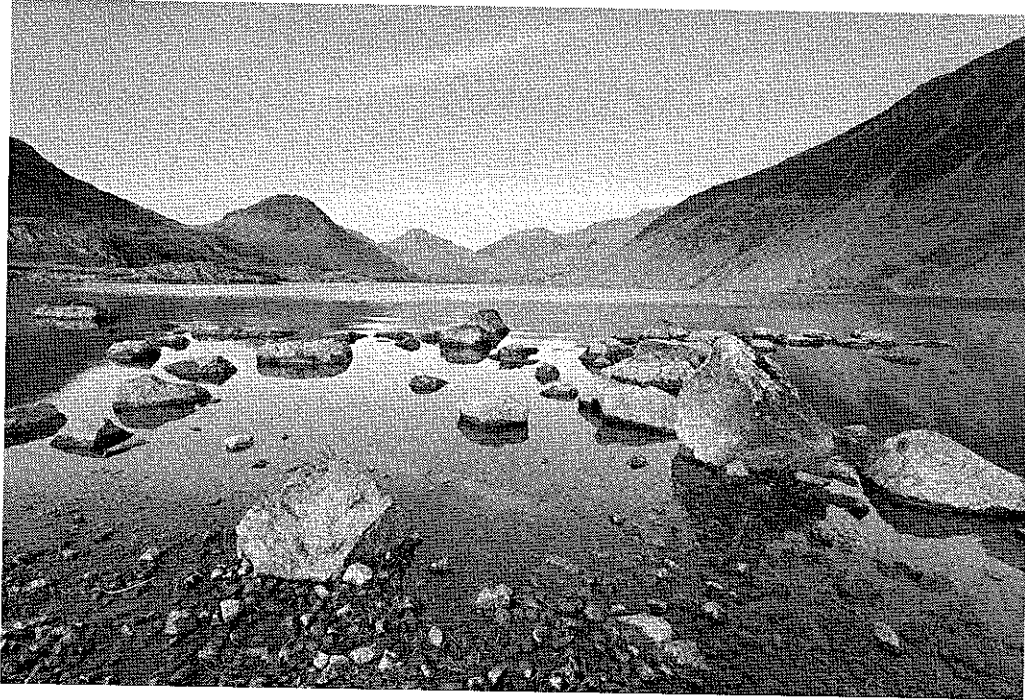


Copeland Borough Council

Unaudited Statement of Accounts



For the year ended 31 March 2009

www.copeland.gov.uk

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Explanatory Foreword

1 Introduction

The Statement of Accounts 2008/09 has been prepared following best accounting practice set down by the Chartered Institute of Public Finance and Accountancy (CIPFA). The foreword provides the reader of the accounts with an understandable guide to the most significant matters reported in the Accounts and identifies the main characteristics of the Council's financial position.

Copeland Borough Council's Accounts for 2008/09 consist of the following :-

- **Statement of Accounting Policies** - this supports and explains the basis of the figures in the Accounts and it sets out the significant accounting policies and estimation techniques used in the preparation of the Accounts.
- **Statement of Responsibilities for the Statement of Accounts** - this sets out the respective responsibilities of the Council and the Chief Financial Officer for the Accounts.
- **Annual Governance Statement** - this sets out and certifies the framework within which corporate governance is managed and reviewed, including arrangements for internal audit.
- **Core Financial Statements** – the Statement of Accounts includes five core financial statements and these are as follows:-

The Income and Expenditure Account - the Council's main revenue account showing the net cost for the year of all the functions for which the Council is responsible. It also shows how that cost has been financed from general Government grants and contributions from local taxpayers.

The Statement of Movement on the General Fund Balance - this is a reconciliation statement, showing the balance of resources generated and/or consumed in the year (i.e. the outturn on the I&E Account) and links with the statutory requirements for raising Council Tax. It shows the movements in the level of the Council's general fund balance as a result of certain defined amounts, adjustments and transfers to and from earmarked reserves.

The Statement of Total Recognised Gains and Losses (STRGL) - this shows the gains and losses experienced by the Council through its normal operating performance and also those gains and losses from revaluations of assets and liabilities.

The Balance Sheet - this sets out the financial position of the Council at 31st March 2009 as reflected in assets, liabilities and reserves.

The Cash Flow Statement - this summarises the cash inflows and outflows during the year arising from transactions with third parties for revenue and capital purposes.

- **Collection Fund Revenue Account** - this shows the transactions of the Council in relation to National Non-Domestic Rates (NNDR), also known as Business Rates, and the Council Tax. It shows how these have been distributed to the County Council, Borough Council, Police Authority and Parish and Town Councils. The Council is the billing authority for Copeland.

The Notes to the Financial Statements (both Core and Supplementary) are intended to explain the key figures outlined in the financial statements. A Glossary of the terminology used throughout this document is provided at the end of the Statement of Accounts.

2 **Statutory Framework**

The Accounts and Audit Regulations 2003 (Regulation 7) require all English Local Authorities to produce accounts, and they must be prepared in accordance with 'proper practices' as defined by section 21 (2) of the Local Government Act 2003. The audit of the accounts of local authorities is governed by section 5 of the Audit Commission Act 1998.

For Local Authorities, the Code of Practice on Local Authority Accounting in the United Kingdom (2008) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) is the relevant Statement of Recommended Practice (referred to as the SORP).

3 **Changes in Accounting Treatment**

The SORP is produced annually and shows how the UK Generally Accepted Accounting Principles (GAAP) is applied in the production of the Statement of Accounts. The 2008 SORP applies to the production of the 2008/09 Accounts within Local Government. The 2008 SORP has a relatively small number of substantive changes in comparison to the 2007 SORP. These are summarised as follows:-

Area Based Grant (ABG) - From 2008/09, the Area Based Grant (ABG) replaces the Local Area Agreement (LAA) grant. The ABG is a non-ring-fenced general grant, with no conditions on its use ensuring full local control over how funding is used. It is paid directly to authorities, and not through an Accountable Body like the LAA grant, which Copeland received in 2007/08 through Cumbria County Council. As a general grant, it is included in the Income and Expenditure Account with other general income sources such as income from the collection fund and National Non-Domestic Rates distribution. In 2008/09, Copeland received an ABG allocation of £1,435,500. This has been used to support the ring-fenced activities of the Regeneration Delivery Plan, to support Working Neighbourhoods and South Whitehaven Neighbourhood Management Partnership.

Removal of Deferred Charges - Legislation allows for some items of expenditure to be treated as capital where it does not result in the creation of a fixed asset. An example of this is where grants are awarded to third parties for capital expenditure. These have traditionally been accounted for as deferred charges and are written out through the Income and Expenditure Account. Under the SORP 2008, these costs will be charged directly to revenue and reversed out in the Statement of the Movement on the General Fund Balance to the Capital Adjustment Account. Therefore, the significant change is that the capital expenditure will not be transferred to the balance sheet before being written off, it will be transferred directly to revenue. The other change is the name; these items will now be called 'Revenue Expenditure Funded from Capital Under Statute'.

Cash Flow Statement - The SORP 2008 has clarified that two methods are acceptable for the production of cash flow statements. Cash flows can be presented using either the 'direct method', whereby major categories of gross cash receipts and gross cash payments are disclosed, or the 'indirect method', whereby the net cash flow from revenue activities is derived by means of a reconciliation from the surplus or deficit on the Income and Expenditure Account for the year.

Copeland's 2008/09 Accounts have been prepared on the basis of the direct method and this is consistent with 2007/08.

Fixed Assets - The main change is the prohibiting of deathbed revaluations which will mean that we can now have gains and losses on the disposal of fixed assets. Previously we have been required to revalue assets at disposal so that there is no gain or loss on disposal – this is now prohibited by the SORP. It would still be good practice to revalue the asset when the decision to sell is being made as and the SORP requires surplus properties to be valued at Market Value rather than Existing Use Value and the two valuation bases may produce materially different results. Revaluation at the point of decision to dispose of an asset will also allow for the assessment of bids.

Depreciated Replacement Cost (Valuers) - The 2008 SORP proposes that DRC should only be used where market evidence of existing use value is not available. The Royal Institution of Chartered Surveyors (RICS) suggests that this would be the case if the asset is particularly specialised and there is little previous experience of such a sale upon which to rely.

Equal Pay - Many authorities are experiencing large numbers of claims for back pay from appeals about unequal pay arising from the implementation of the Single Status Agreement. A new section of the SORP on Back Pay Arising from Unequal Pay Claims has been included. Copeland Borough Council does not currently have any equal pay claims.

Authorisation for Issue Date - Local authority financial statements are required by legislation to be approved by the authority by 30 June. There are three formal points at which the Statement of Accounts can be regarded as issued in some form:

- When the responsible finance officer certifies the statement as 'presents fairly' and makes them available to members for approval
- When the statement is ready for publication
- When the audit of the statement is certified closed, if later than the publication date

The SORP requires that at each of these stages the Statement of Accounts should reflect events up to an authorised for issue date relevant to that particular stage of the accounts process. It includes provisions in addition to the requirements of Regulation 10 of the Accounts and Audit Regulations 2003 for the authentication of the Statement of Accounts by the responsible finance officer where the statement changes its status. There is no requirement for re-approval by members.

These (un-audited) Accounts have an authorisation for issue date of 26th June 2009, the date when these un-audited Accounts were presented to the Audit Committee for their approval, on behalf of the Authority, in accordance with the Council's Constitution and Scheme of Delegated Authority.

Pensions - The 2008 SORP incorporates recent changes to Financial Reporting Standard (FRS) 17 which bring it into line with International Financial Reporting Standards (IFRS) by changing the fair valuation method for certain scheme assets to be valued at "realisable values" (i.e. bid values), and revising disclosure requirements.

As a result, 2007/08 comparative figures in the Balance Sheet and note 35, Retirement Benefits and note 32, Movement on Reserves, have been restated.

4 Accounting Policies

The Accounting Policies adopted by the Council comply with relevant recommended accounting practices. The Accounting Policies for the 2008/09 Accounts are explained in the Statement of Accounting Policies (pages 11 to 20) and are, in the main, a continuation of existing policies adopted by the Council, however, they have been amended to reflect changes to the 2008 SORP, as explained in the previous section.

In addition, the Council has sought to provide a more comprehensive explanation of key areas of the Accounting Policies this year, to help the reader of the Accounts, in relation to provisions (policy 3); Government Grants and Contributions (policy 5), Tangible Fixed Assets (policy 10) Financial Instruments (policy 11) and PFI (policy 17).

5 Revenue Expenditure 2008/09

Revenue expenditure and income generally relates to those items which are consumed within the year. Before the start of the financial year, the Council prepares the annual revenue budget, reflecting the estimated net expenditure to be incurred during the year to provide services. The budget is regularly reviewed and revised during the financial year to reflect known changes in planned and actual expenditure and income.

The Revenue Budget 2008/09 approved by Council at its meeting of 26th February 2008 amounted to a net figure of £13,974k. This figure increased to £14,342k with the inclusion of Parish precepts. In determining the budget for the year, there was a planned transfer of £1,665k from earmarked reserves. During the year, there was a further planned use of general reserves of £134k and £142k of earmarked reserves arising from decisions made during the year as a result of information provided during the routine cycle of budget monitoring.

The Income and Expenditure Account 2008/09 shows a £3,951k deficit for the year before adjustments and transfers from reserves of £4,262k. After allowing for adjustments and transfers from reserves, the account shows a £344k surplus which will increase the General Fund Balances.

A summary of the revised budget and a comparison with income and expenditure incurred for 2008/09 is shown overleaf:-

	Revised Budget	Actual	Variance
	£'000	£'000	£'000
Expenditure on Services	42,559	47,576	5,017
Income on Services	(26,986)	(29,862)	(2,876)
Net Expenditure on Services	15,573	17,714	2,141
Parish Council precepts	368	368	-
	15,941	18,082	2,141
Less:			
Adjustment re Capital Accounting Charges and Pensions	-	(3,530)	(3,530)
Interest Payable and Receivable	(951)	(1,323)	(372)
Revenue Support Grant	(874)	(874)	0
PFI grant income	(870)	(837)	33
Area Based Grant	(1,413)	(1,436)	(23)
Non-Domestic Rates Income	(6,277)	(6,277)	-
LABGI	-	(57)	(57)
Copeland's demand on Collection Fund 08/09	(4,107)	(4,107)	-
Copeland's share of Collection Fund surplus	(7)	(7)	-
	1,442	(366)	(1,808)
Contribution (to)/from Earmarked Reserves	(1,307)	514	1,821
Contribution (to)/from General Fund Balance	135	148	13

6 Capital Expenditure

Capital spending relates to the cost of provision or enhancement of assets or other expenditure where the benefits last beyond the financial year in question. The definition of capital expenditure is set out in the Capital Financing Regulations. Capital and revenue transactions must be accounted for separately.

In 2008/09, the total gross expenditure on the capital programme was £4,952k, funded from external grants and contributions of £3,668k, use of specific revenue reserves £19k and use of Council capital reserves (from capital receipts received from the sale of Council assets in the past) of £1,265k.

A reconciliation of the capital spend per the accounts to spend per the Capital Programme for 2008/09 and corresponding shortfall in spending against budget is shown below:-

	£
Capital Expenditure per accounts	4,952
Government Grants & other contributions	(3,668)
Net Capital Spend per accounts	1,284
Earmarking of receipts	169
Capital spend outside programme	(18)
Repayment of grant income	38
Other funding	21
Net Capital Spend against the Capital Programme	1,494
Capital programme budget	3,890
Shortfall in spending	(2,396)

The shortfall in spending was largely due to schemes which did not progress as quickly as anticipated and will be carried out in the following financial year.

The major areas of capital spending were Regeneration, Property and Housing. Projects included Coastal Fringe in Regeneration (£1,048k), housing renovation & renewals financial assistance and Disabled Facilities Grants in Housing (£1,127k), and housing clearance works (£400k).

7 Borrowing

The Prudential Code for Capital Finance in Local Authorities regulates local authority borrowing and gives freedom to council's to borrow as long as they are, in the opinion of the Chief Financial Officer, capable of meeting the revenue costs of borrowing and are in keeping with the Prudential indicators and guidelines.

The Council's authorised limit for external debt for 2008/09 was £9.0m, with an operational limit of £5.0m. This was approved by Council at its meeting of 26th February 2008, when it agreed the Treasury Management Strategy 2008/09, which contains the four key clauses of the CIPFA Code of Practice for Treasury Management.

Investments at financial year end amounted to £18,700,527. This is £3,436,846 less than at 31st March 2008 as reflected on the Balance Sheet. Borrowing at the financial year end stood at £5m, this is unchanged from the previous year. The Council did not undertake any new borrowing in the year to fund the capital programme. The Council's contribution to capital expenditure was found from the utilisation of Council Capital Reserves.

8 PFI

The Council operates one Public Finance Initiative (PFI) scheme. This commenced in 2004 and relates to the Copeland Centre. It will operate for 25 years. The Accounting for PFI is described in Accounting Policy No17.

9 Pension Costs

The Financial Reporting Standard (FRS) 17 – Pensions Costs is applicable to Local Authorities. A pensions reserve and a pensions liability are incorporated within the Council's accounts to reflect the amount of the Copeland element of the Local Government Pensions Fund administered by Cumbria County Council is under-funded compared to the assessment of liabilities to pensioners now and in the future by actuaries. There are also entries in the Income and Expenditure account and the Statement of Movement on the General Fund Balance to show the pensions benefits earned in the year. All of the pension's entries do not, however, affect the amount calculated as being due from taxpayers through the Council Tax.

10 Further Information

Further information about the Statement of Accounts is available from the Head of Finance and Management Information Systems, The Copeland Centre, Catherine Street, Whitehaven. In addition, members of the public have the statutory right to inspect the Statement of Accounts and supporting documents at certain times prior to the completion of the external audit. Details as to when this right can be exercised are advertised each year in the Whitehaven News. Residents of the Borough of Copeland who are Council Tax payers may register an objection to the Accounts they may have and can arrange to see the External Auditor on the appointed audit day on any issue relating to the Accounts.

11 External Audit

The Audit Commission is responsible for the external audit of Copeland Borough Council's accounts. The auditor has not yet given an opinion. The Auditor's Report and Opinion will be included in the Accounts when it is available, which will be following the completion of the audit process. The address of the Council's auditor is: Audit Commission, 2nd Floor, Aspinall House, Aspinall Close, Middlebrook, BOLTON. BL6 6QQ.

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories.

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 Council 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 on the basis of the effective interest date for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- 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.

3. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

4. Reserves

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits that do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

The type and purpose of the Council's reserves are explained in note 32 on pages 63 and 64.

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 Council 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, Area Based Grant and PFI grant in respect of the Copeland Centre) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

6. Retirement Benefits (Pensions)

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

The liabilities of the scheme attributable to the Council are included in the Balance Sheet on actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 7.10%.

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

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

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

- Current service cost - the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service of accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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

7. Value Added Tax

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

8. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service, in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two costs are accounted for under 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 Council (e.g. software licences), is capitalised, at cost, when it will bring benefits to the Council 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 Council 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

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:

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

	Basis of valuation	Depreciation	Asset Lives
Other land and buildings	Open market value for existing use or depreciated replacement cost	Straight line	15-50 years
Vehicles plant and equipment	Historical cost	Straight line	3-10 years
Community Assets	Historical cost	N/A	N/A
Non operational assets	Open market value	N/A	N/A
Infrastructure	Historical Cost	Straight Line	14-20 years

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

Operational properties of a specialised nature are 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 are 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.

Net current replacement cost is assessed as:

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

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

Impairment

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

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

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

Disposals

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

Grants and contributions

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

11 **Financial Instruments**

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus interest accrued at the year end and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

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

Financial assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account. Any gains and

losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

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

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

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

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

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

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

12 Charges to Revenue for Fixed Assets

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

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- Amortisation of intangible fixed assets attributable to the service.

The Council 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 either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

13 **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

14 **Leases**

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

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

15 **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.

16 **Interests in Companies and other entities**

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates, and joint ventures. Group accounts have not been prepared on the grounds that, as in prior years, the amounts are immaterial to the overall Statement of Accounts. Interests in companies and other entities are recorded as investments, ie at cost, less any provision for losses.

17 **Private Finance Initiative (PFI)**

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 income and expenditure 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. Income and expenditure relating to the subletting of part of the PFI building to DWP & Copeland Homes is shown within trading operations (note 2) as it is not directly attributable to any services provided by the Council.

18 **Prior period adjustment**

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

Statement of Responsibilities
The Authority's Responsibilities

The Authority is required to:

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

The Chief Finance Officer's Responsibilities

Acting in the capacity of the Council's Section 151 Officer 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 SORP'), 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 2009.

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 SORP
- 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 Statement of Accounts for the year 2008/09 present fairly the financial position of Copeland Borough Council.

Julie Crellin
Head of Finance and Management Information Systems

26th June 2009

The Statement of Accounts was considered and approved by the Audit Committee on behalf of the Authority at its meeting of 26th June 2009.

Michael Bonner
Chairman of the Audit Committee

26th June 2009

Cllr. J.G. Sunderland
Vice Chair of the Audit Committee

26th June 2009

Annual Governance Statement

COPELAND BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2008/09

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, which includes arrangements for the management of risk.

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

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework has been in place at Copeland Borough Council for the year ended 31 March 2009 and up to the date of approval of the Statement of Accounts for 2008/9.

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's Governance Framework include:

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

- A 5 year Council Plan including key objectives, which supports the delivery of Cumbria Community Strategy, Local Area Agreement and West Cumbria Sustainable Communities Strategy, was adopted on 17 April 2007.
- Individual Service Plans, linked to the Corporate Plan, set out key objectives. Service Plans for 2008/09 were in place by April 2008.
- Achievement of the main objectives also reported annually in the performance summary BVPP for 2007/8, and thereafter in other communications with the public, for example the Council Tax leaflet.
- The 5 year Corporate Plan was used to develop a Corporate Improvement Plan for 2009/10. This plan displays, on a single A3 page, the key projects and performance indicators for 2009/10. This plan has been used to develop service plans for 2009/10.

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

- Corporate and service targets and objectives are reviewed quarterly. Performance against Corporate Plan objectives are reported to the Executive and Corporate Improvement Board quarterly. Service key objectives are monitored by the Chief Executive /relevant Director.
- A light-touch refresh of the Corporate Plan was started in autumn 2007, to ensure that the Council's targets and objectives were still relevant and reflect the developing environment for local authorities, particularly in light of the enactment of Local Government and Public Involvement in Health Act 2007. This was completed and agreed in June 2008 and continued to be kept under review.
- A Corporate Improvement Plan showing priority projects and performance indicators for 2009/10 was started in autumn 2008 and approved by Executive in April 2009.
- Developments in the CAA process have been consulted upon, discussed and responded to by the Council. Progress in meeting the new requirements has been reported to Corporate Improvement Board and OSC Management.

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

- Standards and targets have been in place for many years and further development on customer service standards is ongoing.
- Standards for customer service were adopted by Management Group in September 2005 and were formally approved by the Executive 21/2/06. During 2008/9 a satisfaction survey was carried out to understand customer's satisfaction with services they had received. The Place Survey was conducted during 2008/9, with arrangements being made for publication of the results.
- Performance against national Best Value Performance Indicators (BVPI's), National Indicators (NI's) and implementation plans for all Best Value Reviews are monitored through individual service performance reports and, corporately, by the Corporate

Improvement Board. A significant proportion of BVPIs was retained as local PIs to allow trends and comparisons with other authorities to be monitored.

- Quarterly reports are made to Executive on progress against the 5 year Corporate Plan and NI's. 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.
- A Medium Term Financial Strategy was agreed by Full Council in February 2008. At the February 2009 Council meeting the full supporting budget was updated to reflect changed planning assumptions covering the period 2009/10 to 2011/12. The Council approves the budget and policy framework.
- The Executive received quarterly reports on management accounts compared to revenue budgets and of capital expenditure compared to the capital programme.
- A Procurement Strategy was prepared and adopted, with an improvement action plan. A Procurement Officer has been appointed. We actively participate in EPIC and are currently piloting IDeA Marketplace.
- A new Searching for Best Value group of members and officers was convened during the year to promote greater efficiency and value for money in the Council's services.

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

- Council's Constitution provides a general framework for governance which is reviewed at least annually and approved by full Council. This sets out the roles and responsibilities of the Executive, non-executive Overview and Scrutiny and officer functions, with delegated powers explained.
- The Executive meet at least monthly to facilitate prompt decision-making, with a "call in arrangement", preventing decisions being implemented for 7 working days, to allow for effective scrutiny.
- The Executive received regular reports on corporate performance throughout 2008/09.
- Executive and Council reports contain a section which sets out the financial implications of the report.
- The Constitution also sets out the basis for "key" decisions. All reports to Executive set out whether a decision is a "key" decision requiring it to be published in the forward plan.
- Individual Portfolio Holders have delegated powers and these are set out in the Constitution.
- 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 2008/9 the Overview and Scrutiny Committees reviewed a range of topics proposed by stakeholders and arising from internal sources and external partners. These reviews resulted in recommendations for changes in Council policy or practice.
- Risk management and progress on developing a business continuity plan, was monitored regularly by Corporate Team. A business continuity exercise took place in February 2008 that identified gaps in our planning. A new corporate business continuity plan was signed off by Corporate Team on the 9 March 2009 and went to the Corporate Improvement Board in April. Individual services have developed plans containing the details of how their service will support the corporate business continuity plan.

•• 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 are required to sign to say they have received it.
- The Council has a Dignity At Work Policy which was reviewed by a OSC task and finish group during 2008/9.
- When new Council employees are recruited, as part of the employment contract documentation they receive the Employees' Code of Conduct, Confidentiality Statement, Security Policy and CRB form, if required.
- 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. The Council is working towards gaining the Equalities Standard 'Achieving' by March 2010.

•• 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 and approved the Constitution in September 2008.
- The Council regularly reviews its financial procedures and Contract Standing Orders.
- Minor amendments to Financial Regulations were approved in December 2007.
- Individual Heads of Service provided an annual assurance statement on the operation of controls in their service area and this is one source of evidence in considering the effectiveness of the system of internal control.
- The Council's Risk Management Strategy sets out how the Council approaches risk management;
- Risks to the delivery of service plans are set out in the annual service plans and are reviewed quarterly and reported as part of quarterly performance management procedures.
- The Strategic Risk Register is prepared and monitored quarterly by Corporate Team.

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

- The Audit Committee monitored internal and external audit work, including reviewing the adequacy of internal controls. As from Jan 09 the Audit Committee had an independent chair.
- Internal Audit also submitted an Annual Report on Internal Control to the Audit Committee on 27 May 2009 and a report on compliance with corporate governance standards.
- The Audit Committee considered and formally adopted the 2007/08 Statement of Accounts on 30 June 2008. A revised set of Accounts were resubmitted and formally adopted on 19 November 2008.
- External Audit – published the Annual Audit and Inspection Letter, presented to Members in March 2009. Other Audit Commission reports included the Auditor's report on Data Quality, the Use of Resources Judgement and Annual Governance report.
- Early monitoring update on the preparation of the 2008/9 accounts was submitted to the Audit Committee at its meetings on 22 April and 29 May 2009;
- Accounting Policies and Principles were formally approved by the Audit Committee prior to submission of the Statement of Accounts at its meeting on 22 April 2009.

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

- Council decisions and arrangements for considering recommendations and items of business were in accordance with the relevant legislation and the Council's Constitution;
- The section 151 Officer and the Council's Monitoring Officer provided comments on every report to Executive and were present in person or represented by their appointed deputies at every meeting of the full Council and Executive;
- Each Executive report contains a grid to allow assessment of the decision against the Council's policy framework;
- The Council's budget was set in accordance with the requirements of the relevant legislation and guided by the Council's Medium term Financial Strategy. The s151 Officer is required to comment each year on the robustness of the proposed budget and this was supplied to full Council prior to the agreement of the 2008/9 budget and 2009/10 budget;
- Corporate Team members take an overview of all Executive and Council reports at timetabled pre-meetings during the year;
- At every meeting of the Council there are opportunities for elected members to declare personal and prejudicial interests;
- There are registers which elected members and officers are required to use to declare hospitality and personal interests. Corporate Team members are required to complete an annual declaration of related party transactions;
- The Council's call-in procedure for Executive decisions can be invoked if it is thought there has been a departure from policy guidance. There were 3 call-ins during 2008/9.
- The Legal Services Manager issues bi-monthly updates to service managers on new legislation and associated statutory guidance;
- There were no S.151 or Monitoring Officer reports issued in 2008/09.

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

- There were no adverse Ombudsman reports in 2008/09. The Ombudsman's office came to train managers and complaints handling staff in good practice during 2008/9.
- The Management OSC received quarterly reports of complaints to the Council during the year.
- The Confidential Reporting Code was reviewed and re-launched in 2007/8.

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

- A Members' Development Plan was in place during 2008/9, arrived at through in depth discussions with individual members. The Council achieved the Members Development Charter from North West Employers' Organisation. The accreditation lasts until September 09 when we will apply for reaccreditation.
- The employees' Training and Development Plan was delivered in 2008/9 through a new employee performance management framework introduced April 08. This framework was designed to identify employees' contributions and training needs to deliver the Corporate Plan and services plans. Investors In People assessment confirms that this has been effective.
- The Council achieved reaccreditation of the Investors in People award during 2008/9
- In order to mainstream Section 17 (S17) of the Crime & Disorder Act 1998 in all Council activities the S17 officer has provided training to members. A work programme has also been developed for 2009/10 to ensure services audit their activities and embed S17 into their work programmes and service plan developed for 2010/11.

- Following the Data Quality audit inspection, managers and key staff attended data quality training.

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

- The Council's Communication Strategy sets out the main guidance for communication and consultation with the public.
- The Council consulted the public on the development of a range of its service and corporate objectives, including the budget for 2008/9.
- Through the West Cumbria Strategic Partnership and other partnerships the Council was engaged in a range of activities to communicate with the public, including on the future of the nuclear industry in West Cumbria.
- To achieve Level 2 of the Equality Standard for Local Government the Council talked to a range of community organisations about improving service access during 2007/8. During 2008/9 the Council has been working towards gaining the Equality Standard 'Achieving' and has continued to work with community organisations to improve service access.
- During 2008/9 the Council has been working with partners defining locality working arrangements to give opportunities for greater participation by the community, working with agencies to identify and address local needs. Two pilot locality boards will be set up with detailed action plans by December 2009.

•• 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, and reflecting these in the authority's overall governance arrangements.

- In order to increase its effective and efficient partnership working the Council has developed and formally agreed revised protocols and service level agreements
- External Audit opinion found that there were still improvements that the Council could achieve in developing sound governance of partnerships. This requirement has been incorporated into improvement plans for 2008/9 and 2009/10.

REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

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 (the Audit and Fraud Prevention Manager) annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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

- the **Authority** has continued to review its Constitution in 2008/9;
- 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 Audit Committee and the Overview and Scrutiny Management Committee also considered the update of the Strategic Risk Register.

- the **Standards Committee** undertook a review of ethical governance during 2007/8 and continues to deliver against the agreed action plan.
- **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 2008/9 their services have complied with the Council's framework of policy and procedure in managing resources and observing the requirements of probity. Operational risks are identified through service and project planning and are logged on the Covalent performance system, monitored at least quarterly by managers. Risk management and progress on developing a business continuity plan was monitored regularly by Corporate Team.

The Audit Committee at its meeting of 27th May 2009, received the Annual Report of Internal Control 2008/09 from the Head of Internal Audit which concluded that based on the audit work undertaken in the year, the opinion was that key systems were operating satisfactorily and there was no fundamental breakdown in controls resulting in material error or discrepancies.

The meeting also considered the internal audit report of Corporate Governance Arrangements 2008/09, which evaluated performance against the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government and its checklist. The Head of Internal Audit concluded that the Council's Code of Corporate Governance is in line with best practice. The arrangements were generally effective and being complied with. However, following the loss of key staff in Finance and the consequent failure to meet the statutory deadline to produce an auditable Statement of Accounts 2007/08 by 30th June 2008, the Corporate Governance arrangements were evaluated as weak. The failure of the Council to meet this statutory deadline had also contributed to the Use of Resources 2008 score of '1' (below minimum standards) from the Audit Commission, which was reported to the Audit Committee at its meeting of 27th March 2009. The Governance report, did however, set out that since that failure, much work had been undertaken by the Council in the latter half of 2008/09 to redress the weaknesses which had contributed to the underperformance. Action Plans were in place and were being implemented. The overarching action plan to improve Corporate Governance arrangements was agreed by Corporate Team at a special meeting of 11th May. The Action Plan is set out in the section below.

The meeting also received a report from the Head of Finance and Management Information Systems (s.151 Officer) on the effectiveness of the system of internal audit which operated in 2008/09. The report brought together the findings of the Corporate Governance report, the Self-Assessment of the Head of Internal Audit on the Council's compliance with the CIPFA Code of Practice for Internal Audit in Local Government, the Annual Report on Internal Control 2008/09 and the main findings of the External Audit in 2008/09 in relation to internal audit.

The conclusion of the report was that, taking note of the issues in relation to the production of the Accounts for 2007/08, and the need to reschedule the work of the internal audit function during 2008/09 as a result of the extra-ordinary management circumstances which resulted from the loss of key staff in Finance, the system of internal audit had operated satisfactorily in 2008/09. Whilst there had been no fundamental breakdown of control, evidenced, through the audit of core systems, audit of less critical areas had to be rescheduled as low priority. Actions were agreed to mitigate any potential impact in the future and to ensure the independence of the audit function is maintained.

SIGNIFICANT GOVERNANCE ISSUES

The Council has been advised on the implications of the result of the review of the effectiveness of the governance framework by Audit Committee. An action plan was agreed by Corporate Team, as part of the annual internal report on Corporate Governance on 11 May 2009. This report and action plan was considered by the Audit Committee on 27 May 2009, prior to consideration of the Annual Governance Statement on 3 June 2009.

The significant governance issues have been updated and these include actions the Audit Committee approved at its meeting of 27th March 2009, when it received the External Auditor's reports (termed Annual Governance Reports) in relation to their unqualified audit opinions (i.e. the accounts stated fairly the financial activities of the Council) upon the revised 2006/07 and 2007/08 Statement of Accounts. The Annual Governance Statement for 2007/08 was revised as a result of the External Auditor's findings and those actions will be implemented during 2009/10.

The Significant Governance Issues to be taken forward and addressed in 2009/10 are set out in the table below, together with a proposed target date for each.

ANNUAL GOVERNANCE STATEMENT 2008/9 ACTION PLAN

Priority Key: P1 s.151 issue or statutory requirement

P2 Key control

P3 Desirable but not essential

Issue No. / Priority	Corp Governance Report Ref.	Issues	Action Agreed	Responsible Officer	Target Date
1 P2	3.1	The Anti-Fraud and Corruption Strategy should be reviewed and relaunched in 2009/10.	The Strategy will be reviewed and relaunched to Members, Management Group and in the core Team Brief (TeamTalk). The copy on the intranet will be updated.	M Robinson Audit & Fraud Prevention Manager	October 2009
2 P1	4.1	Arrangements should be put in place to maintain audit independence. (This issue arose as a result of the temporary management arrangements put in place during summer 2008 following the loss of key staff in Finance, which resulted in acting up of Internal Audit Manager and the delay to some audit work).	Letter has been circulated to the Audit Committee and to the Audit Commission, detailing arrangements. Position will be monitored and reported quarterly to the Audit Committee. Audit Charter will be expanded to include arrangements to maintain audit independence.	M Robinson Audit & Fraud Prevention Manager	Ongoing in 2009/10 End date 31/3/10
3 P2	4.3	Overall risk management arrangements should be considered at least quarterly by the Audit Committee.	Risks are monitored and recorded on Covalent as part of quarterly monitoring procedures. A quarterly report on risk	Hilary Mitchell Head of Policy and Performance	Ongoing in 2009/10

Issue No. / Priority	Corp Governance Report Ref.	Issues	Action Agreed	Responsible Officer	Target Date
			management to be submitted to the Audit Committee.		
4 P2	6.1	The new Cumbria-wide Joint Scrutiny arrangements should be implemented in 2009/10.	Terms of Reference of the new Joint Scrutiny Committee for Cumbria have been agreed and a joint Support Officer for the new Committee has been appointed in April 2009.	M Jepson Head of Legal & Democratic Services	Ongoing in 2009/10 End date 31/3/10
5 P3	6.2	The Council should consider publishing an Annual Report to co-ordinate information on the vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.	Propose an Annual Report, based on progress against the Corporate Improvement Plan.	Corporate Team - Lead Officer: K Parker	31/7/10
6 P1	6.3	The Pay and Grading Scheme must be implemented in 2009/10.	Proposals drawn up following job evaluation. Provisional timetable agreed. Subject to full consultation before implementation.	Corporate Team - Lead Officer: F McMorow	31/3/10
7 P1	Arising from Revised 2007/08 AGS 27/3/09	Ensure an early monitoring report on the preparation of the 2008/09 Accounts is submitted to the Audit Committee to ensure the production of the accounts meets statutory deadlines and any	Closure Timetable circulated to all Audit Committee Members. Verbal current situation updates given to the Audit Committee	J Crellin Head of Finance & MIS	Implemented

Issue No. / Priority	Corp Governance Report Ref.	Issues	Action Agreed	Responsible Officer	Target Date
		issues are flagged early.	22/4/09 and the meeting on 3/6/09.		
8 P1	Arising from Revised 2007/08 AGS 27/3/09	Submit the Accounting Policies and Principles for formal approval by the Audit Committee, prior to submission of the Statement of Accounts.	Submitted to Audit Committee 22/4/09	J Crellin Head of Finance & MIS	Implemented
9 P1	Arising from Revised 2007/08 AGS 27/3/09	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. This will include resourcing the Accountancy section to ensure sufficient time is available to carry out quality checks, ensure consistency of accounting treatment and to produce working papers which include an analytical review, whilst still meeting the statutory deadlines. [Interim staffing arrangements and the buying-in of private sector resources have been superseded by the appointment of permanent post holders.]	SORP 2008 has been reviewed and any new requirements have been identified. This was reported to Audit Committee on 22/4/09. Detailed timetable, including staff resource allocation, has been drawn up and progress is regularly monitored. Sufficient time has been incorporated to produce the working papers and to carry out quality checks, whilst still meeting the statutory deadline.	J Crellin Head of Finance & MIS	June 2009
10 P2	Arising from Revised 2007/08 AGS 27/3/09	Improve budgetary control by ensuring the reconciliation of control accounts is up-to-date and by implementing robust close-down procedures, thus ensuring the revenue outturn is accurate and the reserves position can be relied upon. Improve capital monitoring by quality checks on the project	Control Accounts process has been reviewed by the Financial Accountant and new arrangements put in place to monitor progress. Guidance issued to Managers on	J Crellin Head of Finance & MIS	June 2009

Issue No. / Priority	Corp Governance Report Ref.	Issues	Action Agreed	Responsible Officer	Target Date
		management data.	close down procedures and evidence required to support transactions. Training also given. Evidence reviewed by Accountancy officers before transactions are input to the financial ledger. Full review undertaken of the Earmarked Reserves to ensure transactions are accurate and that expenditure is fully reflected in the Income and Expenditure Account. Capital Control Group has been set up in April 2009.		
11 P2	Arising from Revised 2007/08 AGS 27/3/09	Improve arrangements to identify and mitigate potential risks associated with partnership working. This will include setting up a register of partnerships, including accountable body status, and financial governance procedures – including risk management.	Partnership Group established. Chaired by Head of Development Strategy. Framework for analysing Partnership Register has been developed to identify key partnerships in terms of risk and impact. Outcome will be reported in 2009/10.	Corporate Team – Lead Officer: J Betteridge	July 2009
12 P2	Arising from Revised 2007/08 AGS 27/3/09	Ensure audit recommendations are implemented promptly. The backlog of outstanding recommendations, and progress on implementation, will continue to be reviewed	All audit recommendations to be re-evaluated for continued relevance.	Corporate Team	September 2009

Issue No. / Priority	Corp Governance Report Ref.	Issues	Action Agreed	Responsible Officer	Target Date
		<i>quarterly by Corporate Team and the Audit Committee. Aim to clear the backlog of 2007/08 recommendations.</i>			
13 P2	<i>Arising from Revised 2007/08 AGS 27/3/09</i>	<i>Keep under review the Council's arrangements for Business Continuity Planning, including regular testing of these arrangements.</i>	<i>Review will be undertaken. Business Continuity arrangements will be tested as part of the Emergency Planning exercise in July.</i>	<i>Corporate Team – Lead Officer: F McMorrow</i>	<i>May 2009 July 2009</i>
14 P1	<i>Arising from Revised 2007/08 AGS 27/3/09</i>	<i>Following an adverse inspection report on the statutory Housing function, an Improvement Plan was drawn up. Need to monitor progress against the Housing Strategy Improvement Plan. [A special Panel has been established for this purpose].</i>	<i>The Strategic Housing Panel meets monthly and monitors progress closely. Corporate Team have also maintained a monitoring role.</i>	<i>J Betteridge Head of Development Strategy</i>	<i>September 2009</i>
15 P1	<i>Arising from Revised 2007/08 AGS 27/3/09</i>	<i>Ensure procedures are followed to keep the Fixed Asset Register up-to-date. This reflects the amendments required to the 2006/7 and 2007/8 Statement of Accounts following the clarification of assets during the audit process.</i>	<i>New procedures were put in place in January 2009. Compliance with these procedures needs to be monitored.</i>	<i>J Crellin Head of Finance & MIS / P Graham Head of Development Operations</i>	<i>Ongoing in 2009/10 End date 31/3/10</i>
16 P2	<i>Arising from Revised 2007/08 AGS</i>	<i>Keep under review the Council's Constitution and take any further reviews to council for approval as required.</i>	<i>Will review at least annually.</i>	<i>M Jepson Head of Legal & Democratic</i>	<i>March 2010</i>

Issue No. / Priority	Corp Governance Report Ref.	Issues	Action Agreed	Responsible Officer	Target Date
	27/3/09			Services	
P2		Due to resourcing issues, internal audit were able to cover 66% of the audit plan in 2008/9 (all the main financial systems were audited along with 57% of non-fundamental systems). The impact of the slippage was considered by Corporate Team to be minimal and was reported to the Audit Committee. The outstanding work will be risk assessed and rolled forward to 2009/10 and reported to the Audit Committee throughout 2009/10 where appropriate.	Level of non-audit work to be minimised, monitored and reported to Audit Committee on a quarterly basis.	M Robinson Audit & Fraud Prevention Manager	Ongoing in 2009/10 subject to quarterly reports
P2		Concern about use of interim, agency and temporary staff.	Chief Executive to review recommendations and formulate a proposed way forward	Fergus McMorrow Acting Chief Executive	November 2009
P2		Ensuring procedures are evidenced in relation to land sales, particularly aspects of public involvement. This resulted from the review of procedures and documentation surrounding a land transaction in 2006/7 by the External Auditor.	Procedures being reviewed for disposal of land in line with Audit Commission recommendations in Annual Governance Report 2006/7 published March 2009 to be considered by new Capital Control Group (see above)	Pat Graham Head of Development Operations	Ongoing in 2009/10

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

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF COPELAND
BOROUGH COUNCIL**

To follow (when audit is complete)

Income & Expenditure Account

For the year ended 31st March 2009

	2008/09		2007/08	
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000
Central Services	7,192	(6,119)	1,073	922
Cultural, environmental and planning services	16,374	(4,894)	11,480	8,408
Highways, roads and transport services	1,735	(857)	878	913
Housing Services	19,459	(18,163)	1,296	710
Corporate and Democratic Core	2,539	171	2,710	1,889
Non Distributed Costs	287	0	287	531
Discontinued Operations		0	0	-
Net Cost of Services	47,586	(29,862)	17,724	13,373
(Gain)/Loss on the disposal of fixed assets			34	146
Parish Council precepts			368	354
(Surplus)/Deficit on trading operations			0	-
Interest payable and similar charges			392	378
Contribution of housing capital receipts to government pool			0	-
Interest and investment income			(1,725)	(1,584)
Pension interest costs and expected return on pension assets			752	10
Net Operating Expenditure			17,545	12,677
Demand on collection fund			(4,107)	(3,931)
Share of collection fund surplus			(7)	-
LABGI Grant			(57)	(142)
General Government grants			(3,146)	(1,847)
Non-domestic rates redistribution			(6,277)	(6,019)
(Surplus)/Deficit for year			3,951	738

The Income and Expenditure Account is fundamental to the understanding of a local authority's activities in that it reports the net cost of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

**Statement of Movement on the General Fund Balance
For the year ended 31 March 2009**

		2008/09	2007/08
	Note	£'000	£'000
Deficit for the year		3,951	738
Net additional amount required by statute and non statutory proper practices to be debited or credited to the General Fund balance for the year		(3,803)	(706)
(Increase)/decrease in General Fund balance for the year		148	32
General Fund balance brought forward		(3,245)	(3,277)
General Fund balance carried forward		(3,097)	(3,245)

While the Income and Expenditure account shows the surplus or deficit that has arisen over the year not all income and expenditure is charged to the General Fund for the purposes of calculating Council Tax. The Statement of the General Fund Balance highlights the amounts generally available to the council after these adjustments have been made.

Statement of Total Recognised Gains and Losses
For the year ended 31 March 2009

		2008/09	2007/08
			As restated
	Note	£'000	£'000
Deficit for the year		3,951	738
(Surplus)/deficit for the year arising on revaluation of fixed assets		(3,347)	(8,002)
Actuarial (gains)/losses on pension fund assets and liabilities		(832)	5,920
(Gains)/losses on the collection fund		118	(46)
Other (gains) losses for the year		(293)	0
Total recognised (gains)/losses for the year		(403)	(1,390)
Net Worth as at 1st April 2008		(40,597)	(39,207)
Net Worth as at 31st March 2009		(41,000)	(40,597)

Not all gains and losses experienced by a local authority are reflected in the Income and Expenditure Account and are posted directly to the Balance Sheet. These gains can include revaluation gains on fixed assets or actuarial gains or losses on pension costs. These gains relate to valuations rather than the performance of the authority and are highlighted on the Statement of Total Recognised Gains and Losses.

Balance Sheet
As at 31 March 2009

		<u>31st March</u>	<u>31st March</u>
		<u>2009</u>	<u>2008</u>
			<u>As restated</u>
	Note	£'000	£'000
Intangible Fixed Assets	17		246
Tangible Fixed Assets			295
Operational Assets			
Other Land and Buildings	12	22,570	23,421
Vehicles, plant, furniture and equipment	12	2,380	2,591
Infrastructure Assets	12	3,208	2,494
Community Assets	12	871	551
			29,029
Non Operational Assets			29,057
Investment properties	12	4,416	521
Assets under construction	12	0	22
Surplus assets, held for disposal	12	10,915	12,824
			15,331
Total Fixed Assets			44,606
Long Term Investments	20		30
Long Term Debtors	21		90
Current Assets			161
Stocks and work in progress	22	139	71
Debtors	23	4,710	6,320
Investments	24	18,980	22,698
Cash and bank		1,608	2,579
			25,437
Total Assets			70,163
Current Liabilities			74,588
Borrowing repayable on demand or within 12 months		0	0
Creditors	27	(3,193)	(8,403)
Bank Overdraft		(473)	(1,205)
			(3,666)
Total Assets less current liabilities			66,497
Borrowing repayable within a period in excess of 12 months	28	(5,060)	(5,060)
Provisions	29	(369)	(281)
Government grants deferred	30	(5,281)	(4,191)
Capital grant unapplied		(1,187)	(1,116)
Liability related to defined benefit pension scheme	35	(13,600)	(13,735)
Total assets less liabilities		41,000	40,597
Capital Adjustment Account	32	26,974	29,504
Deferred capital receipts	32	38	40
Financial instrument adjustment account	32	(17)	(44)
Revaluation reserve	32	11,314	7,990
Pensions reserve	32	(13,600)	(13,735)
Capital receipts reserve	32	6,231	7,035
General Fund balance	32	3,097	3,245
Collection Fund balance	32	(172)	(54)
Fund balances and earmarked reserves	32	7,135	6,616
Total Net Worth		41,000	40,597

The notes on numbers 1 to 38 form part of these financial statements

Cashflow Statement
For the year ended 31 March 2009

To follow

Notes to the Financial Statements

1. Prior Period Adjustment

The Balance sheet figures have been restated from those included in the Statement of Accounts for 2007/08 to reflect the change in valuation policy for pension assets from fair value to market value.

2. Trading Operations

The Authority sublets part of the Copeland Centre to the Department of Works and Pensions and Copeland Homes. The costs incurred renting out the premises are covered by the rental revenues generated. The net effect to the Income and Expenditure Account is nil.

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

Section 137(3) of the 1972 Act has been retained, following the Local Government Act 2000 repealing the majority of the provisions under Section 137, which empowers parish / community councils, subject to various conditions and limits, to incur expenditure which in their opinion is in the interest of their area for any part of it, or all or some of its inhabitants, but for which no specific statutory power exists. The expenditure is limited to £2.15 per head of population. Based on a population of 70,400, the authority was permitted to spend £151,360 under this power in 2008/09. The actual expenditure incurred was nil.

4. Publicity Account

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

	2008/09 £'000	2007/08 £'000
Staff Advertising	69	60
Advertising		
Development Services	12	11
Leisure Management	12	13
General	9	10
Business rates/Council tax	15	-
	48	34
Promotions and exhibitions		
The Beacon	35	-
Green waste recycling project	3	21
	38	21

5. 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.

2008/09

	Chargeable £'000	Non Chargeable £'000	Total £'000
Expenditure			
Employee expenses	146	112	258
Transport	8	6	14
Supplies and services	13	9	22
Central and support costs	59	75	134
Total Expenditure	226	202	428
Income			
Building regulation charges	(204)	0	(204)
Nominal PFI Grant Income	(27)	(20)	(47)
(Surplus)/Deficit for the year	(5)	182	177

2007/08

Total Expenditure	216	108	324
Income	(208)	-	(208)
(Surplus)/Deficit for the year	8	108	116

6. Agencies

The Authority does not provide any material agency based services.

7. 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.

	2008/09 £'000	2007/08 £'000
Income	(24)	(23)
Expenditure	18	20
(Surplus)/Deficit	(6)	(3)

8. Councillors' Allowances and Officer Remuneration

Councillors' Allowances – the total of Councillors' allowances paid during the year was £243,369 (2007/08 £266,938)

Officer Remuneration – The Accounts and Audit Regulations 2003 introduced a specific requirement of disclosure of officer emoluments under Regulation 7(2).

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

Remuneration Band	2008/09 Number of Employees	2007/08 Number of Employees
£50,000 - £59,999	5	6
£60,000 - £69,999	0	2
£70,000 - £79,999	1	-
£80,000 - £89,999	0	-
£90,000 - £99,999	1	1

9. Related Party Transactions

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

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

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

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

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

Other public bodies - Transactions in relation to the Local Government Pension Scheme administered by Cumbria County Council are set out in Note 35.

Whitehaven Rugby Club Limited

Whitehaven Rugby Club Limited is judged to be a related party by virtue of the Council's shareholding in Whitehaven 1992 Limited. During the year the Council extended a loan guarantee for £50,000 that runs until February 2010

10. Audit Fees

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

Audit Fees	2008/09	2007/08
Statutory Inspection under section 10 of the Local Government Act	5,900	1,700
Certification of grant claims and returns under section 28 of the Audit Commission Act 1998	61,488	40,000
Code of audit practice in accordance with section 5 of the Audit Commission Act 1988	133,940	123,700
Issues related to formal audit powers	28,500	
Total	229,828	165,400

11. Revenue Provision For The Payment Of External Debt

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. For 2008/09 this is equivalent to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance, or loans fund principal charges.

For the year 2008/09 the capital financing requirement was calculated as £(0) and hence no provision has been made from revenue.

12. Tangible Fixed Assets

	Land & Buildings	Community Assets	Plant & Vehicles	Infrastructure	Surplus Held For Sale	Investments	Assets Under Construction	Total
Cost								
As at 1 April 2008	24,597	551	3,732	3,789	12,824	521	22	46,036
Additions	184	304	72	967	0	68	0	1,595
Disposals	(107)	0	0	0	(136)	0	0	(243)
Gains on Revaluations	809	0	17	0	1,729	844	0	3,399
Impairments	0	0	0	0	(1,043)	(209)	0	(1,252)
Reclassification	(791)	16	64	0	(2,459)	3,192	(22)	0
As at 31 March 2009	24,692	871	3,885	4,756	10,915	4,416	0	49,535
Depreciation								
As at 1 April 2008	1,176	0	1,140	1,295	0	0	0	3,611
Charged in year	1,013	0	365	252	0	0	0	1,630
On disposals	0	0	0	0	0	0	0	0
Revaluation in Year	(67)	0	0	1	0	0	0	(66)
As at 31 March 2009	2,122	0	1,505	1,548	0	0	0	5,175
							0	
Net Book Value								
As at 31 March 2009	22,570	871	2,380	3,208	10,915	4,416	0	44,360
As at 1 April 2008	23,421	551	2,591	2,494	12,824	521	22	42,425

Capital Expenditure has been financed as follows;

	2008/09	2007/08
	£000	£000
Capital Expenditure:		
Additions to tangible and intangible fixed assets	1,692	3,069
Capital loan to third party	-	581
Revenue Expenditure Funded from Capital under Statute	3,260	3,065
	<u>4,952</u>	<u>6,715</u>
Sources of Finance:		
Capital Receipts	1,265	1,677
Government Grants and other contributions	3,668	5,038
Earmarked Reserves	19	-
	<u>4,952</u>	<u>6,715</u>

13. Fixed Asset Valuation

The history of asset valuations is as follows:

	Other L&B	Community	Infrastructure & Intangible	Vehicles, Plant & Equipmt	SHFS	Investments	AUC	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at Historic Cost	-	551	4,598	3,713	-	-	-	8,862
Carried at revalued cost	-	-	-	-	-	-	-	-
2008/09	4,880	320	1,064	171	10,566	4,377	-	21,378
2007/08	8,754	-	-	-	271	38	-	9,063
2006/07	11,059	-	-	-	78	-	-	11,137
Total	24,693	871	5,662	3,884	10,915	4,415	-	50,440

14. Capital Commitments

Unadopted Sewers

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

Housing Renewal and Disabled Facilities

The Authority has a commitment to housing renewal and providing facilities for the disabled. This is included within the capital programme and is to be grant funded. The level of commitment as at 31st March 09 is £570,067.

15. Information On Assets Held

Fixed assets owned by the Council include the following:

	As at 31st March 2009	As at 31st March 2008
Operational assets		
Other Land and Buildings		
Headquarters	0	0
Depots	3	3
Crematorium	1	1
Cemeteries	5	5
Civic Halls	1	1
Swimming Pools	1	1
Sports Centres	1	1
Nursery	1	1
Beacon/Heritage Centre	1	1
Bowls Centre	1	1
Sports fields and playing grounds	14	14
Vehicles, plant and equipment		
Vehicles	0	0
Non Operation Assets		
Commercial Properties	0	0
Ex depots	4	4
Garage plots	283	284
Estate shops	2	2

16. 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 2008/09 was £2,149,000 (2007/08 2,160,000).

The Authority is committed as at 31 March 2009 to making payments of £2,153,000 under these leases in 2009/10, comprising the following elements:

	As at 31st March 2009 £'000	As at 31st March 2008 £'000
Operating lease commitments for 2009/10		
Land and buildings		
Within one year	0	0
Between one and five years	0	0
After five years	1,445	1,401
	1,445	1,401
Plant, machinery and vehicles		
Within one year	74	31
Between one and five years	363	373
After five years	271	319
	708	723

The leases expiring in more than 5 years includes the Public Finance Initiative lease on the Copeland Centre. The Council sublets a portion of this building to the Department for Work and Pensions on a 25 year lease. The Council will receive £545,000 under the terms of this lease in 2009/10 (£529,000 in 2008/09).

The Council is not party to any finance leases.

17. Intangible Fixed Assets

	Intangible Fixed Assets £'000
Cost	
As at 1st April 2008	809
Additions	97
As at 31st March 2009	906
Amortisation	
As at 1st April 2008	514
Additions	146
As at 31st March 2009	660
Net Book Value	
As at 31st March 2009	246
As at 1st April 2008	295

All Intangible Fixed Assets relate to the purchase of software licenses.

18. Net Assets Employed

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

19. Shareholdings

The Authority holds 30,000 £1 ordinary shares in Whitehaven 1992 Limited representing 45.8% of the total called up share capital of the company. The Council invested in this company in order to provide support to the Whitehaven Rugby League Football Club which is a 71.2% owned subsidiary of the Whitehaven 1992 Limited Company. This represents a 32.6% interest that the Council has in the Whitehaven Rugby League Football Club.

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

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

*The company is dormant

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

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

Copies of the latest set of accounts are available from Companies House.

20. Long Term Investments

	31st March 2009 £'000	31st March 2008 £'000
Debenture	0	10
Shareholding in Whitehaven 1992 Ltd	30	30
	30	40

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

The investment in Whitehaven 1992 Limited relates to the Council's ongoing support of the Whitehaven Rugby Football League Club. Further details are disclosed within Note 19 Shareholdings and Note 9 Related Parties.

21. Long Term Debtors

	31st March 2009 £'000	31st March 2008 £'000
Loans to employees and related parties	10	78
Mortgage Debtors	43	46
Sundry Debtors	37	37
Provision for bad debts	0	0
	90	161

22. Stocks and Work In Progress

	31st March 2009 £'000	31st March 2008 £'000
Other stocks	139	71
	139	71

23. Debtors

	31st March 2009 £'000	31st March 2008 £'000
Amounts owed by government entities	655	1,169
Collection Fund debtors	2,135	2,377
Sundry debtors	3,058	3,655
Payments in advance	249	228
Gross Debtors	6,097	7,429
Provision for bad debts	(1,387)	(1,109)
	4,710	6,320

24. Short Term Investments

	31st March 2009 £'000	31st March 2008 £'000
External Investments	18,980	22,698
	18,980	22,698

The external investments relate mostly (£18,701,000) to money held on fixed term deposit <364 days with Money Market institutions, in accordance with the council's Treasury Management Policy. There are also short term loans outstanding £279,000.

25. Financial Instruments

Types of financial instruments – The borrowings and investments disclosed in the balance sheet comprise of the following categories of financial instruments:

	Long-term		Current	
	31/03/09	31/03/08	31/03/09	31/03/08
	£'000	£'000	£'000	£'000
Financial Liabilities at Amortised Cost				
Creditors-general	0	0	1,538	1,646
Bank overdraft	0	0	473	1,205
Short term borrowing	0	0	0	
Long term borrowing	5,060	5,060	0	
	5,060	5,060	2,011	2,851
Loans and Receivables				
Long term debtors	80	139	0	0
Debtors-general	0	0	2,179	3,274
Loans and Receivables	0	10	18,980	22,698
Equity instrument held at cost (available for sale financial instrument)	0	30	0	
	80	179	21,159	25,972

Reconciliation of Balance Sheet Debtors and Creditors to Financial Instruments

	Debtors		Creditors	
	2008/09	2007/08	2008/09	2007/08
	£'000	£'000	£'000	£'000
Financial Liabilities at Amortised Cost				
Value as per Financial Instrument Note	2,259	3,274	1,714	1,646
Car Loans	10	22	0	0
Statutory Non Contractual Items	2,531	3,024	1,479	6,757
Balance Sheet Amount	4,800	6,320	3,193	8,403

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		Financial Assets Loans and receivables		Total	
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	(392)	(378)	0	0	(392)	(378)
Interest income	0	0	1,725	1,584	1,725	1,584
Net income/(expenditure)for the year	(392)	(378)	1,725	1,584	1,333	1,206

Fair value of assets and liabilities carried at amortised cost- The fair value of each class of financial assets and liabilities that are carried in the Balance Sheet at amortised cost is disclosed below.

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

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

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

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

The fair values of financial liabilities are calculated as follows:

	31/03/2009		31/03/2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Current Financial Liabilities	2,011	2,011	2,851	2,851
Lender Option Borrower Option	5,060	8,119	5,060	8,141

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

The fair value of financial assets are calculated as follows;

	31/03/2009		31/03/2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Debtors-long term	80	80	139	139
Debtors-general	2,179	2,179	3,274	3,274
Debtors-loans	279	279	561	561
Deposits with banks and building societies	18,701	18,701	22,137	22,137

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 26/01/10.

Nature and extent of risks arising from financial instruments

Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- ✓ Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- ✓ Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- ✓ Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- ✓ Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

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

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported at least annually to Members.

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

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Authority's maximum exposure to credit risk. The table (from Fitch) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period 1990 – 2007 on investments out to 5 years.

	Value at 31st March 2009 £'000	% default based on previous experience	% default adjusted for current market conditions	Estimated maximum exposure to default £'000
Deposits with Banks and other Financial Institutions	18,701	Nil	Nil	0
Equity Instrument held at cost	30	Nil	Nil	0
Customers	2,179	5.00%	5.00%	109
Loans	279	5.00%	5.00%	14
				123

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its' counterparties in relation to deposits and bonds.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties.

The Council generally allows 21 days credit for its trade debtors. The past due amount can be analysed by age as follows:

	£'000
30 Days Outstanding	44
60 Days Outstanding	55
90+ Days Outstanding	653
	752

Collateral – During the reporting period the council held no collateral as security

Liquidity risk

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

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

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- ✓ monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- ✓ monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	31 March 2009	31 March 2008
	£000s	£000s
Less than one year	0	0
Between one and two years	0	0
Between two and seven years	0	0
Between seven and 15 years	0	0
More than fifteen years	5,060	5,060
Total	5,060	5,060

The maturity analysis of financial assets is as follows:

	31 March 2009 £000s	31 March 2008 £000s
Less than one year	18,701	22,137
Between one and two years	0	0
Between two and three years	0	0
More than three years	0	0
Total	18,701	22,137

All trade payables (£2,179,000) and short term loans (£279,000) are due to be paid in less than one year and are not shown in the table above.

Market risk

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

- ✓ borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- ✓ borrowings at fixed rates – the fair value of the borrowing will fall;
- ✓ investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- ✓ investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account, in which case gains and losses will be posted to the Income and Expenditure Account.

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

If all interest rates had been 1% higher with all other variables held constant) the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	8
Increase in interest receivable on variable rate investments	(31)
Impact on Income and Expenditure Account	(23)
Decrease in fair value of fixed rate investment assets	0
Impact on STRGL	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	1,147

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost

Price risk - The Council, excluding the pension fund, does not invest in equity shares or marketable bonds but it does have shareholdings to the value of £30,000 in the WRLFC. Whilst these holding are generally illiquid, the Council is exposed to losses arising from movements in the price of the shares.

The shares are all classified as Available-for-Sale, meaning that all movements in price will impact on gains and losses recognised in the STRGL, however due to the size of the investment all fluctuations would be deemed immaterial.

Foreign exchange risk - The Council holds a single bank account denominated in Euros, the balance on this account at the year end was £597 when converted at the exchange rate prevailing at 31 March 2009. Whilst this means that Council is exposed in this small measure to fluctuation in exchange rates these are judged to be wholly inconsequential to the overall financial performance of the Authority.

26. Euro Costs

Assets and liabilities denominated in foreign currencies are translated into GB pounds at the rates prevailing at the year end. At 31 March 2009 the assets comprised the balance of Euro 654.12 in the Euro account held at the Authority's bank account. There were no liabilities at this date.

27. Creditors

	31st March 2009 £'000	31st March 2008 £'000
Government departments	(744)	(5,172)
Sundry creditors	(1,632)	(2,471)
Council tax payers and ratepayers	(107)	(129)
Receipts in advance	(628)	(526)
Pension contributions due	(82)	(105)
	(3,193)	(8,403)

28. Long Term Liabilities

	31st March 2009 £'000	31st March 2008 £'000
Borrowings repayable in more than 5 years	(5,060)	(5,060)
	(5,060)	(5,060)

The carrying value of the loan has been adjusted to reflect the balance of interest due but not paid as at 31 March 2009.

29. Provisions

	Insurance provision	Staff Related Provision	Other Provision	Total
Balance as at 1st April 2008	(281)	0	0	(281)
New provision raised	0	(292)	0	(292)
Utilised in year	0	0	0	0
Reversed unused	204	0	0	204
Balance as at 31st March 2009	(77)	(292)	0	(369)

The outstanding insurance balance relates to the Council's best estimate of total liability arising from claims made against it relating to issues of public liability, employer liability and liability arising from road traffic accidents.

To the extent that the Council's liability is covered by insurance, a corresponding asset has been recognised within current assets. The provided figure of £77,000 represents the gross liability. As at 31st March 2009 the Council estimates that £52,352 will be met by its insurers.

The Council anticipates that the outstanding claims will be settled within 5 years

30. Government Grants and Contributions Deferred

Balance as at 1st April 2008	(4,191)
Released to revenue	234
Applied to fixed assets in year	(1,324)
Balance as at 31st March 2009	(5,281)

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

The Income and Expenditure Account (page 37) shows the Council's actual financial performance for the year, measured in terms of resources consumed and generated over the past twelve months.

However the Council is required to raise council tax on a different basis, the main two differences being:

- Capital expenditure is accounted for as it is financed; and
- Retirement benefits are charged as amounts become payable to pensioners or as employer contributions become payable rather than as future benefits are earned.
- The Statement of Movement on the General Fund Balance (page 38) adjusts the deficit on the Income and Expenditure account to reflect whether the Council has over or under spent against the revenue that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The deficit on the Income and Expenditure Account was £3,951,000 (£738,000 in 2007/08); however after allowing a £3,803,000 net additional amount required by statute and non-statutory proper practices to be credited to the General Fund (£706,000 in 2007/08) the decrease in the General Fund was £148,000 (£32,000 decrease in 2007/08)

Reconciling Items for the Statement of Movement on the General Fund Balance

	£'000	£'000
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		
Amortisation of intangible assets	(146)	(133)
Depreciation and impairment of fixed assets	(2,762)	(2,225)
Interest in respect of soft loans	27	(44)
Government Grants deferred amortisation	233	298
Write down of deferred charges to be financed from capital resources	(938)	(78)
Net loss on sale of fixed assets	(34)	(146)
Net charges made for retirement benefits in accordance with FRS17	(1,861)	(1,251)
	(5,481)	(3,579)
Amounts not included in the income and Expenditure Account but required to be included by statute to be excluded when determining the movement on the General Fund balance for the year		
Employer's contributions payable to Cumbria Superannuation Fund and retirement benefits payable direct to pensioners	1,164	1,054
	(4,317)	(2,525)
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		
Net transfer to or from the earmarked Reserves/other statutory funds	514	1,819
Net additional amount required to be credited to the general fund balance for the year	(3,803)	(706)

32. Movement on Reserves

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

General Fund Balances (GFB)

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

Collection Fund (CF)

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

Useable Capital Receipts Reserve

Capital reserves are not allowed for revenue purposes and certain of them can only be used for specific statutory purposes. The Useable Capital Receipts Reserve is a reserve established for specific statutory purposes.

Deferred Capital Receipts Reserve (DCR)

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

Capital Adjustment Account (CAA)

This account exists to capture those elements of capital accounting required by the Statement of Recommended Practice other than those taken through the revaluation reserve.

Earmarked Reserves (EMR)

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

Financial Instrument Adjustment Account (FIAA)

This account was newly created last year and exists to capture the difference between the interest receivable and payable as calculated under FRS 25, 26 and 29 and that required by the Statement of Recommended Practice to be recorded in the movement in general fund balances.

Pension Reserve (PR)

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

Revaluation Reserve (RR)

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

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

Movement on reserves (continued)

As at 1 April 2008

Deficit on Income & Expenditure

External Receipts

Actuarial Loss on pension liabilities

Gains on revaluation of fixed assets

Surplus on collection fund

Depreciation Charged in year

Impairments charged to I&E

Government grant recognised in respect of depreciation

Revenue expenditure funded by capital charged to the I&E

Grant funding in respect of deferred charges

Sale proceeds on disposal of fixed assets

Net Book Value of Fixed Assets disposed of

VAT sharing receipts

Historic revaluation gains on assets disposed of in year

Removal of FRS17 Charges

Cash cost of pensions

Adjustment of interest on soft loans

Amount to be included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year

Minimum Revenue Provision

Amounts not included in the Income and Expenditure account but required by to be included by statute when determining the movement on the General Fund Balance for the year

Net Transfer to earmarked reserves

Deferred capital receipts realised in year

Financing of capital expenditure in year

As at 31 March 2009

GFB	CF	UCRR	DCR	CAA	EMR	FIAA	PR	RR	Net Worth
(3,245)	54	(7,035)	(40)	(29,504)	(6,616)	44	13,735	(7,990)	(40,597)
3,951	-	-	-	-	-	-	-	-	3,951
(1)	-	-	-	1	(5)	-	-	-	(5)
-	-	-	-	(23)	-	-	(832)	(3,430)	(832)
-	118	-	-	-	-	-	-	-	(3,453)
(1,775)	-	-	-	1,775	-	-	-	-	118
(1,132)	-	-	-	1,132	-	-	-	121	0
233	-	-	-	(233)	-	-	-	-	121
(3,260)	-	-	-	3,260	-	-	-	-	0
2,322	-	-	-	(2,322)	-	-	-	-	0
209	-	(209)	-	-	-	-	-	-	0
(243)	-	(288)	-	243	-	-	-	-	0
-	-	-	-	-	-	-	-	(15)	(288)
(1,861)	-	-	-	-	-	-	1,861	-	(15)
1,164	-	-	-	-	-	-	(1,164)	-	0
27	-	-	-	-	-	(27)	-	-	0
(4,316)	-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	-	-	0
514	-	-	-	-	(514)	-	-	-	0
-	-	(2)	2	-	-	-	-	-	0
-	-	1,303	-	(1,303)	-	-	-	-	0
(3,097)	172	(6,231)	(38)	(26,974)	(7,135)	17	13,600	(11,314)	(41,000)

33. Contingent Liabilities and Assets

Municipal Mutual Insurance

The Authority has £428,480 (since 1993) of insurance receipts with Mutual Municipal (MMI), the Authority's previous insurers. Mutual Municipal is currently being wound up and potentially the £428,480 is at risk if the wind up of MMI results in insolvency.

Unfair Dismissal claim

The Council has received a notice of claim for unfair dismissal from the employment tribunals, relating to the termination of an employee's contract in November 2008 on the grounds of repudiation of contract. Solicitors have been instructed and are representing the Council in the normal pre-hearing processes involving ACAS. The eventual costs cannot be accurately calculated at this stage in the process, since they depend on a number of unpredictable future events.

Agreement with Vertex

The Council has an historic agreement with Vertex that the Council will pay the company a grant of £150,000 towards costs associated with the provision of new jobs, if the company meet specific job creation targets. The company is not at present in a position to meet these targets and it is not known when it will be, there is therefore a contingent liability of £150,000 as at 31st March 2009.

34. Trust Funds

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

In neither case do the funds held represent assets of the Authority and as such they have not been included in the Authority's balance sheet. The values of the investments in the trusts as at 31 March 2009 were;

Whitehaven Maternity	£13,481
Pipers Educational	£159,772

35. Retirement Benefits

The Authority participates in the Cumbria Superannuation Fund administered by the County Council which is accounted for in accordance with Financial Reporting Standard no. 17 Retirement Benefits (FRS17). This is a defined benefit scheme. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

Under the 2008 SORP the Council has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of the scheme assets at 31st March 2008 has been restated from £43.8m to £43.7m, a decrease of £0.1m, resulting in an increase of the pension deficit of £0.1m (31st March 2007: decrease of £0.09m). Current and prior year surplus have been unaffected by this change.

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

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

	2008/09	2007/08
		As
		restated
	£'000	£'000
Income and Expenditure Account		
Net cost of services		
Current Service Costs	1,080	937
Past Service costs	30	304
Curtailment loss	-	-
Settlement gain	-	-
Net operating expenditure	1,110	1,241
Interest cost	3,468	2,813
Expected return on assets in the scheme	(2,716)	(2,798)
Net Charge to the Income and Expenditure Account	1,862	1,256

Statement of Movement on the General Fund Balance

Reversal of net charges made for retirement benefits in accordance with FRS17	1,862	1,256
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Actual Amount charged against the General Fund Balance for pensions in the year

Employers contributions payable to the scheme	(1,165)	(1,054)
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In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £832,000 (5,920,000 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £2,014

Reconciliation of present value of the scheme liabilities:

	2008/09	2007/08
		As
		restated
	£'000	£'000
Net pension liability at 1 April 2008	(57,403)	(52,591)
Current service cost	(1,080)	(937)
Interest cost	(3,468)	(2,813)
Contribution by scheme participants	(381)	(343)
Actuarial (losses)/gains	11,469	(2,701)
Benefits Paid	2,547	2,286
Past service cost	(30)	(304)
Net pension liability at 31 March 2009	(48,346)	(57,403)

Reconciliation of fair value of the scheme assets

	2008/09	2007/08 As restated
	£'000	£'000
Fair value at 1 April 2008	43,668	44,883
Expected rate of return	2,716	2,798
Actuarial gains and losses	(10,637)	(3,124)
Employer contributions	1,165	1,054
Contributions by scheme participants	381	343
Benefits paid	(2,547)	(2,286)
Fair value at 31 March 2009	34,746	43,668

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £7,921,000 (2007/08: £174,000).

Scheme history

	2004/05*	2005/06*	2006/07 As restated	2007/08 As restated	2008/09
Present Value of Liabilities	(47,087)	(54,005)	(51,539)	(57,403)	(48,346)
Fair value of assets	35,909	43,555	44,074	43,668	34,746
Surplus/(deficit) in the scheme					
Total	(11,178)	(10,450)	(7,466)	(13,735)	(13,600)

*The council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS17 (as revised).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £13.6m has an impact on the net worth of the authority as recorded in the balance sheet; however, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy.

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 and represent an estimate of the pensions that will be payable in future years based on assumptions about mortality rates, salary levels, and other factors. The County Council Fund liabilities have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries. Estimates for The County Council Fund are based on the latest full valuation of the scheme as at 31 March 2007. The main assumptions used in these calculations are:

	%	%
	Expected return	Expected return
	%	%
Equities	7.5	7.5
Government bonds	4.0	4.6
Other bonds	6.0	6.1
Property	6.5	6.5
Cash / liquidity	0.5	5.3
Other	7.5	7.5
Post retirement mortality assumptions		
Current pensioners retired in normal health	PA92mc YOB Tables +1yr	
Future pensioners retired in normal health	PA92mc YOB Tables +1yr	
Life expectancy		
Current pensioner aged 65 male (female)	21.2 (24.0)yr	21.1 (24.0)yr
Future pensioner aged 65 in 20yr time male (female)	22.2 (25.0)yr	22.2 (25.0)yr
Rate of inflation	3.30	3.60
Rate of increase in salaries	5.05	5.35
Rate of increase in pensions	3.30	3.60
Discount rate	7.10	6.10
Take-up option to convert annual pension into retirement lump sum	50% to take maximum cash 50% to take 3/80ths cash	

The pension scheme assets consist of the following categories, by proportion of the total assets held:

	2008/09	2007/08
	%	%
Equities	49.7	54.9
Government bonds	20.5	19.9
Other bonds	8.9	10.3
Property	6.3	7.3
Cash / liquidity	2.3	4.6
Other	12.3	3.0
	100	100

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	2004/05	2005/06	2006/07	2007/08	2008/09
				As restated	
Differences between the expected and actual return on assets	3.50	12.70	0.60	(7.30)	(30.60)
Experience gains and losses on liabilities	(3.90)	(2.00)	0.00	(4.70)	(23.70)

36. Notes To Cashflow Statement

37. Authorisation for Issue

The Statement of Accounts have been authorised for issue on 26th June 2009 by the Head of Finance and Management Information Systems, Julie Crellin B.A. (Hons), M.B.A., C.P.F.A. This is the date up to which post balance sheet events have been considered.

38. Post Balance Sheet Events

There are no events after the balance sheet date that requires disclosure.

Collection Fund Income and Expenditure Account
For the year ended 31 March 2009

	2008/09		2007/08
	£000	£000	£000
INCOME			
Billed to Council Tax Payers	(28,047)		(26,908)
Council Tax Benefit	(4,959)		(4,788)
Non-Domestic Rates	(40,592)		(33,946)
Adjustments for previous years	196		121
Total Income		(73,402)	(65,521)
EXPENDITURE			
Precepts and demands:			
- Cumbria County Council	24,817		23,701
- Cumbria Police Authority	4,005		3,789
- Copeland Borough Council	4,107		3,931
		32,929	31,421
Non-Domestic Rates:			
- Payment to National Pool	40,477		33,820
- Cost of Collection Allowance	115		115
		40,592	33,935
Increase / Decrease in Provision for non-payment of Council Tax		(8)	119
Contributions to General Fund from 2006/07 actual and 2007/08 estimated Collection Fund Surplus		7	0
Total Expenditure		73,520	65,475
(Surplus) / Deficit for the year		118	(46)
(Surplus) / Deficit at 1 April 2008		54	100
(Surplus) / Deficit at 31 March 2009		172	54

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

Notes to the Collection Fund Income and Expenditure Account

1. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cumbria County Council and the Authority for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: The council tax base for 2008/09 was 22,273.51 (22,142.60 for 2007/08). The basic amount of council tax for a Band D property £1,459.34 (£1,402.93 for 2007/08) is multiplied by the proportion specified for the particular band to give an individual amount due.

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

Proportion of Band D charge:

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

2. National Non-Domestic Rates

NNDR is organised on a national basis. The government specifies an amount (44.4p in 2007/08, and 46.2p in 2008/09) 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 £40,592,118.59 for 2008/09, was based on an average rateable value for the Authority's area of £79,216,659 for the year (£79,372,946 in 2007/08).

3. Collection Fund Deficits

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

The deficit on the collection fund as at 31 March 2009 is £172,000

Glossary of Terms

Accounting period

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

Accruals

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

Actuarial gains and losses

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

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

Asset

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

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

Audit of accounts

An independent examination of the Authority's financial affairs.

Balance Sheet

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

Budget

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

Capital charges

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

Capital expenditure

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

Capital financing

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

Capital programme

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

Capital receipt

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Collection Fund

Glossary of terms (continued)

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

Glossary of terms (continued)

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

Discretionary benefits

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

Emoluments

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

Equity

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

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.

Glossary of terms (continued)

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.

Glossary of terms (continued)

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

Glossary of terms (continued)

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 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

Glossary of terms (continued)

- 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.