Audit and Governance
200912
Item 8

Copeland
borough council

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Unaudited Statement of Accounts

For the year ended 31 March 2012

www.copeland.gov.uk

Contents

Explanatory Foreword

1 Introduction

The Statement of Accounts 2011/12 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 2011/12 consist of the following:-

- **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;
- **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;
- **Annual Governance Statement** - this sets out the framework within which corporate governance is managed and reviewed, including arrangements for internal audit;
- **Financial Statements** – the Statement of Accounts includes four core financial statements and these are as follows:-

    i) **The Movement in Reserves Statement** – this statement shows the movement in the year on the different reserves held by the Council analysed between usable and unusable reserves.

    ii) **The Comprehensive Income and Expenditure Statement** – This statement shows the cost of providing services in the year using accepted accounting practices under International Financial Reporting Standards (IFRS), rather than the amount to be funded from taxation and general grants. The Council raises taxation to cover spending in accordance with statutory regulations, which differs from accepted accounting practices. The differences between the cost calculated using accepted accounting practices and the cost calculated under statutory regulations are shown in the Movement in Reserves Statement.

    iii) **The Balance Sheet** - this sets out the financial position of the Council at 31 March 2012 as reflected in the level of balances and reserves at the Council's disposal, its long and short-term indebtedness and the value of assets held by the Council.

iv) **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.

- **The Notes to the Financial Statements** – these 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 ; and
- **The Collection Fund Revenue Account** - this supplementary statement 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 funds have been distributed to the County Council, Borough Council, Police Authority and Parish Councils. The Council is the billing authority for the Copeland area.

2 Statutory Framework

The Accounts and Audit Regulations 2011 (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 (2011) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) provides the relevant accounting standards used for the Statement of Accounts.

3 Changes in Accounting Treatment

The changes in 2011/12 relate to;

- Changes to accounting treatment for heritage assets, which although are only effective from 2011/12, will require the re-statement of the 2010/11 balance sheet to meet IFRS requirements;

The Council has had to adopt new accounting policies to deal with these changes, which are reflected in the Statement of Accounting Policies section.

4 Revenue Expenditure and Income 2011/12

What is Revenue Expenditure?

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 its annual revenue budget, reflecting the estimated income and expenditure required during the year to provide services. The budget is regularly reviewed and revised during the financial year to reflect known changes to income and expenditure.

What we planned to spend

The Revenue Budget for 2011/12, approved by Council at its meeting of 22 February 2011 amounted to a net figure of £14.106m for services provided by the Council, consisting of the approved base budget of £11.487M for the year supplemented by the use of £2.619m from reserves for one-off projects. During the year, the Executive approved a revised budget of £14.953m following changes to resource allocations in the year arising from information provided during the routine cycle of budget monitoring. £1.199M of carry forwards were agreed, consisting of £947K reserve funded projects that had slipped, and slippage of £252K base budget funded projects that were primarily repairs and maintenance and strategy development in nature.

Details of the movements between the original budget and the revised budget are as follows:

	£'000	£'000
Original approved budget		14,106
Add		
Budget carry forwards brought forward from 2010/11		1,199
Additional use of reserves approved for 2011/12		
• Beacon gallery improvements;	59	
• Building Control fee-based account – deficit for the year;	37	
• Council elections	37	
		133
Deduct		
Reduction in use of reserves approved in 2011/12		
• Local Development Framework	(335)	
• Strategy for Seaside Success	(150)	**(485)**
Revised Budget		**14,953**
Parish Precepts		**433**
Total		**15,386**

What we actually spent

The Council's Executive considered an out-turn report on 29 May 2012, which showed the net spending for 2011/12 to be £13.323m. Since that report was compiled there have been adjustments to the accounts totalling £0.058m, which were not included in that report and which increase the net spending for 2011/12 to £13.381m.

This adjustment comprises;

	£'000	£'000
Costs of setting up a provision to meet grant claw back on land at Kells		72
Interest received on House Purchase Loans		(3)
Net income from West Cumbria Partnership;		
Early retirement costs	30	
Income due from partners	(41)	
		(11)
		58

How the money was spent and how it was paid for

A summary of the revised budget and a comparison with actual spending incurred for 2011/12 is as follows:-

	Original Budget	Revised Budget	Actual	Variance
	£'000	£'000	£'000	£'000
Chief Executive	**2,198**	**2,309**	**1,548**	**(761)**
Resources & Transformation				
- Corporate Director	117	114	116	2
- Corporate Resources	3,898	3,637	3,640	3
- Policy & Transformation	1,087	1,477	1,281	(196)
Total Resources & Transformation	**5,102**	**5,228**	**5,037**	**(191)**
People & Places				
- Corporate Director	99	96	97	1
- Regeneration & Communities	3,402	3,735	3,584	(151)
- Neighbourhoods	3,305	3,585	3,115	(470)
Total People & Places	**6,806**	**7,416**	**6,796**	**(620)**
Net Cost of Services	**14,106**	**14,953**	**13,381**	**(1,572)**
Parish Precepts	433	433	433	-
Net Operating Expenditure	**14,539**	**15,386**	**13,814**	**(1,572)**
Financed by:				
General Government Grants	(7,208)	(7,208)	(7,208)	-
Copeland's demand on Collection Fund	(4,445)	(4,445)	(4,445)	-
Copeland's share of the Collection Fund surplus	(31)	(31)	(31)	-
Contribution to/(from) Earmarked Reserves	(2,619)	(3,466)	(2,672)	794
Contribution to/(from) the General Fund	(236)	(236)	542	778
Total financing	**(14,539)**	**(15,386)**	**(13,814)**	**1,572**

Net expenditure on services totals £13.814m and is £1.572m less than the approved budget. Of this under-spend £0.794m relates to reserve funded schemes and £0.778m relates to base level funding. Full details are contained in the out-turn report approved by the Executive on 29 May 2012. However some of the key variances are;-

- The general reduction in the use of earmarked reserves in the year can be analysed as follows;

Reserve	Approved 2011/12	Utilised 2011/12	Under-spend 2011/12
	£'000	£'000	£'000
Choosing to Change Programme	1,594	(837)	757
Nuclear	250	(265)	(15)
Working Neighbourhoods	653	(639)	14
Local Authority Business Growth Initiative	193	(193)	0
Local Development Framework	300	(310)	(10)
2010/11 Carry Forwards from General Fund	252	(252)	0
Other	224	(176)	48
Total	**3,466**	**(2,672)**	**794**

- The base level variances include savings on staffing costs, additional income received and reductions in the costs of running services, many of which have already been built into future years savings targets.
- The financing requirement for the out-turn position for the year has meant that the Council has used £2.672m of earmarked reserves in the year against a forecast of £3.466m and has returned £0.542m to General Fund balances.
- The Council holds usable reserves of £13.125m at 31 March 2012 (£13.747m 2010/11). Consisting of £5.569M earmarked reserved, £3.510M general fund reserve and £4.046M capital receipts reserve. A breakdown of the usable reserves can be found in the Movements in Reserves Statement on page 60.
- The Council also holds unusable reserves totalling £26.933m at 31 March 2012 (£33.515m 2010/11). These reserves are kept mainly to manage accounting processes for non-current assets and retirement benefits and are not usable resources for the Council. Details of these reserves are shown in note 9 to the accounts on page 76.

Reconciliation with the Consolidated Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement for 2011/12 shows a deficit of £5.471m for the year whilst the Net Operating Expenditure of £13.814m shown within the Explanatory Foreword has been produced using the Council's management accounting process. This includes approved carry forward of reserves and unused budgets to the following financial year and contributions to reserves, these are included in the Movement in Reserves Statement rather than the Comprehensive Income and Expenditure Statement.

Adjustments also have to be made in respect of certain items that are required by the Code of Practice on Local Government Accounting to be included within the Comprehensive Income and Expenditure Statement but excluded from Net Operating Expenditure for the purposes of calculating the actual costs for the year to be met from taxation, general grants and General Fund balances. These items include particularly the accrual of employee absences, the recognition of capital grants, movements in the value of fixed assets, revenue expenditure funded from capital under statue and adjustments to show the cost of pension liabilities. These items are all technical accounting adjustments which are included within Expenditure on Services to meet financial reporting standards, but are cancelled out on consolidation because they are not costs that are met by the taxpayer.

Funding of the cost of services through general grants and council tax is also excluded when calculating the Net Operating Expenditure.

A reconciliation of the two sets of figures for the year ending 31 March 2012 is included in the following table:

	£'000	£'000
Net Operating Expenditure within the Comprehensive Income & Expenditure Statement		5,471
Add		
Use of reserves and unused budgets carried forward at 31 March 2012	1,703	
Adjustments for employee accrued absences	47	
Capital grants and receipts recognised in the CIES	446	
Write down deferred liabilities	439	
Collection Fund Adjustment Account	31	
Capital Receipts	133	
Taxation & grant income to fund the cost of services	11,669	14,468
Deduct		
Losses on sale of assets	(119)	
Movement in the fair value of assets	(168)	
IAS19 adjustments in respect of pensions	(190)	
Revenue expenditure funded by capital under statute/soft loans	(632)	
Depreciation and impairment of assets charged to revenue accounts	(5,016)	(6,125)
Net Operating Expenditure in Explanatory Foreword		**13,814**

5. Capital Expenditure 2011/12

What is 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.

What we planned to spend

In 2011/12 the Council approved a revised capital programme of £5.544m, an increase of £0.546m over the original approved budget of £4.998m. The reasons for the additional budget are set-out below:

	£'000	£'000
Original Budget		**4,998**
Slippage brought forward from 2010/11	909	
Additions to programme approved	159	
Slippage carried forward into 2012/13	(535)	
Additional external income not budgeted for	13	
Revised Budget		**5,544**

What we actually spent

The Executive considered the final revised capital programme budget for 2011/12 as part of the Capital Out-turn Report presented to its meeting of 29 May 2012. In 2011/12, the total gross expenditure on the capital programme was £1.685m, funded from external grants and contributions of £0.513m, specific revenue reserves £0.012m, revenue contributions of £0.006m and capital receipts received from the sale of Council assets in the past) of £1.154m. Total capital spending of £1.685m was £3.859m less than the approved capital programme. The main reasons for the under-spend are as follows;

- The transfer of the Albion Square Project to another partner - £2.951m.
- Managed commitment of spending carried forward into 2012/13 - £0.304m on various capital projects;
- The completion of various projects at less than budget - £0.605m.

How the money was spent and how it was paid for

The breakdown of capital spending and how it was financed in the year is as follows:-

Capital Scheme	Original Budget £'000	Revised Budget £'000	Actual £'000	Variance £'000
Capital Programme	4,998	5,544	1,685	(3,859)
Total	**4,998**	**5,544**	**1,685**	**(3,859)**
Financed by:				
Internal resources;				
Capital Receipts	1,831	2,272	1,154	(1,118)
Revenue Contributions	19	13	18	5
	1,850	2,285	1,172	(1,113)
External Grants and funding	3,148	3,259	513	(2,746)
Total	**4,998**	**5,544**	**1,685**	**(3,859)**

The largest areas of capital spending occurred in the Regeneration and Community and Corporate Resources service areas. The most significant spend on projects within these areas were disabled facilities grants and cliff stabilisation work respectively.

6. Achievement of Council priorities

The Council had four main priorities for 2011/12;

- To support the development of strong, healthy and engaged communities;
- To build a sustainable, modern , low carbon economy that delivers economic security to the whole community;
- To support Copeland becoming an attractive, safer and greener place to be and
- To deliver excellent and value for money services.

The money spent through the revenue and capital budgets supported all of the Council's priorities during 2011/12 through the delivery of a wide variety of statutory and non-statutory services.

7. Significant Issues

(i) Economic conditions within the UK have had a detrimental effect on the Council finances. Interest rates continue to remain at low levels due to the Bank of England's decision to hold base rates at 0.5% for the whole of 2011/12 to encourage economic growth. This has had a significant effect on investment yields.

(ii) The 2010 Comprehensive Spending Review presented the Council with difficult decisions following the decision of the Government to implement public service cuts to reduce the UK's national deficit. As part of this strategy, government grants received by the Council to support the revenue budget were reduced by 8.9% in 2011/12, with further reductions of 6.4% in 2012/13, 0.84% in 2013/14 and 5.61% in 2014/15 expected. These reductions have been built into the Council's Medium-term Financial Plan and plans for 2012/13 budget require significant savings in Council Services to be achieved.

8. Prior Period Adjustments – Treatment of Assets

Heritage Assets

In order to comply with IFRS the Council has to recognise heritage assets within its balance sheet at valuation from the 2011/12 financial year. The Council has adopted a new accounting policy that recognises this requirement and will re-state comparative figures from 1st April 2010 to enable meaningful year-on-year comparisons to take place.

Revaluation Gains

During 2011/12 the Council implemented a data cleansing exercise on non-current assets in readiness for a new asset register system. It became apparent that there were errors in how revaluation gains had been accounted for in the 2010/11 accounts. This resulted in a charge of £1.359m to the Comprehensive Income and Expenditure Statement. This has been accounted for in 2011/12 as a prior period adjustment and fully disclosed in note 1 page 65.

9. Borrowing and Investments

The Prudential Code for Capital Finance in Local Authorities regulates local authority borrowing and gives freedom to councils to borrow as long as they are, in the opinion of the Head of Corporate Resources, 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 2010/11 was £17m, with an operational limit of £12m. This was approved by Council at its meeting of 22 February 2011, when it agreed the 2011/12 revenue budget.

Investments at 31 March 2012 amounted to £18.92m. Of the total investments £7.5m were held in fixed-term deposits for periods exceeding 3 months and £11.42m were held as short-term investments in instant access liquid call accounts or money market funds accounts. The short-term investments are classified as cash or cash equivalents in the balance sheet under IFRS rules.

Borrowing at the financial year end (excluding the PFI arrangement and other finance leases) stood at £5m and this is unchanged from the previous year. The Council did not undertake any new borrowing in the year to fund the capital programme.

10. Pension Costs

International Accounting Standard (IAS) 19 – Employee Benefits applies to all local authorities and relates to the Cumbria Local Government Pension Fund administered by Cumbria County Council. The net pension liability is recognised in the Balance Sheet and has increased by £2.7m from £15.9m to £18.6m during 2011/12. The Council's actual liability is reviewed every three years as part of the triennial valuation of the Pension Fund and an investment strategy is determined which aims to recover the deficit over a stated period (currently 25 years). However, it is important to note that this does not represent an immediate call on the Council's reserves as it is a notional amount which shows how much the Council's pension liabilities exceed its share of the Fund's assets. The Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement shows the pensions benefits earned in the year, adjusted as necessary to reflect that part of the pensions costs that are not met from council taxpayers.

11. Further Information

Further information about the Statement of Accounts is available from the Head of Corporate Resources, The Copeland Centre, Catherine Street, Whitehaven. In addition, electors within the Copeland area have the statutory right to inspect the Statement of Accounts and supporting documents for 20 days prior to the start of the audit of the statement of accounts. Details as to when this right can be exercised are advertised each year in the Whitehaven News and the Northwest Evening Mail. Electors of Copeland Borough Council may also register an objection to the accounts and can arrange to question the Audit Commission on any issue relating to the accounts.

12. External Audit

The Audit Commission is responsible for the external audit of Copeland Borough Council's accounts. The name and address of the Council's auditor is: Ms Jackie Bellard, District Auditor, Audit Commission, 2nd Floor, Aspinall House, Aspinall Close, Middlebrook, Bolton.

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. The responsible officer is designated as the Chief Financial Officer, or equivalent. In this Authority, that officer is the Head of Corporate Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets ; and
- approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer (in Copeland Borough Council this is the Head of Corporate Resources) is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code)

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

I certify that the Statement of Accounts gives a 'true and fair view' of the financial position of Copeland Borough Council as at the accounting date and of its expenditure and income for the year ended 31 March 2012.

Darienne Law

Darienne Law CPFA BSc MBA
Head of Corporate Resources
Section 151 Officer.
29 June 2012

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) and the Service Expenditure Reporting Code of Practice (SerCOP) 2011/12, both issued by CIPFA, supported by International Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

This section discloses the specific accounting policies adopted by the Council for the completion of the accounts.

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- Supplies are recorded as expenditure when they are consumed-where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest payable on borrowings and receivable on investments is accounted for respectively as expenditure and income on the basis of the effective

interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract ; and

- Where revenue and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where 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. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that are readily converted to cash and include call accounts and money market funds.

Due to the current climate regarding low interest rates and uncertainty in forecasting, our investment strategy has seen funds deposited in short term high quality investments. These generally mature in no more than 3 months from the date of acquisition but as they are not primarily to manage cash flows, they are classified as investments on the Balance Sheet and not cash equivalents.

In the Cash Flow Statement, cash and equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of the transactions, or other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

6. Charges to Revenue for Non-Current Assets

Services, 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;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off ; and
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue to contribute towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rate applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

The Cumbria Local Government Pension Scheme

The majority of employees of the Council are members of the Cumbria Local Government Pension Scheme administered by Cumbria County Council. Since 1 April 2008, members are entitled to pension annuities payable during the period of retirement. However employees who were members of the scheme before 1 April 2008, had the benefits that had accrued by that date protected and therefore receive an additional defined benefit of a lump sum payable on the date of retirement.

The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an 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 based on the market yields at the reporting date of high quality corporate bonds. These weightings are designed to reflect approximately the duration of the pension liabilities of Copeland Borough Council. The resultant discount rate as at 31 March 2012 was 4.9%.

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

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

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

- Current service cost - the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- 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 Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- 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 or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement after the surplus or deficit for the year has been calculated ; and

- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund 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 Movement in Reserves Statement, the General Fund balance is adjusted by 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.

Discretionary Benefits

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.

8. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events ; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

9. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus interest accrued at the year end and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

Financial assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited as financing and investment income to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the Housing Cost of Service line) 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 organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood of default on the loan transaction, the asset is written down and a charge made to the relevant service (for receivables specific for that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the 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 Comprehensive Income and Expenditure Statement 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 ; and
- 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 Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation). Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured the instrument is carried at cost (less any impairment losses).

10. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments ; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset are acquired using the grant contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants such as Revenue Support Grant, Area Based Grant and PFI grant for the Copeland Centre and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it has been posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11. Intangible Assets

Expenditure on non-monetary 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 brings benefits to the Council for more than one financial year.

Expenditure on the development of websites is eligible for capitalisation on the basis that it brings future economic benefits to the Council. Any expenditure that is solely or primarily intended to promote or advertise the Council's goods or services is not capitalised.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of assets held by the Council can be determined by reference to an active market. In practice no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised to the relevant service revenue account in the Comprehensive Income and Expenditure Statement over the economic life of the investment to reflect the pattern of consumption of benefits.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service revenue account in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and sale proceeds to the Capital Receipts Reserve.

12. Inventories

Stocks are included in the Balance Sheet at the latest price paid, with an allowance made in relation to the price rises since purchase.

13. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are valued annually according to market conditions at the year-end, with the exception of those where it can be demonstrated that the carrying values are not materially different from the fair value at the balance sheet date. This would include council owned garages and grazing plots.

Gains and losses are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However revaluation and disposal gains are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and sale proceeds to the Capital Receipts Reserve.

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. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey the right to use an asset in return for payment are accounted for under this policy where the fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property applied to write down the lease liability ; and
- A finance charge, which is debited to the Comprehensive Income and Expenditure Statement as financing costs as the lease becomes payable.

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rents due under operating leases are accounted for on an accruals basis as they become due and are charged to services in the Comprehensive Income and Expenditure Statement. These are outlined in note 36 on page 114.

The Council as Lessor

Leases held by the Council

The Council also acts in the capacity as lessor for the lease of land and property.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental Income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income. These are outlined in note 36 on page 116.

Finance Leases

Where the council grants a finance lease over a property the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal matched by a long term lease debtor asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Any gain on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt.

15. 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 Service Reporting Code of Practice 2011/12 (SerCOP). 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 and impairment losses chargeable on Assets Held for Sale.

These two costs categories are defined in SerCOP and accounted for under separate headings in the Comprehensive Income and Expenditure Statement as part of Net Expenditure on Continuing Services.

16. Heritage Assets

With effect from the 2011/12 financial year, the Council is required to recognise property and equipment held primarily for their contribution to knowledge and culture separately as heritage assets.

In 2011/12, the Council has followed permissible rules which allow heritage assets to be valued for the purposes of recognition on the balance sheet using detailed insurance valuations, which are based on market values, rather than historic cost if this information is not available. As a result these collections have now been recognised in the balance sheet for 2011/12 and a prior period adjustment has been made to re-state financial year 2010/11 to reflect the new valuations of these assets. The detail of the prior period adjustment is shown in note 1 to the Balance Sheet on page 65.

The Council has followed this method as it takes the view that obtaining individual valuations for the large number of mainly small value assets involved would lead to a disproportionate cost in comparison to the benefits provided to readers of the Council's financial statements.

Depreciation on heritage assets will not be calculated nor charged to the Comprehensive Income and Expenditure Account because it has been estimated that the assets have useful lives of such longevity that any depreciation charges on these assets will be negligible and can be discounted on the basis of materiality.

Otherwise, the treatment of heritage assets will follow the Council's usual accounting policies for the acquisition, revaluation and disposal of assets outlined in paragraph 18 below.

Full details of the heritage assets held by the Council are shown in note 21 to the accounts on page 97.

17. Component Accounting

IFRS require that individual assets with a significant value should be broken down into components that are material to the value of the whole assets and have differing useful lives. The Council has determined that only assets with a value of £0.9m or more will be considered to be treated in this way and that the material limits for components are set at 10% of the individual asset value.

Component accounting has been applied prospectively from 1 April 2010 on property, plant and equipment that is either deemed to be material or will become material as a result of acquisition, enhancement or re-valuation with a value of over £0.9m. The revaluation gains attributable to an asset will be apportioned over the components on the same % basis unless advised by the valuer that the split is no longer appropriate.

Subsequent revaluations and disposals of assets subject to component accounting will follow the Council's usual accounting policies for these transactions as outlined in paragraph 18 below.

18. Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified under property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be reliably measured. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged to revenue as it is incurred. The de-minimus level for recognition of capital expenditure is £0.006m.

Measurement

Assets are initially measured at cost, comprising

- the purchase price;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management ; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, only to the extent that it is recognised as a provision.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance.

Donated assets are measured initially at fair value.

Assets are then carried in the Balance Sheet, using the following measurement bases:

Non-current 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 Institute of Chartered Surveyors (RICS).

	Basis of valuation	Depreciation	Asset Lives
Property, Plant and Equipment & Non Operational Land & Buildings	Open market value for existing use or depreciated replacement cost (for specialised assets)	Straight line	5-50 years
PPE - Community Assets	Historical cost	N/A	N/A
PPE - Infrastructure	Depreciated historical cost	Straight Line	10-20 years
PPE - Vehicles plant and equipment	Depreciated historical cost	Straight line	3-15 years
Investment Properties	Open market value	N/A	N/A
Assets held for sale	Open market value	N/A	N/A

Assets included in the Balance Sheet at fair value are re-valued sufficiently to ensure that their carrying value is not materially different from their fair value at the year-end, but at least every 5 years as part of a rolling programme. Valuations in 2011/12 were carried out by in house valuers and external valuers

GVA Dixon Webb. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Revaluations are carried out more frequently if the Council becomes aware of factors indicating a change in valuation, such as a change in the economic climate.

Additionally 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.

Increases in valuations of property, plant and equipment are matched by credits to the Revaluation Reserve to recognise unrealised gains, unless the asset has a previous revaluation loss (loss due to general fall in prices) charged to the Comprehensive Income and Expenditure Statement, in which case the revaluation gain shall be used to reverse this.

Where decreases in value of property, plant and equipment are identified, they are classified as either Revaluation Loss (drop in value across the board) or an Impairment Loss (loss specific to that asset).

Revaluation losses are accounted for:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains) ; and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Impairment losses are accounted for by:

- Charging the Revaluation Reserve with the value of any impairment, up to the level held within the Reserve for that particular asset ; and
- Charging service revenue accounts within the Comprehensive Income and Expenditure Account for all impairments that are not covered by historical revaluations within the Revaluation Reserve. To avoid the impairment becoming a charge against Council Tax the value of all such impairments is reversed out within the Movement in Reserves Statement and charged to the Capital Adjustment Account.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Any transactions that are posted to the Comprehensive Income and Expenditure Statement have been mitigated, resulting in a £nil impact upon the General Fund.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Investment properties are defined under IFRS as assets that are held solely for income generation or for capital gain. As such all land and property holdings previously classified as investment properties have been reviewed and if necessary, reclassified as either operational or non-operational assets, within property, plant and equipment.

Assets held for sale are defined under IFRS as assets that are surplus to requirements, have been formally approved for disposal by Council and are being actively marketed for disposal within one year as a result. If assets held for sale are not disposed of within the required timescale they are reviewed and are subject to potential reclassification as property, plant and equipment.

All land and property is valued at net current replacement cost, which varies dependent on the classification of the individual assets.

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value;
- Specialised operational properties – depreciated replacement cost;
- Investment properties – market value ; and
- Assets held for sale – market value.

Some assets are held at nominal value in the asset register.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease in fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classed as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying value of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement and netted off against the carrying value of the asset at the time of disposal to arrive at the gain or loss on disposal.

To avoid gains and losses affecting the level of Council Tax required to be raised in the year, the carrying value of assets disposed of is reversed out of the Comprehensive Income and Expenditure Statement in the Movement in Reserves Statement and charged to the Capital Adjustment Account. Receipts from the sale of assets are reversed from the Comprehensive Income and Expenditure Statement to the credit of the Capital Receipts Reserve. Any revaluation gains held in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Capital receipts are recognised when sale proceeds are either individually £0.01m or more or where the aggregate value of the sale of individual assets within asset classifications equals £0.01m or more. 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).

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets with a determinable finite life, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the remaining life of the property (or its components), as estimated by an authorised valuer ; and
- Vehicles, plant, furniture 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.
- Infrastructure – straight line allocation 10 > 20 years.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

19. Private Finance Initiative (PFI) and Similar Contracts

PFI contracts are agreements to receive services, where the responsibility for making available the non-current assets needed to provide the service passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI scheme and as, through an option to purchase (at market value) the residual interest in the non-current asset at the end of the contract, the Council is deemed under IFRIC 12 to control, through beneficial entitlement, significant residual interest in the non-current asset, the Council carries the non-current assets used under the contract on the Balance Sheet.

The original recognition of these assets at fair value based on the cost of construction (derived from the operator's model) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the asset.

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts paid to the PFI operator each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge on the outstanding Balance sheet liability, debited to Financing and Investment Income in the Comprehensive Income and Expenditure Statement;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Financing and Investment Income in the Comprehensive Income and Expenditure Statement;
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator ; and
- Lifecycle replacement costs – recognised as non-current assets on the Balance Sheet as they are incurred.

20. 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 and a reliable estimate can be made of the amount of the obligation but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the Comprehensive Income and Expenditure Statement 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 carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be 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 by the Council.

21. Contingent Assets and Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the financial statements but disclosed as notes to the accounts.

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the financial statements but disclosed as notes to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

22. 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 Movement in Reserves Statement. When spending to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year as a cost against the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The contribution from reserves is then credited in the Movement in Reserves Statement so that there is no net charge against council tax for the spending.

Certain reserves are kept to manage the processes for capital accounting, financial instruments, employment and retirement benefits and they do not represent usable resources for the Council – these reserves are explained in the relevant policies.

23. 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 a non-current asset has been charged as expenditure to the relevant service revenue account in the year, e.g. housing renovation grants. Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer to the Capital Adjustment Account from the Movement in Reserves Statement reverses out the amounts charged so there is no impact on the level of council tax

24. 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.

25. Group Accounts

The Council has reviewed its interests with external bodies in 2011/12 and has concluded that it does not have any material interests, either individually or in aggregate, in subsidiaries, associated companies or joint ventures. The financial statements have therefore been prepared on a single entity basis as there is no requirement to produce Group Accounts.

Annual Governance Statement 2011/12

SCOPE OF RESPONSIBILITY

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

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

Copeland Borough Council has approved and adopted a code of corporate governance, which will be reviewed in 2012. The code has been consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. Information about how the Council complies with the framework can be obtained from the Monitoring Officer. The statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control – the Annual Governance Statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, 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 on-going 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 2012 and up to the date of approval of the Statement of Accounts for 2011/12.

THE GOVERNANCE FRAMEWORK

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

1. Identifying and communicating the authority's vision and outcomes for citizens and service users

1.1 The Council agreed a 5 year Council Plan in 2007. To renew its focus for 2011 onwards in the circumstances following the General Election in May 2010, the Council agreed a new vision and corporate objectives in a 3 year Council Plan for 2011/14. Following consultation with stakeholders at the beginning and end of the process, the Council agreed the new Council Plan on 22 February 2011. The Council Plan provides the framework for the development of an annual Council Implementation Plan and the service planning process.

1.2 During 2011/12 the Council delivered its objectives through its one year Council Implementation Plan. This plan, displayed on a single A3 page, highlighted the key projects and performance indicators for 2011/12. These in turn were reflected in service plans, which were in place by April 2011 and monitored routinely through the Council's Performance Management Framework. This includes monthly and quarterly monitoring and reporting.

1.3 The Council published the Corporate Implementation Plan 2011/12 for delivery of its vision and objectives through the website and a summary in the Council newspaper, Copeland Matters.

1.4 The Annual Council Implementation Plan for 2012/13 has now been produced and was agreed at Full Council on the 22 February 2012. This has been reflected in the service planning and personal appraisal process for 2012/13

2. Reviewing the authority's vision and its implications for the authority's governance arrangements

2.1 During 2011/12, the Council has continued with its Choosing to Change Programme. A number of key work areas in this area have been delivered. These have included: the development and delivery of a Communications Strategy; the development of core competency framework; the roll out of the Council's revised Performance Management Framework; and the work of the Constitution Working

Group, which will conclude during 2012/13. The role and purpose of the Board has been reviewed in light of the development of Council's Transformation Plan for 2012/14.

2.2 Choosing to Change activities are supported by external expertise provided through North West Improvement and Efficiency Partnership and involves representatives of the local government sector in providing advice and good practice. The programme is managed by the Choosing to Change Board of Copeland BC members and there is an external Reference Group of sector representatives. The Council has secured external funding to help with the costs of the programme which will continue until 2012. The Council recently won the Local Government Chronicle Award for these arrangements.

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

3.1 The Executive, supported by the Resource Planning Working Group, ensures that resources are allocated to Council priorities in line with the approved Medium Term Financial Strategy. At the February 2012 Council meeting the full Council approved the detailed budget which was updated to reflect changed planning assumptions for the period 2012/13.

3.2 The Medium Term Financial Strategy is now updated annually to reflect changes regarding the new understanding of public sector finance within the national economic conditions following the General Election. A report setting out our understanding of the Council's financial position has been regularly reported and discussed by Resource Planning Working Group during the year. Work continued on this strategy resulting in an updated Medium Term Financial Strategy being agreed by the Council on 23 February 2012, covering the period 2012/13 – 2015/16.

3.3 The Executive received quarterly financial reports in 2011/12 on both revenue and capital expenditure compared to budget. In addition, the Corporate Management Team and Managers receive monthly budget monitoring reports to reflect the increased importance in managing budgets efficiently.

3.4 Executive agreed, in December 2011, to enter into an agreement with Cumbria County Council for 2 years for the provision of procurement support and advice. Procurement skills and knowledge are scarce, this arrangement will provide resilience and a more robust procurement service fully able to meet increasingly complex demands (overcoming recruitment and retention problems), through contracting with a county unit of a critical mass and offer longer term efficiencies through economies of scale. There is also an opportunity for increased purchasing power or "leverage" savings as the number of county wide contracts increases - Efficient procurement in Cumbria

(EPIC). This arrangement is now in place and work has commenced, the contract register has been refreshed and updated identifying those contracts which will be aggregated into county arrangements (Leverage) and those which will require separate arrangements. The Council actively uses the IDeA Marketplace system and CHEST to maximise the opportunities for purchasing cost effectively. Copeland is already taking advantage of county wide contracts such as electricity, gas, car hire, and stationery.

3.5 During 2010/11 the Council entered shared services arrangements in respect of Revenues and Benefits and for Internal Audit. Both sets of arrangements have sought to reduce costs and improve resilience in these statutory services. Members of the Council are involved in the governance and performance arrangements for both shared services, with the portfolio for finance and resources representing the council at the Revenues and Benefits shared service strategic board and the Audit Committee receiving reports on the performance of the audit shared service.

3.6 The Council's own headquarters is in a building provided under a PFI agreement. This has allowed the provision of good quality facilities. Accounting for PFI schemes has changed with the introduction of International Financial Reporting Standards (IFRS), and since 2009/10 PFI schemes are included on the Council's Balance Sheet. The Council's financial managers have undertaken on-going training to ensure the accounts accurately reflect the new IFRS accounting arrangements, and have taken external advice where appropriate. Work has been undertaken in 2011/12 to address the depreciation and componentisation aspects of IFRS with discussions and agreement on methodology with the District Auditor.

3.7 Copeland Borough Council has had customer service standards and targets in place for many years. Performance against these is monitored on a regular basis by individual services through service plans and regular reporting to Corporate Leadership Team. This is complemented through quarterly reporting of the Council's Implementation Plan, containing key projects and performance measures, to the Council's Executive.

3.8 There are a number of arrangements in place for securing customer feedback. During 2011/12 arrangements have been put in place to conduct regular and routine exit surveys from the Council's face to face enquiry points. This complements the routine monitoring of key performance metrics, for example, call handling rates through the Council's contact centre and the Council's Compliments, Complaints and Comments Scheme. Such arrangements are complemented by a proactive approach to seeking feedback from key stakeholder groups on behalf of service users. A number of outcomes of resulted from such work during 2011/12. This includes the piloting of a Rural Offices Scheme, implementation of 'Tell Us Once' and furthering the Council's joint working arrangements with Citizen's Advice Bureaux.

3.9 As well as corporate arrangements, individual service areas also measure service quality and seek and act upon customer feedback. The Beacon has a strong track record in this area and during 2011/12 was shortlisted for the Sustainable Tourism Awards (Cumbria Tourism Award) and Access for All Tourism Award (Visit England Awards for Excellence). The re-development of the Council's website is focussed on promoting choice in how services can be accessed and the re-design has a strong community focus and feel. In other areas, for example, Neighbourhoods, 'Estate Walk About's' have taken place, where through LMAPS (Local Multi Agency Problem Solving Group), local issues can be identified and resolved.

3.10 The arrangements described above help to maximise the use of resources and meet service users' needs. A Customer Services Strategy is in the process of being developed and implemented.

3.11 In November 2011 Personnel Panel recommended and the executive agreed a change management policy which clearly set out the steps and processes by which the council manages changes in its staffing arrangements. This "refresh" of key HR policies, incorporated learning from experience of the change programme and processes arising from the Choosing to Change Programme and post-CSR savings drive in 2010-2011. The policy also guides all future organisational change processes, and was designed to incorporate best practice.

3.12 A review of the car allowances scheme was undertaken in 2011/12 with a reduction in the number of posts meeting the criteria for essential car use and a reshape of the remaining scheme to provide a saving.

3.13 In response to the provisions of the Localism Act 2011 relating to openness and accountability in local pay, the Council developed a Pay Policy Statement covering the basis of its pay structure, senior management remuneration, appointment of senior officers, payments on termination, and related matters. The Statement was recommended by the Personnel Panel on 27 February 2012 and approved for publication by Full Council on 22 March.

4. The roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

4.1 Council's Constitution provides a general framework for governance and it was comprehensively reviewed during 2010/11, and approved by full Council. The new Constitution sets out rules for running the Council's political and officer management, including the roles and responsibilities of the Executive, non-executive Overview and Scrutiny and officer functions, with delegated powers explained. Since 2010 the Council has undergone further changes including new senior and middle management structures and a new policy framework, together with changes to the legislative framework, most notably the Localism Act 2011. A further review of the Constitution is therefore underway in consultation with the Constitution Working Group with the first phase being reported to Council in June 2012 and then a further report in September 2012.

4.2 The Executive meets 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 2011/12. Portfolio Holders have individual areas of responsibility and these are set out in the Constitution.

4.3 Corporate Leadership Team (CLT) consists of the Chief Executive and two Corporate Directors who have prime responsibility for advising members on policy and allocation of resources. CLT take an overview of all Executive and Council reports at timetabled pre-meetings during the year.

4.4 A further review of management arrangements took place in 2011/12, to reduce costs and reflect new requirements of the Council, this built on the previous years' work to rationalise senior management and generated a further saving in excess of £240,000 p.a.

4.5 Executive and Council reports contain a section which sets out the financial, legal and governance implications of the report together with any impact on equalities, human resources etc. 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.

4.6 In 2011/12 the Council operated two Overview and Scrutiny Committees to consider Internal and External matters. They developed work plans which provided a mechanism for feeding into policy making. The Overview and Scrutiny Committees (OSC) 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.

4.7 Throughout 2011-12, both Overview and Scrutiny Committees (OSCs have considered and reviewed a number of matters. Internal OSC carried out a detailed review of the Council's Discretionary Concessionary Travel Scheme; recommending a number of policy changes to the scheme. It also considered Car Parking Fees and Charges across the Borough, with recommendations feeding into the annual Budget process. External OSC responded to a number of areas of local concern including Cumbria County Council Proposals to change Cumbria's Household Waste Recycling Centres and Proposals for Changes to Social Care Services in Allerdale and Distington.

4.8 Through the Vacancy Management Group, Copeland BC managers have continued to challenge the need to replace all vacant posts that have arisen in 2011/12. Where it has been necessary to fill a vacancy to safeguard services, active consideration has been given on a case by case basis to options including short-term contracts, reduced hours, restructuring the team or selective use of interim or temporary staff.

5. Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

5.1 The Councillors' Code of Conduct is signed up to by all Members of the Council. The Employee Code of Conduct was reviewed and reissued in April 2007. All employees are required to sign to say they have received it. Both of these have been subject to review as part of the review of the Constitution in 2010. A new Protocol on Member/ Employee Relations was agreed by Council in 2010.

5.2 The Council has a Dignity At Work Policy which was most recently updated in 2010 to take account of the provisions of the Equality Act 2010 When new Council employees are recruited they receive the Employees' Code of Conduct, Confidentiality Statement, Security Policy and CRB form (if required) along with their employment contracts.

5.3 The Council reached the "Achieving" stage of the Equalities Framework for Local Government in November 2010, which included a significant effort in training and raising awareness of the law among Councillors, employees, partners and contractors. During the budget setting process for 2011/12, Equality Impact Assessment procedure and practice training was conducted. Initial Equality Impact Assessments were conducted for all budget savings proposals and the consultation process for the budget included the Council's key stakeholder groups including those representing individuals and communities within the protected characteristics. This includes the Council's Consortium Partners.

5.4 During 2011/12, the Council also published its proposed Single Equality Scheme setting out its objectives and proposed actions for 2012/14. Achievements against this are monitored by the Council's Equality Steering Group with regular reports being presented to the Corporate Leadership Team and Executive. This work is supported by the Portfolio Holder for Performance and Transformation who champions this work internally and with the Council's external partners.

5.5 In January 2011, the Council's Internal Overview and Scrutiny Committee reviewed the reporting back procedures and guidance for members on outside bodies. Recommendations are in the process of being implemented.

6. Reviewing of Constitution including standing orders, standing financial instructions, scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

6.1 The Council's Constitution was last reviewed in 2010, when a new overall structure of the Constitution, Procedure Rules, overview and scrutiny protocols, Financial Regulations and Contract procedure rules were introduced. Workshops for managers and other officers were arranged to raise awareness of procedures and changes of practice. Since 2010 the Council has undergone further changes including new senior and middle management structures and a new policy framework, together with changes to the legislative framework, most notably the Localism Act 2012. A further review of the Constitution is therefore underway in consultation with the Constitution Working Group with the first phase being reported to Council in June 2012 and then a further report in September 2012. Further training sessions for members and officers will be arranged to update them on any changes.

6.2 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 risk owners are able to monitor these through the use of the Council's Performance Management Framework. An audit of the Council's approach to Strategic Risk Management was conducted during 2011/12. The audit identified a number of improvements that should be made to the Council's approach and these are reflected in the action plan attached to this statement.

6.3 An updated corporate business continuity plan was agreed by Corporate Leadership Team in December 2011. Individual services have developed business continuity plans containing the details of how their service will support the corporate business continuity plan. Service level business continuity plans were tested in a desk-top exercise in June 2011. On 7 March 2012 a Multi-Agency OSCAR 10 Emergency Planning Exercise was held and for the first time included elements of the business continuity recovery phase.

7. Ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

7.1 The revised CIPFA statement on the Role of the Chief Finance Officer (CFO) in Local Government describes the roles and responsibilities of CFO's who are bound by both professional standards and also legislative responsibilities, with a fiduciary duty to the local taxpayer. The Council has a duty to either comply with each of the five key principles set out in the Statement or explain why they do not and how they deliver the same impact. The Council has complied with each of the five principles as set out in the paragraphs below.

7.2 **Principle One:**

The CFO is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.

- The CFO in Copeland BC for 2011/12 is the Corporate Director - Resources and Transformation who reports directly to the Chief Executive and is one of the three members of the top level Corporate Leadership Team (CLT) sitting alongside the Chief Executive and the Corporate Director – People and Places. During 2012/13 a new structure has been implemented and the CFO from June 2012 is the Head of Corporate Resources, who will report directly to the Chief Executive and who will be one of the 7 members of the new Corporate Leadership Team, comprising the Chief Executive, the Director of Services, the Head of Corporate Resources, the Head of Policy and Transformation, the Head of Neighbourhoods, the Head of Regeneration and Community and the Head of Nuclear, Energy and Planning.

7.3 **Principle Two:**

The CFO must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the overall financial strategy.

- The CFO at Copeland is responsible for establishing the authority's medium term financial plan, annual budget process and budget monitoring process and ensure alignment of the three. Each report that is considered by the Executive has a specific section for the CFO to record financial implications, risks and other operational and strategic advice.

7.4 **Principle Three:**

The CFO must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

- The CFO in Copeland BC is responsible for ensuring that appropriate advice is given on all financial matters, for keeping financial records and accounts and for maintaining an effective system of financial control. The Financial Procedure Rules set out in detail how controls operate.

7.5 **Principle Four**

The CFO must lead and direct a finance function that is resourced and fit for purpose.

- The Finance Function is considered to be adequately resourced and additional resources are brought in for specialist work or to fill gaps in expertise or vacancies. Currently there are two interim finance staff in place to cover vacancies and specialist work. A restructure of the finance function was carried out during 2011 and was fully operational from Autumn 2011. The exception to this was the position of Financial Services Manager which remained vacant despite attempts to recruit to the position. As part of the current review of senior management, proposals have recently been agreed to cover this position. Other specialist assistance has been brought in to assist with the IFRS / PFI accounting changes. Service standards are being reviewed and developed to ensure the service meets the needs of its customers.

7.6 **Principle Five**

The CFO must be professionally qualified and suitably experienced.

- The CFO in Copeland BC is a qualified CIPFA accountant and has suitable relevant experience of public services bodies.

8. Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities

8.1 The Audit Committee, established in 2007, has had an independent chair from January 2009. Its role is to monitor internal and external audit and inspection work, including reviewing the adequacy of internal controls. The Audit Committee monitors risk and Treasury Management and received Treasury Management training in February 2011.

8.2 Internal Audit submit regular progress reports to the Audit Committee including an Annual Report on Internal Control to the Audit Committee and a report on compliance with corporate governance standards on 1 June 2010 for 2010/11 and 20 June 2012 for 2011/12.

8.3 The Audit Committee considered and formally approved the audited 2010/11 Statement of Accounts on 27th September 2010, together with the Audit Commission Annual Governance Report.

8.4 The Audit Committee receives audit and inspection letters on behalf of the Council from External Audit, including the Annual Audit and Inspection Letter which was presented to Members on 19th December 2011. Other Audit Commission reports included a report into certification of Claims and Returns, review of Financial Systems and the Annual Audit fee. The Audit Committee has the opportunity to meet regularly with the external auditors in private to discuss any areas of concern to either party.

8.5 Fraud section monitoring reports were submitted to the Audit Committee on a quarterly basis.

9. Compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

9.1 During 2011/12 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 (CFO) 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. Preparation for each Executive report required completion of a checklist to allow assessment of the decision against the Council's policy framework.

9.2 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 statement was supplied to Full Council prior to the agreement of the 2012/13 budget.

9.3 For the first time in 2010/11 the Council has to produce its statement of accounts in accordance with the International Financial Reporting Standards under the guidance of the Code of Practice on Local Authority Accounting (the Code) and further new requirements are introduced for 2011/12. A detailed timetable for implementing change, including staff resource allocation, was drawn up and progress was regularly monitored. Sufficient time was allowed to produce the working papers and to carry out quality checks, whilst still meeting the statutory deadline.

9.4 A full review was undertaken of the Reserves held by the authority to ensure that the reserves were held for legitimate purposes and that transactions were accurate and expenditure was fully reflected in the Income and Expenditure Account. A further review is currently being carried out, recognising the increased financial risks faced by the authority.

9.5 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 and all Council members are required to complete an annual declaration of related party transactions.

9.6 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 no call-ins during 2011/12. There were no S.151 or Monitoring Officer reports issued in 2011/12.

9.7 The Legal Services Manager issued updates to service managers on new legislation and associated statutory guidance;

9.8 In March 2011 the Executive approved an asset management plan which set out how assets would be managed corporately in an integrated manner.

10 Whistle-blowing and receiving and investigating complaints from the public

10.1 There were no adverse Ombudsman reports in 2011/12. The Ombudsman's annual report for Copeland in 2009/10 was especially complimentary.

10.2 The OSC Internal continued to be responsible for overview of handling complaints to the Council during the year.

10.3 The Confidential Reporting Code was reviewed and re-launched in 2009/10, and updated in September 2011

11. Identify the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

11.1 A Members' Development Plan was in place during 2010/11, arrived at through in depth discussions with individual members. This has been updated in 2011/12 following the election of a number of new members and a comprehensive induction programme delivered. The member development programme is actively managed through the Member Development Panel who meet on a monthly basis and lead and shape the focus and delivery of the annual programme. The Council achieved the Members' Development Charter from North West Employers' Organisation, which was last renewed in September 2009; the member development panel in 2011/12 has started work to seek re-accreditation at level 1 with support from NWEO.

11.2 To lay the foundations for the organisational development work which will underpin its journey of transformation, the Council has launched a new competency framework and appraisal process. As well as playing a key role in employee performance management, the appraisal process is the major diagnostic tool in identifying and meeting the learning and development needs of the organisation.

11.3 For 2012/13, a "Core Curriculum" has been developed to meet the key corporate needs, as identified through the dominant themes emerging from the appraisal process. Individual employee needs are identified, and the most cost-effective solutions implemented after consultation between the employee, line manager and HR team. The appraisal process is intended also to ensure that employees have personal objectives linked to their service's Service Plan for the year, which in turn supports the Council's high level plans, thus creating the desired "golden thread".

11.4 Having achieved the North West Skills Award in 2010/11, which shares much common ground with Investors in People, the Council decided not to seek reaccreditation under the IiP standard, having considered the value for money aspect of continuing IiP membership in the current financial climate, and the substantial costs associated with the accreditation process.

11.5 In order to mainstream Section 17 (S17) of the Crime & Disorder Act 1998 in all Council activities a part-time S17 officer was in place during 2011 to assist with a range of activities including provide training in community safety to Copeland members and officers. The West Cumbria Community Safety Partnership will be part funded by Copeland Borough Council to maintain some of this activity from 2012 and services will continue to action audit recommendations within their service delivery and embed S17 into their work programmes.

11.6 With regard to data quality, training has been provided for key staff previously. In 2011/12, these principles were reiterated during the Service Planning 2012/13 facilitated workshop and on-going arrangements are supported through the Council's Performance Management Framework.

12. Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

12.1 The Council's current Communication Strategy sets out the main guidance for communication and consultation with the public. This strategy was revised during 2011/12 and a new strategy was agreed in January 2012. The Council consulted the public on the development of a range of its service and corporate objectives, including the budgets for 2010/11 and 2011/12. In preparation of the 2011/12 and 2012/13 budget stakeholders were consulted on Council proposals.

12.2 During 2011/12 the Council was engaged in a range of activities to communicate with the public on the future of the nuclear industry in West Cumbria. The Managing Radioactive Waste Safely Partnership, of which the Council is an active partner, has implemented its public engagement commitments. The Council hosted one of four national events by the Department of Energy and Climate Change to ensure the public were able to express their views on the inclusion of, and adjacent to Sellafield as a site for Nuclear New Build.

12.3 The Council reached the "Achieving" stage of the Equalities Framework for Local Government in November 2010, which included a significant effort in training and raising awareness of the law among Councillors, employees, partners and contractors.

12.4 During the budget setting process for 2011/12, Equality Impact Assessment 'Procedure and Practice' training was conducted. This was targeted to those involved in the preparation of budget saving proposals ensuring that equalities implications were considered and understood. On completion of the training, Initial Equality Impact Assessments were conducted for all budget savings proposals. Where appropriate, the Initial Equality Impact Assessment was followed up by a Full Equality Impact assessment. This Council conducted a Full Equality Impact assessment on its proposed changes to the Discretionary Concessionary Travel Scheme. This work was facilitated by the Council's Overview and Scrutiny Committee and included reviewing evidence of need and demand; consulting with key stakeholder groups; and service users themselves.

The overall budget consultation also included the Council's key stakeholder groups including those representing individuals and communities within the protected characteristics. This includes the Council's Consortium Partners.

12.5 During 2011/12, the Council also published its proposed Single Equality Scheme setting out its objectives and proposed actions for 2012/14. Achievements against this are monitored by the Council's Equality Steering Group with regular reports being presented to the Corporate Leadership Team and Executive. This work is supported by the Portfolio Holder for Performance and Transformation who champions this work internally and with the Council's external partners through, for example, the West Cumbria Equality Partnership. More recently the Council's Equality Officer facilitated the development and delivery of a 'Barriers to accessing services' day on behalf of the West Cumbria Equality Partnership. The day brought together a range of statutory and non-statutory partners to explore and hear about the difficulties encountered in accessing services by those with physical, visual and hearing impairments. This culminated in the development of a prioritised action plan, which all agencies have agreed to work to deliver.

12.6 A key way in which the Council is committed to working with communities to understand and resolve issues is through the Locality Working Team. During 2011/12, this team has facilitated six Locality Partnerships and the Local Strategic Partnership. This work brings together a range of stakeholders and communities to identify issues and work on joint solutions. As well as facilitating the development of locality plans, the team has worked with communities on a number of local projects. This has included: working with communities and key partners in Wasdale to tackle community transport issues; working with a local group to facilitate community arts provision at Florence Mine and assisting in the establishment of a Community Interest Group to address community priorities in Bootle, including a mixed use development site, affordable housing, cycleway and community energy scheme.

13. 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

13.1 In order to increase its effective and efficient partnership working the Council has developed and formally agreed a tool, based on the CIPFA model, to assess our partnerships. Our corporate governance reviews elected member representation annually. There are service level agreements with some partnerships which are reviewed annually others less frequently and in line with delivery and project programmes.

13.2 External Audit opinion found that there were still improvements that the Council could make in line with implementing the partnership assessment tool annually and revising partnership arrangements, representation and governance in line with this annual appraisal. This requirement was incorporated into improvement plans for 2009/10 and 2010/11. The audit of risk management in partnerships carried out in Cumbria in 2009/10 formed the basis of improvements in Copeland as well as in other districts. Part of the Council's response to this work was to engage in the restructuring of a number of strategic and themed partnerships including the Cumbria Strategic Partnership, leading the disbanding of the West Cumbria Partnership and the development of the Copeland Partnership and reviews of a number of West Cumbria themed partnerships. Further work to strengthen protocols and practice is in the action plan will be undertaken in 2011/12.

13.3 The Copeland Partnership met for first time in December 2010. The Partnership is underpinned by the six Copeland localities and engages with other theme partnerships and representatives of a wide grouping of local organisations and stakeholders, including residents. The Partnership has adopted a set of principles and a new 10 year Copeland Partnership Plan, Copeland's Sustainable Community Strategy. The Partnership meets twice yearly to action plan and monitor targets which are priority issues for the borough and the Partnership.

13.4 A review of all strategic partnerships has been underway during the past two years to be completed in 2012. The involvement of elected members in outside bodies has been subject to annual review, with a view to more active involvement in partnerships, better feedback to the Council and being in a better position to manage risks in achieving Council objectives through partnerships. The Choosing to Change transformational agenda has included a full review of the economic development and health partnership arrangements including the Council's full participation and leadership in rationalising Britain's Energy Coast partnership and governance arrangements. The final activity to be completed relates to staff engagement in strategic partnership activity and the strategic implementation of toolkit assessments and appraisal of council engagement in partnership in line with our corporate priorities as we progress our efficiency and corporate operating model developments to best deliver against our budget constraints.

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 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 2011/12 and substantially replaced it with a new fit for purpose set of procedures and protocols;

- The **Executive** has included in its Forward Plan decisions relating to the Council's governance;

- The **Audit Committee/Overview and Scrutiny Committees** have included a range of reviews of aspects of the Council's governance in their programmes of work, including, in the case of the Audit Committee, some statutory governance reports.

- The **Standards Committee** has responsibility for promoting high ethical standards across the Council, maintains an overview of the Member and Officer Codes of Conduct and other relevant protocols, together with the Council's complaints handling regime. These arrangements are currently under review and will need to be revised in view of the provisions of the Localism Act 2011 relating to the conduct of members.

- The **Chief Financial Officer** has responsibility for ensuring the effectiveness of the financial controls and the Financial Procedure Rules were reviewed and re-issued during 2010 and are currently under review with a view to being approved by Council in June 2012.

- **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 operated their services to comply with the Council's framework of policy and procedure in managing resources and observing the requirements of probity. Operational risks were identified through service and project planning and are logged on the Covalent performance system, monitored at least quarterly by managers. Progress on developing a business continuity plan was monitored by Corporate Team.

The Audit Committee at its meeting of 20th June 2012 received the Annual Report on Internal Control 2011/12 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. An Internal Audit report on the payroll system has identified the issue of payroll resilience which will be addressed during 2012.

The meeting also considered the internal audit report of Corporate Governance Arrangements 2011/12, 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.

The meeting also received a report from the Corporate Director Resources and Transformation on the effectiveness of the system of internal audit which operated in 2011/12. The report brought together the findings of the Self-Assessment of the Head of Internal Audit on Internal Audit's compliance with the CIPFA Code of Practice for Internal Audit in Local Government, and an assessment of the effectiveness of the Audit Committee, the Annual Report on Internal Control 2011/12 and the main findings of the External Audit in 2011/12 in relation to Internal Audit.

The conclusion of the report was that the system of internal audit had operated satisfactorily in 2011/12. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

SIGNIFICANT GOVERNANCE ISSUES

The significant governance issues in 2011/12 which we will want to address have been identified from a number of sources. They are included in the action plan following.

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: 12/9/12

ANNUAL GOVERNANCE STATEMENT 2011/12 - ACTION PLAN

Issue No.	*Governance Issues to be Addressed*	*Action Agreed*	*Responsible Officer*	*Target Date*
1.	*The Corporate Risk Management Strategy needs to be reviewed and updated. Procedures for the identification, management and reporting of operational and strategic risks require to be strengthened. (AGS paragraph 6.3)*	*Update of the Risk Management procedures*	*P Mell* *Head of Policy and Transformation*	*30 September 2012*
2.	*Continue to improve arrangements to identify and mitigate potential risks associated with partnership working. (AGS paragraph 13)*	*The Head of Regeneration and Community will develop a framework for analysing Partnership Risk.*	*J Betteridge* *Head of Regeneration and Community*	*30 September 2012*
3.	*Since November 2011 the effective operation of the payroll system relies on a single individual introducing risk in terms of resilience/business continuity and lack of independent check/review. Payroll resilience and independent checking needs to be improved to ensure that this key business system is not compromised (AGS Effectiveness of Governance)*	*Management to ensure longer term resilience arrangements are established and that key independent checks are carried out.*	*D Law* *Head of Corporate Resources*	*30 September 2012*
4.	*The Local Code of Corporate Governance needs to be revised in line with the CIPFA supplementary guidance and formally adopted by Council to ensure the Local Code reflects best practice. (AGS Scope of Responsibility)*	*Update of the Local Code of Corporate Governance*	*T Capper* *Democratic Services Manager*	*30 September 2012*
5.	*The Customer Services Strategy needs to be completed, approved and implemented (AGS paragraph 3.10)*	*Strategy required*	*P Mell* *Head of Policy and Transformation*	*30 September 2012*

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COPELAND BOROUGH COUNCIL

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Movements in Reserves Statement - For the years ending 31 March 2011 & 2012

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	Note	General Fund Balance £'000	Earmarked GF Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2010 as restated		(3,643)	(7,165)	(5,365)	(42)	(16,215)	(25,187)	(41,402)
Movement in reserves during 2010/11								
(Surplus) or deficit on provision of services		2,161	-	-	-	2,161		2,161
Other Comprehensive Expenditure and Income		-	-	-	-	-	(8,022)	(8,022)
Total Comprehensive Expenditure and Income		2,161	-	-	-	2,161	(8,022)	(5,861)
Adjustments between accounting basis & funding Basis under regulations	7	(813)	-	1,128	(9)	306	(306)	-
Net Increase/Decrease before Transfers to Earmarked Reserves		1,348	-	1,128	(9)	2,467	(8,328)	(5,861)
Transfers to/from Earmarked Reserves	10	(1,061)	1,061	-	-	-	-	-
Increase/Decrease (movement) in Year		287	1,061	1,128	(9)	2,467	(8,328)	(5,861)
Balance at 31 March 2011 carried forward as restated		(3,356)	(6,104)	(4,237)	(51)	(13,748)	(33,515)	(47,263)
Movement in reserves during 2011/12								
(Surplus) or deficit on provision of services		5,471	-	-	-	5,471	-	5,471
Other Comprehensive Expenditure and Income		-	-	-	-	-	1,734	1,734
Total Comprehensive Expenditure and Income		5,471	-	-	-	5,471	1,734	7,205
Adjustments between accounting basis & funding Basis under regulations	7	(5,090)	-	191	51	(4,848)	4,848	-
Net Increase/Decrease before Transfers to Earmarked Reserves		381	-	191	51	623	6,582	7,205
Transfers to/from Earmarked Reserves	10	(535)	535	-	-	-	-	-
Increase/Decrease (movement) in Year		(154)	535	191	51	623	6,582	7,205
Balance at 31 March 2012 carried forward		(3,510)	(5,569)	(4,046)	-	(13,125)	(26,933)	(40,058)

Comprehensive Income and Expenditure Statement - For the year ending 31 March 2012

This statement shows the accounting cost in the year of providing services, arrived at using generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2010/11					2011/12		
Gross Expenditure As restated	Gross Income As restated	Net Expenditure As restated		Note	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
7,971	(6,561)	1,410	Central Services		7,215	(6,460)	755
4,169	(538)	3,631	Cultural and Related Services		4,928	(1,040)	3,888
5,760	(2,420)	3,340	Environmental and Regulatory Services		5,532	(2,537)	2,995
6,423	(2,387)	4,036	Planning Services		7,049	(2,702)	4,347
980	(438)	542	Highways and Transport Services		949	(374)	575
582	(87)	495	Concessionary Travel		-	-	-
21,684	(19,903)	1,781	Housing Services		22,414	(21,159)	1,255
2,854	(328)	2,526	Corporate and Democratic Core		1,616	56	1,672
1.020	-	1,020	Non Distributed Costs		41	-	41
(3,770)	-	(3,770)	Exceptional Item – Non Distributed Costs		-	-	-
47,673	**(32,662)**	**15,011**	**Net Cost of Services**		**49,744**	**(34,216)**	**15,528**
446	(257)	189	Other Operating Expenditure	11	1,546	(1,126)	420
3,314	(1,833)	1,481	Financing and Investment Income and Expenditure	12	1,718	(311)	1,407
-	-	-	(Surplus)/Deficit of Discontinued Operations		-	-	-
-	(14,520)	(14,520)	Taxation and Non Specific Grant Income	13	-	(11,884)	(11,884)
		2,161	**(Surplus) or Deficit on Provisions of Services**	16			**5,471**
		(5,548)	(Surplus)/Deficit on revaluation of non-current assets				(823)
		(2,474)	Actuarial (gains)/losses on pension assets/liabilities				2,557
		(8,022)	**Other Comprehensive Income and Expenditure**				**1,734**
		(5,861)	**Total Comprehensive Income and Expenditure**				**7,205**

Balance Sheet - For the year ended 31 March 2012

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1st April 2010 As restated £'000	31st March 2011 As restated £'000		Note	31st March 2012 £'000
49,108	51,869	Property, Plant & Equipment	20	49,122
1,348	1,348	Heritage Assets	21	1,492
2,648	2,837	Investment Property	22	2,511
342	537	Intangible Assets	23	417
30	-	Long term Investments		-
193	345	Long Term Debtors	28	493
53,669	**56,936**	**Long Term Assets**		**54,035**
17,600	13,017	Short Term Investments		7,516
2,212	1,700	Assets Held for Sale	26	781
88	75	Inventories	27	95
3,655	2,474	Short Term Debtors	28	2,823
2,061	5,841	Cash and Cash Equivalents	29	11,436
25,616	**23,107**	**Current Assets**		**22,651**
(599)	(1,173)	Cash and Cash Equivalents	29	(926)
(3,510)	(3,433)	Short Term Creditors	30	(4,766)
(24)	(92)	Provisions	31	(174)
(4,133)	**(4,698)**	**Current Liabilities**		**(5,866)**
(120)	(140)	Provisions	31	(19)
(5,001)	(5,002)	Long Term Borrowing		(5,005)
(21,211)	(15,901)	Net Pensions Liability	32	(18,648)
(7,206)	(6,827)	Other Long Term Liabilities	35,36,37	(6,878)
(212)	(212)	Capital Grants Receipts in Advance	14	(212)
(33,750)	**(28,082)**	**Long Term Liabilities**		**(30,762)**
41,402	**47,263**	**Net Assets**		**40,058**
16,215	13,748	**Usable Reserves**	8	13,125
25,187	33,515	**Unusable Reserves**	9	26,933
41,402	**47,263**	**Total Reserves**		**40,058**

Certified that the Statement of Accounts give a true and fair view of the financial position of the Authority at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.

The unaudited accounts were issued on 29 June 2012 and the audited accounts were authorised for issue on 12 September 2012.

Signed 12/9/12

Date

Darienne Law CPFA BSc MBA
Head of Corporate Resources
Section 151 Officer.

Cash Flow Statement

For the year ended 31 March 2012

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from the operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2010/2011 As restated £'000		Note	2011/2012 £'000
2,161	**Net (surplus) or deficit on the provision of services**		**5,471**
(2,690)	Adjustments to net surplus or deficit on the provision of services for non cash movements		(5,710)
839	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		1,422
310	**Net cash flows from operating activities**	45	**1,183**
(3,285)	Investing Activities	43	(5,431)
(231)	Financing activities	44	(1,594)
(3,206)	**Net increase or decrease in cash and cash equivalents**		**(5,842)**
(1,462)	Cash and cash equivalents at the beginning of the reporting period		(4,668)
(4,668)	**Cash and cash equivalents at the end of the reporting period**		**(10,510)**

Notes to the Financial Statements

1. PRIOR PERIOD ADJUSTMENT

HERITAGE ASSETS: CHANGE IN ACCOUNTING POLICY REQUIRED BY THE CODE OF PRACTICE FOR LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM

For 2011/12 the council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The council's accounting policies for recognition and measurement of heritage assets are set out in the council's summary of significant accounting policies on page 15.

In applying the new accounting policy, the council has identified a revaluation gain of £1.348m.

The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

	Closing Balance at 31 March 2010 Accounts £'000	**Heritage Asset Adjustment £'000**	**Revised Closing Balance at 31 March 2010 Accounts £'000**
<u>Extract from the Movement in Reserves Statement at 31 March 2010</u>			
Usable Reserves	16,215		**16,215**
Unusable Reserves	23,839	1,348	**25,187**
Total Reserves	**40,054**	**1,348**	**41,402**
Unusable Reserves			
Revaluation Reserve	12,804	1,348	**14,152**
Capital Adjustment Account	32,365		**32,365**
Financial Instrument Adjustment Account	(59)		**(59)**
Deferred Capital Receipts Reserve	36		**36**
Pension Reserve	(21,211)		**(21,211)**
Collection Fund Adjustment Account	(9)		**(9)**
Accumulated Absences Account	(87)		**(87)**
Total Unusable Reserves	**23,839**	**1,348**	**25,187**

	Closing Balance at 31 March 2010 Accounts £'000	Heritage Asset Adjustment £'000	Revised Closing Balance at 31 March 2010 Accounts £'000
Extract from the Balance Sheet at 31 March 2010			
Heritage Assets	-	1,348	1,348
Long Term Assets	52,321	1,348	53,669
Net Assets	40,054	1,348	41,402
Usable Reserves	16,215		16,215
Unusable Reserves	23,839	1,348	25,187
Total Reserves	40,054	1,348	41,402

	Closing Balance at 31 March 2011 Accounts £'000	Heritage Asset Adjustment C/fwd £'000	Revised Closing Balance at 31 March 2011 Accounts £'000
Extract from the Balance Sheet at 31 March 2011			
Property, Plant & Equipment	51,893		51,893
Heritage Assets	0	1,348	1,348
Long Term Assets	55,612	1,348	56,960
Net Assets	45,939	1,348	47,287
Usable Reserves	13,748		13,748
Unusable Reserves	32,191	1,348	33,539
Total Reserves	45,939	1,348	47,287

NON CURRENT ASSETS: CORRECTION OF MATERIAL ERROR

While carrying out a review of the non-current asset system, an error relating to the previous Statement of Accounts was discovered that was material. It became apparent that on revaluation, accumulated depreciation had not been correctly written out to the Revaluation Reserve but to the Comprehensive Income and Expenditure Statement in error.

The values are shown in the following tables to aid clarity and understanding of the impact it has.

The effects of this restatement are as follows:

	Closing Balance at 31 March 2011 Accounts		Revised Closing Balance at 31 March 2011 Accounts
	£'000	£'000	£'000
<u>Extract from the Balance Sheet at 31 March 2011</u>			
Property, Plant & Equipment	51,893	(24)	**51,869**
Heritage Assets	1,348		**1,348**
Long Term Assets	56,960	(24)	**56,936**
Net Assets	**47,287**	(24)	**47,263**
Usable Reserves	13,748		**13,748**
Unusable Reserves	33,539	(24)	**33,515**
Total Reserves	**47,287**	(24)	**47,263**

<u>Extract from the Comprehensive Income and Expenditure Statement at 31 March 2011</u>	2010/11		Revised 2010/11
-	£'000	£'000	£'000
Central Services	1,404	6	**1,410**
Cultural and Related Services	2,463	1,168	**3,631**
Environment and Regulatory Services	3,179	161	**3,340**
Planning Services	4,047	(11)	**4,036**
Highways, roads and transport services	1,014	23	**1,037**
Housing Services	1,776	5	**1,781**
Corporate and Democratic Core	2,519	7	**2,526**
Non Distributed Costs	1,020	-	**1,020**
Negative past service cost	(3,770)	-	**(3,770)**
Net Cost of Services	**13,652**	**1,359**	**15,011**
(Surplus)/Deficit on revaluation of non current assets	(4,213)	(1,335)	**(5,548)**
Other Comprehensive Income and Expenditure	(6,687)	(1,335)	**(8,022)**
Total Comprehensive Income and Expenditure	(5,885)	24	**(5,861)**

Extract from the Cash Flow Statement (Indirect Method)	
	Revised

As at 31st March 2011	2010/11 £'000	£'000	2010/11 £'000
Net (surplus) or deficit on the provision of services	802	1,359	2,161
Adjustments to net surplus or deficit on the provision of services for non cash movements	(1,331)	(1,359)	(2,690)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	839	-	839
Net cash flows from operating activities	310	-	310

	Closing Balance at 31 March 2011 Accounts £'000	£'000	Revised Closing Balance at 31 March 2011 Accounts £'000
<u>Extract from the Movement in Reserves Statement at 31 March 2011</u>			
Usable Reserves	13,748		13,748
Unusable Reserves	33,539	(24)	33,515
Total Reserves	47,287	(24)	47,263
Unusable Reserves			
Revaluation Reserve	18,233	1,335	19,568
Capital Adjustment Account	31,365	(1,359)	30,006
Total Unusable Reserves	33,539	(24)	33,515

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council, in this case, amendments to IFRS 7 – Financial Instruments relating to transfers of financial assets.

"An entity shall disclose information that enables users of its financial statements:

- to understand the relationship between transferred financial assets that are not de-recognised in their entirety and the associated liabilities; and
- to evaluate the nature of, and risks associated with, the entity's continuing involvement in de-recognised financial assets. [IFRS 7 42B] "

The effective date for the adoption of this standard is 1 April 2012. It is the view of the council that the type of transfer described in the standard are not likely to occur so there will be little or no impact on the Statement of Accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying accounting policies set out in the Statement of Accounting Policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the value of the assets held by the Council might be impaired as a result of a need to close facilities and reduce levels of service provision ; and
- The Council created a new reserve during 2010/11 from unused balances on earmarked reserves to fund the costs of its service review process "Choosing to Change". Currently the reserve has been able to meet the costs of the service review process of £0.337m in 2011/12, has a commitment to meet further costs of £0.5m in 2012/13 and has an uncommitted balance of £0.767m. The Council expects that this reserve will meet the continuing costs of the service review process, which has been put in place to deliver overall savings in excess of £4m by financial year 2014/15.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The item(s) in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

The pension liability to the Council at 31 March 2012 has been valued by the actuary to Cumbria Pension Fund using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. These factors are likely to vary from year to year and therefore can result in significant differences in the value of the pension liability shown within the balance sheet at the end of each financial year. The pension liability in 2011/12 increased by £2.557m due to changes to actuarial valuations of pension assets and liabilities and by a further £1.437m due to changes to the value of retirement benefits. Overall the pension liability increased from £15.901m at 31 March 2011 to £18.648m at 31 March 2012.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

Material Items within the Comprehensive Income and Expenditure Statement include;

- **Housing Benefits**

  The Council has incurred spending of £20.249m on housing benefits in 2011/12 and received a government subsidy of £19.678m to meet substantially all of this cost.

- **Council Tax Benefits**

  The Council paid £5.504m to the Collection Fund in 2011/12 in respect of council tax benefits and received a grant of £5.591m from the Government to meet this cost.

- **Council Tax**

  The Council received £4.477m from the Collection Fund as its share of Council Tax receipts in 2011/12.

- **Revenue Support Grant**

  The Council received a total of £5.659m in Revenue Support Grant from the Government in 2011/12. This comprised a general grant of £1.336m and redistributed National Non-Domestic Rates of £4.323m.

  A further £0.611m was received in 2011/12 as a transitional grant to ensure that the loss in grant income through the Revenue Support Grant was limited to 8.9% in accordance with the principles set out in the 2010 Comprehensive Spending Review.

- **PFI grant**

  The Council received £0.837m from the Government in the form of a grant for the PFI project at the Copeland Centre.

- **Managing Radioactive Waste Safely**

  The Council is the lead authority for a project to identify options for the safe disposal of radioactive waste within Cumbria. Public Sector partners in the project are Cumbria County Council, Allerdale District Council and the Cumbria Association of Local Councils. The project commenced in November 2008 and is now to run to September 2012. Funding for the project is being provided in full from the Department for the Environment and Climate Change (DECC). In 2011/12, the Council spent £1.22m (£0.986m 2010/11) and received a corresponding grant for this amount from DECC.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue on 29 June 2012 by Darienne Law CPFA BSc MBA, the Council's Head of Corporate Resources.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the usable reserves that the adjustments are made against. The unusable reserves are outlined in the following note.

General Fund Balance

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

Earmarked Reserves

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

Capital Receipts Reserve

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

Capital Grants Unapplied Reserve

Capital Grants received with no obligations attached need to be recognised in the Comprehensive Income and Expenditure Statement. If the grant is not spent it is reversed through the Movement in Reserves Statement and held in the Capital Grants Unapplied Reserve

2011/12	General Fund Balance £'000	Earmarked GF Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account					
Reversal of Items debited or credited to the CIES					
Charges for depreciation and impairment of non-current assets	(3,088)	-	-	-	3,088
Revaluation Losses on Property Plant and Equipment	(1,762)	-	-	-	1,762
Movements in the market value of Investment Properties	(169)	-	-	-	169
Amortisation of intangible assets	(166)	-	-	-	166
Capital grants and contributions applied	453	-	-	-	(453)
Movement in the Donated Assets Account		-	-	-	
Revenue Expenditure funded from capital under statute	(755)	-	-	-	755
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(1,112)	-	-	-	1,112
Insertion of items not debited or credited to the CIES					
Statutory Repayment of Debt (Finance Lease Liabilities)	181	-	-	-	(181)
Statutory Repayment of Debt (PFI)	228	-	-	-	(228)
Capital expenditure charged against the General Fund	22	-	-	-	(22)
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied credited to the CIES	-	-	-	-	
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	51	(51)

2011/12 Continued	General Fund Balance £'000	Earmarked GF Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	832	-	(832)	-	-
VAT sharing proceeds	133	-	(133)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	1,158	-	(1,158)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(10)	-	10	-	-
Transfer from Deferred Capital Receipts Reserve on receipt of cash	-	-	(12)	-	12
Adjustments primarily involving the Deferred Capital Receipts Reserve					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to CIES	275	-	-	-	(275)
Adjustments primarily involving the Financial Instruments Adjustment Account					
Amount by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	(15)	-	-	-	15
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	(1,437)	-	-	-	1,437
Employer's pension contributions and direct payments to pensioners payable in the year	1,247	-	-	-	(1,247)
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	6	-	-	-	(6)
Adjustments primarily involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	47	-	-	-	(47)
Total Adjustments	**(5,090)**	**-**	**191**	**51**	**4,848**

Comparative figures for the years 2010/11	General Fund Balance As restated £'000	Earmarked GF Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves As restated £'000
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the CIES					
Charges for depreciation and impairment of non-current assets	(4,699)	-	-	-	4,699
Revaluation Losses on Property Plant and Equipment	-	-	-	-	-
Movements in the market value of Investment Properties	119	-	-	-	(119)
Amortisation of intangible assets	(157)	-	-	-	157
Capital grants and contributions applied	1,984	-	-	-	(1,984)
Revenue Expenditure funded from capital under statute	(1,510)	-	-	-	1,510
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(208)	-	-	-	208
Insertion of items not debited or credited to the CIES					
Statutory Repayment of Debt (Finance Lease Liabilities)	131	-	-	-	(131)
Statutory Repayment of Debt (PFI)	244	-	-	-	(244)
Capital expenditure charged against the General Fund	10	-	-	-	(10)
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied credited to the CIES	51	-	-	(51)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	42	(42)
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	163	-	(163)	-	-
VAT sharing proceeds	257		(257)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	1,553	-	(1,553)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1)	-	1	-	-
Transfer from Deferred Capital Receipts Reserve on receipt of cash	-	-	(6)	-	6

Comparative figures for the years 2010/11 continued	General Fund Balance As restated	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves As restated
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Deferred Capital Receipts Reserve					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to CIES	-	-	-	-	-
Adjustments primarily involving the Financial Instruments Adjustment Account					
Amount by which finance costs charged to the CIES are different from the finance costs chargeable in the year in accordance with statutory requirements	(48)	-	-	-	48
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	1,550	-	-	-	(1,550)
Employer's pension contributions and direct payments to pensioners payable in the year	1,286	-	-	-	(1,286)
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	42	-	-	-	(42)
Adjustments primarily involving the Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(27)	-	-	-	27
Total Adjustments	**(813)**	-	**1,128**	**(9)**	**(306)**

8. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

9. UNUSABLE RESERVES

Unusable Reserves	As at 31 March 2012	As at 31 March 2011 As restated	As at 31 March 2010 As restated
	£000	£000	£000
Revaluation Reserve	(18,769)	(19,568)	(14,152)
Capital Adjustment Account	(26,278)	(30,006)	(32,365)
Financial Instrument Adjustment Account	122	107	59
Deferred Capital Receipts Reserve	(684)	(30)	(36)
Pension Reserve	18,648	15,901	21,211
Collection Fund Adjustment Account	(39)	(33)	9
Accumulated Absences Account	67	114	87
Total Unusable Reserves	**(26,933)**	**(33,515)**	**(25,187)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains 0are lost;
- used in the provision of services and the gains are consumed through depreciation or;
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance of the Capital Adjustment Account.

As at 31 March 2011 As restated £000	Revaluation Reserve	As at 31 March 2012 £000
(14,152)	**Balance at 1st April**	**(19,568)**
(5,672)	Upward revaluation of assets	(1,705)
124	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	882
(5,548)	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**(823)**
111	Difference between fair value depreciation and historic cost depreciation	1,053
21	Accumulated gains on assets sold or scrapped	425
132	Amount written off to the Capital Adjustment Account	**1,478**
(19,568)	**Balance at 31st March**	**(18,769)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed up by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

As at 31 March 2011 £000	Deferred Capital Receipts Reserve	As at 31 March 2012 £000
(36)	**Balance at 1st April**	**(30)**
	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(666)
6	Transfer to the Capital Receipts Reserve on receipt of cash	12
(30)	Balance at 31st March	**(684)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account also contains accumulated gains and losses on investment properties.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before the 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 20 on page 94 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

As at 31 March 2011 As restated	Capital Adjustment Account	As at 31 March 2012
£000		£000
(32,365)	Balance at 1 April	(30,006)
-	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	-
4,699	Charges for depreciation and impairment of non-current assets	3,088
-	Revaluation Losses on Property Plant and Equipment	1,762
157	Amortisation of intangible assets	166
1,510	Revenue Expenditure funded from capital under statute	1,146
208	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,112
6,574		**7,274**
(132)	Adjusting amounts written out of the Revaluation Reserve	(1,622)
6,442	Net written out amount of the cost of non-current assets consumed in the year	5,652
	Capital Financing applied in the year:	
(1,553)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,158)
(1,984)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(453)
(42)	Application of grants to capital financing from the Capital Grants Unapplied Account	(51)
(375)	Statutory provision for the financing of capital investment charged against the General Fund balance	(409)
(10)	Capital expenditure charged against the General Fund	(22)
(3,964)		**(2,093)**
(119)	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	169
(30,006)	**Balance at 31 March**	**(26,278)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expense relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March will be charged to the General Fund Balance over the next 10 years.

As at 31 March 2011 £000	Financial Instruments Adjustment Account	As at 31 March 2012 £000
59	Balance at 1 April	107
61	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	24
(13)	Proportions of premiums in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(9)
48	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	15
107	Balance at 31 March	122

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

As at 31 March 2011 £000	Collection Fund Adjustment Account	As at 31 March 2012 £000
9	**Balance at 1 April**	**(33)**
(42)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(6)
(33)	**Balance at 31 March**	**(39)**

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds, or eventually pays any pension for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid

As at 31 March 2011 £000	Pension Reserve	As at 31 March 2012 £000
21,211	**Balance at 1 April**	15,901
(2,474)	Actuarial Gains or losses on pensions assets and liabilities	2,557
(1,550)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	1,437
(1,286)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,247)
15,901	**Balance at 31 March**	18,648

Accumulated Absences Account

The Accumulated Absences Account absorbs the timing differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

As at 31 March 2011 £000	Accumulated Absences Account	As at 31 March 2012 £000
87	**Balance at 1 April**	114
(87)	Settlement or cancellation of accrual made at the end of the preceding year	(114)
114	Amounts accrued at the end of the current year	67
114	Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	67
114	**Balance at 31 March**	67

10. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for the future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12.

Earmarked Reserves	Balance at 31st March 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance as at 31 March 2011	Reclassified during 2011/12	Transfers Out 2011/12	Transfers In 2011/12	Balance as at 31 March 2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive								
Choosing to Change	**113**	(47)	1,538	**1,604**	-	(337)	-	1,267
Assist in resourcing Nuclear	**220**	-	-	**220**	-	(207)	50	63
Policy & Transformation					25	(1)	5	29
Corporate Resources								
PFI Reserve	-	-	-	-	1,307	-	150	1,457
Coastal Management	-	-	-	-	-	-	268	268
Other	-	-	-	-	536	(289)	369	616
Regeneration & Communities								
LABGI	-	(206)	414	**208**	-	(133)	6	81
Working Neighbourhoods	**2,195**	(1,393)		**802**	-	(321)	-	481
Planning Policy Delivery	**432**	(138)	20	**314**	126	(145)	-	295
Copeland Coastal Park	-	-	200	**200**	-	(18)	-	182
Other	-	-	-	-	311	(59)	115	367
Neighbourhoods	-	-	-	-	451	(46)	58	463
Finance and Management Information Services								
Local Business Growth Initiative	**389**	(389)	-	-	-	-	-	-
Other	**355**	(322)	279	**312**	(312)	-	-	-
Policy and Performance								
Workforce Strategy Reserve	**441**	(595)	154	-	-	-	-	-
Other	**251**	(264)	13	-	-	-	-	-
Legal and Democratic Services	**58**	-	21	**79**	(79)	-	-	-
Customer Services								
RBS Shared Service Project	**119**	(119)	-	-	-	-	-	-
Other	**158**	(180)	79	**57**	(57)	-	-	-
Leisure and Environmental Services	**86**	(157)	98	**27**	(27)	-	-	-
Development Strategy and Operations	**797**	(605)	458	**650**	(650)	-	-	-
Sinking Funds	**1,551**	(96)	176	**1,631**	(1,631)	-	-	-
Total	7,165	(4,511)	3,450	6,104	0	(1,556)	1,021	5,569

11. OTHER OPERATING EXPENDITURE

2010/11 £'000	Other Operating Expenditure	2011/12 £'000
400	Parish Council Precepts	434
(257)	VAT sharing proceeds	(133)
1	Payments to the Government Housing Capital Receipts Pool	-
45	(Gains)/losses on the disposal of non-current assets	119
189	**Total**	**420**

12. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010/11 £'000	Financing and Investment Income and Expenditure	2011/12 £'000
1,078	Interest Payable and similar charges	1,104
957	Pension interest cost and expected return on pensions assets	606
(255)	Interest receivable and similar income	(311)
(299)	Income and expenditure in relation to investment properties and changes in their fair value	8
-	Surplus or deficit on trading operations	-
-	Other investment income	-
1,481	**Total**	**1,407**

13. TAXATION AND NON SPECIFIC GRANT INCOMES

2010/11 £'000	Taxation and Non Specific Grant Income	2011/12 £'000
(4,458)	Council tax income	(4,477)
(6,307)	Non domestic rates	(4,323)
(3,243)	Non-ring fenced government grants	(3,006)
(512)	Capital grants and contributions	(78)
(14,520)	**Total**	**(11,884)**

14. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12;

	2011/12	2010/11
Credited to Taxation and Non Specific Grant Income	**£'000**	**£'000**
Area Based Grant	-	936
Revenue Support Grant	1,336	916
PFI Grant	837	837
Council Tax Freeze	100	-
Local Services Support Grant	611	-
Other Grants	200	1,066
Total	**3,084**	**3,755**
Credited to Services	**£'000**	**£'000**
Rent Allowance Subsidy	19,678	18,418
Council Tax Benefit Grant	5,591	5,562
Administration Grants	685	596
Homelessness Grant	50	36
Repossession Fund	-	-
Other Grants	2,687	459
Total	**28,691**	**25,071**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if not fulfilled. The balances at year end are as follows:

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Capital Grants Receipts in Advance			
Economic Regional Development Fund (ERDF)	212	212	212
Total	**212**	**212**	**212**

15. TRADING OPERATIONS

The Council operates 4 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other organisations. Details of those units with a turnover of greater than £0.1m in 2011/12 are as follows:

The Council 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.

	2009/10 £000	£000	2010/11 £000	£000	2011/12 £000	£000
Turnover	506		552		572	
Expenditure	(506)		(552)		(572)	
Surplus/(Deficit)		-		-		-

The council operates pay and display car parks where the running costs include rates, electricity and water charges, maintenance of ticket machines and car parking orders. The operation recovers its costs apart from capital charges which are mitigated through the Movement in Reserves Statement.

	2009/10 £000	£000	2010/11 £000	£000	2011/12 £000	£000
Turnover	354		333		357	
Expenditure	(715)		(538)		(510)	
Surplus/(Deficit)		(361)		(205)		(153)

The Council collects and disposes of waste collected from commercial and non domestic properties. A charge per collection is made.

	2009/10 £000	£000	2010/11 £000	£000	2011/12 £000	£000
Turnover	307		315		265	
Expenditure	(312)		(286)		(245)	
Surplus/(Deficit)		(5)		29		20

The Council has a contract with Home Group to maintain the open spaces/grassed areas within the housing estates they manage.

	2009/10 £000	£000	2010/11 £000	£000	2011/12 £000	£000
Turnover	189		224		221	
Expenditure	(162)		(153)		(175)	
Surplus/(Deficit)		27		71		46
Net Surplus/(Deficit) on Trading Operations		(339)		(105)		(87)

16. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

(i) Service Information

This section reconciles the figures for income and expenditure in the out-turn position reported to the Executive to the amounts included in the Comprehensive Income and Expenditure Statement.

Year ended 31 March 2012	Chief Executive and Directors	Corporate Resources	Neighbourhoods	Policy & Transformation	Regeneration & Communities	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(424)	(2,180)	(3,901)	(1)	(643)	(7,149)
Government grants	(1,088)	(26,039)	(39)	-	(648)	(27,814)
Total Income	**(1,512)**	**(28,219)**	**(3,940)**	**(1)**	**(1,291)**	**(34,963)**
Employee expenses	641	1,313	4,008	925	1,504	8,391
Other operating expenses	2,631	30,475	3,047	358	3,384	39,895
Total Operating Expenses	**3,272**	31,788	**7,055**	**1,283**	**4,888**	**48,286**
Net Cost of Services	1,760	3,569	**3,115**	**1,282**	**3,597**	**13,323**

(ii) Reconciliation to Net Cost of Services in the Comprehensive Income and Expenditure Statement

	£'000
Net Cost of Services in Comprehensive Income and Expenditure Statement (see note ii)	15,896
Service costs and income not in main analysis	2,231
Adjustments to Out-turn	(58)
Amounts not reported to Management	(4,746)
Net Cost of Services	13,323

Year ended 31 March 2011	Chief Executive and Directors	Corporate Resources	Neighbourhoods	Policy & Transformation	Regeneration & Communities	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(189)	(2,411)	(3,671)	-	(936)	(7,207)
Government grants	(986)	(24,917)	(34)	-	(77)	(26,014)
Total Income	(1,175)	(27,328)	(3,705)	-	(1,013)	(33,221)
Employee expenses	766	1,884	4,098	818	1,851	9,417
Other operating expenses	2,172	30,315	2,804	219	3,958	39,468
Total Operating Expenses	2,938	32,199	6,902	1,037	5,809	48,885
Net Cost of Services	1,763	4,871	3,197	1,037	4,796	15,664

Reconciliation to Net Cost of Services in the Comprehensive Income and Expenditure Statement

	£'000
Net Cost of Services in Comprehensive Income and Expenditure Statement (see note ii)	15,011
Service costs and income not in main analysis	2,505
Adjustments to Out-turn	-
Amounts not reported to Management	(1,852)
Net Cost of Services	15,664

(ii) Reconciliation to subjective analysis

This section reconciles the figures for income and expenditure in the out-turn position reported to the Executive relate to a subjective analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

Year ended 31 March 2012	Service Analysis	Adjustments to Out-turn	Spending / Income not in Net Cost of Services	Items not reported to Management	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(7,149)	-	1,155	-	(5,994)	(1,427)	**(7,421)**
Government grants	(27,814)	-	-	-	(27,814)	(7,223)	**(35,037)**
Income from Council Tax	-	-	-	-	-	(4,477)	**(4,477)**
Interest Receivable	-	-	-	-	-	(311)	**(311)**
Total Income	**(34,963)**	-	**1,155**	-	**(33,808)**	**(13,438)**	**(47,246)**
Employee expenses	8,391	-	-	(463)	7,928	606	**8,534**
Other operating expenses	39,895	58	(3,386)	-	36,567	581	**37,148**
Depreciation, amortisation & impairment	-	-	-	5,016	5,016	169	**5,185**
REFCUS/Soft Loans	-	-	-	632	632	-	**632**
Deferred Liabilities	-	-	-	(439)	(439)	-	**(439)**
Interest Payable	-	-	-	-	-	1,104	**1,104**
Precepts & levies	-	-	-	-	-	434	**434**
Gains & losses on sale of assets	-	-	-		-	119	**119**
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	**-**
	48,286	**58**	**(3,386)**	**4,746**	**49,704**	**3,013**	**52,717**
(Surplus)/Deficit on the provision of services	**13,323**	**58**	**(2,231)**	**4,746**	**15,896**	**(10,425)**	**(5,471)**

Year ended 31 March 2011	Service Analysis	Adjustments to Out-turn	Spending / Income not in Net Cost of Services	Items not reported to Management	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(7,207)	-	984	-	(6,223)	(257)	(6,480)
Government grants	(26,014)	-	-	-	(26,014)	(10,062)	(36,076)
Income from Council Tax	-	-	-	-	-	(4,458)	(4,458)
Interest Receivable	-	-	-	-	-	(1,833)	(1,833)
Total Income	**(33,221)**	-	**984**	-	**(32,237)**	**(16,610)**	**(48,847)**
Employee expenses	9,417	-	-	(3,995)	5,422	957	6,379
Other operating expenses	39,468	-	(3,489)	-	35,979	552	36,531
Depreciation, amortisation & impairment	-	-	-	4,631	4,631	727	5,358
REFCUS/Soft Loans	-	-	-	1,216	1,216	-	1,216
Interest Payable	-	-	-	-	-	1,078	1,078
Precepts & levies	-	-	-	-	-	400	400
Gains & losses on sale of assets	-	-	-	-	-	45	45
Payments to Housing Capital Receipts Pool	-	-	-	-	-	1	1
Total Operating Expenses	**48,885**	-	**(3,489)**	**1,852**	**47,248**	**3,760**	**51,008**
(Surplus)/Deficit on the of Services	**15,664**	-	**(2,505)**	**1,852**	**15,011**	**(12,850)**	**2,161**

17. OFFICERS REMUNERATION

The remuneration paid to the Council's senior employees is as follows:

Post Holder information	Note	Year	Salary, Fees & Allowances	Expenses	Benefits in Kind (e.g. Car Allowance)	Compensation for loss of Office	Total Remuneration excluding Pension	Pension Contributions	Total Remuneration including Pension
	1	2010/11	75,108	3,109	3,414	-	81,631	12,994	94,625
Chief Executive		2011/12	118,856	31	10,646	-	129,533	23,890	153,423
		2010/11	42,683	1,348	599	36,838	81,468	7,384	88,852
Corporate Director of Development	2	2011/12	-	-	-	-	-	-	-
		2010/11	57,355	1,281	963	-	59,599	9,922	69,521
Corporate Director Quality of Life	2	2011/12	-	-	-	-	-	-	-
		2010/11	52,591	1,317	-	15,128	69,036	9,098	78,134
Head of Customer Services	3	2011/12	-	-	-	-	-	-	-
		2010/11	5,434	125	-	-	5,559	940	6,499
Head of Finance & Management Information Systems	3	2011/12	-	-	-	-	-	-	-
		2010/11	59,452	-	-	17,103	76,555	10,809	87,364
Head of Legal & Democratic Services	3	2011/12	-	-	-	-	-	-	-
		2010/11	52,591	401	-	28,241	81,233	9,098	90,331
Head of Policy & Performance	3	2011/12	-	-	-	-	-	-	-
		2010/11	61,928	72	-	-	62,000	10,714	72,714
Head of Development Operations	3&6	2011/12	-	-	-	-	-	-	-
		2010/11	52,591	1,325	-	-	53,916	9,098	63,014
Head of Development Strategy	3	2011/12	-	-	-	-	-	-	-
		2010/11	44,017	377	-	-	44,394	7,615	52,009
Corporate Director of Resources and Transformation	2&4	2011/12	75,458	631	-	-	76,089	15,167	91,256
Corporate Director of People and Places		2010/11	-	-	-	-	-	-	-
	2&6	2011/12	68,598	642			69,240	13,788	83,028
Head of Corporate Resources		2010/11	-	-	-	-	-	-	-
	3&5	2011/12	33,081	-	-	-	33,081	6,649	39,730
		2010/11	-	-	-	-	-	-	-
Head of Regeneration and Community	3	2011/12	52,591	1,826	-	-	54,417	10,571	64,988
Head of Policy and Transformation		2010/11	-	-	-	-	-	-	-
	3&5	2011/12	32,092	-	-	-	32,092	6,450	38,542
Head of Neighbourhoods		2010/11	-	-	-	-	-	-	-
	3	2011/12	52,591	1,205	-	-	53,796	10,571	64,367

During 2010/11 the council embarked on a programme of restructuring. This has resulted in large movements within the categories on the above table, the main variances being;

1. The Chief Executive joined the authority in July 2010. The figures shown are a part year, from July 2010 through to the year end.
2. Three Corporate Directors roles were reduced to two.
3. Six Heads of Service roles were reduced to four.
4. The Corporate Director of Resources and Transformation role includes a payment for the statutory role of s151 Chief Finance Officer.
5. The roles of Head of Corporate Resources and Head of Policy and Transformation were filled part of the way through 2011/12 so do not reflect a full years remuneration.
6. The position of Head of Development Operations was upgraded to the position of Corporate Director of People and Places during 2010/11.

In total there has been a reduction in officer's remuneration of £0.070m including pension contributions but excluding compensation payments for loss of office. Details of these are disclosed in note 34 on page 112. Further restructuring is planned for 2012/13.
The council's other employees receiving more than £0.050m remuneration for the year (excluding employer's pension contributions but including redundancy packages) were paid the following amounts:

Remuneration Band	2011/12	2010/11
£50,000 - £54,999	-	-
£55,000 - £59,999	1	-
£60,000 - £64,999	2	-

The numbers of exit packages with the total cost band and total cost of the compulsory and other redundancies are set out in the table below

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £	2011/12 £
£0>£20,000	7	4	6	6	13	10	53,385	103,035
£20,001>£40,000	2	1	1	2	3	3	94,537	69,343
£40,001>£60,000	-	-	1	-	1	-	40,194	-
£60,001>£80,000	-	-	-	-	-	-	-	-
£80,001>£100,000	-	-	-	-	-	-	-	-
Total	9	5	8	8	17	13	188,116	172,348

18. MEMBERS ALLOWANCES

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

	2011/12	2010/11
	£000	£000
Salaries	-	-
Allowances	236	244
Expenses	16	17
Total	**252**	**261**

19. EXTERNAL AUDIT COSTS

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

	2011/12	2010/11
	£	£
Fees payable to the Audit Commission in respect of statutory inspection	-	-
Fees payable to the Audit Commission for the certification of grant claims and returns	39,132	41,655
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	116,459	132,696
Fees payable in respect of other services provided by the appointed auditor	35,000	5,858
Total	**190,591**	**180,209**

The fees for other services relate to audit duties relating to s16 Audit Commission Act 1998 "right to make objections".

20. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2011/12

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets Included in Property, Plant and Equipment £'000
Cost or Valuation								
As at 1 April 2011	36,207	5,442	4,717	1,863	10,084	8	58,321	4,320
Additions	135	747	-	506	-	39	1,427	28
Donations	-	-	-	-	-	-	-	-
Revaluation increases/decreases recognised in the Revaluation Reserve	391	-	-	-	-	-	391	-
Revaluation increases/decreases recognised in the Surplus/Deficit on the Provision of Services	(2,108)	-	-	-	-	-	(2,108)	-
De-recognition - Disposals	-	-	-	-	-	-	-	-
De-recognition - Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(3)	-	-	-	-	-	(3)	-
Other movements in cost or valuation	-	10	-	-	-	(10)	-	-
At 31 March 2012	34,622	6,199	4,717	2,369	10,084	37	58,028	4,348
Accumulated Depreciation and Impairment								
As at 1 April 2011	1,148	2,719	2,182	-	403	-	6,452	-
Charged in year	2,021	586	359	-	46	-	3,012	264
Depreciation written out to the Revaluation Reserve	(403)	-	-	-	-	-	(403)	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	(346)	-	-	-	-	-	(346)	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	93	-	-	-	22	-	115	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	13	-	-	-	63	-	76	-
De-recognition - Disposals	-	-	-	-	-	-	-	-
De-recognition - Other	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2012	2,526	3,305	2,541	-	534	-	8,906	264
Net Book Value As at 31 March 2012	32,096	2,894	2,176	2,369	9,550	37	49,122	4,084
As at 1 April 2011	35,059	2,723	2,535	1,863	9,681	8	51,869	4,320

Movements in 2010/11

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets Included in Property, Plant and Equipment £'000
<u>Cost or Valuation</u>								
As at 1 April 2010	37,052	5,079	4,717	1,333	8,477	152	56,810	8,267
Additions	439	324	-	417	289	8	1,477	3
Donations	-	-	-	-	-	-	-	-
Revaluation increases/decreases recognised in the Revaluation Reserve	2,897	-	-	-	1,384	-	4,281	-
Revaluation increases/decreases recognised in the Surplus/Deficit on the Provision of Services	(4,181)	-	-	-	(17)	-	(4,198)	(3,950)
De-recognition – Disposals	-	-	-	-	-	-	-	-
De-recognition – Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	(10)	-	(10)	-
Other movements in cost or valuation	-	39	-	113	(39)	(152)	(39)	-
At 31 March 2011 as restated	**36,207**	**5,442**	**4,717**	**1,863**	**10,084**	**8**	**58,321**	**4,320**
<u>Accumulated Depreciation and Impairment</u>								
As at 1 April 2010	3,665	2,213	1,824	-	-	-	7,702	1,831
Charged in year	1,625	506	358	-	46	-	2,535	435
Depreciation written out to the Revaluation Reserve	(1,335)	-	-	-	-	-	(1,335)	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	(2,807)	-	-	-	-	-	(2,807)	(2,266)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	68	-	68	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	289	-	289	-
De-recognition – Disposals	-	-	-	-	-	-	-	-
De-recognition – Other	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2011 as restated	**1,148**	**2,719**	**2,182**	**-**	**403**	**-**	**6,452**	**-**
Net Book Value								
As at 31 March 2011	35,059	2,723	2,535	1,863	9,681	8	51,869	4,320
As at 1 April 2010	33,387	2,866	2,893	1,333	8,477	152	49,108	6,436

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. Valuations were carried out by GVA Dixon Webb and in house valuations. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Details are disclosed in the Statement of Accounting Policies.

The history of asset valuations is as follows:

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000
Carried at Historic Cost	282	6,075	84	6,441
Valued at fair value as at:				
31 March 2012	7,336		43	7,379
31 March 2011	17,196		1,385	18,581
31 March 2010	6,480	88	949	7,517
31 March 2009	2,227	36	7,172	9,435
31 March 2008	1,284		10	1,294
Total	**34,805**	**6,199**	**9,643**	**50,647**

Capital Commitments

Un-adopted Sewers

The Council had a commitment to complete the programme of repairing and renewing sewers to a standard for adoption following the transfer of the Housing stock. This had been approved and was included in the capital programme for a number of years. In October 2011 the Water Industry (Scheme for Adoption of Private Sewers) Regulations 2011 came into force and the authority's responsibility ceased with the statutory transfer of sewers to the utility companies. This negates the need for this capital budget going forward. The level of commitment at 31 March 2012 is £nil.

Housing Renewal and Disabled Facilities

The Council's change in policy means it has a commitment to provide facilities for the disabled only (previously housing renewal and providing facilities for the disabled) this is included within the capital programme and is to be grant funded and internally resourced. The level of commitment as at 31 March 2012 is £0.137m.

21. HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Council.

	Civic Regalia **£000**	Paintings and Fine Art **£000**	Museum Exhibits **£000**	Total Assets **£000**
Cost or valuation				
1 April 2010 as restated	64	701	583	**1,348**
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-
Impairment Losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	-
Depreciation	-	-	-	-
31 March 2011	**64**	**701**	**583**	**1,348**
Cost or valuation				
1 April 2011	**64**	**701**	**583**	**1,348**
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	144	-	-	**144**
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-
Impairment Losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	-
Depreciation	-	-	-	-
31 April 2012	**208**	**701**	**583**	**1,492**

As can be seen from the table above the Civic Regalia assets have been re valued in year. There have been no further transactions relating to the heritage assets contained within the balance sheet, in the previous four accounting periods.
Of the assets not held on the balance sheet (as neither HC nor valuation is held) one asset (a sculpture of Joss Naylor Head by Paul Bainbridge) was donated on 1 July 2009. There have been no further transactions relating to heritage assets not held on the balance sheet in the previous four accounting periods.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council are the collections of assets and artefacts either exhibited or stored in the Beacon, the Museum Resource Centre at Haig Enterprise Park, and the Museum Store at Moresby or the Copeland Centre. The principal collections of heritage assets held include:

- Civic Regalia;
- Copeland Collection comprising pictures, prints and sculptures; and
- Museum collection comprising fine and decorative arts, social history, archaeology, photographs, prints and natural sciences.

The treatment of heritage assets within the balance sheet is detailed in paragraph 16 on page 28 within the Statement of Accounting Policies.

Further information on the respective classes of heritage assets is as follows;

Civic Regalia

Items of Civic Regalia are included in the balance sheet at a valuation of £0.208m through their insurance valuations. These insurance valuations are based on a current estimate of market value and were obtained in February 2012.

The Copeland Collection

The Copeland Collection consists of 86 paintings and sculptures, which are on display in public building throughout the Borough.

11 of these assets are included in the balance sheet at a combined valuation of £0.020m, by means of their insurance valuations. These insurance valuations are based on an estimate of market value obtained in February 2009.

59 of these assets are included in the balance sheet at historic cost with a combined value of £0.009m.

In addition to the assets on the balance sheet the Copeland Collection contains a further 16 assets, which historic cost is not held. The Council believes the cost of valuing these assets would be disproportionate to their actual value and has chosen not to have them valued. These assets have therefore been excluded from the balance sheet.

Museum Collection

The collection as a whole has been considered for valuation purposes, with the museum curator seeking an external professional valuation to be carried out on any individual asset that they deem to have a value in excess of £500. This has resulted in a combined valuation totalling £1.255m and represents the insurance valuations of the individual assets within the collection. These insurance valuations are based on an estimate of market values and are carried out every five years, with the last valuation being carried out in October 2009.

The residual items – those deemed to be worth less than £500 individually by the museum curator, have been excluded from the balance sheet as neither historic cost nor valuations are held. These assets are made up of the following categories:

Archaeology – a varied collection of local archaeology including the d'Irton Tombstone; a glass bottle from Hardknott Roman Fort, some bulk archaeology, three excavation archives and the St Bees Shroud. The total collection includes 430 pieces including 85 pieces of pottery, 65 tiles, 42 bulk items and 31 axes.

Geographical & Natural Sciences – a large geology collection, a herbarium and a small collection of stuffed birds, animals and birds eggs. The total collection consists of 2,044 pieces including 250 fossils, 192 pieces of ore, 131 crystals and 83 quartz fragments.

The Norman Roberts Collection – a private collection of 3,931 pieces made up of 3,914 slides, 13 files, 3 books and 1 bank note.

Decorative Arts – a substantial collection of 19th century Whitehaven-made pottery, silverware and ceramics commemorating the launch of local ships. The collection consists of 710 pieces including 142 plates, 124 cups/beakers, 64 moulds and 56 saucers.

Historic Pictures for Postcards – a collection of historic pictures and photographs for use in making postcards. The total collection consists of 3,784 pieces including 2,501 photographs and 1,274 postcards.

Print Collection – a small collection of engravings, etchings and lithographs of local places or people. The total collection consists of 118 pieces made up of 115 prints, 2 maps and 1 engraving.

Fine Arts – a collection of paintings, water-colours, drawings and sculptures either by local artists or works that depict local views or people. The collection includes marine artists such as Joseph Heard, who lived and worked in Whitehaven before moving to Liverpool in 1832, and Whitehaven born Robert Salmon, whose work was much influenced by Dutch marine painters of the period. The total collection consists of 1,179 pieces including 890 drawings, 220 paintings and 54 prints.

Maps – a collection of both originals and copies of maps and plans relating to Copeland. The total collection consists of 1,689 maps, plans and prints.

Photographs – a strong local collection of photographic prints, postcards, glass plate negatives and magic lantern slides relating to Copeland, especially its towns, harbours, ships and people. There are 759 photographs and 1 print in this collection.

Social History – a broad collection of artefacts relating to the communal, domestic, personal and working life of the people of Copeland since medieval times. Of the

11,598 piece collection there are 634 documents, 534 letters, 1004 receipts, 121 programmes, 240 posters, 255 leaflets, 227 labels, 138 costumes, 189 box, 286 bottles and 297 bills.

Other collections include 816 Marchon photographs and 66 items of the Marchon era, 55 ship model and 907 Sekers related artefacts.

As well as assets held and displayed in buildings the Council also owns other heritage assets which are in situ throughout the Borough. These comprise buildings or structures for which there is no recorded historic cost, and therefore they are not recorded within the balance sheet. These assets include war memorials at Castle Park, Egremont Road and St John's Church, Cleator Moor, the Greasy Pole at Egremont, the band stand within the Market Place in Whitehaven and airshaft caps tunnels within Castle Park and on High Street, Whitehaven.

22. INVESTMENT PROPERTIES

Investment properties are those that are held solely to earn rentals or for capital appreciation or for both. Properties receiving rental income were reviewed and where appropriate, classified as investment properties.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2011/12	2010/11
	£000	£000
Rental income from investment property	169	181
Direct operating expenses arising from investment property	(9)	(1)
Net gain/(loss)	**160**	**180**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property. The Council has obligations for repairs & maintenance on some of its investment properties.

The following table summarises the movements in the fair value of investment properties over the year:

	2011/12	2010/11
	£000	£000
Balance at start of the year	**2,837**	**2,648**
Additions:		
Purchases	-	-
Construction	-	-
Subsequent expenditure	32	31
Disposals	-	-
Net gains/losses from fair value adjustments	(168)	119
Transfers:		
to/from Inventories	-	-
to/from Property, Plant and Equipment	-	39
Other Changes	(190)	-
Balance at end of the year	**2,511**	**2,837**

Investment properties have been re-valued generally at 31 March 2012 by GVA Dixon Webb or internally at their respective market values. GVA Dixon Webb are a recognised firm of independent valuers and the valuations of the investment properties has been certified by Edward J.Coxon FRICS and David Todd MRICS. Internal valuations have been carried out and certified by Barbara Green MRICS of the Council's Property Services Department.

23. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible assets can include both purchased licenses and internally generated software. The intangible assets currently held by the Council comprise solely of purchased licences.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are:

	Internally Generated Assets	Other Assets
3 years	None	None
5 years	None	All assets currently held
10 years	None	None

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.166m charged to revenue in 2011/12 was charged to individual cost centres where appropriate (£0.016m) with the remaining £0.150m being absorbed as an overhead across all of the service headings in the Net Expenditure of

Services as it is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2011/12	2010/11
	£000	£000
Balance at start of year:		
-Gross carrying amounts	1,542	1,190
-Accumulated amortisation	(1,005)	(848)
Net carrying amount at start of year	**537**	**342**
Additions:		
-Purchases	46	352
Assets reclassified as held for sale	-	-
-Other disposals	-	-
-Revaluation increases or decreases	-	-
Amortisation for the period	(166)	(157)
Other charges	-	-
Net carrying amount at end of year	**417**	**537**
Comprising:		
-Gross carrying amounts	1,588	1,542
-Accumulated amortisation	(1,171)	(1,005)
	417	**537**

24. IMPAIRMENT LOSSES

During 2011/12, the Authority has recognised impairment losses (fall in value specific to individual assets) of £0.191m over 2 properties. Of this £0.115m has been charged to the Revaluation Reserve with the remainder (£0.076m) being a charge in the Comprehensive Income and Expenditure Statement in the year.

Of the total impairment, £0.085m relates to land at Swingpump Lane, recoverable amount now £0.043m, after the land was earmarked as part of the Albion Square Development.

Impairments losses relating to the Public Conveniences, Lancashire Rd., Millom of £0.106m, recoverable amount now £nil, have been written off to the Revaluation Reserve. The premises were let to, and run by Millom Town Council but the lease was surrendered and the facilities were closed in 2011. The current state of repair is poor and as there is no operational requirement for the premises it is intended they be sold on the open market.

25. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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 2011/12 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.

Bringing the PFI arrangement onto the balance sheet in line with IFRIC 12 has increased the Council's capital financing requirement. This impact is set out below. In line with the SORP, provision from revenue to contribute towards the reduction in the authority's overall borrowing requirement in relation to the PFI arrangement has been made so as to fully charge the unitary payments made in the year to revenue.

The Council's Capital Financing Requirement was as follows;

	31 March 2012 £'000	31 March 2011 £'000
Opening Capital Financing Requirement	**8,809**	**9,237**
Prior Year Adjustment	(88)	
Opening Capital Financing Requirement	**8,721**	
Capital Investment:		
Property, Plant and Equipment	1,427	1,471
Investment Property	32	32
Intangibles	46	352
Revenue Expenditure Funded from Capital under Statute	755	1,434
Capitalisation Directive	-	76
Sources of Finance		
Capital receipts	(1,154)	(1,553)
Governments Grants and other contributions	(513)	(1,539)
Previous years expenditure now funded	-	(119)
Minimum revenue provision	(409)	(404)
Direct revenue funding	(21)	(178)
Closing Capital Finance requirement	**8,884**	**8,809**
Explanation of movements in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	163	(428)
Total movement in year	**163**	**(428)**

26. ASSETS HELD FOR SALE

	2011/12 £000	2010/11 £000
Balance outstanding at start of year	1,700	2,212
Assets newly classified as held for sale		
Property, Plant & Equipment	-	-
Intangible Assets	-	-
Other Assets/liabilities in disposal groups	-	-
Revaluation losses	-	-
Revaluation gains	-	-
Impairment losses	-	(500)
Assets declassified as held for sale		
Property, Plant & Equipment	-	-
Intangible Assets	-	-
Other Assets/liabilities in disposal groups	-	-
Assets sold	(922)	(22)
Transfers from non-current to current	3	10
Balance Outstanding at year-end	781	1,700

Of the £0.781m classified as current assets – held for sale, £0.703m relates to land at South Row, Kells. This land was classified as asset held for sale upon the introduction of this classification under IFRS at a value of £2m. The land was re-valued during 2010/11 in accordance with the code and was valued at £1.5m. The reduction was debited to the comprehensive income and expenditure account (not the revaluation reserve) in 2010/11. This transaction was mitigated so to have £nil impact on the General Fund.

On 1 April 2011 part of this land was sold for £0.520m. During 2011/12 a further parcel of four plots valued at £0.141m were also sold. The remaining land is made up of fourteen self build plots, two of which were sold during 2011/12 with a value of £0.136m, the remaining twelve with a value of £0.703m expect to sell during 2012/13.

27. INVENTORIES

	Consumable Stores		Goods for resale		Total	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	65	79	10	9	75	88
Purchases	412	315	28	25	440	340
Recognised as an expense in the year	(397)	(329)	(23)	(24)	(420)	(353)
Balance outstanding at year-end	80	65	15	10	95	75

28. DEBTORS

	31 March 2012		31 March 2011		31 March 2010	
Debtors	£'000	£'000	£'000	£'000	£'000	£'000
	Current	Long Term	Current	Long Term	Current	Long Term
Central government bodies	1,333	-	546	-	128	-
Other local authorities	355	-	636	-	218	-
NHS Bodies	4	-	1	-	1	-
Public corporations and trading funds	-	-	-	-	-	-
Other entities and individuals	1,131	493	1,291	345	3,308	193
Total	**2,823**	**493**	**2,474**	**345**	**3,655**	**193**

29. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	2011/12	2010/11	2009/10
	£000	£000	£000
Cash held by the Council	2	2	3
Bank Current Accounts	(926)	(1,173)	(599)
Short-term deposits with building societies	11,434	5,839	2,058
Total Cash and Cash Equivalents	**10,510**	**4,668**	**1,462**

30. CREDITORS

	31st March 2012 £'000	31st March 2011 £'000	31st March 2010 £'000
Central government bodies	2,433	1,061	1,369
Other local authorities	258	533	275
Public corporations and trading funds	35	31	53
Other entities and individuals	2,040	1,808	1,813
Total	**4,766**	**3,433**	**3,510**

31. PROVISIONS

Short Term Provisions	Insurance provision £'000	Staff Related Provision £'000	Grant Claw-back Provision £'000	Search Fee Provision £'000	Total £'000
Balance as at 1 April 2010	-	(24)	-	-	(24)
New provision raised 2010/11	(13)	(12)	-	(67)	(92)
Utilised in 2010/11	-	24	-	-	24
Balance as at 1 April 2011	(13)	(12)	-	(67)	(92)
New provision raised 2011/12	(21)	-	(72)	-	(93)
Utilised in 2011/12	2	-	-	-	2
Reversed unused in 2011/12	9	-	-	-	9
Balance as at 31 March 2012	(23)	(12)	(72)	(67)	(174)

Long Term Provisions	Insurance provision £'000	Staff Related Provision £'000	Grant Claw-back Provision £'000	Search Fee Provision £'000	Total £'000
Balance as at 1 April 2010	(120)	-	-	-	(120)
New provision raised 2010/11	(20)	-	-	-	(20)
Utilised in 2010/11	-	-	-	-	-
Balance as at 1 April 2011	(140)	-	-	-	(140)
New provision raised 2011/12	(19)	-	-	-	(19)
Utilised in 2011/12	3	-	-	-	3
Reversed unused in 2011/12	137	-	-	-	137
Balance as at 31 March 2012	(19)	-	-	-	(19)

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 £0.042m represents the gross liability. As at 31 March 2012 the Council estimates that £0.031m will be met by its insurers.

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

The staff related provision is the Councils' best estimate of the likely settlement of an employment tribunal case, currently being explored by mediation through the Advisory, Conciliation and Arbitration Service (ACAS). The hearing is likely to be before August 2012.

The grant claw-back provision is the likely repayment of a grant received for the decontamination of land on the former Kells School site. The site is currently either sold or held for sale, breaching the initial conditions of the grant given.

The search fee provision is the council's best estimate of the likely settlement relating to the revocation of the personal search fee of the local land charges register. A grant of £0.034m was received from the Department for Communities and Local Government (DCLG) to partially offset the cost of claims being received, making the potential cost to the council £0.033m. The Council anticipates that any outstanding claims will be repaid within five years.

32. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

The Authority participates in the Cumbria Superannuation Fund administered by the County Council which is accounted for in accordance with International Accounting Standard 19 (IAS19). This is a defined benefit scheme.

Transactions Relating to Post-employment Benefits

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 IAS19, 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 Movement in Reserves Statement.

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

	2011/12 £'000s	2010/11 £'000s
Comprehensive Income and Expenditure Statement		
Cost of services		
Current Service Costs	790	1,033
Past Service costs	-	(3,770)
Curtailment loss	41	230
Settlement gain		
Net operating expenditure	**831**	**(2,507)**
Financing and Investment Income and Expenditure		
Interest cost	3,271	3,541
Expected return on assets in the scheme	(2,665)	(2,584)
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**1,437**	**(1,550)**
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and losses	2,557	(2,474)
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**3,994**	**(4,024)**
Statement of Movement on the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with IAS19	1,437	(1,550)
Actual Amount charged against the General Fund Balance for pensions in the year		
Employers contributions payable to the scheme	(1,247)	(1,286)

Assets and Liabilities in Relation to Post-employment Benefits

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

	2011/12 £'000s	2010/11 £'000s
Net pension liability at 1 April	**(60,079)**	**(64,145)**
Current service cost	(790)	(1,033)
Interest cost	(3,271)	(3,541)
Contribution by scheme participants	(316)	(358)
Past service cost gain	-	3,770
Actuarial (losses)/gains	(2,078)	2,231
Curtailments	(41)	(230)
Benefits Paid	2,304	3,227
Net pension liability at 31 March	**(64,271)**	**(60,079)**

Of the £64.271m, the present value of funded benefit obligations amount to £62.896m, £1.375m being unfunded.

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

	2011/12	2010/11
	£'000s	£'000s
Fair value at 1 April	**44,178**	**42,934**
Expected rate of return	2,665	2,584
Actuarial gains and losses	(479)	243
Employer contributions	1,247	1,286
Contributions by scheme participants	316	358
Benefits paid	(2,304)	(3,227)
Fair value at 31 March	**45,623**	**44,178**

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 £2.186m (2010/11: £3.262m).

Scheme History

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
	£'000	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	(51,539)	(57,403)	(48,346)	(64,145)	(60,079)	(64,271)
Fair value of assets	44,074	43,668	34,746	42,934	44,178	45,623
Surplus/(deficit) in the scheme	**(7,465)**	**(13,735)**	**(13,600)**	**(21,211)**	**(15,901)**	**(18,648)**

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £18.648m 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 on the scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuaries
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the scheme by the council in the year to 31 March 2013 is £1,104m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed by the scheme actuary using the Projected Unit Credit actuarial cost method 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 2010. The main assumptions used in these calculations are:

	2011/12 % Expected return	2010/11 % Expected return
Equities	7.0	7.5
Government bonds	3.1	4.4
Other bonds	4.1	5.1
Property	6.0	6.5
Cash / liquidity	0.5	0.5
Other	7.0	7.5

Life expectancy	**2011/12**	**2010/11**
Current pensioner aged 65 male (female)	21.8 (24.5)yr	21.8 (24.4)yr
Future pensioner aged 65 in 20yr time male (female)	23.2 (26.0)yr	23.2 (26.0)yr
Rate of CPI inflation	2.50	2.90
Rate of increase in salaries	4.25	4.65
Rate of increase in pensions	2.50	2.90
Discount rate	4.90	5.50

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:

	2011/12	2010/11
	%	%
Equities	51.6	51.6
Government bonds	16.0	18.0
Other bonds	16.0	14.0
Property	6.4	6.1
Cash / liquidity	1.6	1.6
Other	8.4	8.7
Total	**100**	**100**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2012:

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%	%
Differences between the expected and actual return on assets	0.60	(7.30)	(30.60)	17.40	0.60	1.0
Experience gains and losses on liabilities	0.00	1.00	0.00	0.00	0.30	0.0

33. CONTINGENT LIABILITIES

At 31 March 2012 the Council had two 2 material contingent liabilities:

Municipal Mutual Insurance

The Authority has £0.491m (since 1993) of insurance receipts with Mutual Municipal (MMI), the Authority's previous insurers. Mutual Municipal is currently being wound up and potentially £0.441m is at risk if the wind up of MMI results in insolvency. Following the report of the Twenty-second Meeting of the Creditors' Committee it was disclosed that solvency was "dependent upon a successful result to the Policy Trigger Litigation which would remove many uncertainties surrounding the IBNR provision." Since then judgement has been handed down on 28th March 2012 by the Supreme Court finding against the Company. Whilst the MMI scheme of arrangement has currently not been triggered and remains held in reserve, the judgement increases the likelihood that the scheme will be triggered at a future date giving rise to the possibility that future claims may only be met in part and that there may be some claw back in relation to claims which have already been paid since the scheme of arrangement came into being. The MMI accounts to 31 June 2011 show a net deficit of £72m, which would translate into a claw back of around 10% on claims settled on behalf of Authorities since 1993. There is also the probability that new claims will be paid out for a number of years with the potential of further claw back from scheme members in future years.

It is now highly likely that MMI will claw back some money. However, as the MMI scheme of arrangements has not been triggered and the percentage claw back is not yet know we have not calculated a provision. We will re-assess this as more information becomes available.

Agreement with Vertex

The Council has an historic agreement with Vertex that the Council will pay the company a grant of £0.15m 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 £0.15m as at 31 March 2012.

34. TERMINATION BENEFITS

The Council terminated the contracts of 14 employees during 2011/12 as part of its "Choosing to Change" programme. See note 17 for the number of exit packages and total cost per band. This resulted in costs of £0.172m being incurred in the year. Of this cost, £0.154m related to redundancy payments that were agreed to be paid in 2011/12 and 2012/13 and £0.018m was paid to Cumbria Pension Fund for pension strain costs made under Regulation 41 of the Local Government Pension Scheme (Administration) Regulations 2008. The amounts fell within the areas of Corporate Resources (£0.021m), Neighbourhoods (£0.105m), Policy & Transformation (£0.008m) and Regeneration and Communities (£0.038m)

35. PRIVATE FINANCE INITIATIVE AND SIMILAR CONTRACTS

Copeland entered into a PFI building agreement on 17 September 2004 for a 25 year period, for the main administration centre (Copeland Centre) in Whitehaven. The contract specifies minimum levels of services to be provided including the provision of:

- maintenance – planned preventative, lifecycle replacement and reactive
- security
- waste disposal
- health, safety and fire protection
- cleaning, both internal and external

The building is to be available to the council between 7.15am and 6.45pm during the normal working week plus additional hours within limits.

At the end of the 25 year period the council has the choice of

- purchasing the facilities by paying the provider an amount equal to the market value of the residual head lease interest(being 125 years)
- retender for the provision of services
- pursue neither option.

The Copeland Centre is recognised on the Council's Balance Sheet. Movements in the value over the year are detailed in the analysis of Property, Plant and Equipment in note 20 on page 94.

The Authority was committed at 31 March 2012 to making the following payments under the Copeland Centre PFI scheme:

	Repayments of Liability	Interest (excluding contingent rents)	Service charges	Lifecycle replacement costs	Contingent Rents	TOTAL
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Due within 1 year	261	534	542	58	280	**1,675**
Due within 2>5 years	845	1,892	2,307	842	1,242	**7,128**
Due within 6>10 years	1,577	1,954	3,223	988	2,216	**9,958**
Due within 11>15 years	2,052	1,245	3,647	1,489	2,834	**11,267**
Due within 16>20 years	1,639	253	1,972	327	1,902	**6,093**

Prices are based on an estimate of the cash amount that will actually be paid and therefore include estimated inflationary increases. Payments can also be reduced if the contractor fails to meet performance and availability standards.

The Authority has the following liability resulting from the Copeland Centre PFI scheme:

	2011/12	2010/11
	£'000s	£'000s
As at 1 April	6,615	6,869
Finance Lease Liability Redemption Payments During Year	(241)	(254)
As at 31 March	6,374	6,615

36. LEASES

Council as Lessee

Finance Leases

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

The Council leases all its vehicles and plant for periods of 7 years through a contract with a single supplier, which was awarded through a competitive tendering process. At the end of the primary lease period the Council has the option to enter into a secondary lease at reduced rates but generally vehicles and plant are returned to the lessor.
There are no purchase options attached to the lease at its inception and the lease costs do not attract annual inflationary increases or increases in financing costs that may be incurred by the lessor over the life of the individual leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	As at 31 March 2012 £000	As at 31 March 2011 £000	As at 31 March 2010 £000
Vehicles, Plant, Furniture and Equipment	883	502	637
Total	**883**	**502**	**637**

The Authority is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the assets acquired by the Authority and the finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	As at 31 March 2012 £000	As at 31 March 2011 £000	As at 31 March 2010 £000
Finance Lease liabilities (net present value of minimum lease payments)			
Current	227	149	130
non-current	765	453	591
Finance costs payable in future years	334	170	277
Minimum lease payments	**1,326**	**772**	**998**

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

	Minimum Lease Payments			Finance Lease Liabilities		
	As at 31 March 2012 £000	As at 31 March 2011 £000	As at 31March 2010 £000	As at 31 March 2012 £000	As at 31 March 2011 £000	As at 31March 2010 £000
Not later than 1 year	346	224	226	227	149	130
Later than 1 year and not later than five years	823	548	772	624	453	591
Later than 5 years	157	-	-	141	-	-
Total	**1,326**	**772**	**998**	**992**	**602**	**721**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews (unless agreed at the start of the contract). There are no contingent rents in respect of the above leases.

Operating Leases

The light vans, medium vans, tipper trucks, refuse collection vehicles, specialised environmental cleansing vehicles, grounds maintenance tractors, other specialised items of plant, and photocopiers not deemed to be finance leases are financed under terms of operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

	As at 31 March 2012 £000	As at 31 March 2011 £000	As at 31 March 2010 £000
Not later than one year	132	97	156
Later than one year and not later than five years	49	148	131
Later than five years	-	4	-
Total	**181**	**249**	**287**

Minimum lease payments of £0.161m were charged as expenditure to the Comprehensive Income and Expenditure Statement during the year.

Council as Lessor

Operating Leases

The Council sublets a portion of the Copeland Centre (disclosed under the PFI note 35) to the Department for Work and Pensions and Copeland Homes on 25 year operating leases (Copeland Homes having a 10 year break clause). The future minimum lease payments due under non-cancellable leases in future years are:

	As at 31 March 2012 £000	As at 31 March 2011 £000	As at 31 March 2010 £000
Not later than one year	369	369	369
Later than one year and not later than five years	1,178	1,305	1,436
Later than five years	3,088	3,330	3,571
Total	**4,635**	**5,004**	**5,376**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews (unless agreed at the start of the contract). In 2011/12 £202,875 contingent rents were receivable by the Council (2010/11 £182,575).

In addition to the Copeland Centre above, the Council rents out various parcels of land, commercial buildings and garage plots. All of these properties are classed as investment properties on the Balance Sheet, being held solely for either rental income or capital appreciation, with related rental income and property expenditure being charged to the Financing and Investment Income and Expenditure line on the Comprehensive Income and Expenditure Statement.

Most of these leases are deemed to be operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

	As at 31 March 2012 £000	As at 31 March 2011 £000	As at 31 March 2010 £000
Not later than one year	137	163	175
Later than one year and not later than five years	234	338	439
Later than five years	283	543	603
Total	**654**	**1,044**	**1,217**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews (unless agreed at the start of the contract). Contingent rents receivable by the Council relating to these leases in 2011/12 was £22,616 (2010/11 £33,543).

Finance Leases

During the IFRS review three of the above parcels of land/properties were deemed to be finance leases and these were brought on the balance sheet as debtors during 2011/12 and removed from the non-current asset register. Two were long term land leases held at £75,500 in total and the other was Tamalder Nursery held at £104,500.

The Council has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by the lessee and the finance income that will be earned by the council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	As at 31 March 2012 £000
Finance Lease Debtor (net present value of minimum lease payments)	
• Current	1
• Non-current	45
Unearned finance income	39
Unguaranteed residual value of property	23
Total	**108**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease As at 31 March 2012 £000	Minimum Lease Payments As at 31 March 2012 £000
Not later than one year	4	1
Later than one year and not later than five years	16	6
Later than five years	88	39
Total	**108**	**46**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews (unless agreed at the start of the contract). Contingent rents receivable by the Council relating to these leases in 2011/12 was £4,433.

37. FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the balance sheet:

	Long term			Current		
	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000
Investments						
Loans and receivables	-	-	-	18,952	18,858	19,661
Available for sale financial assets	-	-	-	-	-	-
Unquoted equity investment at cost	-	-	30	-	-	-
Total investments	-	-	30	18,952	18,858	19,661
Debtors						
Loans and receivables	493	345	193	1,853	1,690	2,563
Financial assets carried at contract amounts		-	-		-	-
Total debtors	493	345	193	1,853	1,690	2,563
Borrowings						
Bank Overdraft				926	1,173	599
Financial liabilities at amortised cost	5,005	5,002	5,001	61	60	59
Total borrowings	5,005	5,002	5,001	926	1,173	599
Other Liabilities						
PFI lease liabilities	6,113	6,374	6,615	261	241	255
Finance lease liabilities	765	453	591	227	148	129
Total Other Liabilities	6,878	6,827	7,206	488	389	384
Creditors						
Financial liabilities at amortised cost	-	-	-	1,287	1,786	1,583
Financial liabilities carried at contract amount	-	-	-	-	-	-
Total creditors	-	-	-	1,348	1,846	1,642

Reconciliation of Balance Sheet Debtors and Creditors to Financial Instruments

	Long Term			Current		
	31 March 2012	31 March 2011	31 March 2010	31 March 2012	31 March 2011	31 March 2010
	£000	£000	£000	£000	£000	£000
Debtors						
Value as per Financial Instrument Note	493	345	193	1,853	1,690	2,563
Statutory Non Contractual Items	-	-	-	970	784	1,092
Balance Sheet Amount	**493**	**345**	**193**	**2,823**	**2,474**	**3,655**
Creditors						
Financial Liabilities at amortised cost	6,878	6,827	7,206	1,348	1,846	1,642
Other Current Liabilities (PFI and Finance Lease Liabilities)	-	-	-	488	389	384
Statutory Non Contractual Items	-	-	-	2,930	1,198	1,484
Balance Sheet Amount	**6,878**	**6,827**	**7,206**	**4,766**	**3,433**	**3,510**

Material Soft Loans Made by the Council

The council makes interest free loans to home owners so they can make improvements to their properties, bringing them to a habitable condition. The loan becomes repayable when ownership transfers. Individually these are not material amounts but are disclosed in aggregate.

The interest rate at which the fair value of this soft loan has been made is arrived at by taking the rate used by the Public Works Loan Board for a 10 year period.

	2011/12	2010/11
	£000	**£000**
Opening balance at start of year	**284**	**142**
Nominal Value of new loans granted in the year	126	199
Fair value adjustment on initial recognition	(25)	(63)
Loans repaid	-	-
Impairment losses	-	-
Increase in discounted amount arising from the passage of time	-	-
Other changes	10	6
Closing balance at end of year	**395**	**284**
Nominal Value at 31 March	**517**	**391**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement are made up as follows:

	2011/12			2010/11		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	(1,104)	-	(1,104)	(1,078)	-	(1,078)
Reductions in fair value impairment losses	(8)	-	(8)	-	-	-
Total expense in the Surplus or Deficit on the Provision of Services	**(1,112)**	**-**	**(1,112)**	**(1,078)**	**-**	**(1,078)**
Interest income	-	311	311	-	255	255
Gains on de-recognition	-	-	-	9	-	9
Total income in the Surplus or Deficit on the Provision of Services	**-**	**311**	**311**	**9**	**255**	**264**
Net gain/(loss) for the year	**(1,112)**	**311**	**(801)**	**(1,069)**	**255**	**(814)**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instrument, using the following assumptions:

- Estimated interest rates at 31 March 2012 for loans from the PWLB;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value ; and
- The fair value of trade and other receivables is taken to be the invoiced amount.

The fair values calculated are as follows:

Fair Value of financial liabilities	31 March 2012		31 March 2011		31 March 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000	£000	£000
Current Financial Liabilities	1,348	1,348	1,846	1,846	1,642	1,642
Bank Overdraft	926	926	1,173	1,173	599	599
PFI Finance Lease	6,374	10,478	6,615	9,677	6,869	6,869
Other Finance Lease	992	992	601	601	720	720
LOBO	5,005	9,120	5,002	7,966	5,001	7,768

Fair value of the financial liability is more than the carrying amount because there is a Lender Option Borrower Option (LOBO) fixed rate loan and a PFI finance lease agreement (with an interest rate implicit in the lease calculation), where the interest rates payable are higher than the rates available for similar loans at the Balance Sheet date.

Fair Value of financial assets	31 March 2012		31 March 2011		31 March 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000	£000	£000
Loans and receivables	11,436	11,436	5,841	5,841	2,061	2,061
Fixed term deposits	7,516	7,581	13,017	13,017	17,600	17,600
Unquoted equity investment at cost	-	-	-	-	30	30
Debtors	2,346	2,346	2,035	2,035	2,756	2,756

The fair value of fixed term deposits is higher than the carrying amount because the Council's portfolio of investments comprises of short-term fixed interest deposits at the Balance Sheet date, with a latest maturity of 13 February 2013.

38. DISCLOSURE OF NATURE AND EXTENT OF RISK 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 are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act.

Overall these procedures require the Council to manage risk in the following ways:

- ✓ by formally adopting the requirements of the CIPFA Code of Practice;
- ✓ by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations;
- ✓ by approving annually in advance prudential indicators for the following three years limiting:
    - o The Council's overall borrowing;
    - o Its maximum and minimum exposures to fixed and variable rates;
    - o Its maximum and minimum for exposures the maturity structure of its debt; and
    - o 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 quarterly in addition to the mid-year update and final Outturn report.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 22 February 2011. The key issues within the strategy were:

- The Authorised Limit for 2011/12 was set at £17m. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £12m. This is the expected level of debt and other long term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at:

	Upper Limits
Limits on fixed interest rates based on net debt	£5.1m
Limits on variable interest rates based on net debt	£5.1m
Limits on fixed interest rates	
Debt only	£5.1m
Investments only	£30.0m
Limits on variable interest rates	
Debt only	£5.1m
Investments only	£20.0m

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMP's) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. 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 Credit Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

- This Council uses creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses; credit watches and credit outlooks from rating agencies, CDS spreads to give early warning of likely changes in credit ratings and sovereign ratings to select counterparties from only the most creditworthy countries.
- The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Under the exceptional current market conditions the Director of Resources and Transformation temporarily restricted further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly the time periods' for investments has been restricted.
- Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMADF – a Government body which accepts local authority deposits), Money Market Funds, guaranteed deposit facilities and strongly rated institutions offered support by the UK Government. The credit criteria have been amended to reflect these facilities.
- The full Investment Strategy for 2011/12 was approved by Full Council on 22 February 2011.

The Authority's maximum exposure to credit risk in relation to its investments in UK part-nationalised institutions is an ultimate limit of £10m (£7.5m daily operational limit and up to a maximum £10m in extreme circumstances but only with prior approval and for short term investments). This level of exposure, however, cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum, will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

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

	Value at 31 March 2012 £'000	Default based on previous experience %	Default adjusted for current market conditions %	Estimated maximum exposure to default at 31 March 2012 £'000	Estimated maximum exposure to default at 31 March 2011 £'000	Estimated maximum exposure to default at 31 March 2010 £'000
Deposits with Banks cash equivalent	11,436	Nil	Nil	Nil	Nil	Nil
Deposits with Banks and other Financial Institutions AA rated	Nil	0.03%	0.03%	Nil	6	Nil
Deposits with Banks and other Financial Institutions A rated	7,516	0.08%	0.08%	6	Nil	3
Deposits with Banks and other Financial Institutions BBB rated	Nil	0.24%	0.24%	Nil	Nil	33
Customers	2,346	5.00%	5.00%	117	102	149
Total	**21,298**			**123**	**108**	**185**

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. None of the Council's investments are held with institutions domiciled in foreign countries.

The Council generally allows 21 days credit for its trade debtors.

The past due amount of £0.772m of the £2.346m balance can be analysed by age as follows:

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
30 Days Outstanding	53	312	22
60 Days Outstanding	38	35	35
90+ Days Outstanding	681	526	688
Total	**772**	**873**	**745**

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

	31 March 2012 £'000	31 March 2011 £'000
Balance at 1 April	**(534)**	(627)
(Increase)/Decrease in provision for year	(143)	93
Balance at 31 March	**(677)**	**(534)**

Liquidity risk

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

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

The maturity analysis of financial assets is as follows:

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Less than one year	18,952	18,858	19,661
Between one and two years		-	-
Between two and three years		-	-
More than three years		-	-
Total	**18,952**	**18,858**	**19,661**

All trade and other payables £2.346m are due to be paid in less than one year apart from home improvement loans of £0.395m due in five to ten years, and are not shown in the table above.

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 indicators for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration, are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team 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, with the maximum and minimum limits for fixed interest rates maturing in each period.

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Less than one year	2,761	3,409	2,625
Between one and five years	1,469	1,643	1,708
Between five and ten years	1,718	1,141	1,125
Between ten and fifteen years	2,052	1,892	1,768
Between fifteen and twenty years	1,639	2,147	2,601
Between twenty and twenty five years	-	-	-
Between twenty five and thirty years	5,005	5,005	5.005
Total	**14,644**	**15,237**	**14,832**

Market risk

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

- ✓ borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure statement will rise;
- ✓ borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- ✓ investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure statement will rise; and
- ✓ investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy, a treasury indicator is set, which provides maximum limits for fixed and variable interest rate exposure. The central treasury team 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, similarly the drawing of longer term fixed rates borrowing would be postponed.

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

	£'000	£'000
	+1%	-1%
Increase in interest payable on variable rate borrowings	50	(50)
Increase in interest receivable on variable rate investments	(247)	209
Impact on Surplus or Deficit of the Provision of Services	(197)	159
Decrease in fair value of fixed rate investment assets	-	-
Impact on Other Comprehensive Income and Expenditure	-	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	2,118	(2,118)

Price risk – The Council, excluding the pension fund, does not invest in equity shares or marketable bonds and so is not exposed to losses arising from the movements in share prices.

Foreign exchange risk – The Council holds a single bank account denominated in Euros, the balance on this account at the year-end was £544 when converted at the exchange rate prevailing at 31 March 2012. 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 Council.

39. AGENCY INCOME AND EXPENDITURE

Under various statutory powers, an authority may agree with other local authorities, water companies and government departments to do work on their behalf. The body carrying out agency services is reimbursed by the responsible body to the extent of approved expenditure together with any agreed contribution toward administrative costs.

Copeland Borough Council has acted as an agent on behalf of:

Major preceptors – Cumbria County Council and Cumbria Police for the collection of Council Tax.

Central Government in collecting National Non-Domestic Rates (NNDR) and payment of the sums collected over to Central Government less the amount retained in respect of the cost of collection allowance.

Accounting for Council Tax

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and paid out to major preceptors. The amount credited to the General Fund under statute is an authority's precept or demand for the year plus or minus the authority's share of the surplus/deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The cash collected by the authority from Council Tax payers belongs proportionately to all the major preceptors. The difference between the amounts collected on behalf of the other major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for NNDR

As the Council acts as an agent in the collection of NNDR income it does not include the financial position with regard to the rate payers and only reports the net cash position with Central Government in its Balance Sheet.

The Council maintains records of NNDR arrears, impairment allowances, prepayments and overpayments in its underlying accounting records, however for final accounts purposes these balances are consolidated into a single agency account, with the figures netting down to the debtor/creditor to the national pool.

The cost of collection allowance received by Copeland Borough Council is the billing authority's income and is included in the Comprehensive Income and Expenditure Statement

40. RELATED PARTIES

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 and council tax bills. Grants received from government departments are set out in the subjective analysis in note 14 on page 85 – reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are included within amounts disclosed in note 28 on page 105.

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.

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members allowances paid in 2011/12 is disclosed in note 18 on page 93. In addition 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 material transactions that have taken place with related parties during 2011/12 are as follows:

Related Party	Expenditure £	Commercial Income £	Grant Income £	Year-end Debtor Balance £
Britains Energy Coast				
1 Member	62,420	-	118,231	300
Copeland Leisure				
1 Director and 1 Chair	197,128	-	-	169
Cumbria Tourist Board				
1 member	183,944	-	-	-
Copeland Homes				
1 members	29,928	598,378	-	73,697
North Country Leisure Ltd				
1 Director and 1 member	568,463	7,535	-	-
Royal Mail				
1 Other	73,496	-	-	-
Phoenix Enterprise Centre				
2 Directors	32,717	2,557	-	12,807
Cumbria County Council				
1 Member and 1 other	672,360	1,243,044	60,000	90,512
Shop Front Improvement Grant				
1 Member	1,143	-	-	-
Sampling of Private Water Supply				
1 Member	-	235	-	-
Sampling of Private Water Supply				
1 Member	-	235	-	-
Land Rent				
1 Member	-	280	-	-
Homelessness – Property Rent				
1 Member	3,033	-	-	-

Officers of the Authority - Related parties in respect of officers are only required to be disclosed where control exists. During the year, no such relationship existed.

Other public bodies - Transactions in relation to the Local Government Pension Scheme administered by Your Pension Service, run by Lancashire County Council are set out in Note 32 on page 107.

Copeland Community Fund

The NDA established the fund in December 2007 to recognise the unique part a community plays in hosting a low level nuclear waste storage facility.

The fund is administered by a project board of seven members of which there are two Copeland Borough Council Members, Cllr Elaine Woodburn and Cllr David Moore. In addition there are two members from Cumbria County Council, one from NDA and two independent members. The fund is to be spent on schemes and initiatives that are "consistent with the NDA's socio-economic policy including;

- Employment – with a preference for higher value employment development;
- Education /skills – either related to decommissioning and clean-up or to support economic diversification;
- Economic and social infrastructure (including environmental remediation/improvement) ; and
- Economic diversification, including support for the local supply chain."

The Council received £0.130m from the Fund in 2011/12, £0.100m to pay for the costs of staffing required to administer the activities of the Fund and £0.030m to pay for bought in services, such as training, provided to the community organisations.

41. 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 people 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 were;

Organisation	2010/11 Capital Value of Fund £000	2011/12 Capital Value of Fund £000
Whitehaven Maternity Charity	21	22
Pipers Educational Trust	198	200
Total	**219**	**222**

42. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2010/11 £'000		2011/12 £'000
(294)	Interest received	(297)
1,078	Interest paid	1,101

43. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2010/11 £'000		2011/12 £'000
1,860	Purchase of property, plant and equipment, investment property and intangible assets	1,505
78,000	Purchase of short term and long term investments	54,900
226	Other payments for investment activities	-
(23)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(856)
(82,500)	Proceeds from short term and long term investments	(60,401)
(848)	Other receipts from investment activities	(579)
(3,285)	**Net cash flows from investing activities**	**(5,431)**

44. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2010/11 £'000		2011/12 £'000
(13)	Cash receipts of short term and long term borrowing	-
(351)	Other receipts from financing activities	(2,143)
133	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	424
-	Repayments of short term and long term borrowing	-
-	Other payments for financing activities	125
(231)	**Net cash flows from financing activities**	**(1,594)**

45. CASH FLOW STATEMENT – RECONCILIATION OF NET DEFICIT TO NET CASHFLOW FROM REVENUE ACTIVITIES

2010/11 As restated £'000		2011/12 £'000
2,161	Deficit on the Income & Expenditure Account for the year	5,471
	Adjustments to net surplus or deficit on the provision of services for non cash movements	
273	Depreciation	(2,457)
(4,971)	Impairments & downward revaluations	(2,394)
(157)	Amortisations	(166)
93	Movement in provisions	(81)
346	Movement in creditors	337
(892)	Movement in debtors	516
(13)	Movement in stock	20
2,836	Pension Liability	(190)
(188)	Carrying amount of non-current assets sold	(1,112)
(88)	Other non cash items charged to the net Surplus or Deficit on the Provision of Services	-
119	Movements in the value of investment property	(168)
-	grants applied to the financing of capital expenditure	-
-	grants received to meet the principal repayments on borrowing	-
(48)	soft loans	(15)
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
420	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	976
419	Capital Grants	446
310	**Net Cash Inflow/Outflow from operating activities**	**1,183**

Collection Fund Income and Expenditure Account

For the year ended 31 March 2012

		2011/12	2010/11
	£000	£000	£000
INCOME			
Billed to Council Tax Payers	(29,421)		(29,472)
Council Tax Benefit	(5,504)		(5,493)
Non-Domestic Rates	(38,420)		(35,219)
Adjustments from previous years	-		(17)
Total Income		**(73,345)**	**(70,201)**
EXPENDITURE			
Precepts and demands:			
- Cumbria County Council	26,036		25,878
- Cumbria Police Authority	4,346		4,320
- Copeland Borough Council	4,445		4,408
		34,827	34,606
Non-Domestic Rates:			
- Payment to National Pool	38,307		35,122
- Cost of Collection Allowance	113		114
		38,420	35,236
Increase / Decrease in Provision for non-payment of Council Tax		24	30
Contributions to General Fund for the estimated Collection Fund Surplus		32	8
Total Expenditure		**73,303**	**69,880**
(Surplus) / Deficit for the year		**(42)**	**(321)**
(Surplus) / Deficit at 1 April		(258)	63
(Surplus) / Deficit at 31 March		**(300)**	**(258)**

The notes below 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 2011/12 was 22,254.83 (22,236.57 for 2010/11). The basic amount of council tax for a Band D property £1,535.66 (£1,535.66 for 2010/11) is multiplied by the proportion specified for the particular band to give an individual amount due.

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

Proportion of Band D charge:

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

2. National Non-Domestic Rates

NNDR is organised on a national basis. The government specifies an amount (43.3p in 2011/12, and 41.4p in 2010/11) 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 £38.420m for 2011/12 (£35.219m in 2010/11), was based on an average rateable value for the Authority's area of £96.323m for the year (£94.064m in 2010/11).

3. Collection Fund Surplus

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 surplus on the collection fund as at 31 March 2012 is £0.300m

Glossary of Terms

Accounting period

The period of time covered by the accounts. Normally a period of twelve months commencing on 1 April and ending on 31 March the following year, for Local Authority accounts. The end of the accounting period is the Balance Sheet date.

Accounts

A generic term for statements setting out details of income and expenditure or assets and liabilities or both, in a structured manner. Accounts may be categorised either by the type of transactions they record, e.g. revenue account, capital accounts or by the purpose they serve, e.g. management accounts, final accounts, balance sheets.

Accrual

An accrual is a sum included in the accounts to cover income or expenditure attributable to an accounting period for goods received or works done, for which payment has not been received/made by the end of that accounting period. In other words, income and expenditure are recognised when they are earned or incurred, not when they are received or paid.

Actuary

An actuary is a suitably qualified independent consultant employed to advise the Council upon the financial position of the Pension Fund.

Actuarial gains and losses

Actuarial gains or losses for defined benefit pension scheme arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or the actuarial assumptions have changed.

Amortisation

The reduction of the value of an asset over a period. Amortisation, although by definition similar to depreciation, is used for the write-off of intangible assets, for example. It can also refer to the reduction of debt, either through periodic payments of principal and interest, or through use of a sinking fund.

Appropriation

An Appropriation is the transfer of resources between the reserves.

Asset

An asset is an item having value to the Authority in measurable monetary terms. Assets can be defined 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 non-current 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

An Audit is an independent examination of an organisation's activities, either by internal audit or the organisation's external auditor.

Audit Commission

The Audit Commission was established by the Local Government Finance Act 1982. It has responsibility for the external audit of all local authorities. It can either use district auditors who are employed by the Audit Commission or firms of accountants.

Audit of accounts

An independent examination of the Authority's financial affairs.

Balance sheet

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

Best Value Accounting Code of Practice (BVACOP)

The system of local authority accounting and reporting has been modernised to meet the changing needs of modern local government particularly the duty to secure and demonstrate "best value" in the provision of services. The new Best Values Accounting Code of Practice provides guidance on the content and presentation of costs and service activities.

Billing authority

A Local Authority charged by statute with the responsibility for the collection of, and accounting for, council Tax, NNDR and residual Community Charge.

Budget

A budget is a financial statement that expresses the Council's service delivery plans and capital programmes in monetary terms i.e. a forecast of net revenue and capital expenditure. This normally covers the same period as the financial year but increasingly Councils are preparing medium term budgets covering 3 to 5 years.

Capital Adjustment Account

This account represents amounts set aside from revenue resources or capital receipts to finance expenditure on assets, or for the repayment of external loans.

Capital expenditure

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

Capital financing

Funds 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 non-current 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.

CFR

Capital financing requirement.

CIPFA - The Chartered Institute of Public Finance and Accountancy

CIPFA is the main professional body for accountants working in the public service. It produces guidance in relation to various matters concerning the public sector including financial and governance issues.

Collection Fund

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

Community assets

Assets that the 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.

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

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.

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.

Council Tax

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

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 Assets

An asset held which will be used, or received, within the next financial year.

Current Liabilities

An amount which becomes payable, or could be called in, within the next financial year.

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 Liabilities

This represents the liability for principal repayments on finance leases.

Deferred receipts

Deferred receipts represent income still to be received, where the Council has agreed that amounts are payable beyond the next year, either at some point in the future, or by an annual sum over a period of time.

Defined benefit pension scheme

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

Department for Communities & Local Government (DCLG)

The central government department responsible for local government affairs.

Depreciation

The measure of the cost of the wearing out, consumption or other reduction in the useful economic life of the Authority's non-current assets during the accounting period, whether from use, passage 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.

Fees and Charges

Charges made to the public for a variety of services such as parking charges and hire of meeting facilities.

Finance lease

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

General Fund

The main revenue account of a Local Authority from which revenue payments are made to meet the costs of providing services (such as wages, electricity, paper)

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.

Impairment

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

Income

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

Infrastructure assets

Non-current 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

An amount received or paid for the use of a sum of money when it is invested or borrowed.

Interest cost (pensions)

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

International Accounting Standards (IAS)

These are issued by the Accounting Standards Board to provide information on the required standards for the preparation of the Authority's financial statements. As far as possible, The

Council prepares its financial statements in accordance with IAS, where they apply to local authorities.

International Financial Reporting Standards (IFRS)

IFRS is the prescribed format for all Local Authority Statement of Accounts. The Code of Practice gives detailed guidance on how the Council will account for its transactions in the statements and notes explaining the transactions.

Investments (pension fund)

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

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 misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

Minimum Revenue Provision (MRP)

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

National Non-Domestic Rates (NNDR)

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

Net book value

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

Net debt

The Authority's borrowings less cash and liquid resources.

Net worth

This is the overall value of the Balance Sheet at the end of the financial period.

Non-current Assets

Assets that have physical substance and are held for the provision of services, or for administration purposes, on a continuing basis.

Non-distributed costs

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

Operating lease

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

Outturn

The actual results for the financial year in question.

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.

Private finance initiative (PFI)

A central government initiative whereby local authorities do not buy assets used to provide public services but rather pay for the use of assets held by the private sector.

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 period adjustment

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

Projected unit method

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

Provision

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

Provision for credit liabilities

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

Prudence

The concept that income should not be anticipated, but recognised only when realised in the form of 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 NNDR 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.

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 revaluation reserve cannot be used to meet current expenditure.

Residual value

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

Retirement benefits

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

Revaluation Reserve

This account represents the balance of the net surpluses arising on the revaluation of non-current assets (excluding investments).

Revenue expenditure

The day-to-day expenses of providing services.

Revenue Expenditure Funded from Capital under Statute

Capital expenditure, which may be properly capitalised but which does not result in or remain matched with tangible non-current assets, owned by the Council e.g. expenditure on disabled facilities grants.

Revenue Support Grant

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

Section 151 Officer (S.151)

Section 151 of the Local Government Act 1972 requires the Council to appoint an officer responsible for the proper administration of the Council's financial affairs. The Head of Corporate Resources is the Council's S151 Officer.

Statement of Standard Accounting Practice

These are methods of accounting approved by the Accounting Standards Committee and are applicable to all accounts which are intended to give a true and fair view. They are gradually being replaced by Financial Reporting Standards.

Stocks

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

Temporary borrowing

Money borrowed for a period of less than one year.

Useful economic life

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

Work in progress

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

Capital investment is accounted for as it is financed rather than when the fixed assets are consumed.

Payment of a share of housing capital receipts to central government is shown as a loss in the Income & Expenditure Account, but is actually met from capital receipts rather than from council tax.

Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned.