



# **Copeland Borough Council**

## **Unaudited Statement of Accounts**



**For the Year Ended 31 March 2008**

[www.copeland.gov.uk](http://www.copeland.gov.uk)

**COPELAND BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2008**

**Part 1 - Foreword**

Audit Certificate and Opinion 2

Foreword 3

**Part 2 – Statement of Accounting Policies**

Statement of Accounting Policies 9

Statement of Responsibilities for the Statement of Accounts 16

Annual Governance Statement 2007/08 17

**Part 3 – Core Financial Statements**

Income & Expenditure Account 24

Statement of Movement on the General Fund Balance 25

Statement of Total Recognised Gains and Losses 26

Balance Sheet 27

Cash Flow Statement 28

Notes to the Core Financial Statements 29

**Part 4 – Other Financial Statements**

Housing Revenue Account 48

Collection Fund 49

Glossary of Terms 51

Copies of this and previous years' accounts are available for viewing, along with other information on the Authority's services, on the Authority's website at [www.copeland.gov.uk](http://www.copeland.gov.uk) or from Copeland Borough Council, Copeland Centre, Catherine Street, Whitehaven, Cumbria, CA28 7SJ

Awaiting inclusion of audit certificate and opinion

## FOREWORD

### 1 Introduction

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

The 2007/08 Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice (the SORP). The SORP is amended annually for changes in statute and accounting practices.

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

There will be no need to restate the 2006/07 Income and Expenditure Account as was done in the previous year due to changes in the 2006 SORP. The 2006/07 Income and Expenditure Account was restated for comparison purposes, however, the only comparative figures for 2007/08 appear in the Balance Sheet (the balances on the FARA and CFA are written off to the new Capital Adjustment Account).

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

- **Statement of Accounting Policies** explains the basis of the figures in the accounts.
- **Income & Expenditure Account** covers income and expenditure on services for which the Council is responsible.
- **Statement of Movement on the General Fund Balance** reconciles the Authority's actual financial performance as accounted for in the Income & Expenditure Account with the statutory provisions relating to how an Authority sets its budget.
- **Statement of Total Recognised Gains and Losses** aggregates all the gains and losses of the Authority for the year to determine any changes in its net worth.
- **The Balance Sheet** sets out the financial position as at 31 March 2008 in respect of balances, reserves, long term indebtedness, fixed and current assets employed in its operations.
- **Cash Flow Statement** summarise the overall inflows and outflows of cash in the year for revenue and capital purposes.
- **Housing Revenue Account** reflects a statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989
- **Collection Fund** shows the level of non-domestic rates and council tax that has been received by the Authority during the period.

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

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

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

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

## 2 Budgeted Income and Expenditure Analysis 2007/08

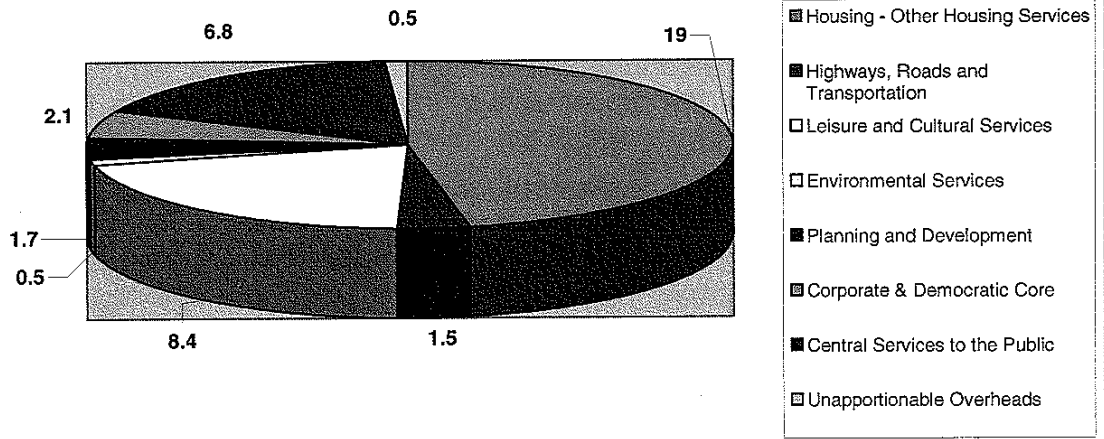
### 2.1 Revenue

The reported provisional out-turn position for the year was an under spend of £399k (3.4%) against a net operating budget of £11.8m. In the main the under spend relates to staffing vacancies which have been reported net of £360k set aside from the salary budget for job evaluation purposes. Members approved the carry forward in principle, subject to the audit findings to ensure that the corporate plan is delivered over the medium term time frame in accordance with the budget strategy.

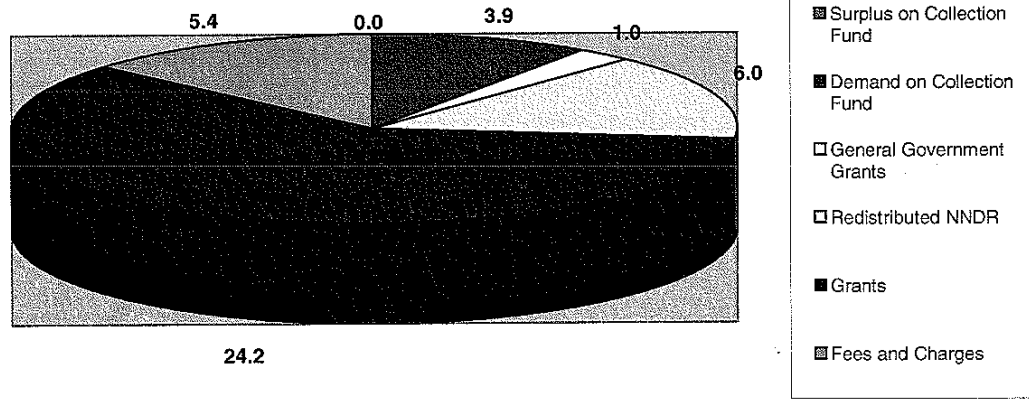
The table below shows how actual spending compared with the revised budget:

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

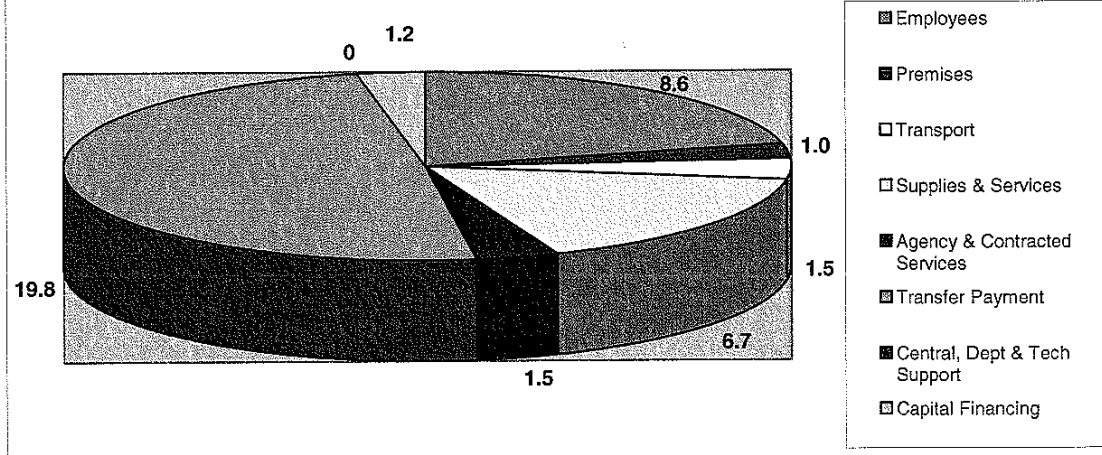
**Services on which money was spent (£40.5m)**



**Where the money came from (£40.5m)**



**Where the money was spent (£40.5m)**



The main elements of income are:

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

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

**Other Government Grants £23.2m** – these are grants from the Government for support on a range of specific services including Housing Benefits (£15.3m), Council Tax Benefits (£5.7m), Private Sector Housing Renewal and Disabled Facilities Grant (£1.3m), and various other (£0.9m).

**Sales, Fees and Charges, and Other Income £3.0m** – these are fees and charges for services provided, ranging from planning applications to car park fines.

**Other Income £1.7m** – this is interest receivable for the financial year.

### Outlook for 2008/09

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

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

The Authority held the following reserves during 2007/08:

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

## General Fund Reserves

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

	01 April 2007 £'000	31 March 2008 £'000
General fund	2,650	1564
Other earmarked reserves	4,737	4778
<b>Total</b>	<b><u>7,387</u></b>	<b><u>6,342</u></b>

## 2.2 Capital Expenditure

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

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

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

Capital reserves total £7.0m:

- £4.1m from capital receipts from sale of assets and repayment of third party loans
- £1.5m VAT sharing receipt following the Housing Stock Transfer
- £1.4m from Right to Buy sales of Council Housing pre Housing Stock Transfer.

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



### 3 Collection Fund

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

Band D Council Taxes were set as follows:

	£
Copeland Borough Council	161.54
Cumbria County Council	1,070.30
Cumbria Police Authority	171.09
<b>Total</b>	<b><u>1,402.93</u></b>

### 4 Investments and Borrowing

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

Investments at financial year end amounted to £24.2m. Borrowing at the financial year end stood at £5m.

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

**Paul Robson**  
**Acting Accountancy Services Manager**  
**Copeland Borough Council**

**26 June 2008**

## STATEMENT OF ACCOUNTING POLICIES

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

### **2 Accruals of Income and Expenditure**

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

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

### **3 Provisions**

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

### **4 Reserves**

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

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

- Fixed Asset Restatement Account reflects the deficit or surplus balance arising from the periodic revaluation of fixed assets
- Capital Financing Account represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or repay external loans and certain other capital financing transactions.

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

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

### **6 Retirement Benefits**

Employees of the Authority are members of the Local Government Pension Scheme administered by Cumbria County Council. The scheme provides defined benefits to members, retirement lump sums and pensions earned as employees work for the Authority.

Detailed information on the operation and valuation of the pension scheme is provided in note 33 in the Notes to the Core Financial Statements. Statutory provisions limit the Authority to raising council tax to cover the amounts payable by the Authority to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the pension's reserve, to remove the notional debits and credits for

retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

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

## **7 Value Added Tax**

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

## **8 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service, in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2006. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

## **9 Intangible Fixed Assets**

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

## 10 Tangible Fixed assets

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

### Recognition

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

### Measurement

These changes use accounting principles drawn from FRS11 Impairment of Fixed Assets and Goodwill, FRS10 Intangible Assets and FRS15 Accounting for Fixed Assets.

Two new reserves, a Revaluation Reserve and a Capital Adjustment Account, replace the Fixed Asset Restatement Account (FARA) and Capital Financing Account (CFA). There are now three capital Reserves as follows:

- Revaluation Reserve will start with a zero balance at 1 April 2007 to record unrealised net gains (if any) from revaluations made
- Capital Adjustment Account reflects the timing differences between the cost of fixed assets consumed and the capital financing set aside to pay for them

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

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

Net current replacement cost is assessed as:

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

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

### Impairment

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

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account

- Otherwise – written off against the Fixed Asset Restatement Reserve.

### **Disposals**

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

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

### **Grants and contributions**

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

### **Financial Instruments**

With effect from 1 April 2007, local authorities have had to adopt a major change of accounting policy in order to comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom – the Statement of Recommended Practice 2007, issued by the Chartered Institute of Public Finance and Accountancy / LASAAC Joint Committee. The basis of the introduction of the new UK Accounting standards for financial instruments – FRS25, 26 and 29 is related to developments in international accounting standards.

The major changes in accounting treatment of financial instruments relate to soft loans and guarantees, which have been designed to present a higher quality of information for financial instruments, in line with the private sector. In addition, in order to help identify, quantify and inform on the exposure to and management of risk, new "fair value" disclosure requirements have been introduced. The main driver for this change has been the high profile failure of a number of financial institutions e.g. Barings, Enron, and World Com.

### **Amortised Cost**

This change in accounting standards has meant that most financial instruments (whether borrowing or investment) have, in 2007/08, to be valued on an amortised costs basis using the Effective Interest Rate (EIR) method.

However, it should be noted that figures for 31/03/07 which appear in these disclosure notes are shown unaltered from those which were published in the accounts for 2006/07, i.e. they have not been restated to amortised cost etc. Consequently, the figures for 31/03/07 and 31/03/08 are not properly comparable, as they have been produced on two different bases. This is a one off problem, which will not occur in the accounts for future years when two years' figures will be properly comparable.

### **Fair Value**

In these disclosure notes, financial instruments are also required to be shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Guidance from CIPFA states that as fair value valuations were not calculated as at 31/03/07, the column for fair value as at 31/03/07 in these disclosure notes cannot be filled in and so no figures appear.

For the very same reasons, no figures appear under 'Gains and losses on financial instruments' for 2006/07.

### **Compliance**

This authority has complied with the following:-

1. it has adopted the CIPFA's Treasury Management in the Public Services : Code of Practice
2. set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

## **11 Charges to revenue for fixed assets**

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

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

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



## **12 Deferred charges**

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

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

## **13 Leases**

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

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

## **14 Repurchase of borrowing**

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to net operating expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of restructuring of the loan portfolio with substantially the same overall effect when viewed as a whole, gains and losses are recognised on the Balance Sheet and written down to revenue on a straight line basis over the term of the replacement loans.

## **15 Investments**

Surplus collection fund and general fund monies are invested with outside bodies in accordance with the Authority's treasury management strategy.

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

## **16 Stocks and work in progress**

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

## **17 Interests in Companies and other entities**

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

**18 Public Finance Initiative**

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

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

**19 Prior period adjustment**

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

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## The Authority's Responsibilities

The Authority is required to:

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

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

In preparing this Statement of Accounts I have:

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

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



Paul Robson  
Accountancy Services' Manager

30  
26 June 2008

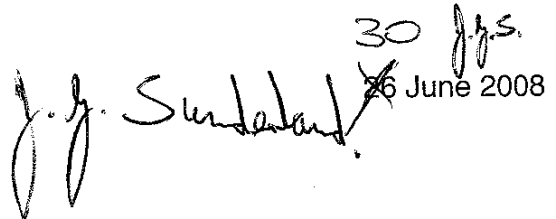
## Audit Committee Approval:

The statement of Accounts was approved by the Audit Committee on 26 June 2008

On behalf of the Audit Committee:

Chair of Audit Committee

30 J.J.S.  
26 June 2008



## ANNUAL GOVERNANCE STATEMENT 2007/08

### 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

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

### 2 The purpose of the Governance Framework

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

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

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

### **3 The Governance Framework**

The Governance Framework includes:

#### **3.1 Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users**

- A 5 year Council Plan was adopted on 17 April 2007
- Key objectives published in the annual Best Value Performance Plan 2007/08 and in the Corporate Plan 2007/12
- Individual Service Plans, linked to the Corporate Plan, set out key objectives. Service Plans for 2007/08 were in place by April 2007, and Service Plans for 2008/09 have been developed using the objectives in the 5 year Council Plan to reinforce deliverability
- Achievement of the main objectives also reported annually in the BVPP for 2007/08, and thereafter in other communications with the public, for example the Council Tax leaflet
- A Communications Manager was appointed following the restructure in 2005 and a Communications Strategy was approved in May 2006 by Executive. The Communications Strategy includes reviewing existing methods of consultation and feedback on performance, and an initial evaluation of progress made in January 2007 resulted in a further redraft
- Improvement plan drawn up following the 2003/04 Corporate Performance Assessment (CPA). Progress continued to be monitored in 2007/08 by the Improvement Board, in particular the links from CPA into Comprehensive Area Assessment (CAA).

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

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

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

- Standards and targets have been in place for many years and further development on customer service standards is ongoing

- Standards for customer service were adopted by Management Group in September 2005 and were formally approved by the Executive 21/02/06. Work continued in 2007/08 to refine and embed these, including a mystery shopping exercise
- Performance against national Best Value Performance Indicators (BVPI's) and implementation plans for all Best Value Reviews are monitored through individual service performance reports and, corporately, by Performance Improvement. Quarterly reports are made to Executive on progress against the BVPIs. Where performance is falling short of the target, corrective action has to be approved, including specific targets included in Service Plans
- Resources Planning Working Group ensures that resources are allocated to Council priorities
- Procurement Strategy prepared and adopted, with improvement action plan. Currently the Procurement Officer post is vacant.

### **3.4 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**

- Council's Constitution provides a general framework for governance. Reviewed annually
- The Executive meet at least monthly to facilitate prompt decision-making, with a "call in arrangement", preventing decisions being implemented for 5 working days, to allow for effective scrutiny
- The Executive received regular reports on corporate performance throughout 2007/08 and approved the Best Value Performance Plan
- Forward Plan details key decisions to be made by the Executive
- Individual Portfolio Holders have delegated powers
- Four Overview and Scrutiny Committees, based on cross-cutting themes, have work plans which provide a mechanism for feeding into policy making
- Overview & Scrutiny Committees: there were no significant control issues arising from the "call in" of decisions. In 2007/08 the Overview and Scrutiny Committees reviewed a range of topics proposed by stakeholders and arising from internal sources. These reviews resulted in recommendations for changes in Council policy or practice
- The Improvement Board continued to monitor progress with the Improvement Plan drawn up following the CPA inspection in 2003/04
- Individual Heads of Service provided an annual assurance statement on the operation of controls in their service area
- Risk management and progress on developing a business continuity plan, was monitored regularly by Corporate Team. Completing a full and tested Business Continuity Plan was regarded as a priority for 2007/08 and the final version was expected by 30/06/08 having been tested in an exercise in February 2008.

### **3.5 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

- The Councillors' Code of Conduct is signed up to by all Members of the Council

- The Employee Code of Conduct was reviewed and reissued at April 2007. All employees were required to sign to say they had received it
- Reminders of the Whistleblowing Policy were issued to employees, contractors and partners in 2007/08
- The Council achieved level 2 of the Equalities Standard for Local Government in March 2008, which included a significant effort in training and raising awareness of the law among Councillors, employees, partners and contractors.

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

- The governing body (Full Council) - reviewed the Constitution in April 2006, and full Council approved in June 2006. The Council approved further changes in April 2007 to take account of the Local Government White Paper "Strong and Prosperous Communities". A further review was in hand for May 2008
- Minor amendments to Financial regulations were approved in December 2007.

### **3.7 Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities**

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

### **3.8 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

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

### **3.9 Whistle-blowing and for receiving and investigating complaints from the public**

- There were no adverse Ombudsman reports in 2007/08
- The Confidential reporting Code was reviewed and relaunched in 2007/08.

### **3.10 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

- A Members' Development Plan was in place during 2007/08, arrived at through in-depth discussions with individual members. The Council achieved the Members Development Charter form North West Employers Organisation in 2007/08
- The employees' training and development plan was delivered in 2007/08, based on training needs identified through the Employee Development Interviews and service and corporate planning activities
- The Council held the Investors in People award during 2007/08.

### **3.11 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

- The Council consulted the public on the development of a range of its service and corporate objectives, including the budget for 2008/09
- Through the West Cumbria Strategic Partnership and other partnerships the Council was engaged in a range of activities to communicate with the public, including on the future of the nuclear industry in West Cumbria
- To achieve Level 2 of the Equality Standard for Local Government the Council talked to a range of community organisations about improving service access during 2007/08.

### **3.12 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships,(ref 7) and reflecting these in the authority's overall governance arrangements. [(ref7). Governing Partnerships: Bridging the Accountability Gap, Audit Commission, 2005].**

- In order to increase its effective and efficient partnership working the Council has developed and formally agreed revised protocols and service level agreements
- The governance of the West Cumbria Strategic Partnership was subject to review in Autumn 2007 resulting in a revised structure and reporting arrangements
- External Audit opinion found that there were still improvements that the Council could achieve in developing sound governance of partnerships. This requirement has been incorporated into improvement plans for 2008/09.

## **4 Review of effectiveness**

Copeland Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.



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

- The Authority has continued to review its Constitution in 2007/08
- The Executive has included in its Forward Plan decisions relating to the Council's governance
- The Audit Committee/Overview and Scrutiny Committees have included a range of reviews of aspects of the Council's governance in their programmes of work, including, in the case of the Audit Committee, some statutory governance reports
- The Standards Committee has undertaken a review of ethical governance and agreed an action plan for improvement
- Internal Audit has created a plan for and undertaken a number of reviews, including governance issues, and reported its findings to Corporate Team and the Audit Committee
- Other explicit review/assurance mechanisms. Heads of Service have stated that to the best of their knowledge that in 2007/08 their services have complied with the Council's framework of policy and procedure in managing resources and observing the requirements of probity.

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

**5 Significant governance issues**

We have identified the following significant governance issues which require attention in 2008/09:

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

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

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

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

Date:.....  
on behalf of Copeland Borough Council

## **CORE FINANCIAL STATEMENTS**

## INCOME & EXPENDITURE ACCOUNT

2006/07		2007/08	2007/08	2007/08	
Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Note
481	Central services to the public	6,824	(6,117)	707	
7,064	Cultural, environmental and planning services	10,501	(3,239)	7,262	
1,025	Highways, roads and transport services	1,411	(405)	1,006	
683	Housing services	19,132	(18,345)	787	
2,350	Corporate and democratic core	2,129	(250)	1,879	
69	Non distributed costs	471		471	
<b>11,672</b>	<b>TOTAL CONTINUING OPERATIONS</b>	<b>40,468</b>	<b>(28,356)</b>	<b>12,112</b>	
<b>0</b>	<b>Discontinued operations</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>11,672</b>	<b>NET COST OF SERVICES</b>			<b>12,112</b>	
(29)	(Gain) / loss on the disposal of fixed assets				
335	Parish council precepts			354	
378	Interest payable and similar charges			378	
4	Contribution of housing capital receipts to government pool			4	
(1,180)	Interest and investment income			(1,630)	
142	Pension interest costs and expected return on pension assets			10	33
<b>11,322</b>	<b>NET OPERATING EXPENDITURE</b>			<b>11,228</b>	
(3,885)	Demand on the Collection Fund			(3,931)	
(1,099)	Transfer to insurance reserves				
(1,099)	General government grants			(1,010)	
(5,693)	Non-domestic rates redistribution			(6,019)	
<b>645</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>			<b>268</b>	

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2006/07 £'000		2007/08 £'000	NOTE
645	(Surplus)/deficit for the year in the Income & Expenditure Account	268	
(540)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	818	
<b>105</b>	<b>(Increase)/decrease in General Fund Balance for the Year</b>	<b>1,086</b>	
<b>(2,755)</b>	General Fund Balance brought forward	<b>(2,650)</b>	
<b>(2,650)</b>	<b>General Fund Balance carried forward</b>	<b>(1,564)</b>	

### NOTE OF RECONCILING ITEMS

2006/07 £'000		2007/08 £'000	NOTE
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year</b>		
(133)	Amortisation of intangible assets	(133)	15
(1,118)	Depreciation and impairment of fixed assets	(1,092)	15
643	Government grants deferred amortization		
	Write down of deferred charges to be financed from capital resources		
29	Net gain on sale of fixed assets		
(1,126)	Net charges made for retirement benefits in accordance with FRS17	10	33
<b>(1,705)</b>	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on general fund balance for the year</b>	<b>(1,215)</b>	
(111)	Minimum revenue provision for capital financing		10
48	Capital expenditure charged in year to general fund balance		
(4)	Transfer from usable capital receipts for payment to housing capital receipts pool	(4)	
1,103	Employer's contributions payable to Cumbria Superannuation Fund	937	33
<b>(669)</b>		<b>(282)</b>	
	<b>Transfers to or from the general fund balance required to be taken into account when determining the movement on the general fund balance for the year</b>		
(86)	Housing Revenue Account balance		
215	Net transfer to or from the earmarked reserves/other statutory funds	1,100	
<b>(540)</b>	<b>Net additional amount required to be credited to the general fund balance for the year</b>	<b>818</b>	

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2006/07 £'000		2007/08 £'000	Note
645	(Surplus)/deficit for the year on the Income & Expenditure Account	268	
(11,214)	(Surplus)/deficit for the year arising the revaluation of fixed assets	(5,517)	
(2,855)	Actuarial (gains)/losses on the Pension Fund Assets and Liabilities	5,878	
39	(Surplus) / deficit on the Collection Fund relating to Copeland Borough Council	(20)	
(8)	Other movement in reserves not reflected in Income and Expenditure Account		
<b>(13,393)</b>	<b>Total recognised (gains)/losses for year</b>	<b>609</b>	
<b>22,578</b>	<b>Net worth as at 1 April 2007</b>	<b>35,971</b>	
<b>35,971</b>	<b>Net worth as at 31 March 2008</b>	<b>35,362</b>	
<b>(13,393)</b>	<b>Movement in year</b>	<b>609</b>	

## BALANCE SHEET

2006/07 £'000		2007/08 £'000	£'000	Note
	<b>Fixed assets</b>			
378	<b>Intangible assets</b>		245	16
	<b>Tangible fixed assets</b>			
	<b>Operational assets:</b>			
19,899	Other land and buildings	21,181		
1,109	Vehicles, plant and equipment	950		
2,472	Infrastructure assets	2,287		
			24,418	11,12,13,15
8,549	<b>Non-operational assets:</b>		12,908	11,12,13,15
<b>32,407</b>	<b>TOTAL FIXED ASSETS</b>		<b>37,571</b>	
6,010	Long term investments	10		19
84	Long-term debtors	155		20
			165	
<b>38,501</b>	<b>TOTAL LONG TERM ASSETS</b>		<b>37,736</b>	
	<b>Current assets</b>			
79	Stocks and work in progress	71		21
5,557	Debtors	4,814		22
13,103	Investments	24,176		23
0	Cash and bank	0		
			29,061	
<b>57,240</b>	<b>TOTAL ASSETS</b>		<b>66,797</b>	
	<b>Current liabilities</b>			
(4)	Short-term borrowing	(4)		
(3,893)	Creditors	(6,730)		25
(1,227)	Bank overdraft	(1,205)		
			(7,939)	
<b>52,116</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>58,858</b>	
	<b>Long-term liabilities</b>			
(5,000)	Long-term borrowing	(5,000)		26
(631)	Provisions	(1,008)		27,28
(2,436)	Government grants deferred	(2,436)		
	Liability related to defined benefit pension			
(7,617)	scheme	(13,495)		33
(461)	Deferred grants unapplied			
			(21,939)	
<b>35,971</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>36,919</b>	
	<b>Financed by:</b>			
0	Revaluation reserve	6,082		
29,106	Capital adjustment account	29,288		
7,078	Usable capital receipts reserve	8,563		
31	Deferred capital receipt	31		
(7,618)	Pension reserve	(13,495)		33
2,650	General fund balance	1,564		17
0	Housing Revenue Account balance	0		17
4,737	Earmarked reserves	4,886		17
(13)	Earmarked reserve – Collection Fund	0		17
<b>35,971</b>	<b>TOTAL NET WORTH</b>		<b>36,919</b>	29

## CASH FLOW STATEMENT

2006/07 £'000	2006/07 £'000	2007/08 £'000	2007/08 £'000	Note
<b>REVENUE ACTIVITIES</b>				
<b>Cash outflows</b>				
8,658			8,772	
12,476			13,048	
4			4	
14,216			14,945	
27,978			27,994	
26,839			27,843	
	90,171		92,606	
<b>Cash inflows</b>				
0			0	
(25,217)		(27,366)		
(27,425)		(27,588)		
(1,099)		(1,010)		
(5,693)		(6,018)		
(14,425)		(14,648)		
(7,694)		(8,161)		34
(7,587)		(1,823)		
(98)				
	(89,238)		(86,614)	
	933		5,992	34
<b>Net cash outflow / (inflow) on revenue activities</b>				
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>				
<b>Cash outflows</b>				
378		378		
<b>Cash inflows</b>				
(1,294)		(1,663)		
	(916)		(1,285)	
<b>CAPITAL ACTIVITIES</b>				
<b>Cash outflows</b>				
600		200		
1,239		1,068		
<b>Cash inflows</b>				
(812)		(1,406)		
(1,263)		(1,591)		
(2,179)				
	(2,415)		(1,729)	
	(2,398)		2,978	34
<b>NET CASH OUTFLOW / (INFLOW) BEFORE FINANCING</b>				
	(2,115)		(3,000)	
<b>MANAGEMENT OF LIQUID RESOURCES</b>				
<b>FINANCING</b>				
<b>Cash outflows</b>				
0				
<b>Cash inflows</b>				
0				
	0		0	
	(4,513)		(22)	
<b>Net (increase) / decrease in cash</b>				

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1 Continuing/Acquired Operations

During 2007/08 there were no acquired operations affecting the Authority, and there were no outstanding liabilities on any previously discontinued services.

### 2 Section 137 of the Local Government Act 1972 (as amended)

Section 137(3) of the 1972 Act has been retained, following the Local Government Act 2000 repealing the majority of the provisions under Section 137, which empowers parish / community councils, subject to various conditions and limits, to incur expenditure which in their opinion is in the interest of their area 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. Based on a population of 70,300, the Authority was permitted to spend £133,570 under this power in 2007/08 and its actual expenditure was zero.

### 3 Publicity Account

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

	2006/07	2007/08
	£	£
<b>Staff advertising</b>	<b>37,102</b>	<b>59,470</b>
<b>Advertising</b>		
Development services	12,461	10,337
Leisure management	4,735	12,757
General	13,185	9,575
Business rates / council tax	3,300	0
	<b>33,681</b>	<b>32,669</b>
<b>Promotions and exhibitions</b>		
Economic development	2,784	0
Leisure management	0	0
Whitehaven civic hall	0	0
Heritage centre	11,013	16,885
Benefits	0	0
Green waste recycling project	19,866	0
	<b>33,663</b>	<b>16,885</b>



#### 4 Building Control Account

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

	Chargeable	Non- Chargeable	Total
	2007/08	2007/08	2007/08
	£'000	£'000	£'000
<b>Expenditure</b>			
Employee expenses	180	57	237
Premises	0	0	0
Transport	10	3	13
Supplies and services	22	5	27
Central and support services charges	4	43	47
<b>Total Expenditure</b>	<b>216</b>	<b>108</b>	<b>324</b>
<b>Income</b>			
Building regulation charges	(208)	0	(208)
Miscellaneous income	0	0	0
<b>Total Income</b>	<b>(208)</b>	<b>0</b>	<b>(208)</b>
<b>(Surplus) / deficit for year</b>	<b>8</b>	<b>108</b>	<b>116</b>

#### 5 Agencies

The Authority does not provide any material agency based services.

#### 6 Local Authority (Goods and Services) Act 1970

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

##### Cumbria County Council: Verge Maintenance and Weed Control

	2006/07	2007/08
	£'000	£'000
Income	22	22
Expenditure	26	19
<b>Surplus/(deficit)</b>	<b>(4)</b>	<b>3</b>

This represents 2.9% of all work carried out by the Authority's grounds maintenance department, based on gross expenditure.

## 7 Councillors' Allowances and Officer Emoluments

**Councillors' Allowances** - The total of the Councillors' allowances paid during 2007/08 was £266,938 (2006/07 - £227,796).

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

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

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

## 8 Related Party Transactions

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

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

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

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

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

**Other public bodies** - Transactions in relation to the Local Government Pension Scheme administered by Cumbria County Council are set out in Note 33.

**9 Audit Fees**

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

	<b>2006/07</b>	<b>2007/08</b>
	<b>£</b>	<b>£</b>
Statutory inspection under section 10 of the Local Government Act 1999	1,500	1,700
Certification of grant claims and returns by the appointed auditor under section 28 of the Audit Commission Act 1998	59,800	46,600
Code of Audit Practice in accordance with section 5 of the Audit Commission Act 1998	109,400	123,700
<b>Total</b>	<b>170,700</b>	<b>172,000</b>

**10 Revenue Provision for Payment of External Debt**

The Authority is required under the Local Authorities (Capital Finance and Accounting) Regulations 2003 to set aside a Minimum Revenue Provision for the redemption of external debt based on a prescribed formula. Amounts credited to the General Fund (in respect of overprovision in previous years) in 2007/08 were £nil (2006/07 £110,902).

Under CIPFA's guidance, the provision made is not charged to individual service revenue accounts.

## 11 Capital Expenditure

	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Intangible Assets	Community Assets	Total Operational Assets	Non-Operational Assets	Total Assets
Certified Valuation as at 31 March 2007	21,193,184	2,311,495	3,582,461	759,201	0	27,846,341	8,548,489	36,394,830
Accumulated Depreciation and Impairment	(1,294,253)	(1,202,438)	(1,110,243)	(380,771)	0	(3,987,705)	0	(3,987,705)
<b>Net Book Value of Assets as at 31 March 2007</b>	<b>19,898,931</b>	<b>1,109,057</b>	<b>2,472,218</b>	<b>378,430</b>	<b>0</b>	<b>23,858,636</b>	<b>8,548,489</b>	<b>32,407,125</b>
<b>Movements in 2007/08</b>								
Additions	0	0	0	0	0	0	200,000	200,000
Transfers	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Revaluations	1,334,080	0	0	0	0	1,334,080	4,182,970	5,517,050
Depreciation/amortisation	(617,087)	(158,779)	(184,991)	(133,142)	0	(1,093,999)	(7,323)	(1,101,322)
Depreciation Adjustment on Transfer	564,619	0	0	0	0	564,619	0	564,619
Write Outs	0	0	0	0	0	0	(16,700)	(16,700)
Impairments	0	0	0	0	0	0	0	0
<b>Net Book Value of Assets as at 31 March 2008</b>	<b>21,180,543</b>	<b>950,278</b>	<b>2,287,227</b>	<b>245,288</b>	<b>0</b>	<b>24,663,336</b>	<b>12,907,436</b>	<b>37,570,772</b>

## 12 Capital Commitments

There are no significant Capital Commitments.

## 13 Information on assets held

Fixed assets owned by the Authority include the following:

	Number at 31 March 2007	Change 2007/08	Number at 31 March 2008
<b>OPERATIONAL ASSETS</b>			
<b>Other land and buildings</b>			
Headquarters	0		0
Depots	3		3
Crematorium	1		1
Cemeteries	5		5
Civic halls	1		1
Swimming pools	1		1
Sports centres	1		1
Nursery	1		1
Beacon / heritage centre	1		1
Bowls centre	1		1
Sports fields and playing grounds	14		14
<b>Vehicles, plant and equipment</b>			
Vehicles	0		10
<b>NON-OPERATIONAL ASSETS</b>			
<b>Commercial properties</b>			
Ex depots	4		4
Garage plots	284		266
Estate shops	2		2

#### **14 Finance / Operating Lease Rentals**

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

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

The amount paid under these arrangements in 2007/08 was £1,899,148 (2006/07 1,899,148).

The Authority is committed to making payments of £2,015,443 under these leases in 2007/08, comprising the following elements:

	£
Leases expiring in 2007/08	0
Leases expiring between 2008/09 and 2012/13	0
Leases expiring after 2012/13	0
	<b>0</b>

## 15 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).

	Basis of Valuation	Depreciation	Asset Lives
Other land and buildings	Open market value for existing use or depreciated replacement	Straight line	15-50
Vehicles, plant and equipment	Historical cost	Straight line	03-10
Community assets	Historical cost	N/A	N/A
Non operational assets	Open market value	N/A	N/A

Revaluation of these assets is on a quinquennial basis undertaken on a rolling programme by CAPITA Symmonds, including revaluations as required if circumstances on an asset change.

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

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

The following table shows the programme for valuation of fixed assets:

	Other Land and Buildings	Vehicles, Plant and Equipment	Non Operational assets	Total
	£'000	£'000	£'000	£'000
Valued at historical value		2,312		2,312
Valued at current value at:				
Current year 2007/08	5,173		6,056	11,229
Previous year 2006/07	16,951		5,333	22,284
Two years ago 2005/06	310		125	435
Three years ago 2004/05	36		810	846
Four years ago 2003/04	57		408	465
	<b>22,527</b>	<b>2,312</b>	<b>12,732</b>	<b>37,571</b>

### Operational Asset Depreciation

	Cumulative Depreciation at 01.04.07 £'000	Actual Depreciation 2007/08 £'000	Adjustments to Cumulative Depreciation 2007/08 £'000	Cumulative Depreciation at 31.03.08 £'000
<b>Operational Assets</b>				
Other land and buildings	1,294	741	(565)	1,470
Plant & equipment	1,203	159		1,362
Infrastructure	1,110	185		1,295
Intangible	381	133		514
	<b>3,988</b>	<b>1,218</b>	<b>(565)</b>	<b>4,641</b>

Depreciation has been applied to equipment and infrastructure assets in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice.

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

There have been no changes to the depreciation methods used.

## 16 Intangible Assets

This category of assets reflects the Authority's continuing investment into major new IT systems. They are recorded in the Balance Sheet at actual cost less accumulated depreciation as at 31 March 2008, based on a 5-year life.

### Movement in Intangible Assets

	<b>Purchased Software Licences £'000</b>
Original cost	759
Accumulated depreciation to 1st April 2007	(381)
<b>Balance at 1 April 2007</b>	<b>378</b>
Amortisation in year	(133)
<b>Balance at 31 March 2008</b>	<b>245</b>

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.

## 17 Net Assets Employed

	<b>2006/07 £'000</b>	<b>2007/08 £'000</b>
General fund	2,650	1,564
General fund - earmarked	4,737	4,778
HRA	0	0
Collection Fund	(13)	0
	<b>7,374</b>	<b>6,342</b>



## 18 Shareholdings

The Authority has interests in the following companies as at 31 March 2008.

These are all a minority interest and not influenced under s69 of LGHA 1989, and are neither controlled nor influenced by the Authority, under Part V of LGHA 1989. There are no business relationships between any of the companies outlined below and the Authority.

The details below reflect the accounts as at 31 December 2005 of the dormant company.

**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 Authority.

**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)** 31/12/04 £70,524  
31/12/03 £70,524  
**Profit/ (loss) before tax:** 31/12/04 unknown  
31/12/03 unknown  
**Profit/ (loss) after tax:** 31/12/04 £4,974  
31/12/03 £4,974

## 19 Long Term Investments

	2006/07	2007/08
	£'000	£'000
Debentures	10	10
Deposits in building society accounts with maturity dates no earlier than 12 months after the balance sheet date	6,000	0
	<b>6,010</b>	<b>10</b>

**20 Long Term Debtors**

	<b>31.03.07</b>	<b>31.03.08</b>
	<b>£'000</b>	<b>£'000</b>
Council house sales - mortgages	41	41
Housing Act advances	5	5
Housing Associations	0	0
Officers' car loans	40	20
Local companies / bodies	14	89
	<b>100</b>	<b>155</b>
Less provision for doubtful debtors	(16)	(16)
	<b>84</b>	<b>139</b>

**21 Stocks and Work in Progress**

	<b>31.03.07</b>	<b>31.03.08</b>
	<b>£'000</b>	<b>£'000</b>
Other stocks	79	71

**22 Debtors**

Most sums due to the Authority are raised in the accounts at the time that they are due. Significant items due for the year, but not raised at 31 March 2008, are accrued on an estimated basis. Amounts due from government departments are often not settled conclusively for some time and are, therefore, brought into the accounts on the basis of the latest available information. A broad analysis is shown below.

	<b>31.03.07</b>	<b>31.03.08</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due in one year:		
Government departments	1,954	644
Council taxpayers and ratepayers	2,302	2,250
Sundry debtors	2,290	4,373
General		
	<b>6,546</b>	<b>7,267</b>
Less Provision for doubtful debts	(989)	(864)
	<b>5,557</b>	<b>6,403</b>

## 23 Investment and Borrowings

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

	Long-Term		Current	
	31/03/08 £000s	31/03/07 £000s	31/03/08 £000s	31/03/07 £000s
<b>Borrowings</b>				
Financial liabilities at amortised cost	5,000	5,000	0	0
<b>Investments</b>				
Loans and receivables	10	6,010	24,176	13,103

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

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

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

	Liabilities measured at amortised cost £000s	Financial Assets Loans and receivables £000s	Total £000s
Interest expense	(378)	0	(378)
Interest income	0	1,630	1,630
Net income/(expenditure) for the year	(378)	1,630	1,252

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

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

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

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

Our treasury management consultants from the market obtained the rates quoted in this valuation on 31 March, using bid prices where applicable. The calculations are made with the following assumptions:

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

The fair values are calculated as follows:

	31/03/08		31/03/07	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
LOBOs	5,000	8,097	5,000	7,669

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

#### Fair value of assets carried at amortised cost

	31/03/08		31/03/07	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Deposits with banks and building societies	24,186	24,186	19,113	n/a

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

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

#### 1. Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's

customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions to a maximum of £3m and a limit on the maximum size of one transaction in placing a deposit of £3m.

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

## **2. Liquidity Risk**

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

The maturity structure of financial liabilities is as follows (at nominal value):

### **Liquidity risk**

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

## **3. Market Risk**

### **Interest rate risk**

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

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

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

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

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

### **Foreign exchange risk**

The Council has no financial assets or liabilities denominated in foreign currencies, and thus has no exposure to loss arising from movements in exchange rates.

### **24 Euro Costs**

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

### **25 Creditors**

All payments made on or before 31 March are included in the expenditure for the year. Payments made during the two weeks following the end of the financial year for goods and services received before 31 March are included in creditors as actual amounts. Significant creditors unpaid at the expiration of the two weeks are included in the accounts on an estimated basis. A broad analysis is shown below.

	<b>31.03.07</b>	<b>31.03.08</b>
	<b>£'000</b>	<b>£'000</b>
Government departments	1,162	3
Sundry creditors	2,101	1,744
Council taxpayers and ratepayers	570	527
Accrued interest deposits	60	60
	<b>3,893</b>	<b>2,334</b>

2005/06 figure has been restated to reflect monies owing to Cumbria County Council and Police Authority, in respect of their share of Collection Fund Surplus.

## 26 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, which have been reported but not settled at 31 March 2008, regardless of whether they would be covered by the insurers. Of the £374,239 outstanding, £342,959 is expected to be reimbursed through insurance settlements.

	<b>£'000</b>
As at 31 March 2007	302
Payments made	
Increase in provisions	72
As at 31 March 2008	<b>374</b>

## 27 Movement in the Year for Each Class of Provision

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

	<b>Balance at 1 April 2007 £'000</b>	<b>Debts (written off)/written back in year £'000</b>	<b>Increase / (Decrease) in year £'000</b>	<b>Balance at 31 March 2008 £'000</b>
Commercial ratepayers	248	(90)	64	222
Council taxpayers	514	(53)	119	580
Sundry debtors	226	(20)	20	226
	<b>988</b>	<b>(163)</b>	<b>203</b>	<b>1,028</b>

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

	<b>Balance at 1 April 2007 £'000</b>	<b>Movements in year £'000</b>	<b>Balance at 31 March 2008 £'000</b>
Other (including a prov for job evaluation)	328	306	634

A VAT Sharing Agreement was entered into with Copeland Homes in respect of the transfer of the Council's housing stock, whereby the authority was to accrue a share of benefits worth £4.2m. To date £1.4m has been received leaving an estimated balance of £2.8m remaining outstanding to be paid over a number of years.

## 28 Movement on Reserves in the Year

The Authority keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance 1/4/07 £'000's	Net movement in year £'000's	Balance 31/3/08 £'000's	Purpose of reserve	Further details of movements
Capital Adjustment Account	29,106	(855)	28,251	Store of capital resources set aside to meet past expenditure	b) below
Revaluation Reserve	0	6,082	6,082	Store of gains/losses on revaluation of fixed assets	a) below
Usable Capital Receipts	7,078	(102)	6,976	Proceeds of fixed asset sales available to meet future capital investment	c) below
Pensions Reserve	(7,618)	(6,028)	(13,646)	Balancing account to allow inclusion of pension liability in the Balance Sheet	Note 33 to the core financial statements
General Fund	2,650	(1,086)	1,564	Resources available to meet future running costs for non-housing services	Statement of movement on the general fund balance d) below
Other reserves	4,755	54	4,809		
<b>Total</b>	<b>35,971</b>	<b>(1,935)</b>	<b>34,036</b>		

- a) Arising as a result of the in year valuations as part of the quinquennial revaluation of fixed assets. Key assets changing in value relate to the leisure facilities, car parks and a vacant depot with a conditional sale to a developer.
- b) Movement reflects depreciation for the year and the usable capital receipt received on a repayment of a loan from a third party transferred to the usable capital receipt reserve in c) below.
- c) Movement reflects the sale of assets during the year, the receipt of a loan repayment and the financing of the in year capital expenditure.
- d) Movement relates to movement in earmarked reserves. In 2007/08 this also includes a movement on the Housing Revenue Account balance (now closed) following a review of the final subsidy claim.



## 29 Contingent Liabilities and Assets

Three contingent liabilities and one contingent asset have been identified as follows:

### **Municipal Mutual Insurance (MMI)**

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

### **Un-adopted Sewers**

The Authority 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.

### **Equal Pay Compensation Claims**

A number of authorities have been approached by their employees with regard to equal pay compensation claims over the last few years. This Authority to date has not received any such claim. Work on the Pay and Grading Strategy, encompassing job evaluation and single status is underway and due to be complete by 31 March 2008. The potential liability at this point for any claims is not quantifiable; however, monies are to be set aside in 2007/08 onwards should costs associated with the implementation of the strategy be identified.

### **Contingent Asset (VAT Sharing Agreement)**

A VAT Sharing Agreement was entered into with Copeland Homes in respect of the transfer of the Council's housing stock, whereby the authority was to accrue a share of benefits worth £4.2m. To date £1,4m has been received, with the balance of £2.8m remaining outstanding, contingent upon Copeland Homes completing a schedule of works over a number of years.

## 30 Trust Funds

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

<b>Trust</b>	<b>Income £'000</b>	<b>Expenditure £'000</b>	<b>Assets £'000</b>	<b>Liabilities £'000</b>
Whitehaven Maternity	1	0	20	0
Pipers Educational	5	7	163	3

In neither case do the funds represent assets of the Authority, and they have not been included in the Balance Sheet.

### 31 Amounts Due to / from Related Parties

In accordance with FRS 8, Elected Members and Chief Officers have provided information regarding any related party transactions. There are no items declared of a material nature.

Some services are provided to bodies, which seek to advance aims that the Authority would like to support. Some of these services are provided without charge but the total cost is not significant.

### 32 Retirement Benefits

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

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

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

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

	2006/07	2007/08
	£'000	£'000
<b>Net cost of services:</b>		
Current service costs	1,052	937
Past service (gain) / costs	130	304
Curtailement loss	70	0
Settlement gain	(268)	0
<b>Net operating expenditure</b>		
Interest cost	2,581	2,813
Expected return on assets in the scheme	(2,439)	(2,803)
	1,126	1,251
<b>Amounts charged against council tax for pensions</b>	1,103	1,101

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

	<b>2006/07</b>	<b>2007/08</b>
	<b>£'000</b>	<b>£'000</b>
Estimated liabilities in the scheme	(52,591)	(57,403)
Estimated assets in the scheme	44,974	43,757
<b>Net asset / (liability)</b>	<b>(7,617)</b>	<b>(13,646)</b>

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

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

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

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 are based on the latest full valuation of the scheme as at March 2004. The main assumptions used in these calculations are:

	<b>2007 valuation</b>		<b>2004 valuation</b>	
	<b>Past service</b>	<b>Future service</b>	<b>Past service</b>	<b>Future service</b>
Investment return				
Pre-retirement	6.40%	6.50%	6.60%	6.50%
Post-retirement	5.40%	6.50%	5.60%	6.50%
Pensionable pay increases	4.85%	4.50%	4.55%	4.25%
Pension increases	3.10%	2.75%	2.80%	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.

	<b>2006/07</b>		<b>2007/08</b>	
	<b>Proportion</b>	<b>Expected</b>	<b>Proportion</b>	<b>Expected</b>
Equities	59.50%	7.50%	54.90%	7.50%
Government bonds	19.80%	4.70%	19.90%	4.60%
Other bonds	9.70%	5.40%	10.30%	6.10%
Property	8.40%	6.50%	7.30%	6.50%
Cash/liquidity	2.50%	5.25%	4.60%	5.25%
Other	0.10%	7.50%	3.00%	7.50%
<b>Market value of total funds</b>	<b>£1,178M</b>		<b>£1,178M</b>	

The financial assumptions underpinning the pension disclosures are shown below:

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

**Reconciliation of net (surplus) / deficit to net cash inflow from revenue activities**

	2006/07	2007/08
	£'000	£'000
<b>(Surplus)/Deficit for the year</b>	105	268
<b>Add</b>		
Contribution to provisions	(11)	(377)
Contribution to reserves	(921)	8,406
Interest received	1,180	1,663
Interest paid	(378)	(378)
Collection Fund transfers	39	0
<b>Items on an Accruals Basis</b>		
- Stocks and WIP	20	(8)
- Debtors	(48)	(743)
- Creditors	947	(2,837)
<b>Net Cash Inflow / (Outflow) from Revenue Activities</b>	<b>933</b>	<b>5,994</b>

**Analysis of Net Funds**

	At 1.4.07	Cash flow	At 31.3.08
	£'000	£'000	£'000
Cash at bank and in hand			
Bank Overdraft	(1,227)	23	(1,204)
Other cash deposits	3,503	(1)	3,502
	2,276	22	2,298
Debt due within one year			
Debt due after one year	(5,005)	0	(5,005)
Current asset investments	15,610	(3,000)	12,610
<b>Total</b>	<b>12,881</b>	<b>(2,978)</b>	<b>9,903</b>

**Reconciliation of net cash flow to movements in net funds**

	2006/07	2007/08
	£'000	£'000
Increase / (decrease) in cash in the period	4,513	22
Cash inflow / outflow from decrease / increase in liquid resources	(2,115)	(3,000)
<b>Movement in net funds</b>	<b>2,398</b>	<b>(2,978)</b>
Net funds at start of year	10,483	12,881
<b>Net funds at end of year</b>	<b>12,881</b>	<b>9,903</b>

<b>Analysis of Government Grants</b>	<b>2006/07</b>	<b>2007/08</b>
	<b>£'000</b>	<b>£'000</b>
Capital programme grants	(1,383)	(1,764)
EU Revenue Grants	0	0
HRA subsidy	0	0
Council tax benefit grant	(4,717)	(4,886)
Housing benefit admin grant	(351)	(352)
Council tax benefit admin grant	(300)	(302)
Planning delivery grant	(107)	(21)
PFI Grant	(836)	(836)
	<b>(7,694)</b>	<b>(8,161)</b>

#### **Liquid Resources**

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

#### **34 Post Balance Sheet Events**

There have been no significant post Balance Sheet events to report.

Authorised for Issue

Signed :



30.6.08

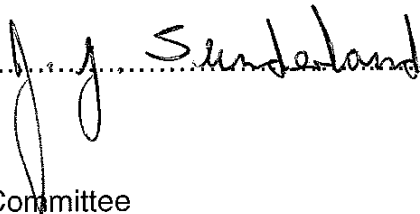
**Date**

P Robson  
Acting Accountancy Services Manager

#### **35 The Statement of Accounts was approved by Audit Committee:**

On behalf of the Audit Committee

Signed:.....



30/6/08

**Date**

Chair of Audit Committee

## HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE ACCOUNT

This statement shows in more detail the income and expenditure on HRA services included in the whole authority Income & Expenditure Account.

2006/07 £'000		2007/08 £'000
	<b>INCOME</b>	
(24)	HRA subsidy receivable	0
(24)	<b>TOTAL INCOME</b>	0
	<b>EXPENDITURE</b>	
	Transfers from General Fund	0
0	Increase in bad debt provision	0
0	<b>TOTAL EXPENDITURE</b>	0
(24)	<b>(SURPLUS) / DEFICIT FOR THE YEAR ON HRA SERVICES</b>	0

## STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

2006/07 £'000		2007/08 £'000
(24)	(Surplus) or deficit for the year in the HRA Income & Expenditure Account	0
0	Net additional amount required by statute to be debited or credited to the HRA balance for the year	0
(24)	<b>(Increase) or decrease in Housing Revenue balance for the year</b>	0
(86)	Housing Revenue Account balance brought forward	0
110	Transfer to General Fund	0
0	<b>Housing Revenue Account balance carried forward</b>	0

### NOTE TO THE HOUSING REVENUE ACCOUNT

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

As the account was open for a few days in 2006/07 it has been necessary to produce the full statements as shown above.

No transactions have occurred during the year.

## COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

2006/07 £'000		2007/08 £'000	2007/08 £'000	Note
	<b>INCOME</b>			
(25,358)	Billed to council tax payers	(26,908)		1
(4,739)	Council tax benefit	(4,788)		
(27,547)	Non-domestic rates	(33,936)		2
	Adjustments for previous years			
<b>(57,644)</b>	<b>Total income</b>		<b>(65,632)</b>	
	<b>EXPENDITURE</b>			
	Precepts and demands:			
22,849	- Cumbria County Council	23,701		
3,655	- Cumbria Police Authority	3,789		
3,841	- Copeland Borough Council	3,931		
<b>30,345</b>			<b>31,421</b>	
	Non-domestic rates:			
27,432	- Payment to national pool	33,820		
115	- Cost of collection allowance	115		
<b>27,547</b>			<b>33,935</b>	
11	Increase / decrease in provision for non-payment of Council Tax		119	
44	Contributions to general fund from 2004/05 collection fund surplus		0	
<b>57,947</b>	<b>Total expenditure</b>		<b>65,475</b>	
<b>303</b>	<b>(Surplus) / deficit for the year</b>		<b>(157)</b>	
(203)	(Surplus) / deficit at 1 April 2007		100	
<b>100</b>	<b>(Surplus) / deficit at 31 March 2008</b>		<b>(57)</b>	

The balance on the Collection Fund as at 31 March 2008 is attributable to Cumbria County Council, Cumbria Police Authority, and Copeland Borough Council. Of the total surplus of £57k, £7k is disclosed in the Authority's Balance Sheet.



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

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

Proportion of Band D charge:

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

### 2 National Non-Domestic Rates

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

The NNDR income, after relief's and provisions of £33,821,187.62 for 2007/08, was based on an average rateable value for the Authority's area of £79,372,946 for the year (£78,573,166 in 2006/07).

### 3 Collection Fund 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 Authority and Cumbria County Council in a subsequent financial year.

The surplus as at 31 March 2008 is £ 57,362.67

## 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.

**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, which includes the expenditure and income arising from the provision of housing accommodation by the Authority.

**Impairment**

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

**Income**

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

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

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

**Infrastructure assets**

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

**Intangible asset**

Expenditure incurred on items such as software licenses etc.

**Interest cost (pensions)**

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

**Investments (pension fund)**

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

**Liability**

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

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

**Liquid resources**

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

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

**Long-term contract**

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

**Materiality**

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

**Minimum reserve provision (MRP)**

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

**Net book value**

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

**Net debt**

The Authority's borrowings less cash and liquid resources.

**Non-distributed costs**

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

**Non-domestic rates (NNDR)**

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

**Non-operational assets**

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

**Operating lease**

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

**Operational assets**

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

**Past service costs**

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

**Pension scheme liabilities**

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

**Post Balance Sheet events**

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

**Precept**

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

**Prior year adjustment**

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

**Projected unit method**

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

**Provision**

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

**Provision for credit liabilities**

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

**Prudence**

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

**Public works loan board (PWLB)**

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

**Rateable value**

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

**Related parties**

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

**Related party transactions**

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

**Retirement benefits**

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

**Reserves**

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

**Residual value**

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

**Revenue expenditure**

The day-to-day expenses of providing services.

**Revenue support grant**

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

**Stocks**

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

**Temporary borrowing**

Money borrowed for a period of less than one year.

**Useful economic life**

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



**Work in progress**

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

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

