



Copeland Borough Council

Statement of Accounts



For the Year Ended 31 March 2005



www.copeland.gov.uk

COPELAND BOROUGH COUNCIL
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2005

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Copies of this and previous years' accounts are available for viewing, along with other information on the Council's services, on the Authority's website at www.copeland.gov.uk or from Copeland Borough Council, Copeland Centre, Catherine Street, Whitehaven, Cumbria, CA20 7SJ

Explanatory Foreword

1 *Introduction*

The accounts relate to the year ended 31 March 2005. A summary of each statement and its purpose together with a brief overview of the Authority's financial position is detailed below.

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2004: A Statement of Recommended Practice (the SORP).

2 *The Statements*

The Statement of Responsibilities for the Statement of Accounts identifies the officer who is responsible for the proper administration of the Authority's financial affairs.

The Statement on the System of Internal Control identifies the systems that the Authority has in its place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded.

The Statement of Accounting Policies details the legislation and principles on which the Statement of Accounts has been prepared.

The Consolidated Revenue Account covers income and expenditure on all the functions of the Authority.

The Housing Revenue Account summarises the income and expenditure in respect of the provision of local authority housing accommodation. It should be noted that the Council transferred its entire housing stock in June 2004 to Copeland Homes.

The Consolidated Balance Sheet sets out the financial position of the Authority as at 31 March 2005

Collection Fund shows the level of non-domestic rates and council tax that has been received by the Authority during the period 1 April 2004 and 31 March 2005

The Statement of Total Movements in Reserves brings together all the recognised gains and losses of the Authority during the period 1 April 2004 and 31 March 2005.

Cash Flow Statements summarise cash arising from transactions with third parties for revenue and capital purposes.

3 *Key activities during the year which have impacted on the accounts*

The Council transferred its' entire Housing Stock on 7th June 2004 to Copeland Homes and, as such, the Housing Revenue Account reflects 68 days of transactions. As part of the transfer agreement, the Council will receive a significant capital receipt from the first 250 Right to Buys. The accounts for 2004/05 reflect sales to date resulting in a receipt of £1.5m. This has been earmarked to fund future private sector renovation grants. The Council also entered into a Vat Sharing agreement with Copeland Homes and received a first payment of £1.4m during the year. A large proportion of employees transferred to Copeland Homes as part of the transfer and the pension deficit relating to these employees was fully funded by Copeland Homes.

The Council completed a PFI deal for new office accommodation during the year, and moved into new offices in September 2005. An audit opinion was received from KPMG LLP which stated that the scheme should not be accounted for on the Council's balance sheet as covered by FRS 5 (Financial reporting Standard). The unitary charge payable by the Council and the grant receivable from ODPM are reflected in the revenue activities as shown in the Consolidated Revenue Account.

4 *Pension Reserve*

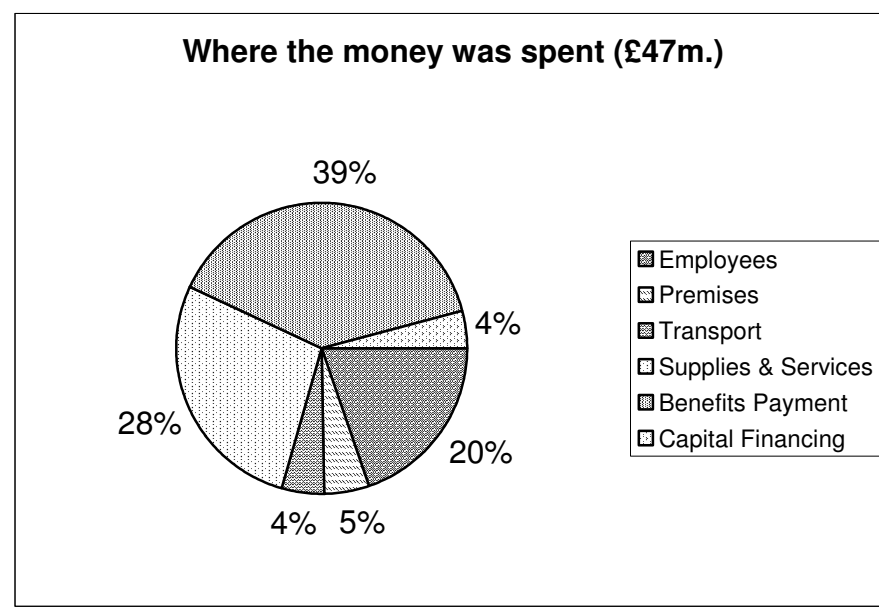
The Authority has fully implemented Financial Reporting Standard (FRS) 17 – retirement Benefits whose objective is to ensure that the Authority's financial statements reflect the fair value of future pension liabilities that have been incurred and the extent to which assets have already been set aside to fund them. This has resulted in the recognition of a pension liability and pension reserve of £11m as at 31st March 2005.

When included in the Authority's balance sheet, the net pension liabilities decrease the overall level of reserves. However, this does not represent a reduction in the cash reserves and does not impact on Council Tax levels.

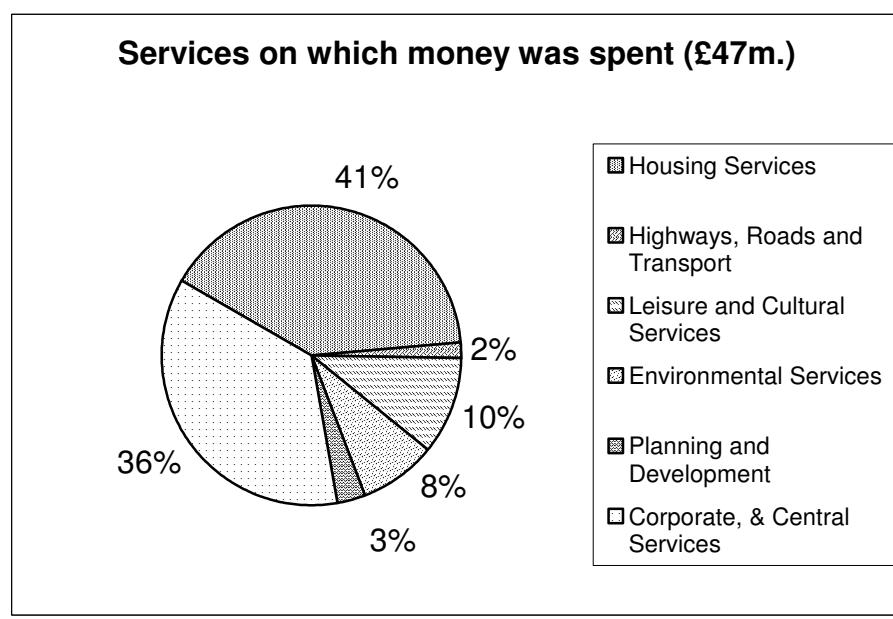
5 *Revenue Expenditure and Income*

During 2004/05 the Authority incurred expenditure of £47m on its services to the public and has effectively managed a number of budget pressures in controlling net service expenditure to 1.6%.

	Original Estimate	Final Outturn	Variance	Variance
	£m.	£m.	£m.	%
Net Service Expenditure	9.663	9.822	0.159	1.6%
Contribution to / (from) balances	-0.730	-0.889	-0.159	21.8%
Budget Level	8.933	8.933	0.00	0.0%
Met from:	£m	£m		
Council Tax	3.201	3.200		
Business Rates	1.885	1.885		
Revenue Support Grant	3.821	3.821		
Collection Fund Surplus/deficit	0.260	0.270		
	8.933	8.933		



The Housing revenue Account (HRA) operated for 68 days of the year prior to the transfer of the Housing Stock. The surplus remaining on the HRA of £140k will be transferred to General Fund after the HRA is statutorily closed on 31st March 2006.



The main elements of income as depicted below are:

Council Tax £3.5m – this is the council tax collected from local taxpayers

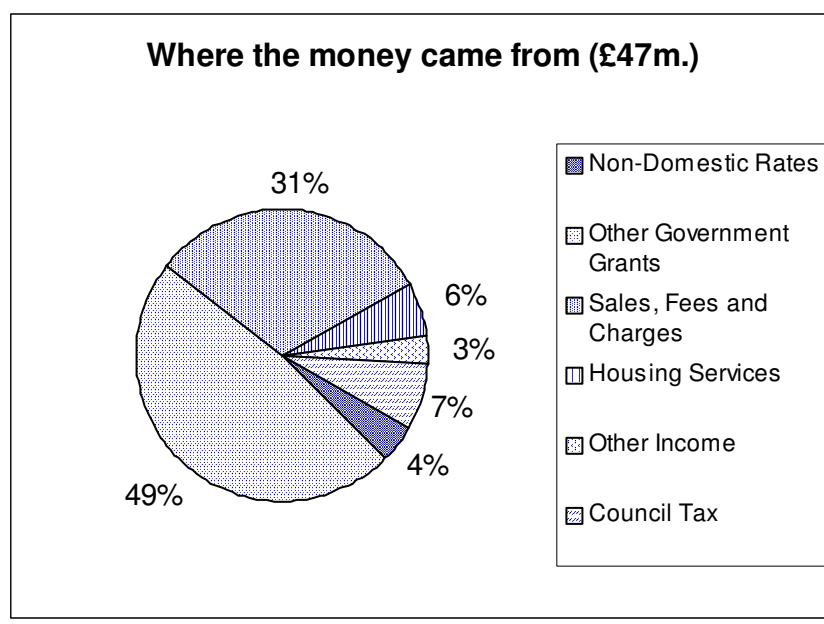
Non-Domestic Rates £1.9m – a tax on domestic properties collected by local authorities and paid into a national “pool” which the Government then shares out to local authorities according to a fixed amount per head of population.

Other Government Grants £22.5m – these are grants from the Government for support on a range of specific services

Sales, Fees and Charges, and Other Income £14.7m – these are fees and charges for services provided, ranging from sports facilities to planning applications

Housing Services £2.7m – these are for Council house rents for the eight week period leading to stock transfer, the provision of a careline service, and private sector housing renewal.

Other Income £1.4m – this is interest receivable for the financial year.



6 Capital Expenditure

Total capital expenditure in the year of £3.0m comprises £2.1m on fixed tangible and intangible assets, and £0.9m on private renovation and disabled facilities grants. Significant fixed assets acquired include the new revenues and benefits software system (£1.1m.). This compares with total capital expenditure of £5.2 m in the previous year.

Financing was provided as follows:

	£m
Grants and Contributions	2.3
Capital Receipts	0.4
Revenue	0.3
	3.0

7 **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	148.57
Cumbria County Council	928.30
Cumbria Police Authority	150.28
	1,227.15

8 **Investments and Borrowing**

The Council's authorised limit for external debt for 2004/05 was £16.0m., with an operational limit of £7.5m.

Investments at financial year end amounted to £17.3m.

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

During the year the borrowing facility increased regarding the repayment of debt outstanding as part of the transfer of the Council housing stock. All debt attributable to the HRA has been repaid (£15.5m) .

9 **Planned Future Developments**

Major investment continues to be made in the programme for Implementing Electronic Delivery, resulting in, amongst others, further development in the customer services centre, web development, and new systems.

The Council underwent a major staffing restructure during the year, in order to improve service delivery to its customers through increased efficiencies. This will assist the Council to meet the requirements of the Gershon review on public sector efficiency savings in the medium term.

10 **Changes in Accounting Policies**

The 2004/05 Accounts reflect the Code of Practice on Local Authority Accounting in the United Kingdom 2004: A Statement of Recommended Practice (the SORP), supplemented by CIPFA's Best Value Accounting Code of Practice.

There are no major changes to accounting policy adopted in financial year 2004/05.

11 *Internal and External Sources of Funds Available*

A summary follows of the authority's internal and external sources of funds available to meet its capital expenditure plans and other financial commitments including PFI schemes.

The Council has entered into a PFI scheme with London and Regional (Copeland) Limited, for 25 years, for office accommodation in Whitehaven. This is part funded from a PFI credit from Central Government. Details of the operating lease payments are shown in note 6 to the Consolidated revenue Account on page 26.

***Sue Borwick
Head of Finance and Business Development
Copeland Borough Council***

July 2005

Statement of Responsibilities for the Statement of Accounts

1 The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Head of Finance and Business Development;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

2 The Head of Finance and Business Development Responsibilities

The Head of Finance and Business Development is responsible for the preparation to the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom Great Britain ("the Code of Practice")

In preparing this statement of accounts, the Head of Finance and Business Development has:

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

The Head of Finance and Business Development has also:

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

I hereby certify that the following Statement of Accounts present fairly the financial position of Copeland Borough Council as at 31 March 2005 and its income and expenditure for the year ending on that date.

Signed:.....

SUE BORWICK ***Date***
Head of Finance and Business Development

3 Council Approval

The Statement of Accounts was approved by Council on 28th July 2005.

On behalf of the Council

Signed:.....

ELAINE WOODBURN
Leader of the Council

.....
Date

Signed:.....

NORMAN CLARKSON
Mayor, Chair of Council

.....
Date

Statement of Internal Control

1 Scope of Responsibility

Copeland Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Copeland Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, Copeland Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Copeland Borough Council's functions and which includes arrangements for the management of risk.

2 The Purpose of the System of Internal Control

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

Internal controls have continued to be developed through the financial ended 31st march 2005 and up to the date of approval of the annual accounts.

3 The Internal Control Environment

The key elements of the internal control environment are described below:

- ***Establishing and monitoring the achievement of the Council's objectives***
 - Community Strategy, launched October 2003.
 - Key objectives published in the annual Best Value Performance Plan (BVPP) and in the Corporate Plan.
 - Individual Service Plans, linked to Community Strategy/Corporate Plan, set out key objectives. Addendum plans only in 2004/05, pending restructure.
 - Regular monitoring reports to the Executive on achievement of Corporate Plan objectives.
 - Achievement of the main objectives also reported annually in the BVPP.

- ***The facilitation of policy and decision-making***

- Council's Constitution provides a general framework for governance.
- The Executive meet fortnightly to facilitate prompt decision-making, with a "call in arrangement", preventing decisions being implemented for 5 working days, to allow for effective scrutiny.
- 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.
- Forward Plan details key decisions to be made by the Council, its committees and Chief Officers under delegated powers.

- ***Ensuring compliance with established policies, procedures, laws and regulations and the role of risk management***

- Chief Legal Officer (now Head of Legal and Democratic Services) is the Monitoring Officer.
- General Standing Orders, Scheme of Delegation and Contract Standing Orders are regularly reviewed.
- Approved Anti-Fraud and Corruption Strategy.
- Internal audit carries out annual audits of the main financial systems and cyclical audits of minor financial and operational systems, based on an annual risk analysis.
- Quarterly reports on audit activity are made to the Audit Sub Group of the Overview and Scrutiny Committee Performance and Resources.
- Risk Management Strategy and Framework approved by the Executive on 17/6/03. This included the establishment of the Corporate Risk Register.
- The Risk Management Group - monitored Health and Safety issues, insurance claims and progress on the disaster recovery plan. However, no meetings were held in the last 6 months of the financial year. This group has now been relaunched with a Director as chairman and with all Heads of Service as members.
- The Project Manager for any major project has to submit a Project Initiation Document (PID) to the Executive for approval. The PID includes an evaluation of the risks and documents how they will be managed.
- Management Group have undertaken a corporate training programme on Project Management, which includes the evaluation and management of risk.
- During most of 2004/05, documented operational risks were limited to Health and Safety issues. A revised Health & Safety Policy was produced, together with an improvement action plan.
- All managers have received training on Health and Safety risk assessment.

- ***Ensuring the economical, effective and efficient use of resources and the drive for continuous improvement***
 - 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 the Policy Unit. The Executive receive reports periodically. Where performance is falling short of the target, corrective action has to be approved.
 - Improvement plan drawn up following the 2003/04 Corporate Performance Assessment (CPA). Progress monitored in 2004/05 by the Improvement Board.
 - Resources Steering Group ensures that resources are allocated to Council priorities by using a scoring mechanism.
- ***Financial management of the Council and the reporting of financial management***
 - The S.151 Officer, now the Head of Finance & Business Development is responsible for ensuring that appropriate officer advice is given, throughout the Council, on all financial records and accounts and for ensuring an effective system of internal financial control.
 - Monthly budget monitoring reports are issued to budget holders and variances are reported to the Executive on a quarterly basis.
 - Quarterly reports to the Executive on Treasury Management and on financial progress of the Capital Programme.
 - Financial Regulations were last reviewed in 2002. Next review is October 2005.
- ***Performance management of the Council and the reporting of performance management***
 - Bi-monthly performance monitoring reports for the Corporate Plan and PI's are considered by the Executive. These report against key objectives and against the national BVPI's. The standard format for the report was revised in 2004/05.
 - Annual Staff Development interviews link individual performance to the service objectives. This process was postponed in 2004/05, pending the restructure, but will be combined with assimilation interviews for all staff by 30 June 2005. Essential training was still identified and carried out in 2004/05.

4 *Review of Effectiveness*

Copeland Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Corporate team within the authority who have responsibility for the development and maintenance of

the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

- The governing body (Full Council) - reviewed the Constitution and Contract Standing Orders in April 2005; considered the annual Audit & Inspection Letter on 25 January 2005; and monitored compliance with the Code of Corporate Governance following consideration of a report by the Executive.
- The Executive - received regular reports on both corporate and individual service performance throughout 2004/05; considered an annual report on compliance with the Code of Corporate Governance on 24 May 2005; and approved the Best Value Performance Plan on 1 June 2005.
- The Audit Sub-Group and Overview and Scrutiny Committee Performance and Resources (OSC PR) - monitored internal and external audit work, including reviewing the adequacy of internal controls.
- Overview & Scrutiny Committees - there were no significant control issues arising from the "call in" of decisions / inquiries.
- The Improvement Board - monitored progress with the Improvement Plan drawn up following the CPA inspection in 2003/04.
- Service Plans not monitored corporately in 2004/05, as implementation of the restructure was delayed, however they were monitored departmentally as part of monthly meetings. Key objectives for 2005/06 to be circulated to members of the Executive by July 2005, performance to be monitored by the Chief Executive/ relevant Director
- Individual Heads of Service provided an annual assurance statement on the operation of controls in their service area. In view of the restructure, any outstanding items from key service objectives in 2004/05 will be reviewed and taken forward in the 2005/06 Service Plans.
- Some standards and targets set in service plans have been established for many years but there is a recognised need to extend these.
- Draft Standards for Customer Services, drawn up as part of the Access to Services Review approved by the Executive 6/1/04, not yet approved by Members or adopted corporately.
- Draft Procurement Strategy prepared, with improvement action plan. To be implemented in 2005/06 following restructure, which introduces a post of Procurement Officer.
- The S.151 Officer - issued only one S.151 report, re retrospective approval for funding. The amount was not material [£5,301].
- The Monitoring Officer – no Monitoring Officer reports were produced in 2004/05; no compensation was awarded.
- From March 2005, began process of documenting non-Health & Safety operational risks. Operational risks now identified by Service Managers. Further work required on management of risk.

- Internal Audit - undertook a review of the arrangements for Corporate Governance in 2004/05, reported to the Executive on 24 May 2005, and referred for consideration by Full Council. Internal Audit also submitted an Annual Report on Internal Control to the Audit Sub-Group on 13 May 2005, and referred for consideration to Full Council.
- External Audit – published the Annual Audit and Inspection Letter, presented to Members 25 January 2005; reported to OSC PR 8 March 2005 on internal audit's compliance with the CIPFA Code of Practice for Internal Audit in Local Government. Other Audit Commission reports included Corporate Governance; Improving Services through Accessibility and User Focus; Cumbria Safer Communities; Waste Management; Direction of Travel [CPA].
- Ombudsman – Letter received stating very small number of complaints and none upheld. Therefore no adverse Ombudsman reports in 2004/05.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by all of those mentioned above. Plans to address weaknesses and ensure continuous improvement of the system is in place.

5 Significant Internal Control Issues

Action was taken to address the following:-

- Contract Standing Orders were revised in April 2005 and strengthened controls in relation to the management of contracts, following a contractual dispute.
- Improvements needed to be carried out to the Health and Safety arrangements for the Cash office [Work ordered, not yet completed as at 25 May 2005]
- Revised arrangements for Casual Workers holiday pay were implemented in April 2005 to avoid a potential breach of the Working Time Regulations.

Improvement plans were drawn up to address issues arising from the Audit Commission's reports and from an inspection by the Benefits Fraud Inspectorate.

A further action plan was agreed following the internal audit report on Corporate Governance. These issues are listed below, alongside any issues arising from compilation of the evidence for this Statement. Any actions not previously included in the Corporate Governance Action Plan are now detailed in the Supplementary Action Plan at Appendix B.

High Priority

- The Risk Management Group needs to meet at least quarterly and operate to its approved terms of reference.
- The draft Disaster Recovery Plan should be developed into a Business Continuity Plan, be approved and tested.
- Operational Risk Registers should be updated when key service objectives are set following implementation of the restructure.
- A corporate resource plan should co-ordinate the resources needed for key projects to ensure there is the capacity to deliver to timescale.

- Budget holders job profiles should set out accountability for their budgets and express clearly their financial responsibilities.
- Following implementation of the restructure, Heads of Service will review any outstanding 2004/05 key objectives and take these forward in the 2005/06 service plans.

Medium Priority

- The draft Communications Strategy should be revised in line with the improvement plan arising from the Best Value Review of Communications.
- The Customer Service Standards should be approved and adopted corporately.
- Performance reports should link performance/outputs with financial budgets/expenditure.
- Following appointment of the Process Improvement Team, a programme of service reviews should be developed and progress monitored by Corporate Team.
- The Employee Code of Conduct should be updated once feedback from the national consultation has been published.
- Financial Regulations should be updated in line with Contract Standing Orders and the organisational restructure.
- When the revised Security Policy is approved, all employees should be required to say they have read, and will comply with, the Policy [not just new recruits].
- Protocols and codes of conduct should be adopted to ensure that the implications for supporting community political leadership for the whole Council are acknowledged.
- The Corporate Risk Register and Operational Risk Registers should be reviewed and updated quarterly.
- The Council should formalise the manner in which the Council considers external risks arising at other bodies that could be applicable to this Council.
- There should be independent spot checks to validate performance data submitted in performance reports.
- The existing Code of Corporate Governance should be revised in line with the Good Governance Standard for Public Services.
- Improvements need to be made in the speed of both raising and recovering Sundry Debts, together with the standard of evidence of debt.
- A central record of employee and member training undertaken should be maintained to monitor progress against the Corporate Training Plan.
- Progress against Service Plans will be monitored by the relevant Director.

Low Priority

- Performance management software should be further considered.

.....
Signature of the Leader of Copeland Borough Council

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Date

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Signature of the Mayor, Chair of the Council

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Date

.....
Signature of the Chief Executive

.....
Date

.....
Signature of the Head of Finance and Business Development

.....
Date

Statement of Accounting Policies

1 *General*

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2004: A Statement of Recommended Practice (the SORP).

This latest version of the SORP was published in 2004 and relates to the 2004/05 financial statements.

The application of the accounting requirements of the 2004 SORP, dealing with all issues relevant to the financial statements for 2004/05, have been supplemented with guidance notes issued by CIPFA.

This 2004 SORP consolidates statutory provisions for the preparation of financial statements and requirements of UK accounting standards, in issue at 30 September 2003, including FRS 17 *Retirement Benefits* and FRS 18 *Accounting Policies*, except to the extent that the latter conflicts with specific aspects of statute, so that the authority's accounts "present fairly" the financial position and transactions of the Authority.

The accounting convention adopted in the financial statements is based on historical cost modified by the revaluation of land, buildings, vehicles and plant.

2 *Accruals of income and expenditure (debtors and creditors)*

The accounts of the Authority are prepared on an accruals basis. This means that the sums due to or from the Authority during the year are included in the accounts, whether or not the cash has actually been received or paid in the year in question. Accruals have been made for all known material revenue and capital debtors and creditors for goods and services supplied both by and to the Authority during the year.

3 *Support Service Costs*

Charges for support services are made in accordance with the Best value Accounting Code of Practice using the principles of total absorption costing.

4 *Interest Charges*

External interest payable is charged to the Asset Management Revenue Account. External interest receivable is credited to the Consolidate Revenue Account.

5 *Leasing Charges*

The Authority has no outstanding obligations in respect of finance leases. Operating lease rentals are charges to the revenue account of the services receiving the benefit of the lease.

6 *Long- Term Contracts*

Long-term contracts are accounted for on the basis of charging the Consolidated Revenue Account with the value of works and services received under the contract during the financial year.

7 *Pension costs*

The accounts comply with the requirements of FRS 17 Retirement Benefits. This standard is based on the principle that an Authority accounts for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

Further information is provided in Note 12 to the Consolidated Revenue Account and Note 24 Notes to the Balance Sheet.

8 *Contingent assets & liabilities*

Contingent liabilities are disclosed within the notes to the Statement of Accounts if there is a possible obligation which may require a payment or transfer of economic benefits.

Contingent assets are not recognised in the Statement of Accounts but are disclosed within the notes if the inflow of a receipt or economic benefit is probable.

9 *Exceptional items, extraordinary items, and prior period adjustments*

Exceptional Items

Exceptional items are included in the cost of service to which they relate, or on the face of the CRA if that degree of prominence is necessary, in order to give a fair presentation to the accounts. A description of any exceptional items is given by way of note to the accounts.

Extraordinary Items

These are disclosed and described on the face of the CRA after dealing with all items within the ordinary activities of the Authority, and are fully explained by way of note to the accounts.

Prior Period Adjustments

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.

10 Fixed assets

(a) General

As provided by the Local Government and Housing Act 1989 all expenditure is charged to revenue other than that which the Authority has specifically provided to be capitalised. Such expenditure is determined through the Authority's capital programme procedures. This process only allows for expenditure to be capitalised if it is to be entered into for capital purposes; notably the provision of tangible fixed assets. All such expenditure is funded firstly through the utilisation of external resources (e.g., grants and contributions) and, where these are insufficient, by internal resources such as revenue and usable capital receipts.

The Authority is required to maintain an asset register for all assets that the Authority owns. The basis of valuation for each category of asset is included in a note to the Consolidated Balance Sheet.

(b) Depreciation

Depreciation is provided for on all fixed assets with a finite useful life, which is determined at the time of acquisition or revaluation. The methods of depreciation for each type of asset are detailed in a note to the Consolidated Balance Sheet.

(c) Impairment

Asset values are reviewed each year for impairment such as a decline in the fixed asset's market value, obsolescence or physical damage.

(d) Valuations

Details of the type of valuation method used for each category of asset are shown as a note to the Consolidated Balance Sheet. When an asset is included in the Consolidated Balance Sheet at current value, it is formally revalued at intervals of not more than five years.

(e) Charges to Revenue

All services are charged with a capital charge for all assets used in the provision of the service. This charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. These capital charges are credited to the Asset Management Revenue Account and therefore have a neutral impact on the amount that is required from local taxation.

Amounts set aside from revenue to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as appropriations, in the Consolidated Revenue Account, below net operating expenditure.

11 Grants

Revenue grants are accrued and credited to income within the service revenue account in the same period in which the related expenditure was charged.

Grants relating to capital expenditure are credited to the Contributions and Government Grants Deferred Account and written off to the Asset Management Revenue Account over the estimated useful life of the asset, thereby off-setting the depreciation of the asset.

12 Receipts arising from the Sale of Fixed Assets

Proceeds arising from the sale of assets are dealt with as capital receipts. As required by the Local Government and Housing Act 1989 a part of these monies may be required to be set aside as a provision to meet credit liabilities. The balance or usable part of capital receipts is then available:

- to finance capital expenditure (enhancing capital resources)
- as a voluntary provision to meet credit liabilities.

Reserved (or 'set aside') capital receipts are included in the Capital Financing Account. The details of capital receipts received and their use are provided by way of a note to the Statement of Total Movements in Reserves.

13 Group accounts

The accounts have been prepared under the Transitional Arrangements for 2004/05.

14 Investments

Investments are carried at cost less provision, where appropriate, for loss in value. The majority of investments relate to amounts loaned at fixed interest in the Money Market.

15 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.

16 Post Balance Sheet events

Disclosure is made of any material post balance sheet event which concerns conditions that did not exist at the balance sheet date. The nature of the event and the estimated financial effect of the event are given.

17 Provisions

Provisions are allowed for any liabilities of uncertain timing or amounts that have been incurred.

Provisions are recognised when:
the authority has a present obligation as a result of a past event,
it is probable that a transfer of economic benefits will be required to settle the obligation,
and
a reliable estimate can be made of the amount of the obligation.

Provision is made for any onerous contract.

Any (direct) cost of internal and external restructuring, and not associated with ongoing activities, is only recognised as a provision when the Authority has a constructive obligation to restructure i.e. there is an approved formal plan.

Provisions have not been allowed for possible future operating losses.

Provisions, based on the best estimate taking into account the risks and uncertainties surrounding the events, are charged to the appropriate revenue account required for any liabilities of uncertain timing or amount that have been incurred. Provisions are made when the Authority has a present obligation (either legal or constructive) as a result of a past event; it is probable that a transfer of economic benefit will be required to settle it; and a reliable estimate can be made of the financial obligation. If it becomes probable that a transfer of economic benefits is no longer required to settle the obligation, the provision is reversed.

18 Provisions for bad and doubtful debts

The balance of debtors is adjusted for doubtful debts. Known un-collectible debts are written off in the period when it becomes known for them to be un-collectible.

19 Repurchase of borrowing

Gains and losses associated with Discounts and Premia on the repurchase of early settlement of borrowing are recognised in the Consolidated Revenue Account in the period in which the repurchase or settlement is made. The exception to this is that where the repurchase is coupled with a restructuring or financing of borrowing, and which as a result does not substantially impact on the size of the overall loan portfolio or finance costs. Where one or more of these conditions is met the remaining Premia or Discount is deferred and amortised to revenue over the total of the replacement loan.

Amounts charged or credited to the HRA in respect of Premia or Discounts on the HRA share of debt subject to redemption is calculated in accordance with statutory provisions, such amounts being charged or credited to the HRA over a period equal to the remaining term of the replaced loan or 10 years whichever is less.

20 Reserves

Amounts set aside for purposes falling outside the definition of provisions are reserves, and transfers to and from them are distinguished from the service expenditure disclosed in the Statement of Accounts. Reserves are an accumulation of previous years' surpluses, deficits and appropriations.

The revenue reserves held at 31 March 2005 include:

- Collection Fund
- General Fund
- Housing Revenue
- Pension Reserve
- Earmarked Revenue Reserves:

Capital reserves held by the Authority include:

- Capital Financing Account
- Contributions and Government Grants Deferred
- Fixed Asset Restatement Account
- Usable Capital Receipts

None of these capital reserves can be used to support revenue spending. However, Usable Capital Receipts can be used to support capital expenditure and an element of the Capital Financing Account can be used to repay external loan debt.

In addition, there is a Pension Reserve, which is a notional reserve.

21 Stocks and Work in Progress

Stocks are valued 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.

For trading activities, the amount recognized in the appropriate revenue accounts for work in progress, for which interim valuations are made, is the progress payments received and receivable, less related costs and any foreseeable losses.

The amount at which work in progress, for which interim valuations are made, is included in the Balance Sheet at cost plus any attributable profit less any foreseeable losses and, where relevant, progress payments received and receivable.

22 Value Added Tax

Only irrecoverable VAT, if applicable, is included in the revenue accounts, whether of a capital or revenue nature.

CONSOLIDATED REVENUE ACCOUNT

2003/04		2004/05	2004/05	2004/05	
Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000	Note
691	Central services to the public	6,102	5,467	635	
6,638	Cultural, environmental and planning services	10,327	3,292	7,035	
546	Highways, roads and transport services	838	371	467	
2,635	Housing services	15,941	14,227	1,714	
1,668	Corporate and democratic core	10,477	9,790	687	
11	Non distributed costs	311	4,252	(3,941)	
	Total continuing operations	43,996	37,399	6,597	
	Discontinued operations – stock transfer to Copeland Homes	2,748	2,731	17	7
12,189	NET COST OF SERVICES	46,744	40,130	6,614	
274	Parish council precepts			294	
0	(Surpluses) / deficits on trading undertakings			0	
(290)	Asset management revenue account			(266)	5
	Contribution of housing capital receipts to Government Pool			470	
	Losses on repurchase of borrowing			4,291	
(963)	Interest and investment income			(1,390)	
564	Pension interest costs and expected return on pension assets			147	12
11,774	NET OPERATING EXPENDITURE	46,704	40,130	10,160	
(846)	Transfer to HRA balances			(72)	
668	Transfer to other earmarked reserves			889	
	Transfer to UCR equal to the contribution to Housing Pooled Capital receipts			(470)	
(45)	Transfer to/from Major repairs reserve			0	
25	Capital expenditure financed from revenue			245	
(418)	Reconciling amount for provisions for loan repayment			(540)	15
(997)	Transfer from capital financing account			(5,030)	
(408)	Contribution from the pension reserve			3,985	12
9,753	AMOUNT TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXATION			9,167	
(3,892)	General government grants			(3,821)	
(2,416)	Non-domestic rates contribution			(1,885)	
(3,266)	Demand on the collection fund			(3,495)	
(34)	Transfers (from) / to the Collection Fund in respect of surpluses / deficits			(27)	
145	NET GENERAL FUND (SURPLUS) / DEFICIT			(61)	
(2,411)	Balance on General Fund brought forward			(2,266)	
(2,266)	Balance on General Fund carried forward			(2,327)	

Notes to the Consolidated Revenue Account

1 Performance against budget

The Council's actual expenditure against the approved budget is summarised in note 5 on pages 4 and 5.

2 Continuing/acquired operations

During 2004/05 there were no acquired operations affecting the Authority, and there were no outstanding liabilities on any previous discontinued services.

The Council sold its entire housing stock in June 2004 to Home Group Limited

3 Capital charges

Capital charges are charged to the General Fund service revenue accounts for the use of fixed assets and relevant impairment losses.

Charges for the use of fixed assets are made up of an annual provision for depreciation, where appropriate, plus a capital financing charge. The capital financing charge is determined by applying a specified notional rate of interest to the net amount at which the asset is shown in the Consolidated Balance Sheet.

The notional interest charge is intended to reflect the fact that capital investment is strictly rationed, i.e. when capital is tied up in providing a fixed asset for a particular service it cannot be used for investment in another service. For 2004/05, the notional statutory interest rates used were 3.5% for assets carried at current value, and 4.8% for assets carried at historical cost.

Charges are made for the impairment of assets where the impairment is considered to be similar to depreciation (e.g. physical damage) and is therefore due to the clear consumption of economic benefits. The full value of the impairment loss is charged in these instances.

4 Prior year, exceptional / extraordinary items

With regard to 2004/05, there are no prior year, exceptional or extraordinary items.

5 Asset Management Revenue Account

The Asset Management Revenue Account reverses out the capital charges made to services under the capital accounting system and replaces them with depreciation (net of government grants deferred) and the real external interest charges paid by the Authority. The transactions on the Asset Management Revenue Account are as follows:

	2003/04	2004/05
	£000	£000
INCOME		
Capital Charges		
Depreciation / MRA	(3,004)	(1,229)
Interest	(1,629)	(747)
Transfer from Government Grants Deferred Account	(92)	(117)
	(4,725)	(2,093)
EXPENDITURE		
Provision for Depreciation / Major Repairs Allowance	3,004	1,229
External Interest	1,431	598
	4,435	1,827
NET	(290)	(266)

6 *Finance / operating lease rentals*

Copeland entered into a PFI building operating lease on 18th September 2005 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 2004/05 was £1,348,345 (2003/04 £776,986).

The Authority is committed to making payments of £1,785,151 under these leases in 2005/06, comprising the following elements:

	£
Leases expiring in 2005/06	0
Leases expiring between 2006/07 and 2010/11	615,751
Leases expiring after 2010/11	1,169,400

Leased vehicles relating to Building Services were assigned on 7th June 2004 to Home Group, as part of housing stock transfer arrangements.

7 *Trading operations/Discontinued operations*

The Council's previously established trading unit, Building Services, was transferred with the Council's housing stock to Home Group on 7th June 2004. HRA transactions in respect of activities transferred to CHA during the nine week period of 2004/05 have been classified under the heading "Discontinued Operations" in accordance with CIPFA's Statement of Recommended Practice

Details for the 9 week period for building division only are as follows:

	£000	£000
Building Services		
	Turnover	1,345
	Expenditure	(1,345)
Building Services operated in a totally commercial environment, its main customer being the Council's Housing Services Department. It carried out reactive and planned based work involving all trades.	Surplus (Deficit)	0
	From / To (-) Strategic Reserve Account	0
	Operating Surplus (-) / Deficit	0
	(Operating Surplus 2003/04	4)

8 *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, and empowers parish / community councils, subject to various conditions and limits, to incur expenditure which in their opinion is in the interest of their area or any part of it, or all or some of its inhabitants but for which no specific statutory power exists. The expenditure is limited to £1.90 per head of population.

The Council was permitted to spend £131,860 under this power in 2004/05 and its actual expenditure was zero.

9 *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 – details of scheme for setting charges. 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.

<u>BUILDING REGULATIONS CHARGING ACCOUNT</u>			
	Chargeable	Non-chargeable	Total Building Control
	2004/05 £000	2004/05 £000	2004/05 £000
EXPENDITURE			
Employee Expenses	106	88	194
Premises	0	0	0
Transport	6	5	11
Supplies and services	15	13	28
Central and support services charges	18	16	34
TOTAL EXPENDITURE	145	122	267
INCOME			
Building Regulation charges	(228)	0	(228)
Miscellaneous income	(1)		(1)
TOTAL INCOME	(229)	0	(229)
SURPLUS / (DEFICIT) FOR YEAR	84	(122)	(38)

10 Agencies

The Authority does not provide any material agency based services.

11 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.

Client : Cumbria County Council		
Purpose: Verge Maintenance and Weed Control		
	2003/04	2004/05
	£	£
Income	20,000	20,600
Expenditure	20,227	17,941
Surplus / (Deficit)	(227)	2,659

This represents 1.0% of all work carried out by the Authority's grounds maintenance department, based on gross expenditure.

12 Pension Schemes

Although these benefits will not actually be payable until the employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Cumbria Superannuation Fund administered by the County Council. This is a defined benefit scheme. The Council and its employees pay contributions into the fund, calculated at a level intended to balance pension liabilities with investment assets.

Under FRS17, The Council is required to recognise the cost of retirement benefits in the Net Cost of Services when they are earned by the employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the CRA after Net Operating Expenditure.

During the year, there were 3 early retirements following the Council's major reorganisation, and these costs, plus additional years granted, have been accounted for

The following transactions have been made in the CRA during the year.

2003/04		2004/05
£000's		£000's
	Net Cost of Services:	
1,063	Current services costs	(1,060)
0	Past Service Costs / Curtailment / Settlement Gain	4,209
	Net operating expenditure:	
2,574	Interest Cost	(2,393)
(2,010)	Expected return on assets in the scheme	2,246
	Amounts to be met from Government Grants & taxation:	
(408)	Movement on pension reserves	(3,985)
	Amounts charged against Council Tax for Pensions – employers contributions	
1,219		(983)

13 Members allowances and officer emoluments

Members Allowances

The total of members allowances paid during 2004/05 was £167,507 (2003/04 - £154,728).

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:

	2003/04	2004/05
Remuneration Band	Number of Employees	Number of Employees
£50,000 - £59,999	3	2
£60,000 - £69,999	0	0
£70,000 - £79,999	1	1
£80,000 - £89,999	0	0
£90,000 - £99,999	0	1

14 Related party transactions

No material transactions have occurred relating to members or senior officers of the Authority other than those disclosed below:

NAME	DECLARATION
Councillor Margaret Woodburn	Director of Groundwork Trust
Councillor Anne Bradshaw	Director of Groundwork Trust
The Council contributed £25,000 in the year to Groundwork Trust	

15 Minimum Revenue Provision

The Authority has a statutory obligation to make adequate provision to meet its liabilities in respect of capital expenditure financed from external borrowing. The method of calculating this amount, known as the Minimum Revenue Provision (MRP), is defined by Statute. Service Revenue accounts are charged with depreciation and impairment charges for fixed assets related to each particular service. A credit adjustment is then made in the appropriations section of the Consolidated Revenue Account that ensures that the net impact on the Consolidated Revenue Account equates to the sum of the MRP, after taking into account the commutation adjustment. A change has been made to the method of calculation in that the Capital Financing Requirement is now used in place of the credit ceiling. The resulting charge to the Consolidated Revenue Account is the same under both methods.

	£000	£000
4% of capital financing requirement		315
Adjustment for commutation	<u>(102)</u>	
Minimum Revenue Provision		213
Amount charged/credited as depreciation		(896)
Government grant deferred charges		<u>147</u>
Additional charge to consolidated revenue account		<u>(536)</u>

16 Audit Fees

During the year, Copeland Borough Council incurred the following fees relating to external audit and inspection performed by the Audit Commission.

	£
Statutory Inspection	119,692
Certification of Grant Claims	43,610
Other Services	26,521
	189,823

17 *Publicity account*

Under Section 5(1) of the Local Government Act 1986 the Council is required to keep a separate account of its expenditure on publicity, and this is shown below. In the Consolidated Revenue Account, these amounts are included in the appropriate headings.

	2003/04	2004/05
	£	£
Staff Advertising	24,997	23,101
Advertising		
Development Services	9,309	10,066
Leisure Management	35,266	26,732
General	18,696	21,221
Business Rates / Council Tax	4,332	1,239
Housing Services	3,690	3,194
	71,293	62,452
Promotions and Exhibitions		
Economic Development	2,949	3,000
Leisure Management	6,590	1,519
Whitehaven Civic Hall	93,957	51,773
Heritage Centre	23,899	22,974
Housing Services	544	0
Benefits	2,934	1,630
Green Waste Recycling Project	17,102	2,988
	147,975	83,884

HOUSING REVENUE ACCOUNT

2003/04	2004/05	Note
£000	£000	
INCOME		
8,700 Dwellings rents (gross)	1,611	1,10
213 Non-dwellings (gross)	38	2
23 Heating	4	3
242 Charges for service and facilities	39	3
210 Contributions towards expenditure	47	
3,942 HRA Subsidy receivable (including MRA)	(401)	4
67 Transfers from General Fund		
89 Right To Buy credit	13	5
13,486 TOTAL INCOME	1,351	
EXPENDITURE		
3,395 Repairs and maintenance	502	6
1,310 General management	387	7
994 Special management	53	8
70 Rents, rates, taxes and other	18	9
5,334 Rent rebates	0	
231 Increased provision for bad and doubtful debts		
917 Cost of capital charge	38	14
Depreciation of fixed assets:		
2,092 Council dwellings	359	13
44 Other HRA assets	0	
Impairment		
15 Debt management costs	0	
14,402 TOTAL EXPENDITURE	1,357	
916 NET COST OF SERVICES	6	
(236) Net HRA income or expenditure on AMRA	65	
HRA investment income (including mortgage income		
(29) and interest on notional cash balances)	(4)	11
651 NET OPERATING EXPENDITURE	67	
REVENUE CONTRIBUTIONS TO CAPITAL		
240 HRA contribution to Minimum Reserve Provision		
0 Capital expenditure charged to revenue		
Transfer to reserve	27	
(45) Transfers to / from Major Repairs Reserve		
TRANSFER TO PENSIONS RESERVE	5	
846 SURPLUS / DEFICIT FOR YEAR	99	
1,085 Balance brought forward	239	
239 Balance carried forward	140	

ASSET MANAGEMENT REVENUE ACCOUNT (HRA EXTRACT)

2003/04		2004/05
£000		£000
INCOME		
917	Cost of Capital Charge	38
	Depreciation of Fixed Assets:	
2,092	Dwellings	359
44	Other Assets	0
0	Impairment of Fixed Assets	0
3,053	Sub Total	397
EXPENDITURE		
681	HRA Interest Costs	103
	Depreciation of Fixed Assets:	
2,092	Dwellings	359
44	Other Assets	0
236	Transfer to HRA	0
3,053	Sub Total	462
MAJOR REPAIRS RESERVE		
INCOME		
	Transfer of MRA less Depreciation on	0
329	Dwellings from HRA	
	Depreciation of Fixed Assets:	
2,092	Dwellings	359
44	Other Assets	0
2,465	Sub Total	359
EXPENDITURE		
	Depreciation on Fixed Assets:	
44	Non-dwellings	0
2,421	Capital Expenditure Funded from MRA	359
2,465	Sub Total	359
0	Balance Carried Forward	0

Notes to the Housing Revenue Account

The Council sold its entire housing stock to an existing Housing Association on 7th June 2004. The HRA, from an operational viewpoint is now closed, and will be legally closed in March 2006, when the final balance will be transferred to General Fund Reserves. Any future movements will be as a result of final subsidy calculations.

1 Rents

This is the total rent income received after reduction in provision for doubtful debts following stock transfer.

2 Non-dwelling rents

Non-dwelling rent income of £37,645 includes rent income for garages, shops, garage sites, land and other.

3 Other charges for services and facilities

Charges for services and facilities include income of £43,123 for court costs, heating costs, Warden charges and insurance premiums.

4 *HRA Subsidy receivable*

The subsidy is based on the determinations from the Government Department on assumed income and expenditure for items in the HRA.

The HRA subsidy payable to the Authority and included in HRA income is shown below, broken down into its main components within these elements. The subsidy for 2004/05 is also shown for comparative purposes.

	2003/04 £000	2004/05 £000
No. dwellings subsidy based on Housing element	4,214	706
Allowances		
Management Allowance	1,015	233
Maintenance Allowance	2,957	508
Major Repairs Allowance	2,092	359
Charges for Capital		
Admissible set-aside	295	0
Interest on debt	1,023	142
Debt management allowance	39	0
Amortised premiums		
Other items of reckonable expenditure		1
Total allowances	7,421	1,243
Assumed Income		
Interest on receipts-mortgage interest	5	4
Guideline rent income	8,824	1,572
Total Assumed Income	8,829	1,576
Housing Element Payable	1,408	333
Rent Rebate Element		
Rent rebate subsidy element	5,339	
Total HRA Subsidy Entitlement	3,931	-333
Additional amounts included in the accounts:		
Supporting People Allowance		
Prior Year Adjustments	10	-68
TOTAL SUBSIDY INCLUDED IN THE ACCOUNTS	3,941	-401

5 *Right to buy credit*

The cost of Right to Buy administration is netted off against capital receipts. In 2004/05 the credit was £13,532.

6 *Repairs and maintenance*

All expenditure on revenue repairs is charged directly to the Housing Revenue Account, there is no separate Housing Repairs Account. This is for responsive and cyclical revenue repairs. Administration costs are included in General Management.

7 *General management*

This includes the costs the HRA share of rent collection, administration of housing repairs, keeping records and registers, voids management, administration of Council House sales, tenancy and estate management, tenant liaison and staff costs of LSVT consultation.

8 *Special management*

This includes the cost of Grounds Maintenance, Careline, Homelessness, Supported Independency Units and other services.

9 *Rents, rates, taxes, and other*

This includes expenditure for properties where the Local Authority landlord is responsible for the Council Tax and Rates payable on void dwellings.

10 *Provision for bad and doubtful debts*

Due to the sale of the housing stock on 7th June 2004, the opening provision of £423,194 has been reduced to nil.

	£000	
Opening Provision		423
Written off against provision		0
		423
Decreased provision		-423
Provision at year end required		0
	2003/04	2004/05
	£000	£000
Arrears at 31st March		
Rent arrears including garages	338	0
Rent rebate/benefit		
overpayments and court costs	65	0
Outstanding sundry debtors	80	0
	483	0

11 HRA investment income

This included £3,709 on the mortgages given to purchase Council. Interest from the money on sale of Council houses is not included in the HRA, this being credited to the General Fund. Under Resource Accounting requirements interest receivable has moved from the income section to below the line of net cost of services.

The following notes 13 to 21 refer to new disclosures under Resource Accounting Requirements. The values of housing fixed assets are included in the Council's Consolidated Balance Sheet, and the Asset Management Revenue Account in General Fund. The notes refer to the HRA related transactions on these.

12 Housing stock and other assets

Stock numbers and types are as follows:

	2003/04	2004/05
Houses and Bungalows	3,076	0
Flats, Maisonettes and Bedsits	610	0
Sheltered Units	128	0
Homelessness Units	5	0
	3,819	0

The changes in stock from 2003/04 were as follows:

	2003/04	2004/05
Stock at 1 st April 2004	4,083	3,819
Prior year adjustments	0	0
	4,083	3,819
Less: RTB Sales	-264	- 27
LSVT to Existing Housing Association	0	-3,792
Stock at 31 March 2005	3,819	0

Value of Stock

The table below shows the value of stock for Council dwellings and other HRA operational and non-operational assets, including housing garages, shops, and miscellaneous assets held.

	<i>Council Dwellings £000</i>	<i>Other HRA Assets £000</i>	<i>Total Operational Assets £000</i>
Certified Valuation at 31 March 2003	69,048	1,026	70,074
Accumulated depreciation and impairment	(63,235)	(1,026)	(64,261)
Net Book Value of assets as at 31.03.04	5,813	0	5,813
Movement in 2004/05:			
Additions	517	0	517
Transfers		0	0
Disposals	(5,454)	0	(5,454)
Revaluations	(517)	0	(517)
Depreciation	(359)	0	(359)
Adjustment on Depreciation on Disposal/Transfer		0	0
Impairments		0	0
Net Book Value of assets as at 31.03.05	0	0	0

The summary shows the value of HRA housing stock, garages and other assets, including stock and fixed asset movements.

Valuation of Council dwellings

Due to a positive tenants ballot held in 2003/04, in favour of transferring the whole of the housing stock to a new landlord, in accordance with the DETR Guidance, the basis of the valuation was changed to that of the valuation of the stock for transfer under Tenanted Market Value (TMV), this being included in the Single Transfer Model submitted to the Office of the Deputy Prime Minister and confirmed in a Letter of Approval from the ODPM. The TMV value in the STM was £5,460,000 for the estimated 3787 properties as at the transfer date on 7th June 2004, this being adjusted to £5,813,461 for the 4003 properties, which were in the Council's ownership at the date of the ballot result on 6th August 2003.

13 Depreciation

The charge for depreciation for the land, houses and property in the HRA was included in the HRA accounts as follows:

	2003/04 £000	2004/05 £000
Total amount	2,136	359
This comprised of depreciation on:		
Operational assets		
Dwelling houses	2,092	359
Garages etc.	44	0
	<u>2,136</u>	<u>359</u>

The major repairs allowance has been accepted by the CIPFA and LASAAC Joint Committee as a reasonable estimate of depreciation, but existing guidance states that should this materially misstate the depreciation of the assets, an alternative measure of depreciation is required.

14 Cost of capital charge, net cost of services, and capital asset charges accounting adjustment

The charge at 3.5% of the value of housing assets shows the cost of public sector capital tied up in HRA operational assets, both housing stock and other fixed assets.

The cost of capital for 2004/05 was £37,904. The Net Cost of Services, as shown in the summary HRA Statement, is (£396,000).

The charge is included as a signal only, and an accounting adjustment is made below the line of net cost of services to reconcile the total surplus or deficit on the HRA with the position existing prior to the introduction of resource accounting.

The cost of capital charge was 3.5% of the value of fixed assets in the HRA at the beginning of the financial year, and based on the period to stock transfer date of 7th June 2004 (68 days).

Net value of HRA operational Assets	£5,813,000
Cost of capital at 3.5%	£ 37,904

The capital asset accounting adjustment is included in the Net HRA Income on the Asset Management Revenue Account reported in the HRA summary statement. The HRA related extract of AMRA is shown below the main HRA summary.

15 *Deferred charges and impairment charges*

No impairment was identified as assets have been revalued based on Housing transfer guidance.

16 *Major repairs reserve*

A summary of the Major Repairs Reserve is shown below the main HRA summary.

17 *Capital expenditure / financing*

The table below compares the financing of the HRA capital programme in 2004/05 up to stock transfer in June 2004, and 2003/04.

	2003/04 £000	2004/05 £000
Capital Expenditure on Council Housing	2,544	517
Financed by		
Borrowing – Basic Credit Approvals	105	
Useable Capital Receipts	102	
Revenue Contributions from HRA	0	0
Major Repairs Reserve	2,420	
Major Repairs Allowance		359
Single Capital Pot		158
Accruals	(83)	
	2,544	517

18 *Capital receipts*

The total capital receipts within the HRA and use of the receipts for the year was:

	£000
Useable capital receipts balance 1 April 2004	1,498
Sale of houses – RTB Receipts	670
Sale of houses – non RTB Receipts	0
Less administrative costs of house sales	(14)
Deferred capital receipts (mortgage principal due	18
 Total Capital Receipts	 2,172
Pooling to ODPM	469
Useable receipts Carried forward	1,703

19 *Housing capital commitments*

There are no future year contractual commitments due to the sale of the housing stock.

CONSOLIDATED BALANCE SHEET

2003/04 £000		2004/05 £000	2004/05 £000	Note
FIXED ASSETS				
Operational assets:				
5,813	Council Dwellings	0		
0	Other Council Dwellings	0		
14,763	Other Land and Buildings	13,814		
1,586	Vehicles, Plant and Equipment	1,169		
2,693	Infrastructure Assets	2,707		
0	Intangible assets	670		
0	Community Assets	0		
Non-Operational Assets				
4,303	Investment Properties	4,837		
29,158	TOTAL FIXED ASSETS		23,197	1,5,6,7,8,9
0	Deferred charges	0		2
0	Long-term investments	0		
2,372	Long-term debtors	2,253		10
31,530	TOTAL LONG TERM ASSETS		25,450	
Current assets				
493	Stocks and work in progress	77		11
2,370	Debtors	4,337		12
14,340	Investments	17,311		13
254	Cash and bank	0		
			21,725	
48,987	TOTAL ASSETS		47,175	
Current Liabilities				
(4)	Short-term borrowing	(4)		
0	Bank Overdraft	(200)		
(4,253)	Creditors	(3,958)		14
			(4,162)	
44,730	TOTAL ASSETS LESS CURRENT LIABILITIES		43,013	
(19,630)	Long-term Borrowing	(5,000)		15
(7,457)	Liability related to defined benefit pension scheme	(11,177)		24
(626)	Provisions	(459)		
			(16,636)	
17,017	TOTAL ASSETS LESS LIABILITIES		26,377	
(22,616)	Fixed Asset Restatement Account		(28,708)	
36,846	Capital Financing Account		51,771	
2,489	Government Grants - Deferred Account		2,516	
63	Deferred Capital Receipt		45	
211	Capital Grants Unapplied		445	
1,498	Usable Capital Receipts Reserve		4,389	
(7,457)	Pension reserve		(11,142)	24
0	Major Repairs Reserve		0	
3,241	Earmarked Reserves		4,130	
2,503	General Fund Balance		2,791	
239	Housing Revenue Account Balance		140	
17,017	TOTAL NET WORTH		26,377	

Notes to the Consolidated Balance Sheet

1 Capital expenditure and disposals during the year^[a1]

	<-----Operational assets----->									
	Council Dwellings	Other HRA Assets	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Intangible assets	Community Assets	Total Operational Assets	Non- operational Assets	Total Assets
	£000	£000	£000	£000	£000		£000	£000	£000	£000
Certified Valuation at 31 March 2004	11,794	141	16,380	2,425	3,276	0		34,016	4,303	38,319
Accumulated depreciation and impairment	(5,981)	(141)	(1,617)	(839)	(583)	0		(9,161)		(9,161)
Net Book Value of assets as at 31.03.04	5,813	0	14,763	1,586	2,693	0	0	24,855	4,303	29,158
Movement in 2004/05										
Additions	517		164	14	181	577		1,453	45	1,498
Transfers				(182)		182		0		0
Disposals	(5,454)							(5,454)		(5,454)
Revaluations	(517)		(609)	(152)				(1,278)	532	(746)
Depreciation	(359)		(504)	(146)	(167)	(52)		(1,228)		(1,228)
Depreciation Adjustment on transfer				49		(49)		0		0
Write outs						12		12	(43)	(31)
Impairments										
Net Book Value of assets as at 31.03.05	0	0	13,814	1,169	2,707	670	0	18,360	4,837	23,197

2 *Deferred charges*

	Balance at 1 April 2004 £000	Expenditure in year £000	Written off to revenue in year £000	Capital Grants & Donations £000	Balance at 31 March 2005 £000
Improvement Grants	0	908	(738)	(170)	0
Other (grant from Copeland Homes to repay premia on debt)	0	4,292		(4,292)	0
	0	5,200	(738)	(4,462)	0

3 *Summary of capital expenditure and sources of finance*

	2003/04 £000	2004/05 £000
CAPITAL INVESTMENT		
Operational assets	3,850	1,453
Non-operational assets		45
Deferred Charges	1,329	908
	5,179	2,406
SOURCES OF FINANCE		
Single Capital Pot(BCA 03/04)	887	896
Capital receipts	985	441
Government grants and other contributions	3,245	758
Revenue contributions	37	311
Changes in creditors	25	
	5,179	2,406

4 *Capital commitments*

The Council has not entered into any significant contracts for capital investment purposes

5 Information on assets held

Fixed assets owned by the Council include the following:

	Number at 31 March 2004 <i>no.</i>	Changes 2004/05 <i>no.</i>	Number at 31 March 2005 <i>no.</i>
OPERATIONAL ASSETS			
Council Dwellings			
Housing (HRA)	3,691	-3,691	0
Estate Shops	13	-11	2
Supported Independency Units	128	-128	0
Other Land and Buildings			
Headquarters	1	0	1
Depots	7	0	7
Crematorium	1	0	1
Cemeteries	5	0	5
Civic Halls	2	0	2
Swimming Pools	1	0	1
Sports Centres	1	0	1
Nursery	1	0	1
Beacon / Heritage Centre	1	0	1
Bowls Centre	1	0	1
Sports Fields and Playing Grounds	14	0	14
Vehicles, Plant and Equipment			
Vehicles	8	0	8

6 Intangible assets

This is a new category introduced this year and reflects authorities continuing investment into major new IT systems.

Movement in Intangible Assets	
	Purchased Software Licences £000
Original Cost	0
Balance at 1st April 2004	0
Expenditure & transfers in year	425
Accumulated Depreciation to 1st April 2004	(37)
Written off to revenue in year	(52)
Balance at 31st March 2005	336

Intangible assets comprise the software licences for the new Revenues & benefits System, web site, and other new e-government systems.

The policy adopted is to depreciate over a 5 year useful life.

7 Fixed asset valuation

Bases 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 Institution of Chartered Surveyors (RICS).

Operational Properties - are valued on the basis of open market value for the existing use or, where this could not be assessed, depreciated replacement cost is used.

Non-operational Properties - are valued on the basis of open market value.

Community Assets and Infrastructure Assets – are recorded in the accounts at historical cost.

Vehicles Plant and Equipment - are recorded in the Balance Sheet at actual cost less accumulated depreciation as at 31 March 2005.

Intangible Assets - are recorded in the Balance Sheet at actual cost less accumulated depreciation as at 31 March 2005, based on a 5 year life.

Revaluation of these assets is on a quinquennial basis.

A complete revaluation on all non dwelling assets was undertaken in two phases by CAPITA. Phase 1 - February 2003 and phase 2 was carried out in April 2003. Revaluations have been carried out during the year where a change in use or value of asset has been identified.

8 Valuation disclosures

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. Non-operational properties were valued by reference to their open market value for an alternative use.

Operational Asset Depreciation

	Cumulative Depreciation at 01.04.04 £000	Actual Depreciation 2004/05 £000	Adjustments to cumulative depreciation 2003/04 £000	Cumulative Depreciation at 31.03.05 £000
Operational Assets				
Council dwellings	5,982	359		6,341
Other HRA assets	141	0		141
Other land and buildings	1,617	504		2,121
Plant & Equipment	839	146	-49	936
Infrastructure	582	167		749
Intangible	0	52	37	89
	9,161	1,228	12	10,377

Depreciation has been applied to equipment and infrastructure assets since the introduction of the requirements of the Local Government and Housing Act 1989.

Depreciation was applied to other land and buildings for the first time in 2001/02.

Depreciation on Council dwellings and other HRA assets was applied for the first time in 2001/02.

Depreciation is charged for all material fixed assets in compliance with FRS15 and is calculated on a straight-line basis.

9 Change in depreciation methods used

There have been no changes to the depreciation methods used.

10 Long term debtors

	31.03.04 £000	31.3.05 £000
Council house sales - Mortgages	63	45
Housing Act advances	17	9
Housing Associations	2,209	2,168
Officers' car loans	83	31
Local companies / bodies	16	16
	2,388	2,269
Less provision for doubtful debtors	(16)	(16)
	2,372	2,253

11 Stocks and work in progress

	31.03.04 £000	31.3.05 £000
Stocks		
Stores	82	0
Other	69	77
	151	77
Work in Progress	342	0
	493	77
Work in Progress		
Building	602	0
Housing (related accrual)	(260)	0
	342	0

12 Debtors

	31.03.04 £000	31.3.05 £000
Amounts falling due in one year:		
Government Departments	129	1,578
Council Taxpayers and Ratepayers	1,476	1,717
Housing Rents	402	0
Sundry Debtors	1,626	1,909
General	0	0
	3,633	5,204
Less Provision for doubtful debts	(1,263)	(867)
	2,370	4,337

13 Investments

	31.03.04 £000	31.3.05 £000
<u>SHORT TERM INVESTMENTS:</u>		
External investments	14,330	17,301
Debenture	10	10
	14,340	17,311

Short-term investments reflect the cash flow surplus of the Council, and are shown at cost price. Sums of money are invested in the money markets for fixed periods at fixed rates of interest.

14 Creditors

	31.03.04	31.3.05
	£000	£000
Creditors:		
Government Departments	1,002	860
Other Local Authorities	136	0
Housing Rents	70	0
Sundry Creditors	2,273	2,654
Council Taxpayers and Ratepayers	434	384
Accrued interest deposits	338	60
	4,253	3,958

15 Borrowing repayable within a period in excess of 12 months

Following the sale of the Council's housing stock, the Council was able to repay its long term borrowing with PWLB and Bayerische Landesbanke.

	As at 31st March 2004 £000	As at 31st March 2005 £000
ANALYSIS OF LOANS BY TYPE		
Public Works Loan Board	6,180	0
DEPFA Bank	5,000	5,000
Bayerische Landesbanke	8,450	0
	19,630	5,000
ANALYSIS OF LOANS BY MATURITY		
Up to 1 year	1	0
Between 2 and up to 5 years	3	0
Between 5 and up to 10 years	5	0
Between 10 and up to 15 years	311	0
More than 15 years	19,310	5,000
	19,630	5,000

16 Insurance provisions

The provision covers the expected payments on claims relating to both the third party liability, and, motor liability insurance policies held with Zurich Insurance, that have been reported but not settled at 31st March 2005 regardless of whether they would be covered by the insurers. Of the £140,000 outstanding, £78,000 is expected to be reimbursed through insurance settlements.

	£000
As at 31st March 2004	459
Payments made	24
Reductions in provisions	295
As at 31st March 2005	140

17 *Movement in the year for each class of provision*

The Council maintains the following provisions for bad or doubtful debts:

	Balance at 1 April 2004 £000	Debts written off in year £000	Increase / (Decrease) in year £000	Balance at 31 March 2005 £000
Commercial Ratepayers	352	-(112)	36	276
Community Charge payers	1	-(1)	0	0
Council Taxpayers	412	-(4)	50	458
Housing Rents	423	0	-(423)	0
Sundry Debtors	74	-(1)	60	133
	1,262	-(118)	-(277)	867

Other specified provisions (excluding insurance and bad or doubtful debts) are as follows:

	Balance at 1 April 2004 £000	Movements in year £000	Balance at 31 March 2005 £000
Capital Grants	141	0	141
Other	26	314	340
	167	314	481

18 *Shareholdings*

The Authority has interests in the following companies as at 31 March 2005.

These are all a Minority Interest and not influenced under s69 of LGHA 1989, and are neither controlled nor influenced by the Council, under Part V of LGHA 1989. There are no business relationships with any of the companies outlined below and the Council.

Please note that the published accounts for 2004 for the below mentioned companies are unavailable at present.

Name: Whitehaven 1992 Ltd.
Nature of Business: Promotion of Rugby League Football
Proportion of Shares: 30,000 £1 Ordinary Shares
Additional Note: Whitehaven 1992 Ltd is a non-trading company. Albright and Wilson UK LTD hold the shares for the Council.

Name: Whitehaven Rugby league Football Club Ltd
Nature of Business: Promotion of Rugby League Football
Proportion of Shares: Subsidiary of Whitehaven 1992 Ltd
Net Assets/(liabilities) 31/12/03 unknown
31/12/02 £5,363
Profit/(Loss) before Tax: 31/12/03 unknown
31/12/02 £31,316
Profit/(Loss) after Tax: 31/12/03 unknown
31/12/02 £31,316

19 Net assets employed

	2003/04 £000	2004/05 £000
General Fund	2,267	2,326
General Fund - earmarked	3,241	3,968
HRA	239	140
Collection Fund	236	465
	5,983	6,899

20 Contingent liabilities and assets

Three contingent liabilities and one contingent asset have been identified:

Contingent Liabilities:

Employment claim

- Damages are currently being assessed by the Courts in relation to a claim concerning employment and other matters. It is difficult to estimate, at this stage, the eventual liability on the Council for uninsured losses.

Municipal Mutual Insurance (MMI)

- The Council has £400,000 (since 1993) of insurance receipts with Mutual Municipal (MM), the Council's previous insurers. Mutual Municipal is currently being wound up and potentially the £400,000 is at risk if the wind up of MM is insolvent.

Unadopted Sewers

- The Council gave a commitment to tenants to complete the programme of repairing and renewing sewers to get them 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.

Contingent Asset**Vat Sharing Agreement**

- A VAT sharing agreement was entered into with Copeland Homes as part of the transfer of housing stock. Under this agreement the Council will accrue share of benefits worth £4.2m. As at 31.3.04, £1.24 has been received with the remainder due over the next few years. There is a small element of uncertainty as to the extent to which the Council will receive all the remaining VAT shelter agreement.

21 Post balance sheet events

This is not applicable to the enclosed financial statements.

22 Amounts due to / from related parties

This is not applicable to the enclosed financial statements.

23 Euro costs

The Authority is continuing to keep up to date with issues regarding the potential implementation of the Euro.

Assets and liabilities denominated in foreign currencies are translated into GB pounds at the rates of exchange ruling at the year-end. At the 31st March 2005 the assets comprised the balance of €3 in the Euro account held at the Council's bank. There were no liabilities at this date.

24 Net pensions / asset / liability

Note 10 to the Consolidated Revenue Account contains details of the Council's participation in the Local Government Pension Scheme administered by the County Council.

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

	2003/04 £m	2004/05 £m
Estimated liabilities in the scheme	(45.4)	(47.1)
Estimated assets in the scheme	37.9	35.9
Net asset / (liability)	(7.5)	(11.2)

The liabilities show the underlying commitment the Council has in the long run to pay retirement benefits. The total liability of £11.2 m has a substantial impact on the net worth of the Council. However, statutory arrangements for funding this deficit mean that the financial position of the Council is secured. Since the end of the year, the Housing Stock has transferred to a new landlord. The new landlord took over the existing employees and has taken responsibility for funding any deficit relevant to those employees.

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 make to the fund is 13.8% of gross pay. The contribution rates have been agreed as follows to phase in the total increase over two years.

15.6% 2005/06

16.5% 2006/07 onwards until a future revaluation of the fund is undertaken.

The Council's budget assumes a 2% increase to 15.8% and 2% increases over the next two years.

Liabilities have been assessed by the Scheme Actuary on an actuarial basis, an estimate of the pensions that will be payable in future years dependant 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 being based on the latest full valuation of the scheme as at March 2004. The main assumptions used in these calculations:

	2004 valuation		2001 valuation	
	Past service	Future service	Past service	Future service
Investment return				
Pre-retirement	6.60%	6.50%	5.60%	6.50%
Post-retirement	5.60%	6.50%	5.60%	6.50%
Pensionable pay increases	4.55%	4.25%	3.80%	4.00%
Pension increases	2.80%	2.50%	2.30%	2.50%

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.

2003/04			2004/05		
Proportion Expected			Proportion Expected		
62.80%	7.50%	Equities	58.40%	7.50%	
18.70%	4.70%	Government Bonds	21.20%	4.70%	
8.30%	5.50%	Other Bonds	10.10%	5.50%	
7.80%	6.50%	Property	8.40%	6.50%	
2.40%	4.00%	Other	1.90%	4.00%	
Market value of total					
£790m.			£880m.		
funds					

COLLECTION FUND ACCOUNT

2003/04 £000		2004/05 £000	2004/05 £000	Note
	INCOME			
(21,185)	Billed to Council Tax Payers	(22,794)		1
(4,112)	Council Tax Benefit	(4,436)		
(28,400)	Non-Domestic Rates	(28,833)		2
	Adjustments for previous years			
0	Community Charge			3
(53,697)	Total Income		(56,063)	
	EXPENDITURE			
	Precepts and demands:			
19,009	- Cumbria County Council	20,168		
2,786	- Cumbria Police Authority	3,262		
3,266	- Copeland Borough Council	3,495		
25,061			26,925	
	Non-Domestic Rates:			
28,281	- Payment to National Pool	28,715		
119	- Cost of Collection Allowance	118		
28,400			28,833	
(12)	Increase / Decrease in Provision for non-payment of Council Tax		50	
34	Contributions to General Fund from 2003/04 Collection Fund Surplus		27	
53,483	Total Expenditure		55,835	
(214)	(Surplus) / Deficit for the year		(228)	
(23)	(Surplus) / deficit at 1 April 2004		(237)	
(237)	(Surplus) / deficit at 31 March 2005		(465)	

NOTES TO 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 8 valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cumbria County Council and the Council 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 2004/05 was 21,543.68 (21,124.88 for 2003/04). The basic amount of Council Tax for a Band D property £ 1227.15 (£1,162.77 for 2003/04) 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 (44.4p in 2003/04, and 45.6p in 2004/05) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council 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 local authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income, after relief's and provisions of £28,832,291.45 for 2004/05, was based on an average rateable value for the Council's area of £68,739,830 for the year (£68,503,043 in 2003/04).

3 *Adjustments for previous years' community charge*

Although Council Tax replaced Community Charge from 1st April 1993, the Council continues to account for residual adjustments in relation to the Community Charges raised in earlier years in the Collection Fund. The collection performance in 2004 /05 allowed all of the provision for non-payment made prior to 1st April 1993 to be released.

4 *Collection fund surpluses and 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 Council and Cumbria County Council in a subsequent financial year.

The surplus as at 31st March 2005 is £464,512.

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	CAPITAL RESERVES							REVENUE RESERVES					TOTAL	
	Capital Grants Unapplied £000	Major Repairs Reserve £000	Government Grants Deferred £000	Deferred capital receipt £000	Fixed Asset Restatement Account £000	Capital Financing Account £000	Useable Capital Receipts Reserve £000	Pension reserve	General Fund Reserves £000	Collection Fund £000	Earmarked Reserves £000	HRA Reserves £000		£000
Balance at 01/04/04	(211)	0	(2,489)	(63)	22,616	(36,846)	(1,498)	7,457	(2,266)	(237)	(3,241)	(239)		(17,017)
Net (surplus)/deficit for year	(64)		117	18		1,759		(3,985)	(60)	(228)	(889)	99		(3,233)
Unrealised (gains)/losses from revaluation of fixed assets					638			7670						8,308
Effects of disposals of fixed assets														0
Cost or value of assets disposed of					5454									5,454
Overhanging debt grant						(15,546)								(15,546)
Proceeds of disposals							(3,333)	0						(3,333)
Transfer		(359)				359								0
Capital Grants	(1,009)													(1,009)
Financing of fixed assets	839	359	(143)			(1,497)	442	0						0
Balance at 31/03/05	(445)	0	(2,515)	(45)	28,708	(51,771)	(4,389)	11,142	(2,326)	(465)	(4,130)	(140)		(26,376)

CASH FLOW STATEMENT					
2003/04	2003/04		2004/05	2004/05	Note
£000	£000		£000	£000	
		REVENUE ACTIVITIES			
		Cash Outflows			
11,909		Cash paid to and on behalf of employees	9,105		
16,877		Other operating cash payments	12,440		
7,157		Housing benefit paid out	12,797		
26,553		National non-domestic rate	28,373		
22,069		Precepts paid	23,725		
	84,565			86,440	
		Cash Inflows			
(3,810)		Rents (after rebates)	(616)		
(21,497)		Council Tax receipts	(22,825)		
(28,130)		National non-domestic rate	(28,369)		
(3,892)		Revenue Support Grant	(3,821)		
(2,416)		NNDR Receipt from the pool	(1,885)		
(5,339)		DSS grants for benefits	(11,255)		
(12,930)		Other government grants	(4,927)		
(6,790)		Cash received for goods and services	(7,965)		
(496)		Other operating cash receipts	(538)		
	(85,300)			(82,201)	
	(735)	Net Cash Outflow / (Inflow) on Revenue activities		4,239	1
		RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
		Cash Outflows			
1,483		Interest paid	876		
		Cash Inflows			
(1,058)		Interest received	(1,197)		
	425			(321)	
		CAPITAL ACTIVITIES			
		Cash Outflows			
1,087		Purchase of fixed assets	1,519		
1,339		Payment of renovation and other grants	1,377		
2,426			2,896		
		Cash Inflows			
(5,773)		Sale of fixed assets	(2,296)		
(710)		Capital grants received	(251)		
(156)		Other capital receipts	(5,868)		
	(4,213)			(5,519)	
	(4,523)	NET CASH OUTFLOW / (INFLOW) BEFORE FINANCING		(1,601)	3
		MANAGEMENT OF LIQUID RESOURCES			
		net increase / decrease in short term deposits			
(272)		net increase / decrease in other liquid resources		2,772	
		FINANCING			
		Cash Outflows			
4,167		Repayment of amounts borrowed	8,450		
		Cash Inflows			
0		New loans raised	(9,366)		
	4,167			(916)	
	(628)	Net increase / (decrease) in Cash		255	

NOTES TO THE CASH FLOW STATEMENT

1. Reconciliation of net surplus / deficit to net cash inflow from revenue activities

	2003/04 £000	2004/05 £000
Surplus for the year	145	(60)
Add		
Depreciation HRA	(2,136)	(359)
Contribution to provisions	(37)	167
Contribution to reserves	2,898	2,759
Interest Recd	928	1,364
Interest paid	(1,431)	(598)
Collection Fund transfers	(214)	(228)
Items on an Accruals Basis		
- Stocks and WIP	109	(416)
- Debtors	(2,209)	1,658
- Creditors	1,212	(48)
Net Cash Inflow / Outflow from Revenue Activities	(735)	4,239

2. Analysis of Net Debt

	At 1.4.04 £000	Cash flow £000	Non cash	At 31.3.05 £000
Cash at bank and in hand	254	(254)		0
Bank Overdraft	0	(200)		(200)
Other cash deposits	1,633	199		1,832
	1,887	(255)		1,632
Debt due within one year	0	0		0
Debt due after one year	(19,635)	(916)	15,546	(5,005)
Current asset investments	12,707	2,772		15,479
Total	(5,041)	1,601		12,106

3. Reconciliation of Net Cashflow to Movements in Net Debt

	£000
Increase / decrease in cash in the period	(255)
Cash Inflow / Outflow from Decrease / Increase in Liquid Resources	2,772
Cash Inflow / Outflow from Decrease / Increase in Debt and Lease / Deferred Purchase Financing	<u>(916)</u>
Movement in net debt	1,601
Net Debt at 31.3.04	<u>(5,041)</u>
Net Funds at 31.3.05	<u>(3,440)</u>

* as a result of the transfer of housing stock during the year, the ODPM settled the debt relating to the HRA, direct with the PWLB.

4. Analysis of Government Grants

	2003/04 £000	2004/05 £000
	RESTATED	
EU Revenue Grants	180	47
HRA subsidy	4,303	(16)
Council Tax Benefit Grant	3,681	4,384
Housing benefit admin grant	285	280
Council tax Benefit admin grant	238	232
	<u>8,687</u>	<u>4,927</u>

5. Liquid Resources

Liquid resources include certificates of deposit, government securities, and other term deposits reported under current asset investments.

6. Stock Transfer

Cash flows associated with the Stock transfer include payments out for post ballot costs, premia payable on the early repayment of attributable debt and income received from Copeland Homes as follows;

	£
Sale of small items of plant	100,000
Contribution towards the cost of early repayment of debt	4,300,000
Contribution towards the additional costs incurred by the Council	1,200,000
Initial payment in respect of a VAT sharing agreement	1,400,000

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. a school building.

Audit of accounts

An independent examination of the Authority's financial affairs.

Balance sheet

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

Budget

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

Capital charges

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

Capital expenditure

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

Capital financing

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

Capital programme

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

Capital receipt

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Collection fund

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

Community assets

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

Consistency

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

Consolidated revenue account

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.

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 such as The Local Government (Discretionary Payments) Regulations 1996.

Emoluments

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

Equity

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

Exceptional items

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

Expected return on pension assets

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

Extraordinary items

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

Fair value

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

Finance lease

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

Going concern

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

Government grants

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

Housing benefits

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

Housing revenue account

A separate account to the General Fund, that 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.

Infrastructure assets

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

Intangible asset

Expenditure incurred on items such as software licenses etc.

Interest cost (pensions)

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

Investments (pension fund)

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

Liability

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

- A **current** liability is an amount which will become payable, or could be called in, within the next accounting

period, e.g. creditors or cash overdrawn.

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

Liquid resources

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

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

Long-term contract

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

Materiality

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

Minimum reserve provision (MRP)

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

Net book value

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

Net debt

The Authority's borrowings less cash and liquid resources.

Non-distributed costs

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

Non-domestic rates (NNDR)

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

Non-operational assets

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

Operating lease

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

Operational assets

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

Past service costs

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

Pension scheme liabilities

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

Post balance sheet events

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

Precept

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

Prior year adjustment

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

Projected unit method

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

Provision

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur, 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 reserve.

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 Council's purposes, related parties are deemed to include the authority's members, the Chief Executive, its Directors and their close family and household members.

Related party transactions

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

Retirement benefits

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

Reserves

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

Residual value

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

Revenue expenditure

The day-to-day expenses of providing services.

Revenue support grant

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

Stocks

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

Temporary borrowing

Money borrowed for a period of less than one year.

Useful economic life

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

Work in progress

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

