,126 |

The movement in net pension liability for the year is as follows:

| | 2007/08 £000 | 2006/07 £000 |
|---|-----------------|-----------------|
| Net pension liability at 1 April 2007 | (7,618) | (10,450) |
| Current service costs | (937) | (1,052) |
| Employer contributions | 1,054 | 1,245 |
| Past Service costs | (304) | (130) |
| Curtailment loss | - | (70) |
| Settlement gain | - | 268 |
| Interest cost | (2,813) | (2,581) |
| Expected return on net assets | 2,803 | 2,439 |
| Actuarial (losses) / gains | (5,831) | 2,713 |
| Net pension liability at 31 March 2008 | (13,646) | (7,618) |

The actuarial gains / (losses) identified as movements on the pensions reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of net assets or liabilities as at 31 March.

| | £000 | % |
|---|----------------|---------------|
| 31 March 2008 | | |
| Difference between the expected and actual return on assets | (2,630) | (6.0) |
| Differences between actuarial assumptions about liabilities and actual experience | 16 | 0.0 |
| Changes in the demographic and financial assumptions used to estimate liabilities | (3,217) | (5.7) |
| | <u>(5,831)</u> | <u>(10.2)</u> |
| 31 March 2007 | | |
| Difference between the expected and actual return on assets | 248 | 0.6 |
| Differences between actuarial assumptions about liabilities and actual experience | 0 | 0 |
| Changes in the demographic and financial assumptions used to estimate liabilities | 2,607 | 5.0 |
| | <u>2,855</u> | <u>5.4</u> |
| 31 March 2006 | | |
| Difference between the expected and actual return on assets | 5,537 | 12.7 |
| Differences between actuarial assumptions about liabilities and actual experience | (1,057) | (2.0) |
| Changes in the demographic and financial assumptions used to estimate liabilities | (4,225) | (7.8) |
| | <u>255</u> | <u>0.5</u> |
| 31 March 2005 | | |
| Difference between the expected and actual return on assets | 1,271 | 3.5 |
| Differences between actuarial assumptions about liabilities and actual experience | (1,854) | (3.9) |
| Changes in the demographic and financial assumptions used to estimate liabilities | (7,087) | (16.1) |
| | <u>(7,670)</u> | <u>16.3</u> |
| 31 March 2004 | | |
| Difference between the expected and actual return on assets | 4,729 | 12.5 |
| Differences between actuarial assumptions about liabilities and actual experience | - | - |
| Changes in the demographic and financial assumptions used to estimate liabilities | - | - |
| | <u>4,729</u> | <u>10.4</u> |

Liabilities have been assessed, by the scheme actuary, on an actuarial basis and represents an estimate of the pensions that will be payable in future years based on assumptions about mortality rates, salary levels, and other factors. The County Council Fund liabilities have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries. Estimates for The County Council Fund are based on the latest full valuation of the scheme as at March 2004. The main assumptions used in these calculations are:

| | 2007/08 % | 2006/07 % |
|------------------------------|--------------|--------------|
| Rate of inflation | 3.60 | 3.10 |
| Rate of increase in salaries | 5.35 | 4.85 |
| Rate of increase in pensions | 3.60 | 3.10 |
| Discount rate | 6.10 | 5.40 |

Assets in the scheme are valued at fair value, principally market value for investments and consist of the following categories by proportion and expected returns.

| | 2007/08 | | 2006/07 | |
|-----------------------------|------------|-----------------|------------|-----------------|
| | Proportion | Expected return | Proportion | Expected Return |
| | % | % | % | % |
| Equities | 54.90 | 7.50 | 59.50 | 7.50 |
| Government bonds | 19.90 | 4.60 | 19.80 | 5.40 |
| Other bonds | 10.30 | 6.10 | 9.70 | 5.40 |
| Property | 7.30 | 6.50 | 8.40 | 6.50 |
| Cash / liquidity | 4.60 | 5.25 | 2.50 | 5.25 |
| Other | 3.00 | 7.50 | 0.10 | 7.50 |
| Market value of total funds | £1,178,000 | | £1,178,000 | |

The underlying assets and liabilities for retirement benefits attributable to the Authority are as follows:

| | 2007/08 | 2006/07 |
|-------------------------------------|-----------------|----------------|
| | £000 | £000 |
| Estimated liabilities in the scheme | (57,403) | (52,591) |
| Estimated assets in the scheme | 43,757 | 44,973 |
| Net assets / (liabilities) | (13,646) | (7,618) |

The liabilities show the underlying commitment the Authority has in the long term to pay retirement benefits. The total liability of £13.6m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding this deficit mean that the financial position of the Authority is secured.

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

The current contribution rate that Copeland as an employer makes to the fund is 16.5% of gross pay. This contribution rate has been agreed for 2007/08 onwards at 16.5% until a further revaluation of the fund is undertaken.

35. Local area agreement

The Council is a participant in a Local Area Agreement (LAA) – an agreement between government and public bodies across Cumbria involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. 2007/08 is the first year of the LAA for Cumbria.

The LAA contains over 200 individual targets that represent priority outcomes for Cumbria. These are contained in the published LAA document. Other objectives of the LAA are to:

- Agree and deliver key outcomes and priorities for Cumbria
- Strengthen partnership working and collaboration
- Strengthen central, regional and local government relationships
- Inform the refresh of the Sustainable Community Strategy for Cumbria
- Facilitate a Cumbria-wide approach to performance management
- Provide a focal point for democratic community leadership.

The LAA partners include:

Local Government:

Allerdale Borough Council, Barrow Borough Council, Carlisle City Council, Copeland Borough Council, Eden District Council, South Lakeland District Council, Lake District National Park Authority, Cumbria County Council

Other public sector partners:

Cumbria Police, Environment Agency, Learning and Skills Council, Cumbria Primary Care Trust, Cumbria Probation Board.

Voluntary and Business Sectors:

Cumbria Local Enterprise Agency Network, Cumbria Vision, Cumbria Chamber of Commerce and Industry, Cumbria Association of Councils for Voluntary Service, Voluntary Action Cumbria

Cumbria County Council acts as the accountable body for the funding pooled in the LAA. This means that the Council is responsible for managing the distribution of grant to the partners involved. Decisions on the allocation of grant are made on the recommendation of the Cumbria Strategic Partnership. The total amount of LAA grant allocated to Copeland Borough Council in 2007/08 is £1,711,000.

36. Notes To Cashflow Statement

Reconciliation of net deficit to net cash inflow from operating activities

| | 2007/08 £000 | 2006/07 £000 |
|---|-----------------|-----------------|
| Deficit on the Income and Expenditure Account for the year | 1,114 | 568 |
| Net additional amount required by statute and non-statutory proper practices to be debited or credited to the general fund balance for the year | (1,050) | (880) |
| Non cash adjustment in respect of financial instruments | 44 | - |
| Contributions (to) / from reserves | (1,819) | 41 |
| Collection Fund Movement | (46) | 303 |
| Interest payable and receivable | 1,206 | 802 |
| Movement in stock | (8) | 20 |
| Movement in Debtors | (234) | (110) |
| Movement in Liabilities | (5,144) | 151 |
| Movement in provisions | 301 | 38 |
| Net Cash inflow from operating activities | (5,636) | 933 |

Analysis of Net Funds

| | As at 1 April 2007 £000 | Cashflow for the year £000 | As at 31 March 2008 £000 |
|----------------------------|----------------------------------|-------------------------------------|-----------------------------------|
| Cash at bank and in hand | | | |
| Bank overdraft | (1,227) | 22 | (1,205) |
| Other cash deposits | - | 2,579 | 2,579 |
| | (1,227) | 2,601 | 1,374 |
| Debt due within one year | (5) | 5 | - |
| Debt due after one year* | (5,000) | - | (5,000) |
| Current asset investments* | 13,103 | 8,497 | 21,600 |
| Long Term Investments | 6,010 | (6,000) | 10 |
| Total | 12,881 | 5,103 | 17,984 |

*Under the terms of the SORP the balance sheet values of the financial instruments has been stated inclusive of accrued interest payable and receivable. For the purposes of this note the current year net funds has been stated exclusive of these accrual adjustments so as to be consistent with the prior year. If the accrued amounts were included the balance of net funds would be £18,461,000 and this will form the balance as at 1 April 2008 for the purposes of the 2008/09 analysis of net funds.

Reconciliation of net cash flow to movements in net funds

| | 2007/08 | 2006/07 |
|--|---------------|---------------|
| | £000 | £000 |
| Increase / (decrease) in cash in the period | 2,601 | 4,513 |
| Cash (inflow) / outflow from decrease / (increase) in liquid resources | 8,497 | (2,115) |
| Capital Activities | (5,995) | - |
| Movement in net funds | 5,103 | 2,398 |
| Net funds at start of year | 12,881 | 10,483 |
| Net funds at end of year | 17,984 | 12,881 |

Analysis of government grants

| | 2007/08 | 2006/07 |
|---|-----------------|----------------|
| | £000 | £000 |
| Project related grants from various sources | (2,775) | (1,383) |
| Council tax benefit grant | (4,835) | (4,717) |
| Administration grants | (681) | (651) |
| Planning delivery grant | (439) | (107) |
| Local Area Agreement grant | (731) | - |
| LAGBI | (141) | - |
| PFI grant | (839) | (836) |
| Revenue grants | (10,441) | (7,694) |

37. Post Balance Sheet Events

There have been no significant post balance sheet events.

Housing Revenue Income and Expenditure Account
For the year ended 31 March 2008

| | 2007/08 | 2006/07 |
|---|----------------|----------------|
| | £000 | £000 |
| HRA subsidy Receivable | - | (24) |
| Total Income | - | (24) |
| Transfers from the general fund | - | - |
| Increase in Bad Debt provision | - | - |
| Total Expenditure | - | - |
| (Surplus) / Deficit for the year ended on HRA Services | - | (24) |

Statement of Movement on the Housing Revenue Account Balance

For the year ended 31 March 2008

| | 2007/08 | 2006/07 |
|--|----------------|----------------|
| | £000 | £000 |
| (Surplus) / Deficit for the year in the HRA Income and Expenditure Account | - | (24) |
| Housing Revenue Account Brought Forward | | (86) |
| Transfer to General Fund | - | 110 |
| Housing Revenue Account Carried Forward | - | - |

The Authority sold its entire housing stock to an existing Housing Association on 7 June 2004. The Secretary of State gave consent for the Authority to close its Housing Revenue Account with effect from 4 April 2006.

As the account was open for the period 1 April 2006 to 4 April 2006 comparative figures are shown here which end with the closure of the account and the transfer of the surplus to the General Fund.

Collection Fund Income and Expenditure Account
For the year ended 31 March 2008

| | 2007/08 £000 | 2006/07 £000 |
|---|-----------------|-----------------|
| Income | | |
| Billed to council tax payers | (26,908) | (25,358) |
| Council Tax benefit | (4,788) | (4,739) |
| Non-domestic rates | (33,946) | (27,547) |
| Adjustments for previous years | 121 | - |
| Total Income | (65,521) | (57,644) |
| Expenditure | | |
| Precepts and Demands: | | |
| Cumbria County Council | 23,701 | 22,849 |
| Cumbria Police Authority | 3,789 | 3,655 |
| Copeland Borough Council | 3,931 | 3,841 |
| | 31,421 | 30,345 |
| Non domestic rates | | |
| Payment to national pool | 33,820 | 27,432 |
| Costs of collection | 115 | 115 |
| | 33,935 | 27,547 |
| Increase / decrease in provision for non-payment of Council Tax | 119 | 11 |
| Contributions to general fund from 2004/05 surplus | | 44 |
| Total Expenditure | 65,475 | 57,947 |
| (Surplus) / deficit for the year | (46) | 303 |
| (Surplus) / deficit at 1 April 2007 | 100 | (203) |
| Deficit at 31 March 2008 | 54 | 100 |

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

Notes to the Collection Fund Income and Expenditure Account

1. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cumbria County Council and the Authority for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: The council tax base for 2007/08 was 22,142.60 (22,137.67 for 2006/07). The basic amount of council tax for a Band D property £1,402.93 (£1,340.88 for 2006/07) is multiplied by the proportion specified for the particular band to give an individual amount due.

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

Proportion of Band D charge:

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

2. National Non-Domestic Rates

NNDR is organised on a national basis. The government specifies an amount (43.3p in 2006/07, and 44.4p in 2007/08) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Authority is responsible for collecting rates due from the ratepayers in its areas, but pays the proceeds into an NNDR pool administered by the government. The government redistributes the sums paid into the pool back to the general funds of local authorities on the basis of a fixed amount per head of population.

The NNDR income, after relief's and provisions of £33,946,247.64 for 2007/08, was based on an average rateable value for the Authority's area of £79,372,946 for the year (£78,573,166 in 2006/07).

3. Collection Fund Deficits

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

The deficit on the collection fund as at 31 March 2008 is £54,000

Glossary of Terms

Accounting period

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

Accruals

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

Actuarial gains and losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

Asset

An item having value to the Authority in monetary terms. Assets are categorised as either current or fixed.

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

Audit of accounts

An independent examination of the Authority's financial affairs.

Balance Sheet

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

Budget

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

Capital charges

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

Capital expenditure

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

Capital financing

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

Capital programme

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

Capital receipt

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Collection Fund

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

Community assets

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

Consistency

Glossary of terms (continued)

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

Constructive obligation

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

- by an established pattern of past practice, published policies or a sufficiently specific current statement, the Authority has indicated to other parties that it will accept certain responsibilities; and
- as a result, the Authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent asset

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

Contingent liability

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and democratic core

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

Creditor

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

Current service cost

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

Debtor

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

Deferred charges

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

Defined benefit pension scheme

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

Depreciation

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

Discretionary benefits

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

Emoluments

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

Equity

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

Glossary of terms (continued)

Exceptional items

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

Expected return on pension assets

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

Extraordinary items

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

Fair value

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

Finance lease

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

Going concern

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

Government grants

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

Housing benefits

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

Housing Revenue Account

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

Impairment

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

Income

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

Income & Expenditure Account (including Statement of Movement on Reserve)

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

Infrastructure assets

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

Intangible asset

Expenditure incurred on items such as software licenses etc.

Interest cost (pensions)

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

Investments (pension fund)

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

Glossary of terms (continued)

Liability

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

- A current liability is an amount which will become payable, or could be called in, within the next accounting period, e.g. creditors or cash overdrawn
- A deferred liability is an amount which, by arrangement, is payable beyond the next year, at some point in the future, or to be paid off by an annual sum over a period of time.

Liquid resources

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

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

Long-term contract

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

Materiality

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

Minimum reserve provision (MRP)

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

Net book value

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

Net debt

The Authority's borrowings less cash and liquid resources.

Non-distributed costs

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

Non-domestic rates (NNDR)

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

Non-operational assets

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

Operating lease

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

Operational assets

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

Past service costs

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

Pension scheme liabilities

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

Glossary of terms (continued)

Post Balance Sheet events

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

Precept

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

Prior year adjustment

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

Projected unit method

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

Provision

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

Provision for credit liabilities

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

Prudence

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

Public Works Loan Board (PWLB)

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

Rateable value

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

Related parties

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

Related party transactions

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

Retirement benefits

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

Reserves

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

Residual value

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

Revenue expenditure

The day-to-day expenses of providing services.

Revenue support grant

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

Glossary of terms (continued)

Stocks

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

Temporary borrowing

Money borrowed for a period of less than one year.

Useful economic life

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

Work in progress

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

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