Copeland borough council

Proud of our past. Energised for our future.

Audited Statement of Accounts

For the year ended 31 March 2011

www.copeland.gov.uk

Contents

Explanatory Foreword

1 Introduction

The Statement of Accounts 2010/11 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 2010/11 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 useable and other 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 2011 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 2003 (Regulation 7) require all English Local Authorities to produce accounts, and they must be prepared in accordance with 'proper practices' as defined by section 21 (2) of the Local Government Act 2003. The audit of the accounts of local authorities is governed by section 5 of the Audit Commission Act 1998.

For Local Authorities, the Code of Practice on Local Authority Accounting in the United Kingdom (2010) 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

2010/11 represents the first year under which the Council is required to prepare its accounts under International Financial Reporting Standards (IFRS). The transition from the 2009 Statement of Recommended Practice using UK Generally Accepted Accounting Practices (UK GAAP) to IFRS has resulted in a significant number of changes to the calculation and presentation of the financial statements and has also involved the restatement of the 1 April 2009 opening Balance Sheet and the 31 March 2010 closing Balance Sheet.

The main changes in 2010/11 relate to;

- Changes to the definitions of investment properties and assets held for sale, which has resulted in the reclassification of a number of assets held on the balance sheet;
- Treatment of government grants received for revenue and capital purposes, which are now recognised in full in the comprehensive income and expenditure statement when the grant conditions are met ; and

- Changes to the recognition of accrued employee benefits, such as holiday pay, which have an outstanding financial liability at the end of the financial year.
- Changes to the classification of vehicle leases from operating leases to finance leases to comply with IFRS requirements.

There have also been a number of changes to the accounting policies of the Council, which are reflected in the Statement of Accounting Policies section.

4 Revenue Expenditure and Income 2010/11

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.

The Revenue Budget for 2010/11, approved by Council at its meeting of 2 March 2010 amounted to a net figure of £15.875m for services provided by the Council, increasing to £16.275m with the inclusion of Parish precepts. The approved budget for the year was supported by the use of £2.771m from reserves. During the year, the Executive approved a revised budget of £16.213m following changes to resource allocations in the year arising from information provided during the routine cycle of budget monitoring.

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

	£'000	**£'000**
Original approved budget		15,875
Add		
Increased use of earmarked reserves	523	
Approved carry forwards from 2009/10	426	
Identified budget pressures within 2010/11	190	1,139
Deduct		
Reduction in Area Based Grant	(98)	
Reduction in net contribution to General Fund	(248)	
Service review savings – Stage 1	(455)	(801)
Revised Budget		**16,213**

A summary of the revised budget and a comparison with actual spending incurred for 2010/11 is as follows:-

	Original Budget £'000	Revised Budget £'000	Actual £'000	Variance £'000
Chief Executive	1,646	1,790	1,734	(56)
Customer Services	865	806	668	(138)
Finance & Management Information Systems	1,612	1,610	1,495	(115)
Legal & Democratic Services	885	881	959	78
Policy & Performance	1,122	1,067	1,021	(46)
Development Strategy	2,853	3,314	3,434	120
Development Operations	2,450	2,590	2,567	(23)
Leisure & Environmental Services	4,692	4,405	3,786	(619)
Vacancy Management	(250)	(250)	-	250
Net Cost of Services	**15,875**	**16,213**	**15,664**	**(549)**
Parish Precepts	400	400	400	-
	16,275	**16,613**	**16,064**	**(549)**
Financed by:				
General Government Grants	(9,088)	(8,990)	(8,990)	-
Copeland's demand on Collection Fund 2010/11	(4,408)	(4,408)	(4,408)	-
Copeland's share of Collection Fund surplus	(8)	(8)	(8)	-
Contribution to/(from) Earmarked Reserves	(2,393)	(3,207)	(3,207)	-
Contribution to/(from) the General Fund	(378)	-	549	549
Total financing	**(16,275)**	**(16,613)**	**(16,064)**	**549**

Net expenditure on services totals £15.664m and is £0.549m less than the current approved budget. The key factors behind this under-spend are:

- The out-turn position contains the costs of severance pay, payments in lieu of notice and accrued holiday pay for the members of staff who left the Council on 31 March. Overall this totalled £0.376m, of which £0.075m was capitalised following approval by the Department of Communities and Local Government of a capitalisation directive for part of this expenditure in January 2011. The cost to the General Fund in 2010/11 was therefore £0.301m;

- Within Finance and Management Information Systems there are savings of £0.101m arising from salary savings and savings which were able to be made in the cost of providing the ICT networks and other IT expenses;
- The revised budget includes an amount relating to the pay and workforce strategy. This work is now complete and £0.140m of the budget provision is no longer required. This has resulted in an under spend against this budget during 2010/11;
- The actual costs of the Revenues and Benefits Shared Service for 2010/11 are £0.129m less than budget provision. A reserve of £0.119m for potential redundancy costs within the Revenues and Benefits Service, following the establishment of the Revenues and Benefits Shared Service with Allerdale and Carlisle Councils was also provided, but was not required. Overall there was an under spend of £0.238m in this area;
- Savings in Waste Services due to an over-provision for pension costs of £0.1m and a significant reduction in the cost of recycling of £0.182m due to increased income and saving in operational costs ; and
- Savings of £0.123m in the costs of running Open Spaces due to reductions in running costs and increased income from contract works with external organisations.
- The financing requirement for the out-turn position for the year has meant that the Council has used £3.207m of earmarked reserves in the year but no General Fund balances.
- The Council holds usable reserves of £13.748m at 31 March 2011 (£16.215m 2009/10). A breakdown of the usable reserves can be found in the Movements in Reserves Statement on page 57.
- The Council also holds unusable reserves totalling £32.191m at 31 March 2011 (£23.839m 2009/10). 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 10 to the accounts on page 78.

A revenue out-turn report that provides more detailed information on the year-end position for 2010/11 was considered by the Executive on 31 May 2011. This report stated that the annual under spend for 2010/11 totalled £0.537m, a difference of £0.012m from the actual position. This difference is accounted for by small movements in the net cost of the following services arising from changes to the values of items accrued at the year-end as follows:

	£'000	£'000
Increases in net cost		
Management Information Systems	10	
Economic Development	16	26
Reductions in net cost		
Local Strategic Partnership	(5)	
Legal Services	(9)	
Property Services	(14)	
Crematorium	(10)	(38)
Net movement		**(12)**

Reconciliation with the Consolidated Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement for 2010/11 shows a deficit of £0.802m for the year whilst the Net Operating Expenditure of £16.064m shown within the Explanatory Foreword has been produced using the Council's management accounting process. This includes contributions to reserves and approved carry forward of reserves and unused budgets to the following financial year, which 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 from Net Operating Expenditure.

A reconciliation of the two sets of figures for the year ending 31 March 2011 is included in the following table:

	£'000	£'000
Net Operating Expenditure within the Comprehensive Income & Expenditure Statement		802
Add		
Use of reserves and unused budgets carried forward at 31st March 2011	1,456	
Movement in the fair value of assets	119	
Capital grants and receipts recognised in the CIES	1,782	
IAS 19 Adjustments in respect of pensions	2,834	
Collection Fund Adjustment Account	41	
Taxation & grant income to fund the cost of services	13,412	19,644
Deduct		
Losses on sale of assets	(45)	
Adjustments for employee accrued absences	(27)	
Contribution to DCLG for "pooling" housing capital receipts	(1)	
Revenue expenditure funded by capital under statute/soft loans	(1,216)	
Adjustments for Private Finance Initiative	875	
Depreciation and impairment of assets charged to revenue accounts	(3,272)	
Net interest charges	(696)	(4,382)
Net Operating Expenditure in Explanatory Foreword		**16,064**

5. 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.

In 2010/11 the Council approved a revised capital programme of £4.523m. The original approved budget was £7.6m, as set-out below:

	£'000	£'000
Original Budget		**7,600**
Slippage brought forward from 2009/10	239	
Additions to programme approved	1,041	
Schemes re-profiled into subsequent years	(2,717)	
Reductions to programme	(1,476)	
Schemes completed less than budget	(164)	
Revised Budget		**4,523**

In 2010/11, the total gross expenditure on the capital programme was £3.353m, funded from external grants and contributions of £1.539m, use of specific revenue reserves £0.148m, revenue contributions of £0.030m and use of Council capital reserves (from capital receipts received from the sale of Council assets in the past) of £1.636m.

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**
Non Housing	5,637	2,917	2,140	(777)
Housing	1,963	1,530	1,137	(393)
Redundancy	-	76	76	-
Total	**7,600**	**4,523**	**3,353**	**(1,170)**
Financed by:				
Capital Receipts	2,993	2,649	1,636	(1,013)
Government Grants	744	886	886	-
Other Capital Contributions	3,837	802	653	(149)
Revenue Contributions	26	186	178	(8)
Total	**7,600**	**4,523**	**3,353**	**(1,170)**

The largest areas of capital spending were Regeneration and Housing. The most significant spend on projects within these areas being Mount Pleasant public realm work (£0.350m), Housing Renovation & Renewals financial assistance and Disabled Facilities Grants in Housing (£1.123m).

Total capital spending of £3.353m was £1.170m less than the approved capital programme. The main reasons for the under-spend are as follows;

- Slippage in spending to 2011/12 due to in year delays on various capital projects;
- The completion of various projects at less than budget (£0.048m) ; and
- The lower demand (in £ value not number) of Disabled Facilities Grants in year.

A reconciliation of the capital spend per the accounts to spend per the Capital Programme for 2010/11 and corresponding shortfall in spending against budget is shown below:-

	£'000
Capital Expenditure per accounts	3,353
Government Grants and other contributions	(1,539)
Net Capital Spend per accounts	**1,814**
Net Capital Spend against the Capital Programme	**1,814**
Net expenditure budget (funded by CBC)	**2,835**
Net CBC under spend	**(1,021)**

The Capital Programme Budget figure of £2.835m above is the net 2010/11 Capital Programme budget, consisting of an expenditure budget of £4.523m and an income budget of £1.688m and includes slippage carried forward from previous years. This is the revised capital programme budget figure as presented to the Executive Committee on 31 May 2011 in the Provisional Capital Outturn Report.

Significant Issues

(i) Material unusual charge or credit to the accounts

The actuarial valuation of the Pension Fund has resulted in a past service gain of £3.77m being credited as an exceptional item within the Comprehensive Income and Expenditure Statement. The gain is due to a change in the index used to value scheme benefits within the Pension Fund from the Retail Price Index to the Consumer Price Index. The past service gain is reversed through the Movement in Reserves Statement to reduce the pensions liability in the Balance Sheet. This change in treatment has no effect on the Council's General Fund balance.

(ii) Economic Climate

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 2010/11 to encourage economic growth. This has had a significant effect on investment yields. Yields from many of the other significant income sources of the Council have also been lower than anticipated, particularly car parking and trade waste contracts, reflecting local economic conditions.

The 2010 Comprehensive Spending Review has presented the Council with difficult decisions going forward into 2011/12 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 will be reduced by 8.9% in 2011/12, with further reductions expected in later years. These reductions have been built into the Council's 2011/12 budget and its Medium-term Financial Plan.

Prior Period Adjustment – The Copeland Centre

The Council has an agreement with London and Regional Ltd for a Private Finance Initiative (PFI) project at the Copeland Centre. During 2010/11, the Council changed the way the project was disclosed within the accounts following advice from Sector Treasury Management Services. The change related to the recalculation of the assets and liabilities of the project based on the cost of construction rather than the present value of minimum lease repayments. This decision has resulted in a prior period adjustment for financial years 2008/09 and 2009/10 details of which can be found in note 1 on page 62 to the accounts

6. 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 Corporate Director of Resources and Transformation, 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 Executive at its meeting of 18 November 2010, when it agreed the mid year Treasury Management monitoring report. The report recommended an increase in the Prudential Indicators (the four key clauses of the CIPFA Code of Practice for Treasury Management) originally contained in the Treasury Management Strategy due to technical accounting changes relating to the PFI arrangement.

Investments at financial year end amounted to £13m. This is £4.6m less than at 31 March 2010 as reflected on the Balance Sheet.   This is compensated by an increase of £3.8m in short-term investments which are now classified as cash or cash-equivalents in the balance sheet under IFRS.

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.

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 reduced by £5.3m from £21.2m to £15.9m during 2010/11. A significant proportion of this reduction (£3.77m) is due to a change in the basis of valuing pensions increases, which is now calculated using the Consumer Price Index rather than the Retail Price Index. 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.

Impairments

During 2010/11, the Authority has recognised impairment losses (fall in value specific to individual assets) of £0.9m over 3 properties. Of this, £0.068m was charged to the Revaluation Reserve (for land at Monkwray Brow which will not receive planning permission as previously anticipated, its recoverable amount now being £0.010m) with the remainder being charged to the Comprehensive Income and Expenditure Statement, in the year.

Impairment losses relating to Lonsdale House of £0.290m, recoverable amount now £0, have been written off to Non-Distributed Costs in the Comprehensive Income and Expenditure Statement.

Impairment losses relating to land at Kells of £0.5m, recoverable amount now £1.5m, have been written off to Non-Distributed Costs in the Comprehensive Income and Expenditure Account.

Further impairment disclosures are contained within note 24 on page 101.

Further Information

Further information about the Statement of Accounts is available from the Corporate Director of Resources and Transformation, 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.

External Audit

The Audit Commission is responsible for the external audit of Copeland Borough Council's accounts. The auditor has not yet given an opinion. The Auditor's report and opinion will be included in the Accounts when it is available, which will be following the completion of the audit process, which is expected by 30 September 2011. The name and address of the Council's auditor is: Mrs Karen Murray, 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 Corporate Director of Resources and Transformation;
- 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 Corporate Director of Resources and Transformation) 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 2011.

Joanne Wagstaffe
Corporate Director of Resources and Transformation
Section 151 Officer.
30 June 2011

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. 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 2010/11 (the Code) and the Best Value Accounting Code of Practice 2010/11 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. International Financial Reporting Standards (IFRS)

These financial statements are the first prepared by the Council under IFRS and therefore the Council has applied IFRS 1 when preparing these statements, except where interpretations or adaptations to fit the public sector have been specifically detailed in the Code. Previous years accounts have been prepared using UK GAAP and therefore certain accounting and valuation methods have changed to comply with IFRS. Comparative figures for 2009/10 have therefore been adjusted where necessary to reflect these changes and a reconciliation between the 2009/10 accounts prepared using UK GAAP and the equivalent accounts prepared using IFRS is shown at note 2 on page 66.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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 weighted average of “spot yields” on AA rated corporate bonds. These weightings are designed to reflect approximately the duration of the pension liabilities of Copeland Borough Council. The resultant discount rates as at 31 March 2011 were as follows:

Duration Profile	**Young**	**Non-Pensioner**	**Average**	**Mature**	**Retired**
Discount Rate	5.4% p.a.	5.5% p.a.	5.5% p.a.	5.5% p.a.	5.4% p.a.

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.

9. 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.

10. 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 reliably (such as is the case in the Whitehaven 1992 Ltd company), the instrument is carried at cost (less any impairment losses).

11. 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.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. The Council will not receive further ABG after financial year 2010/11 as a result of changes to the allocation of grants announced in the 2010 Comprehensive Spending Review.

12. 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.

13. 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.

14. 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.

15. 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. These are outlined in note 37 on page 116.

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.

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 37 on page 115.

At the Balance Sheet date there were no property leases deemed to be finance leases.

16. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service, in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.

Non-distributed costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

17. Property, Plant and Equipment

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 £6,000.

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	15-50 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 2010/11 were carried out by CAPITA Symonds 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. 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. In the case of investment properties, gains are credited directly to the Comprehensive Income and Expenditure Statement.

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.

Impairment on investment properties are debited directly to the Comprehensive Income and Expenditure Statement.

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. All assets previously classified as surplus assets have been reviewed and reclassified where appropriate as Non-Operational Assets. 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.

Componentisation

IFRS require that individual assets with a significant value should be broken down into components, if those components are a) material to value of whole asset and b) have differing lives. The Authority has set 'significant value' at £0.9m and 'material' level for components at 10% of total individual asset value. The effective date of this requirement is 1 April 2010 and all individual assets of significant value becoming subject to componentisation rules when they fall for revaluation (in cycle, through acquisition or through enhancement). Assets that are not of ‘significant’ value individually but have been re valued, acquired or enhanced in the year, are considered as groups of like assets and the impact of componentisation considered.

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 £10,000 or more or where the aggregate value of the sale of individual assets within asset classifications equals £10,000 or more. Capital receipts are credited to the useable 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, except for investment properties, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the remaining life of the property (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.

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.

18. 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.

19. 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.

20. 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.

21. 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 useable resources for the Council – these reserves are explained in the relevant policies.

22. 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.

23. 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.

24. Group Accounts

The Council has reviewed its interests with external bodies in 2010/11 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 2010/11

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

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

The governance framework has been in place at Copeland Borough Council for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts for 2010/11.

THE GOVERNANCE FRAMEWORK

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

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

- The Council agreed a 5 year Council Plan in 2007, and reviewed and updated it annually. During 2010/11 the Council delivered its objectives through a one year implementation plan. This plan, displayed on a single A3 page, highlighted the key projects and performance indicators for 2010/11. These in turn were reflected in service plans, which were in place by April 2010 and monitored quarterly;
- The Council published the Corporate Implementation Plan 2010/11 for delivery of its vision and objectives through the website and a summary in the Council newspaper, Copeland Matters. For the first time in 2010/11 the Council published a special edition of Copeland Matters containing an annual report to residents of its previous years' achievements ; and
- 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 and is making arrangements to publish it in several formats and places.

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

- During 2010/11 the Council has been working on Choosing to Change, a corporate improvement programme, first developed during 2009/10. It was designed to draw together a number of areas for change including development of a new vision and goals for the Council, review of Constitutional arrangements, review of strategic partnerships, improvements in communication and reduction of Council expenditure to meet reduced funding for local authorities. The first phase of the Choosing to Change programme was agreed by Council on 13 April 2010 ; and
- 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.

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

- Resource Planning Working Group ensures that resources are allocated to Council priorities in line with the approved Medium Term Financial Plan. At the February 2010 Council meeting the full Council approved the detailed budget which was updated to reflect changed planning assumptions for the period 2011/12;
- By the beginning of 2010/11 it was recognised that the Medium Term Financial Strategy would have to change to reflect the new understanding of public sector finance within the national economic conditions following the General Election. A report setting out our understanding of what was likely to be required was agreed by Resource Planning Working Group on 8 April 2010. Work continued on this strategy resulting in an updated Medium Term Financial Strategy being agreed by the Council on 22 March 2011, covering the period 2011/12 – 2014/15;
- The Executive received quarterly financial reports in 2010/11 on both revenue and capital expenditure compared to budget. During the latter part of 2010/11 the frequency of monitoring increased to reflect the increased importance in managing budgets efficiently;
- A Procurement Strategy and a Sustainable Procurement Policy were prepared and adopted in February 2010 together with an improvement action plan. These strategies were implemented during 2010/11, including training on improved procurement practice being offered to all managers. The Council actively participates in EPIC (Efficient Procurement in Cumbria) and uses the IDeA Marketplace system to maximise the opportunities for purchasing cost effectively;
- During 2010/11 the Council entered shared services arrangements in respect of Revenues and Benefits and for Internal Audit. Both sets of arrangements sought to reduce costs and improve resilience in these mandatory services. Members of the Council are involved in the governance arrangements for shared services;
- The Council's own headquarters is in a building provided under a PFI agreement. This represents good value for money for the community and 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 are undertaking ongoing training to ensure the accounts accurately reflect the new accounting arrangements;

- Copeland Borough Council has had customer service standards and targets in place for many years and further development of customer service standards is ongoing;
- During 2010/11 Copeland again carried out a survey to measure customer satisfaction with its customer commitments. The results were positive and an improvement on the previous year;
- Reports on the impact of the recession in Copeland and Cumbria were considered by the Executive in March, September and December 2010 to ensure that Council policies and decisions were sensitive to the economic climate;
- Performance in services for customers against national Best Value Performance Indicators (BVPIs) and National Indicators (NIs) was monitored through individual service performance reports and, corporately, by the Corporate Leadership Team. A significant number of BVPIs were retained as local PIs to allow trends and comparisons with other authorities to be monitored ; and
- Progress against all Council corporate and service targets and objectives is reviewed quarterly. Performance against Corporate Implementation Plan objectives were reported to the Executive and Corporate Leadership Team quarterly. Key service objectives are monitored by the Chief Executive and relevant Director and in discussions with relevant portfolio holders.

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

- A review of senior management arrangements took place in 2010/11, starting with the appointment of a new Chief Executive. He developed a new structure with two new Corporate Director posts and a slimmed down Head of Service tier, to reduce costs and reflect new requirements of the Council. This will be fully implemented during 2011/12;
- 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 in plain language 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. The Constitution and particularly the scheme of delegation to officers will need revision in 2011/12 following the review of senior management completed by June 2011;

- 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 2010/11. Individual Portfolio Holders have delegated powers and these are set out in the Constitution;
- 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;
- 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;
- In 2010/11 the previous four Overview and Scrutiny Committees, were reduced to two 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;
- During 2009/10 a review by OSC Management of the Council's emerging Choosing to Change improvement programme supported a review of constitutional arrangements, including improved communication and engagement of members, review and revision of the rules governing Council meetings and proposals to restructure the OSC function ; and
- Through the Vacancy Management Group, Copeland BC managers have been challenging the need to replace all vacant posts that have arisen in 2010/11 and the efficiencies that have arisen as a result have contributed to the Council's target for savings under NI179. 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.

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

- The Councillors' Code of Conduct is signed up to by all Members of the Council. The Employee Code of Conduct was reviewed and reissued 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;

- The Council has a Dignity At Work Policy which was updated following recommendations by a OSC task and finish group during 2008/9. 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;
- 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. An improvement plan arising from the assessment will ensure that the principles of the Equalities Act 2010 are embedded in the Council's planning and protocols ; and
- 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.

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

- The Council's Constitution has been under review throughout the latter half of 2009/10 and into 2010/11. As part of this work the Council's Financial Regulations and Financial Procedure Rules were revised and approved by the Council on 7 December 2010. The Council also agreed revised Contract Procedure Rules on 17 August 2010. Workshops for managers and other officers were arranged to raise awareness of procedures and changes of practice. The Anti-Fraud and Corruption Strategy was updated in December 2009;
- Individual Heads of Service provided annual assurance statements on the operation of controls in their service area in 2010/11 and this is one source of evidence in considering the effectiveness of the system of internal control;
- The Council's Risk Management Strategy sets out how the Council approaches risk management. Risks to the delivery of service plans are set out in the annual service plans and are reviewed quarterly and reported as part of quarterly performance management procedures. The Strategic Risk Register was reviewed by Corporate Leadership Team. Work to review and refresh the Strategic Risk Register was undertaken with support from external expertise during 2009/10. The Audit Committee and OSC Management considered the revised Strategic Risk Register, and arrangements have been put in place to report updates to the Register periodically to the Audit Committee ; and
- Progress on developing a business continuity plan, was monitored regularly by Corporate Leadership Team. Another business continuity exercise took place on

18 January 2011 that helped to identify gaps in our planning, however considerable progress since the previous exercise in 2009 was noted. A new corporate business continuity plan was agreed by Corporate Leadership Team in December 2010. Individual services have developed business continuity plans containing the details of how their service will support the corporate business continuity plan.

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)

- 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;
- 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 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;
- 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;
- 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;

- 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 managers in place to cover vacancies and specialist work, and the risk of continuing on this basis is being addressed with a full review of the structure of the finance function being carried out and a skills assessment undertaken as part of this review. 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;
- Principle Five – The CFO must be professionally qualified and suitably experienced ; and
- The CFO in Copeland BC is a qualified CIPFA accountant and has suitable relevant experience of public services bodies.

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

- 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 during February 2011;
- Internal Audit submitted an Annual Report on Internal Control to the Audit Committee and a report on compliance with corporate governance standards on 27 May 2010;
- The Audit Committee considered and formally adopted the 2009/10 Statement of Accounts on 28 June 2010, and considered the Audited Accounts on 27 September 2010. It also received an update report on progress with delivering improvements arising from the Annual Governance Statement 2009/10;
- 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 20 December 2010. Other Audit Commission reports included an Interim Memorandum on financial systems and an Annual Governance Report. Improvement plans arising from external audits

and inspections are reviewed periodically during the year by the Audit Committee ; and

- Early monitoring updates on the preparation of the 2010/11 accounts were submitted to the Audit Committee in February and April 2011.

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

- During 2010/11 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;
- 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 2010/11 budget. The introduction of the International Accounting Standards to financial reporting has been taken into account by Copeland in preparation of its accounts for 2010/11;
- 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). This was reviewed and new requirements arising were identified and reported to Audit Committee on 21 April 2010. 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;
- 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;
- 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;

- 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 2010/11. There were no S.151 or Monitoring Officer reports issued in 2010/11;
- The Legal Services Manager issued updates to service managers on new legislation and associated statutory guidance ; and
- In March 2011 the Executive approved an asset management plan which set out how assets would be managed corporately in an integrated manner.

Whistle-blowing and receiving and investigating complaints from the public

- There were no adverse Ombudsman reports in 2010/11. The Ombudsman's annual report for Copeland in 2009/10 was especially complimentary;
- The OSC Internal continued to be responsible for overview of handling complaints to the Council during the year ; and
- The Confidential Reporting Code was last reviewed and re-launched in 2009/10.

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

- A Members' Development Plan was in place during 2010/11, arrived at through in depth discussions with individual members. The Council achieved the Members' Development Charter from North West Employers' Organization, which was last renewed in September 2009;
- The Council decided to secure the services of a training and development advisor to co-ordinate learning and evaluate the investment of the Council's training budget. The employees' Training and Development Plan was refreshed in 2010/11 to take account of new service and corporate objectives. An employee performance management scheme was used for appraisals during 2010/11. This scheme was designed to identify employees' contributions and training needs to deliver the Corporate Plan and services' plans. Reaccreditation of the Investors In People award in July 2008 had confirmed that the Council had mechanisms in place for employees to have access to effective and relevant learning;
- In order to mainstream Section 17 (S17) of the Crime & Disorder Act 1998 in all Council activities a full-time S17 officer was appointed to provide training in community safety to Copeland members and officers. A work programme was devised for 2010/11 to ensure services audit their activities and embed S17 into their work programmes ; and

- Following the Audit Commission's Data Quality audit inspection in 2009/10, managers and key staff attended further data quality training. The Data Quality Action Plan for 2009/10 was fully complied with. In addition an e-learning package on information security from National School of Government was completed by Council managers in 2010/11.

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

The Council's current Communication Strategy sets out the main guidance for communication and consultation with the public. This strategy is due for revision in 2011/12. 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. During the preparation of the budget for 2010/11, SIMALTO was used again to seek detailed understanding and opinions from the public about Council priorities. In preparation of the 2011/12 budget stakeholders were consulted at the beginning and end of the process on Council proposals.

- During 2010/11 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;
- To reach the "Achieving" level of the Equality Framework for Local Government during 2010/11 the Council talked to a range of community organisations about improving service access. It has continued to work with community organisations as representatives of target groups to improve accessibility for example in car parking ; and
- During 2010/11 the Council has been working with partners establishing locality working to give opportunities for greater participation by the community and working with agencies to identify and address local needs. Six locality partnerships were set up, which were working on locality plans to be signed off during March and April 2011.

Incorporating good governance arrangements in respect of partnerships and other group working, as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

- In order to increase its effective and efficient partnership working the Council has developed and formally agreed revised protocols and service level agreements for some partnerships.
- External Audit opinion found that there were still improvements that the Council could make in developing sound governance of partnerships. 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 the Cumbria Strategic Partnership and to contribute to the production of a single Sustainable Communities Strategy for Cumbria during 2010. Further work to strengthen protocols and practice will be undertaken in 2011/12.
- The West Cumbria Strategic Partnership was dissolved in March 2010, to be replaced by separate arrangements for Allerdale and Copeland. The Copeland partnership met for the first time in December 2010. It was formed from representatives of a wide grouping of local organisations and stakeholders. The intention is that the Partnership should meet twice yearly to consider priorities and performance by the key public sector agencies based on an agreed sustainable communities strategy for Copeland.
- A review of all strategic partnerships has been underway during 2010/11 to be completed later in 2011. The involvement of elected members in outside bodies has been subject to review during 2010/11, 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.

REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

Copeland Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit’s (the Audit Manager’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 2010/11 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 Audit Committee also considered the update of the Strategic Risk Register;
- the **Standards Committee** undertook a review of ethical governance during 2007/8 and continued to deliver against the agreed action plan during 2010/11. It published an annual report of its activities for 2009/10;
- **Chief Financial Officer** has responsibility for ensuring the effectiveness of the financial controls and the Financial Procedure Rules have been reviewed and re-issued during 2010;
- **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 ; and
- **other explicit review/assurance mechanisms**. Heads of Service have stated that to the best of their knowledge that in 2010/11 their services have complied 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. Risk management and progress on developing a business continuity plan was monitored regularly by Corporate Team.

The Audit Committee at its meeting of 1 June 2011, received the Annual Report on Internal Control 2010/11 from the Head of Internal Audit which concluded that based on the audit work undertaken in the year, the opinion was that key systems were operating satisfactorily and there was no fundamental breakdown in controls resulting in material error or discrepancies.

The meeting also considered the internal audit report of Corporate Governance Arrangements 2010/11, 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 2010/11. The report brought together the findings of the Self-Assessment of the Head of

Internal Audit on the Council's compliance with the CIPFA Code of Practice for Internal Audit in Local Government, the Annual Report on Internal Control 2010/11 and the main findings of the External Audit in 2010/11 in relation to internal audit.

The conclusion of the report was that the system of internal audit had operated satisfactorily in 2010/11.

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 2010/11 which we will want to address have been identified from a number of sources. They are included in the following action plan.

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:………………………………………………………………..

ANNUAL GOVERNANCE STATEMENT 2010/11 ACTION PLAN

Issue No.	Governance Weakness and Issues to be Addressed	Action Agreed	Responsible Officer	Target Date
1.	**Weakness:** A review across Cumbria by the Audit Commission identified weaknesses in governance and risk management arrangements in strategic partnerships. **Issues:** Improve arrangements to identify and mitigate potential risks associated with partnership working. This will include setting up a register of partnerships, including accountable body status and financial governance procedures – including risk management. (AGS para 12.2)	Partnership Group established chaired by Head of Development Strategy. Framework for analysing Partnership Register has been developed to identify key partnerships in terms of risk and impact. List of partnerships has been established. Now need to set up financial governance and risk management procedures.	J Betteridge, Head of Development Strategy and J Wagstaffe Corporate Director of Resources and Transformation	30 June 2011
2.	**Weakness:** Finance Department is reliant on two senior officers who are only employed on temporary contracts. **Issue:** Permanent capacity and resilience within Finance Department needs to be improved.	Restructure department and appointment permanent Head of Corporate Services and Accountancy Manager.	J Wagstaffe Corporate Director of Resources and Transformation	31 October 2011
3.	**Weakness**: the corporate Communication Strategy needs to be revised. **Issue:** The Council's Corporate Communication Strategy is a key element in how it engages with the public. (AGS para 11.1)	Update of the Communication Strategy is included as part of the Choosing to Change programme	Ian Curwen Communication Manager	30 September 2011

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 2010 & 2011

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'useable 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 G F Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Useable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2009		**(3,097)**	**(7,130)**	**(6,672)**	**(975)**	**(17,874)**	**(28,286)**	**(46,160)**
Movement in reserves during 2009/10								
Surplus or (deficit) on provision of services		2,195				2,195		**2,195**
Other Comprehensive Expenditure and Income		-	-	-	-	**-**	3,911	**3,911**
Total Comprehensive Expenditure and Income		**2,195**	**-**	**-**	**-**	**2,195**	**3,911**	**6,106**
Adjustments between accounting basis & funding Basis under regulations	9	(2,776)	-	1,307	933	(536)	536	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(581)**	**-**	**1,307**	**933**	**1,659**	**4,447**	**6,106**
Transfers to/from Earmarked Reserves	11	35	(35)			**-**		**-**
Increase/Decrease (movement) in Year		**(546)**	**(35)**	**1,307**	**933**	**1,659**	**4,447**	**6,106**
Balance at 31 March 2010 carried forward		**(3,643)**	**(7,165)**	**(5,365)**	**(42)**	**(16,215)**	**(23,839)**	**(40,054)**
Movement in reserves during 2010/11								
Surplus or (deficit) on provision of services		802				**802**	**-**	**802**
Other Comprehensive Expenditure and Income						**-**	(6,687)	**(6,687)**
Total Comprehensive Expenditure and Income		**802**	**-**	**-**	**-**	**802**	**(6,687)**	**(5,885)**
Adjustments between accounting basis & funding Basis under regulations	9	546		1,128	(9)	1,665	(1,665)	-
Net Increase/Decrease before Transfers to Earmarked Reserves		**1,348**	**-**	**1,128**	**(9)**	**2,467**	**(8,352)**	**(5,885)**
Transfers to/from Earmarked Reserves	11	(1,061)	1,061			-	-	**-**
Increase/Decrease (movement) in Year		**287**	**1,061**	**1,128**	**(9)**	**2,467**	**(8,352)**	**(5,885)**
Balance at 31 March 2011 carried forward		**(3,356)**	**(6,104)**	**(4,237)**	**(51)**	**(13,748)**	**(32,191)**	**(45,939)**

Comprehensive Income and Expenditure Statement - For the year ending 31 March 2011

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.

2009/10					2010/11		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Note**	**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
7,008	(6,135)	873	Central Services		7,965	(6,561)	1,404
14,723	(5,812)	8,911	Cultural, environmental, regulatory and planning services		15,034	(5,345)	9,689
1,880	(644)	1,236	Highways, roads and transport services		1,539	(525)	1,014
22,164	(18,796)	3,368	Housing Services		21,679	(19,903)	1,776
2,268	(113)	2,155	Corporate and Democratic Core		2,847	(328)	2,519
5	-	5	Non Distributed Costs		1,020	-	1,020
-	-	-	Exceptional Item – Non Distributed Costs	6	(3,770)	-	(3,770)
48,048	**(31,500)**	**16,548**	**Net Cost of Services**	17	**46,314**	**(32,662)**	**13,652**
415	(165)	250	Other Operating Expenditure	12	446	(257)	189
2,907	(1,158)	1,749	Financing and Investment Income and Expenditure	13	3,314	(1,833)	1,481
-	-	-	(Surplus)/Deficit of Discontinued Operations		-	-	-
-	(16,352)	(16,352)	Taxation and Non Specific Grant Income	14,15	-	(14,520)	(14,520)
		2,195	**(Surplus) or Deficit on Provisions of Services**	17			**802**
		(2,888)	(Surplus)/Deficit on revaluation of non-current assets				(4,213)
		-	(Surplus)/Deficit on revaluation of available for sale financial assets				-
		6,799	Actuarial (gains)/losses on pension assets/liabilities				(2,474)
		3,911	**Other Comprehensive Income and Expenditure**				**(6,687)**
		6,106	**Total Comprehensive Income and Expenditure**				**(5,885)**

Balance Sheet - For the year ended 31 March 2011

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 useable 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 2009 £'000	**31st March 2010 £'000**		**Note**	**31st March 2011 £'000**
46,264	49,108	Property, Plant & Equipment	21	51,893
2,743	2,648	Investment Property	22	2,837
246	342	Intangible Assets	23	537
30	30	Long term Investments		-
90	193	Long Term Debtors	26	345
49,373	**52,321**	**Long Term Assets**		**55,612**
18,701	17,600	Short Term Investments		13,017
2,453	2,212	Assets Held for Sale	28	1,700
139	88	Inventories	29	75
4,162	3,655	Short Term Debtors	26	2,474
1,608	2,061	Cash and Cash Equivalents	30	5,841
27,063	**25,616**	**Current Assets**		**23,107**
(473)	(599)	Cash and Cash Equivalents	30	(1,173)
(2,993)	(3,510)	Short Term Creditors	31	(3,433)
(292)	(24)	Provisions	32	(92)
(3,758)	**(4,133)**	**Current Liabilities**		**(4,698)**
(77)	(120)	Provisions	32	(140)
(5,060)	(5,001)	Long Term Borrowing		(5,002)
(13,600)	(21,211)	Net Pensions Liability	33	(15,901)
(7,569)	(7,206)	Other Long Term Liabilities	35-36	(6,827)
(212)	(212)	Capital Grants Receipts in Advance	15	(212)
(26,518)	**(33,750)**	**Long Term Liabilities**		**(28,082)**
46,160	**40,054**	**Net Assets**		**45,939**
17,874	16,215	**Usable Reserves**		13,748
28,286	23,839	**Unusable Reserves**	10	32,191
46,160	**40,054**	**Total Reserves**		**45,939**

Certified that the Statement of Accounts give a true and fair view of the financial position of the Authority at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

The unaudited accounts were issued on 30 June 2011 and the audited accounts were authorised for issue on 20 September 2011.

Signed

Date

Joanne Wagstaffe
Corporate Director of Resources and Transformation
Section 151 Officer.

Cash Flow Statement

For the year ended 31 March 2011

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.

2009/2010 £'000		**Note**	**2010/2011 £'000**
2,195	**Net (surplus) or deficit on the provision of services**		**802**
(3,470)	Adjustments to net surplus or deficit on the provision of services for non cash movements		(1,331)
2,418	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		839
1,143	**Net cash flows from operating activities**	41	**310**
(1,780)	Investing Activities	42	(3,285)
310	Financing activities	43	(231)
(327)	**Net increase or decrease in cash and cash equivalents**		**(3,206)**
(1,135)	Cash and cash equivalents at the beginning of the reporting period		(1,462)
(1,462)	**Cash and cash equivalents at the end of the reporting period**		**(4,668)**

Notes to the Financial Statements

1. PRIOR PERIOD ADJUSTMENT

In 2009/10 there was a change in accounting policy so that the Council recognised the PFI scheme for the Copeland Centre as an asset and a liability on the balance sheet in order to comply with IFRIC 12 “Service Concession Arrangements” contained in the government’s Financial Reporting Manual.

At the time there were two options available to the council as a basis for measuring the initial asset and liability, the present value of the minimum lease payments or the fair value based on the cost of construction (derived from the operator’s model). Initially the first method was chosen but during 2010/11 this decision was reviewed and the second method was chosen. This resulted in the opening balances as at 1 April 2009 being understated, the asset being understated by £0.322m and the liability being understated by £0.315m.

The code requires that material adjustments relating to prior periods are accounted for, for each prior period presented, to the extent practicable, the amount of the correction for each financial line item affected, and the amount of the correction at the beginning of the earliest prior period presented.

In order to correct the financial statements the council has restated the prior year information for both 2009/10 and 2010/11.

Below are the relevant lines affected in the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Movement in Reserves Statement for 2009/10.

The amendment has resulted in adjustments being made to the Comprehensive Income and Expenditure Statement relating to a reduction to the interest paid on the lease arrangement and subsequent increase in the depreciation charged on the higher valued non-current asset. The effect on the overall deficit is £0.007m.

The amendment to the Balance Sheet shows the Non-current Asset value increasing by £0.322m, Short Term Creditor balance increases by £0.018m and Deferred Liability increases by £0.297m. The £0.007m credit to the General Fund Balance through the movement on the deficit is offset through the Capital Adjustment Account.

An additional column has been added to show the IFRS amendments separately, aiding interpretation of the movement in the figures.

	Closing Balances as at 31 March 2009 Accounts	IFRS Amendments and re-classifications	Revised IFRS Closing Balances as at 31st March 2009	Correction Required for PFI adjustment	Revised Closing Balances as at 31 March 2009
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Extract from the Balance Sheet at 31 March 2009 before IFRS restatement					
Other Land and buildings	29,015	-	29,015	322	29,337
Total Fixed Assets	50,717	(1,786)	48,931	322	49,253
Total Assets	**75,447**	**667**	**76,114**	**322**	**76,436**
Short Term Creditors	(2,722)	(253)	(2,975)	(18)	(2,993)
Current Liabilities	**(3,195)**	**(545)**	**(3,740)**	**(18)**	**(3,758)**
Deferred Liabilities	(6,572)	(700)	(7,272)	(297)	(7,569)
Total Assets less Liabilities	**40,183**	**5,970**	**46,153**	**7**	**46,160**
Capital Adjustment Account	26,018	5,905	31,923	7	31,930
Total Net Worth	**40,183**	**5,970**	**46,153**	**7**	**46,160**
Extract from the Balance Sheet at 31 March 2009 after IFRS restatement					
Property, Plant and Equipment	46,389	(447)	**45,942**	322	**46,264**
Long Term Assets	**50,837**	**(1,786)**	**49,051**	**322**	**49,373**
Short Term Creditors	(2,722)	(253)	**(2,975)**	(18)	**(2,993)**
Current Liabilities	**(3,195)**	**(545)**	**(3,740)**	**(18)**	**(3,758)**
Other Long Term Liabilities	(6,572)	(700)	**(7,272)**	(297)	**(7,569)**
Long Term Liabilities	**(32,069)**	**5,848**	**(26,221)**	**(297)**	**(26,518)**
Net Assets	**40,183**	**5,970**	**46,153**	**7**	**46,160**
Usable Reserves	16,899	975	**17,874**	-	**17,874**
Unusable Reserves	23,284	4,995	**28,279**	7	**28,286**
Total Reserves	**40,183**	**5,970**	**46,153**	**7**	**46,160**

Usable Reserves	Closing Balances as at 31 March 2009 Accounts	IFRS Amendments and re-classifications	Revised IFRS Closing Balances as at 31st March 2009	Correction Required for PFI adjustment	Revised Closing Balances as at 31 March 2009
Balance at 31 March 2009	(16,899)	(975)	(17,874)	-	(17,874)
(Surplus) or Deficit on Provisions of Services	2,690	(493)	2,197	(2)	2,195
Adjustments between the accounting basis and funding basis under regulation	(3,740)	3,197	(543)	7	(536)
Transfers to/from Earmarked Reserves	-	-	-	-	-
Increase/(Decrease) in the year	(1,050)	2,704	1,654	5	1,659
Balance at end of 31 March 2010	**(17,949)**	**1,729**	**(16,220)**	**5**	**(16,215)**

The relevant lines effected in the Comprehensive Income and Expenditure Statement and the Balance Sheet for 2010/11 are also included below for completeness.

	2009/10	IFRS Amendments and re-classifications	Revised IFRS 2009/10	Correction Required for PFI adjustment	Revised 2009/10
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Extract from the Comprehensive Income and Expenditure Statement					
Central Services	810	60	870	3	873
Cultural, environmental and planning services	8,773	131	8,904	7	8,911
Highways, roads and transport services	1,232	4	1,236	-	1,236
Housing Services	1,423	1,942	3,365	3	3,368
Corporate and Democratic Core	2,152	-	2,152	3	2,155
Non Distributed Costs	5	-	5	-	5
Net Cost of Services	**14,395**	**2,137**	**16,532**	**16**	**16,548**
Other operating expenditure	250	-	250	-	250
Financing and Investment Income and Expenditure	1,834	(67)	1,767	(18)	1,749
Taxation and Non Specific Grant Income	(13,789)	(2,563)	(16,352)	-	(16,352)
(Surplus) or Deficit on Provisions of Services	**2,690**	**(493)**	**2,197**	**(2)**	**2,195**

	Closing Balances as at 31 March 2010 Accounts	IFRS Amendments and re-classifications	Revised IFRS Closing Balances as at 31 March 2010	Correction Required for PFI adjustment	Revised Closing Balances as at 31 March 2010
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
<u>Extract from the Balance Sheet at 31 March 2010 before IFRS restatement</u>					
Other Land and buildings	30,721	-	30,721	(16)	30,705
Total Fixed Assets	53,484	871	54,355	(16)	54,339
Total Assets	**76,512**	**871**	**77,383**	**(16)**	**77,367**
Short Term Creditors	(3,381)	200	(3,181)	1	(3,180)
Current Liabilities	**(3,440)**	**(131)**	**(3,571)**	**1**	**(3,570)**
Deferred Liabilities	(6,335)	109	(6,226)	17	(6,209)
Total Assets less Liabilities	**33,598**	**386**	**33,984**	**2**	**33,986**
Capital Adjustment Account	(25,081)	1,253	(23,828)	**2**	(23,826)
Total Net Worth	**33,598**	**386**	**33,984**	**2**	**33,986**
<u>Extract from the Balance Sheet at 31st March 2010 after IFRS restatement</u>					
Property, Plant and Equipment	48,253	871	**49,124**	(16)	**49,108**
Long Term Assets	**52,334**	**3**	**52,337**	**(16)**	**52,321**
Short Term Creditors	(3,711)	200	**(3,511)**	1	**(3,510)**
Current Liabilities	**(4,003)**	**(131)**	**(4,134)**	**1**	**(4,133)**
Other Long Term Liabilities	(7,332)	109	**(7,223)**	17	**(7,206)**
Long Term Liabilities	**(33,923)**	**156**	**(33,767)**	**17**	**(33,750)**
Net Assets	**39,666**	**386**	**40,052**	**2**	**40,054**
Usable Reserves	17,148	(933)	**16,215**	-	**16,215**
Unusable Reserves	22,518	1,319	**23,837**	2	**23,839**
Total Reserves	**39,666**	**386**	**40,052**	**2**	**40,054**

2. RECONCILIATION OF IFRS TO UK GAAP

The statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the statement of Accounts for 2009/10.

The following reconciliation and supporting notes explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

The items appearing in the prior period adjustment (PPA) columns are in note 1 on page 62.

Line Items on UK GAAP to IFRS Classification	Note	31 March 2010 £'000	IFRS BFWD 2009 £'000	IFRS 2010 £'000	PPA BFWD 2009 £'000	PPA 2010 £'000	31 March 2010 £'000
Other Land and Buildings		30,721	9,801	1,036	322	(16)	41,864
Vehicles, plant, furniture and equipment	ii	2,229	758	(121)	-	-	2,866
Infrastructure Assets		2,893	-	-	-	-	2,893
Community Assets		1,333	-	-	-	-	1,333
Assets under construction		152	-	-	-	-	152
Surplus assets, held for disposal		10,959	(10,915)	(44)	-	-	-
Property Plant and Equipment	iii	**48,287**	**(356)**	**871**	**322**	**(16)**	**49,108**
Investment properties	iii	4,855	(1,339)	(868)	-	-	2,648
Intangible Assets		342	-	-	-	-	342
Long Term Investments		30	-	-	-	-	30
Long Term Debtors		193	-	-	-	-	193
Long Term Assets		**53,707**	**(1,695)**	**3**	**322**	**(16)**	**52,321**
Short Term Investments		17,600	-	-	-	-	17,600
Assets Held for Sale	iii		2,453	(241)	-	-	2,212
Inventories		88	-	-	-	-	88
Short Term Debtors		3,655	-	-	-	-	3,655
Cash and Cash Equivalents		1,462	-	599	-	-	2,061
Current Assets		**22,805**	**2,453**	**358**	**-**	**-**	**25,616**

Line Items on UK GAAP to IFRS Classification (Continued)	Note	31 March 2010 £'000	IFRS BFWD 2009 £'000	IFRS 2010 £'000	PPA BFWD 2009 £'000	PPA 2010 £'000	31 March 2010 £'000
Cash and Cash Equivalents		-	-	(599)	-	-	(599)
Short Term Borrowing		(59)	-	-	-	-	(59)
Creditors	I	(3,381)	(253)	200	(18)	1	(3,451)
Provisions		-	(292)	268	-	-	(24)
Current Liabilities		**(3,440)**	**(545)**	**(131)**	**(18)**	**1**	**(4,133)**
Provisions		(144)	292	(268)	-	-	(120)
Long Term Borrowing		(5,001)	-	-	-	-	(5,001)
Liability related to defined benefit pension scheme		(21,211)	-	-	-	-	(21,211)
Deferred Liabilities	ii	(6,335)	(700)	109	(297)	17	(7,206)
Government grants deferred	iv	(6,529)	5,281	1,248	-	-	0
Capital grant unapplied	iv	(254)	975	(933)	-	-	(212)
Long Term Liabilities		**(39,474)**	**5,848**	**156**	**(297)**	**17**	**(33,750)**
Net Assets		**33,598**	**6,061**	**386**	**7**	**2**	**40,054**
Useable Reserves							
Capital receipts reserve		5,365	-	-	-	-	5,365
Capital Grants Unapplied			975	(933)	-	-	42
General Fund balance		3,643	-	-	-	-	3,643
Fund balances and earmarked reserves		7,165	-	-	-	-	7,165
		16,173	**975**	**(933)**	**-**	**-**	**16,215**
Unusable Reserves							
Capital Adjustment Account		25,081	6,022	1,253	7	2	32,365
Collection Fund Adjustment Account		(9)	-	-	-	-	(9)
Deferred capital receipts		36	-	-	-	-	36
Financial instrument adjustment account		(59)	-	-	-	-	(59)
Revaluation reserve		13,587	(793)	10	-	-	12,804
Accumulated Absences Account		-	(143)	56	-	-	(87)
Pensions reserve		(21,211)	-	-	-	-	(21,211)
		17,425	**5,086**	**1,319**	**7**	**2**	**23,839**
Total Reserves		**33,598**	**6,061**	**386**	**7**	**2**	**40,054**

i Short-term accumulated absences

Short-term accumulating absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by the heading is holiday pay.

Employees build up an entitlement to holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangement, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when they are earned. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

ii Leases

The Code adopts the accounting requirements of International Accounting Standard (IAS) 17.

Leases are required to be accounted for in income and expenditure statements and on the Balance Sheet as “finance” or “operating” leases. A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset (even though title to the property may not be transferred). An operating lease is a lease that is not a finance lease.

The key determinant of the status of a lease is the extent to which the risks and rewards incidental to ownership lie with the lessee or lessor.

After a review of all leases held by the council, both as lessee and lessor, several leases were deemed to be finance leases.

Where these had previously been charged to the Comprehensive Income and Expenditure Statement at the full rental amount they were now recognised on the Balance Sheet as Assets and depreciated through the Comprehensive Income and Expenditure Statement.

The asset is matched by a deferred Liability on the Balance Sheet with subsequent payments reducing the liability.

Further detail is outlined in note 36 on page 113.

Any adjusting reconciliations between the accounting treatment and the statutory capital controls is managed through the Capital Adjustment Account.

iii Current and Non- Current Assets

The code adopts the accounting requirements of IAS16, IAS40 and IFRS 5

The re-classification of Fixed assets under SORP to Non Current and Current Assets under IFRS saw a large number and value of assets change classification. The restriction on investment properties to those that are held solely to earn rentals or for capital appreciation or for both, and the Held for Sale classification being restricted by set criteria including the requirement of a the sale of the asset within 12 months of the balance sheet date, resulted in assets being re classified into Property, Plant and Equipment (PPE). As a consequence, changes to asset values put through in 2009/10 accounts (under the SORP) needed to be reclassified to the asset's new classification under IFRS. This resulted in £0.428m of upward revaluations, £0.253m of impairments downwards and £0.962m of additions being reclassified.

As a result of the reclassifications it has been necessary to implement further accounting entries in respect of valuations and deprecation. Assets that changed classification from Investments and Surplus Held for Sale under SORP to PPE under the code were re valued as the basis for valuing the separate categories differs. This has resulted in a £0.026m revaluation upwards and a £0.117m revaluation downwards. The reclassified assets also needed to be depreciated under their new classification and this resulted in a charge of £0.026m to the Comprehensive Income and Expenditure Statement (CIES) which has been mitigated in the Capital Adjustment Account.

iv Grants

The code adopts the accounting requirements of IAS 20

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, under SORP, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of this change, the financial statements have been amended, removing the government grants deferred that was recognised as income in 2009/10 (under the SORP) of £0.333m and the government grants deferred that were received in year of £1.581m and writing these off to the Capital Adjustment Account. Grants that have been received but not yet spent i.e. unapplied are now split between those that have unmet conditions at the balance sheet date – classified as liabilities and those that have no conditions attached or no unsatisfied conditions at the balance sheet date, which are classified as a reserve. This resulted in £0.933m spent in 2009/10 being reclassified as coming from the reserve rather than the creditor balance.

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

Heritage assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the authority in the 2011/12 financial statements.

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, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in the 2010/11 financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements.

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, the Museum Store at Moresby or the Copeland Centre. The principal collections of heritage assets held include:

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

Prior to 2010/11 these assets were not recognised in the financial statements but, as the Code will require heritage assets to be measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information), the Council has recognised the assets in its balance sheet during 2010/11 at nil value, as the 2010/11 code permits Community Assets to be carried at historic cost only and this information is not available. For the preparation of the 2011/12 financial statements the Council will follow the permissable relaxation in the valuation requirements of heritage assets which allows the Council to recognise its assets on the balance sheet using as its base the detailed insurance valuations (which are based on market values) held by the Council in respect of the collection. This method will be used as the Council is of the view that obtaining individual valuations for the vast majority of the assets would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Council's financial statements – this exemption is permitted by the 2011/12 Code.

There is no depreciation charged on the heritage assets that are currently classified as community assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Council considers that the heritage assets it owns will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation on the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the Council's heritage assets.

4. 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 has created a new reserve during 2010/11 to fund costs of its service review process "Choosing to Change". The value of this reserve is £1.604m and was created from balances on earmarked reserves that were no longer required and budget savings arising in 2010/11 (£1.538m transferred during the year). There is no certainty that this reserve will meet the overall 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.

5. 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 2011 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 2011 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 2010/11 reduced by £2.474m due to changes to actuarial valuations of pension assets and liabilities and by a further £1.55m due to changes to the value of retirement benefits. Overall the pension liability dropped from £21.211m at 31 March 2010 to £15.901m at 31 March 2011.

6. EXCEPTIONAL ITEMS

Pensions

In his budget statement on 22 June 2010, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past.

This has the effect of reducing the council's liabilities in the pension fund by £3.77m and has been recognised as a negative past service cost in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund balance.

7. MATERIAL ITEMS OF INCOME AND EXPENSE

Material Items within the Comprehensive Income and Expenditure Statement include;

- **Impairments**

  Details are outlined in note 24 on page 101.

- **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 to run initially to February 2012. Funding for the project is being provided in full from the Department for the Environment and Climate Change (DECC), In 2010/11, the Council spent £0.986m (£0.587m 2009/10) and received a corresponding grant for this amount from DECC.

8. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue on 30 June 2011 by the Corporate Director for Resources and Transformation and Chief Financial Officer, Joanne Wagstaffe.

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 2011, 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 require disclosure.

9. 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.

2010/11	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£'000	£'000	£'000	£'000	£'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	(3,340)	-	-	-	3,340
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)
Movement in the Donated Assets Account					
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)

2010/11 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	420	-	(420)	-	-
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
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	**546**	**-**	**1,128**	**(9)**	**(1,665)**

Comparative figures for the years 2009/10	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£'000	£'000	£'000	£'000	£'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	(2,461)	-	-	-	2,461
Revaluation Losses on Property Plant and Equipment					
Movements in the market value of Investment Properties	16	-	-	-	(16)
Amortisation of intangible assets	(188)	-	-	-	188
Capital grants and contributions applied	4,538	-	-	-	(4,538)
Revenue Expenditure funded from capital under statute	(3,554)	-	-	-	3,554
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(328)	-	-	-	328
Insertion of items not debited or credited to the CIES					
Statutory Repayment of Debt (Finance Lease Liabilities)	110	-	-	-	(110)
Statutory Repayment of Debt (PFI)	253	-	-	-	(253)
Capital expenditure charged against the General Fund	88	-	-	-	(88)
Adjustments primarily involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied credited to the CIES	(933)	-	-	933	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	469	-	(469)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	1,778	-	(1,778)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve on receipt of cash	-	-	(2)	-	2

Comparative figures for the years 2009/10 continued	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
	£'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	(42)	-	-	-	42
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	(2,037)	-	-	-	2,037
Employer's pension contributions and direct payments to pensioners payable in the year	1,225	-	-	-	(1,225)
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	12	-	-	-	(12)
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	56	-	-	-	(56)
Total Adjustments	**(2,776)**	**-**	**1,307**	**933**	**536**

10. UNUSABLE RESERVES

	As at 31 March 2011 £000	As at 31 March 2010 £000	As at 31 March 2009 £000
Revaluation Reserve	(16,885)	(12,804)	(10,099)
Capital Adjustment Account	(31,365)	(32,365)	(31,930)
Financial Instrument Adjustment Account	107	59	17
Deferred Capital Receipts Reserve	(30)	(36)	(38)
Pension Reserve	15,901	21,211	13,600
Collection Fund Adjustment Account	(33)	9	21
Accumulated Absences Account	114	87	143
Total Unusable Reserves	**(32,191)**	**(23,839)**	**(28,286)**

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 are 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 2010 £000		As at 31 March 2011 £000
(10,099)	**Balance at 1st April**	**(12,804)**
(3,420)	Upward revaluation of assets	(4,337)
532	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	124
(2,888)	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**(4,213)**
29	Difference between fair value depreciation and historic cost depreciation	111
154	Accumulated gains on assets sold or scrapped	21
183	Amount written off to the Capital Adjustment Account	**132**
(12,804)	**Balance at 31st March**	**(16,885)**

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 useable 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 2010 £000		As at 31 March 2011 £000
(38)	**Balance at 1st April**	**(36)**
	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
2	Transfer to the Capital Receipts Reserve on receipt of cash	6
(36)	**Balance at 31st March**	**(30)**

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 9 on page 74 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

As at 31 March 2010 £000		As at 31 March 2011 £000
(31,930)	**Balance at 1 April**	**(32,365)**
-	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	-
2,461	Charges for depreciation and impairment of non-current assets	3,340
-	Revaluation Losses on Property Plant and Equipment	-
188	Amortisation of intangible assets	157
3,554	Revenue Expenditure funded from capital under statute	1,510
174	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	208
6,377		**5,215**
(29)	Adjusting amounts written out of the Revaluation Reserve	(132)
6,348	Net written out amount of the cost of non-current assets consumed in the year	**5,083**
	Capital Financing applied in the year:	
(1,778)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,553)
(4,538)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,984)
-	Application of grants to capital financing from the Capital Grants Unapplied Account	(42)
(363)	Statutory provision for the financing of capital investment charged against the General Fund balance	(375)
(88)	Capital expenditure charged against the General Fund	(10)
(6,767)		**(3,964)**
(16)	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(119)
(32,365)	**Balance at 31 March**	**(31,365)**

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 2010 £000		**As at 31 March 2011 £000**
17	**Balance at 1 April**	**59**
33	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	61
9	Proportions of premiums in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(13)
42	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	**48**
59	**Balance at 31 March**	**107**

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 2010 £000		As at 31 March 2011 £000
21	**Balance at 1 April**	**9**
(12)	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	(42)
9	**Balance at 31 March**	**(33)**

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 2010 £000		As at 31 March 2011 £000
13,600	**Balance at 1 April**	**21,211**
6,799	Actuarial Gains or losses on pensions assets and liabilities	(2,474)
2,037	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	(1,550)
(1,225)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,286)
21,211	**Balance at 31 March**	**15,901**

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 2010 £000		As at 31 March 2011 £000
143	**Balance at 1 April**	**87**
(143)	Settlement or cancellation of accrual made at the end of the preceding year	(87)
87	Amounts accrued at the end of the current year	114
87	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	**114**
87	**Balance at 31 March**	**114**

11. 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 2010/11.

Earmarked Reserves	Balance as at 1 April 2009	Transfers Out 2009/10	Transfers In 2009/10	Balance at 31 March 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance as at 31 March 2011
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive							
Choosing to Change programme	**60**	(57)	110	**113**	(47)	1,538	**1,604**
Finance and Management Information Services							
Local Business Growth Initiative	**424**	(60)	25	**389**	(389)	-	**-**
Other	**201**	(418)	572	**355**	(322)	279	**312**
Policy and Performance							
Workforce Strategy Reserve	**441**	-	-	**441**	(595)	154	**-**
Other	**225**	(64)	90	**251**	(264)	13	**-**
Legal and Democratic Services	**100**	(42)	-	**58**	-	21	**79**
Customer Services							
RBS Shared Service Project	**-**	(42)	161	**119**	(119)	-	**-**
Other	**256**	(105)	7	**158**	(180)	79	**57**
Leisure and Environmental Services	**160**	(126)	52	**86**	(157)	98	**27**
Development Strategy and Operations							
Local Business Growth Initiative	**-**	-	-	**-**	(206)	414	**208**
Neighbourhood Renewal Scheme	**2,533**	(423)	85	**2,195**	(1,393)	-	**802**
Planning Policy Delivery Grant	**484**	(52)	-	**432**	(138)	20	**314**
Assist in resourcing Nuclear	**20**		200	**220**	-	-	**220**
Copeland Seaside Coastal Park	**-**	-	-	**-**	-	200	**200**
Other	**859**	(482)	420	**797**	(605)	458	**650**
Sinking Funds	**1,367**	(6)	190	**1,551**	(96)	176	**1,631**
Total	**7,130**	(1,877)	1,912	**7,165**	(4,511)	3,450	**6,104**

12. OTHER OPERATING EXPENDITURE

2009/10 £'000	Other Operating Expenditure	2010/11 £'000
385	Parish Council Precepts	400
(165)	Vat sharing proceeds	(257)
-	Payments to the Government Housing Capital Receipts Pool	1
30	Gains/losses on the disposal of non-current assets	45
250	**Total**	**189**

13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10 £'000	Financing and Investment Income and Expenditure	2010/11 £'000
1,106	Interest Payable and similar charges	1,078
1,284	Pension interest cost and expected return on pensions assets	957
(467)	Interest receivable and similar income	(255)
(174)	Income and expenditure in relation to investment properties and changes in their fair value	(299)
-	Other investment income	-
1,749	**Total**	**1,481**

14. TAXATION AND NON SPECIFIC GRANT INCOMES

2009/10 £'000	Taxation and Non Specific Grant Income	2010/11 £'000
(4,291)	Council tax income	(4,458)
(5,839)	Non domestic rates	(6,307)
(4,641)	Non-ring fended government grants	(3,243)
(1,581)	Capital grants and contributions	(512)
(16,352)	**Total**	**(14,520)**

15. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11;

Credited to Taxation and Non Specific Grant Income	**2010/11 £'000**	**2009/10 £'000**
Area Based Grant	936	1,366
Revenue Support Grant	916	1,348
PFI Grant	837	837
Housing Planning & Delivery Grant	-	83
LABGI	-	25
Other Grants	1,066	2,563
Total	**3,755**	**6,222**
Credited to Services		
Rent Allowance Subsidy	18,418	17,530
Council Tax Benefit Grant	5,562	5,309
Administration Grants	596	704
Homelessness Grant	36	36
Repossession Fund	-	29
Other Grants	459	825
Total	**25,071**	**24,443**

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 2011 £'000	**31 March 2010 £'000**	**31 March 2009 £'000**
Capital Grants Receipts in Advance			
ERDF	212	212	212
Total	**212**	**212**	**212**

16. 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 2010/11 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.

	2008/09		2009/10		2010/11	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Turnover	529		506		552	
Expenditure	(529)		(506)		(552)	
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 MIRS.

	2008/09		2009/10		2010/11	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Turnover	413		354		333	
Expenditure	(627)		(715)		(538)	
Surplus/(Deficit)		(214)		(361)		(205)

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

	2008/09		2009/10		2010/11	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Turnover	207		307		315	
Expenditure	(84)		(312)		(286)	
Surplus/(Deficit)		123		(5)		29

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

	2008/09		2009/10		2010/11	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Turnover	199		189		224	
Expenditure	(76)		(162)		(153)	
Surplus/(Deficit)		123		27		71

	2008/09	2009/10	2010/11
Net Surplus/(Deficit) on Trading Operations	**32**	**(339)**	**(105)**

17. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

(i) Service Information

Year ended 31 March 2011	**Revenues & Benefits £'000**	**Development Strategy £'000**	**Development Operations £'000**	**Leisure & Environmental Services £'000**	**Other Direct Services £'000**	**Total £'000**
Fees, charges & other service income	(864)	(575)	(665)	(3,286)	(669)	**(6,059)**
Government grants	(24,668)	(56)	-	(21)	(986)	**(25,731)**
Total Income	**(25,532)**	**(631)**	**(665)**	**(3,307)**	**(1,655)**	**(31,790)**
Employee expenses	-	1,383	924	2,805	299	**5,411**
Other operating expenses	24,631	2,819	556	3,260	2,824	**34,090**
Support service recharges	1,902	703	1,002	2,013	2,551	**8,171**
Total Operating Expenses	**26,533**	**4,905**	**2,482**	**8,078**	**5,674**	**47,672**
Net Cost of Services	**1,001**	**4,274**	**1,817**	**4,771**	**4,019**	**15,882**

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)	**13,652**
Service costs and income not in main analysis	-
Amounts not reported to Management	2,230
Net Cost of Services	**15,882**

Year ended 31 March 2010	Revenues & Benefits £'000	Development Strategy £'000	Development Operations £'000	Leisure & Environmental Services £'000	Other Direct Services £'000	Total £'000
Fees, charges & other service income	(731)	(1,760)	(552)	(3,326)	(451)	(6,820)
Government grants	(23,662)	(36)	-	(100)	800	(24,598)
Total Income	**(24,393)**	**(1,796)**	**(552)**	**(3,426)**	**(1,251)**	**(31,418)**
Employee expenses	-	1,011	803	2,578	185	4,577
Other operating expenses	23,588	3,236	513	3,547	2,309	33,193
Support service recharges	1,472	434	674	2,406	2,000	6,986
Total Operating Expenses	**25,060**	**4,681**	**1,990**	**8,531**	**4,494**	**44,756**
Net Cost of Services	**667**	**2,885**	**1,438**	**5,105**	**3,243**	**13,338**

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)	**16,548**
Service costs and income not in main analysis	-
Amounts not reported to Management	(3,210)
Net Cost of Services	**13,338**

(ii) Reconciliation to subjective analysis

Year ended 31 March 2011	Service Analysis £'000	Services not in Analysis £'000	Items not reported to Management £'000	Allocation Of Recharges £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(6,059)	-	(127)	(391)	**(6,577)**	(257)	**(6,834)**
Government grants	(25,731)	-	(332)	(22)	**(26,085)**	(10,062)	**(36,149)**
Interest & Investment Income	-	-	-	-	**-**	(1,833)	**(1,833)**
Income from Council Tax	-	-	-	-	**-**	(4,458)	**(4,458)**
Total Income	**(31,790)**	**-**	**(459)**	**(413)**	**(32,662)**	**(16,610)**	**(49,272)**
Employee expenses	5,411	-	(3,633)	4,184	**5,962**	957	**6,919**
Other operating expenses	34,090	-	-	2,960	**37,050**	552	**37,602**
Depreciation, amortisation and impairments	-	-	1,862	1,595	**3,457**	727	**4,184**
Support service recharges	8,171	-	-	(8,326)	**(155)**	-	**(155)**
Interest payments	-	-	-	-	**-**	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	**47,672**	**-**	**(1,771)**	**413**	**46,314**	**3,760**	**50,074**
(Surplus)/Deficit on the of Services	**15,882**	**-**	**(2,230)**	**-**	**13,652**	**(12,850)**	**802**

Year ended 31 March 2010	Service Analysis £'000	Services not in Analysis £'000	Items not reported to Management £'000	Allocation of Recharges £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(6,820)	-	-	(59)	**(6,879)**	(165)	**(7,044)**
Government grants	(24,598)	-	-	(23)	**(24,621)**	(12,061)	**(36,682)**
Interest & Investment Income	-	-	-	-	**-**	(652)	**(652)**
Income from Council Tax	-	-	-	-	**-**	(4,291)	**(4,291)**
Total Income	**(31,418)**	**-**	**-**	**(82)**	**(31,500)**	**(17,169)**	**(48,669)**
Employee expenses	4,577	-	220	4,503	**9,300**	1,295	**10,595**
Other operating expenses	33,193	-	-	2,181	**35,374**	-	**35,374**
Depreciation, amortisation and impairments	-	-	2,990	(90)	**2,900**	-	**2,900**
Support service recharges	6,986			(6,512)	**474**	-	**474**
Interest payments	-	-	-	-	**-**	1,106	**1,106**
Precepts & levies	-	-	-	-	**-**	385	**385**
Gains & losses on sale of assets	-	-	-	-	**-**	30	**30**
Payments to Housing Capital Receipts Pool	-	-	-	-	**-**	-	**-**
Total Operating Expenses	**44,756**	**-**	**3,210**	**82**	**48,048**	**2,816**	**50,864**
(Surplus)/Deficit on the provision of Services	**13,338**	**-**	**3,210**	**-**	**16,548**	**(14,353)**	**2,195**

18. 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 Remuner-ation including Pension
Chief Executive	(1)	2010/11	75,108	3,109	3,414	-	**81,631**	12,994	**94,625**
		2009/10	57,727	34	1,189	-	**58,950**	9,876	**68,826**
Corporate Director of Development	(2)	2010/11	42,683	1,348	599	36,838	**81,468**	7,384	**88,852**
		2009/10	92,426	2,249	906	-	**95,581**	15,712	**111,293**
Acting Corporate Director Quality of Life	(3)	2010/11	57,355	1,281	963	-	**59,599**	9,922	**69,521**
		2009/10	64,024	622	906	--	**65,552**	10,884	**76,436**
Head of Customer Services		2010/11	52,591	1,317	-	15,128	**69,036**	9,098	**78,134**
		2009/10	52,591	990	-	-	**53,581**	8,940	**62,521**
Head of Finance & Management Information Systems	(4)	2010/11	5,434	125	-	-	**5,559**	940	**6,499**
		2009/10	59,375	401	-	-	**59,776**	10,094	**69,870**
Head of Legal & Democratic Services		2010/11	59,452	-	-	17,103	**76,555**	10,809	**87,364**
		2009/10	59,452	79	-	-	**59,531**	10,107	**69,638**
Head of Policy & Performance		2010/11	52,591	401	-	28,241	**81,233**	9,098	**90,331**
		2009/10	52,591	422	-	-	**53,013**	8,940	**61,953**
Head of Development Operations	(6)	2010/11	61,928	72	-	-	**62,000**	10,714	**72,714**
		2009/10	52,591	364	-	-	**52,955**	8,940	**61,895**
Director of Public Service Delivery	(5)	2010/11	-	-	-	-	**-**	-	**-**
		2009/10	52,591	2,759	906	-	**56,256**	8,940	**65,196**
Head of Development Strategy		2010/11	52,591	1,325	-	-	**53,916**	9,098	**63,014**
		2009/10	52,591	1,163	-	-	**53,754**	8,940	**62,694**
Corporate Director of Resources and Transformation	(4)	2010/11	44,017	377	-	-	**44,394**	7,615	**52,009**
		2009/10	-	-	-	-	**-**	-	**-**

During 2009/10 the council's Chief Executive retired resulting in various staff acting up to more senior positions. In addition, 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 post was vacant for the final quarter of 2009/10 thus showing an increase during 2010/11.
2. The Corporate Director of Development left his post during 2010/11 and the post is now redundant.
3. The Corporate Director for Quality of Life was acting up for part of 2009/10.
4. The Head of Finance and Management Information Systems left early in 2010/11. This post is now redundant being partially covered by the new post of Corporate Director of Resources and Transformation. This position was not filled until part of the way through 2010/11.
5. The Director of Public Service Delivery left the post at the end of 2009/10 and the position was not replaced.
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 £0.105m including pension contributions but excluding compensation payments for loss of office. Details of these are disclosed in note 35 on page 113. Further restructuring is planned for 2011/12.

19. MEMBERS ALLOWANCES

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

	2010/11	**2009/10**
	£000	**£000**
Salaries	-	-
Allowances	244	248
Expenses	17	15
Total	**261**	**263**

20. EXTERNAL AUDIT COSTS

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

	2010/11	2009/10
	£	£
Fees payable to the Audit Commission in respect of statutory inspection	-	19,600
Fees payable to the Audit Commission for the certification of grant claims and returns	41,655	26,180
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	132,696	149,458
Fees payable in respect of other services provided by the appointed auditor	5,858	-
Total	**180,209**	**195,238**

21. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

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
Cost or Valuation								
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	**36,207**	**5,442**	**4,717**	**1,863**	**10,084**	**8**	**58,321**	**4,320**
Accumulated Depreciation and Impairment								
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	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	(4,166)	-	-	-	-	-	(4,166)	(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	**1,124**	**2,719**	**2,182**	**-**	**403**	**-**	**6,428**	**-**
Net Book Value								
As at 31 March 2011	**35,083**	**2,723**	**2,535**	**1,863**	**9,681**	**8**	**51,893**	**4,320**
As at 1 April 2010	**33,387**	**2,866**	**2,893**	**1,333**	**8,477**	**152**	**49,108**	**6,436**

Comparative Movements in 2009/10

	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastr ucture	Community Assets	Surplus Assets	Assets Under Const-ruction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
<u>Cost or Valuation</u>								
As at 1 April 2009	34,477	4,832	4,756	871	8,192	-	53,128	8,267
Additions	1,475	81	6	585	94	152	2,393	-
Donations	-	-	-	-	-	-	-	-
Revaluation increases/decreases recognised in the Revaluation Reserve	1,100	42	-	1	191	-	1,334	-
Revaluation increases/decreases recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
De-recognition - Disposals	-	-	(45)	-	-	-	(45)	-
De-recognition - Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other movements in cost or valuation	-	124	-	(124)	-	-	-	-
At 31 March 2010	**37,052**	**5,079**	**4,717**	**1,333**	**8,477**	**152**	**56,810**	**8,267**
<u>Accumulated Depreciation and Impairment</u>								
As at 1 April 2009	3,622	1,694	1,548	-	-	-	6,864	1,500
Charged in year	1,175	524	291	-	-	-	1,990	331
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,137)	-	-	-	-	-	(1,137)	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	5	(5)	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
De-recognition - Disposals	-	-	(15)	-	-	-	(15)	-
De-recognition - Other	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2010	**3,665**	**2,213**	**1,824**	**-**	**-**	**-**	**7,702**	**1,831**
Net Book Value								
As at 31 March 2010	**33,387**	**2,866**	**2,893**	**1,333**	**8,477**	**152**	**49,108**	**6,436**
As at 1 April 2009	**30,855**	**3,138**	**3,208**	**871**	**8,192**	**-**	**46,264**	**6,767**

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 CAPITA Symonds 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 £'000	Vehicles, Plant, Furniture & Equipment £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Carried at Historic Cost	8,578	5,354	16	13,948
Valued at fair value as at:				
31 March 2011	17,248	88	2,067	19,403
31 March 2010	11,419		346	11,765
31 March 2009	1,535		7,111	8,646
31 March 2008	1,134		128	1,262
31 March 2007	3,512		60	3,572
Total	**43,426**	**5,442**	**9,728**	**58,596**

Capital Commitments

Un-adopted Sewers

The Council has a commitment to complete the programme of repairing and renewing sewers to a standard for adoption. This has been approved and is included in the approved capital programme over the next few years to be funded from capital receipts, pending the full impact of the proposed implementation/transfer of sewers to take place under statute in October 2011.

Housing Renewal and Disabled Facilities

The Council has a commitment to housing renewal and providing facilities for the disabled. This is included within the capital programme and is to be grant funded. The level of commitment as at 31 March 2011 is £0.427m.

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:

	2010/11	**2009/10**
	£000	**£000**
Rental income from investment property	181	169
Direct operating expenses arising from investment property	(1)	(11)
Net gain/(loss)	**180**	**158**

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:

	2010/11	**2009/10**
	£000	**£000**
Balance at start of the year	**2,648**	**2,743**
Additions:		
Purchases	-	-
Construction	-	-
Subsequent expenditure	31	-
Disposals	**-**	(32)
Net gains/losses from fair value adjustments	119	(63)
Transfers:		
to/from Inventories	-	-
to/from Property, Plant and Equipment	39	-
Other Changes	-	-
Balance at end of the year	**2,837**	**2,648**

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. The intangible assets include both purchased licenses and internally generated software.

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 £0.157m charged to revenue in 2010/11 was charged to individual cost centres where appropriate (£13k) with the remaining £0.144m 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:

	2010/11 £000	2009/10 £000
Balance at start of year:		
-Gross carrying amounts	1,190	906
-Accumulated amortisation	(848)	(660)
Net carrying amount at start of year	**342**	**246**
Additions:		
-Purchases	352	284
Assets reclassified as held for sale	-	-
-Other disposals	-	-
-Revaluation increases or decreases	-	-
Amortisation for the period	(157)	(188)
Other charges	-	-
Net carrying amount at end of year	**537**	**342**
Comprising:		
-Gross carrying amounts	1,542	1,190
-Accumulated amortisation	(1,005)	(848)
	537	**342**

24. IMPAIRMENT LOSSES

During 2010/11, the Authority has recognised impairment losses (fall in value specific to individual assets) of £0.858m over 3 properties. Of this £0.068m has been charged to the Revaluation Reserve with the remainder (£0.790m) being a charge in the Comprehensive Income and Expenditure Statement in the year.

Of the total impairment, £0.068m relates to land at Monkwray Brow, recoverable amount now £0.010m, after planning permission on the land was not granted.

Impairments losses relating to Lonsdale House of £0.290m, recoverable amount now £nil, have been written off to Non Distributable Costs within the Comprehensive Income and Expenditure Statement.

Impairments losses relating to Land at Kells £0.5m, recoverable amount now £1.5m, have also been written off to Non Distributable Costs within the Comprehensive Income and Expenditure Statement.

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 2010/11 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. For the year 2010/11 the capital programme, other than the PFI arrangement, was fully funded, hence no further provision has been made from revenue.

The Council’s Capital Financing Requirement was as follows;

	31 March 2011 £'000	31 March 2010 £'000
Opening Capital Financing Requirement	**9,237**	**9,404**
Capital Investment:		
Property, Plant and Equipment	1,471	2,373
Investments	32	-
Intangibles	352	284
Revenue Expenditure Funded from Capital under Statute	1,434	3,554
Capitalisation Directive	76	-
Sources of Finance		
Capital receipts	(1,553)	(1,779)
Governments Grants and other contributions	(1,539)	(4,182)
Previous years expenditure now funded	(119)	-
Sums Set Aside From Revenue	(404)	(329)
Earmarked reserves	(178)	(88)
Closing Capital Finance requirement	**8,809**	**9,237**
Explanation of movements in year		
Previous years funding matched to expenditure	(36)	-
Increase in underlying need to borrow (supported by government financial assistance)	-	162
Increase in underlying need to borrow (unsupported by government financial assistance)	12	-
Minimum Revenue Provision	(404)	(329)
Total movement in year	**(428)**	**(167)**

26. DEBTORS

Debtors	31 March 2011 £'000 Current	31 March 2011 £'000 Long Term	31 March 2010 £'000 Current	31 March 2010 £'000 Long Term	31 March 2009 £'000 Current	31 March 2009 £'000 Long Term
Central government bodies	546	-	128	-	776	-
Other local authorities	636	-	218	-	215	-
NHS Bodies	1	-	1	-	10	-
Public corporations and trading funds	-	-	-	-	-	-
Other entities and individuals	1,291	345	3,308	193	3,161	90
Total	**2,474**	**345**	**3,655**	**193**	**4,162**	**90**

27. 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.

28. ASSETS HELD FOR SALE

	2010/11	2009/10
	£000	£000
Balance outstanding at start of year	**2,212**	**2,453**
Assets newly classified as held for sale		
Property, Plant & Equipment	-	-
Intangible Assets	-	-
Other Assets/liabilities in disposal groups	-	-
Revaluation losses	-	-
Revaluation gains	-	25
Impairment losses	(500)	-
Assets declassified as held for sale		
Property, Plant & Equipment	-	-
Intangible Assets	-	-
Other Assets/liabilities in disposal groups	-	-
Assets sold	(22)	(266)
Transfers from non-current to current	10	-
Balance Outstanding at year-end	**1,700**	**2,212**

Of the £1.7m classified as current assets – held for sale, £1.5m 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. The remaining land is held as a) self build plots that are expected to sell (collectively) during 2011/12 for £0.840m and b) a parcel of four plots valued at £0.035m each that are also expected to sell during 2011/12.

29. INVENTORIES

	Consumable Stores		Goods for resale		Total	
	2010/11	**2009/10**	**2010/11**	**2009/10**	**2010/11**	**2009/10**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance outstanding at start of year	**79**	**127**	**9**	**12**	**88**	**139**
Purchases	315	334	25	25	340	359
Recognised as an expense in the year	(329)	(382)	(24)	(28)	(353)	(410)
Balance outstanding at year-end	**65**	**79**	**10**	**9**	**75**	**88**

30. CASH AND CASH EQUIVALENTS

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

	2010/11	**2009/10**	**2008/09**
	£000	**£000**	**£000**
Cash held by the Council	2	3	3
Bank Current Accounts	(1,173)	(599)	(473)
Short-term deposits with building societies	5,839	2,058	1,605
Total Cash and Cash Equivalents	**4,668**	**1,462**	**1,135**

31. CREDITORS

	31st March 2011 £'000	31st March 2010 £'000	31st March 2009 £'000
Central government bodies	1,061	1,369	953
Other local authorities	533	275	201
Public corporations and trading funds	31	53	105
Other entities and individuals	1,808	1,813	1,734
Total	**3,433**	**3,510**	**2,993**

32. PROVISIONS

Short Term Provisions	Insurance provision	Staff Related Provision	Search Fee Provision	Total
	£'000	£'000	£'000	£'000
Balance as at 1 April 2009	**-**	**(292)**	**-**	**(292)**
New provision raised 2009/10	**-**	(24)	**-**	**(24)**
Utilised in 2009/10	**-**	292	**-**	**292**
Balance as at 1 April 2010	**-**	**(24)**	**-**	**(24)**
New provision raised 2010/11	(13)	(12)	(67)	(92)
Utilised in 2010/11	-	24	-	24
Reversed unused in 2010/11	-	-	-	-
Unwinding of discount in 2010/11	-	-	-	-
Balance as at 31 March 2011	**(13)**	**(12)**	**(67)**	**(92)**

Long Term Provisions	Insurance provision	Staff Related Provision	Search Fee Provision	Total
	£'000	£'000	£'000	£'000
Balance as at 1 April 2009	**(77)**	**-**	**-**	**(77)**
New provision raised 2009/10	(43)	-	-	(43)
Utilised in 2009/10	-	-	-	-
Balance as at 1 April 2010	**(120)**	**-**	**-**	**(120)**
New provision raised 2010/11	**(20)**	**-**	**-**	**(20)**
Utilised in 2010/11	**-**	**-**	**-**	**-**
Reversed unused in 2010/11	**-**	**-**	**-**	**-**
Unwinding of discount in 2010/11	**-**	**-**	**-**	**-**
Balance as at 31 March 2011	**(140)**	**-**	**-**	**(140)**

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 £0.153m represents the gross liability. As at 31 March 2011 the Council estimates that £0.141m 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 scheduled for June 2011.

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.

33. 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:

	2010/11 £'000s	2009/10 £'000s
Comprehensive Income and Expenditure Statement		
Net cost of services		
Current Service Costs	1,033	748
Past Service costs	(3,770)	-
Curtailment loss	230	5
Settlement gain		-
Net operating expenditure	**(2,507)**	**753**
Interest cost	3,541	3,367
Expected return on assets in the scheme	(2,584)	(2,083)
Net Charge to the Income and Expenditure Account	**(1,550)**	**2,037**
Statement of Movement on the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with IAS19	(1,550)	2,037
Actual Amount charged against the General Fund Balance for pensions in the year		
Employers contributions payable to the scheme	(1,286)	(1,225)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a gain of £2.474m (2009/10 a loss of £6.799m).

Assets and Liabilities in Relation to Post-employment Benefits

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

	2010/11 £'000s	2009/10 £'000s
Net pension liability at 1 April	**(64,145)**	**(48,346)**
Current service cost	(1,033)	(748)
Interest cost	(3,541)	(3,367)
Contribution by scheme participants	(358)	(418)
Past service cost gain	3,770	-
Actuarial (losses)/gains	2,231	(14,279)
Curtailments	(230)	(5)
Benefits Paid	3,227	3,018
Net pension liability at 31 March	**(60,079)**	**(64,145)**

Of the £60.079m the present value of funded benefit obligations amount to £58.691m, £1.388m being unfunded.

In his budget statement on 22 June 2010, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practise in the past.

This has the effect of reducing the council's liabilities in the pension fund by £3.77m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund balance.

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

	2010/11	2009/10
	£'000s	£'000s
Fair value at 1 April	**42,934**	**34,746**
Expected rate of return	2,584	2,083
Actuarial gains and losses	243	7,480
Employer contributions	1,286	1,225
Contributions by scheme participants	358	418
Benefits paid	(3,227)	(3,018)
Fair value at 31 March	**44,178**	**42,934**

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 £3.262m (2009/10: £9.563m).

Scheme History

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

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £15.9m 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 2012 is £1.232m.

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:

	2010/11	**2009/10**
	%	**%**
	Expected return	Expected return
Equities	7.5	7.5
Government bonds	4.4	4.5
Other bonds	5.1	5.2
Property	6.5	6.5
Cash / liquidity	0.5	0.5
Other	7.5	7.5

Life expectancy	**2010/11**	**2009/10**
Current pensioner aged 65 male (female)		
	21.8 (24.4)yr	21.2 (24.1)yr
Future pensioner aged 65 in 20yr time male (female)		
	23.2 (26.0)yr	22.2 (25.0)yr
Rate of RPI inflation	3.40	3.30
Rate of CPI inflation	2.90	2.80
Rate of increase in salaries	4.65	5.05
Rate of increase in pensions	2.90	3.30
Discount rate	5.50	5.60

Take-up option to convert annual pension into retirement lump sum	50% to take maximum cash 50% to take 3/80ths cash

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	2010/11	2009/10
	%	%
Equities	51.6	53.1
Government bonds	18.0	20.4
Other bonds	14.0	9.8
Property	6.1	5.8
Cash / liquidity	1.6	2.3
Other	8.7	8.6
Total	**100**	**100**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2011:

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

34. CONTINGENT LIABILITIES

At 31 March 2011 the Council had 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-first Meeting of the Creditors' Committee it was disclosed that solvency was now "dependent upon a successful result to the litigation and also the resolution of the many uncertainties surrounding the IBNR provision."

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 2011.

35. TERMINATION BENEFITS

The Council terminated the contracts of 21 employees during 2010/11 as part of its "Choosing to Change" programme. This resulted in costs of £0.363m being incurred in the year. Of this cost, £0.097m was paid in the form of redundancy payments to the Corporate Director of Development (£0.037m), the Head of Policy and Performance (£0.028m), the Head of Legal Services (£0.017m) and the Head of Customer Services (£0.015m). These sums are all reflected in note 18 on remuneration on page 93. The balance of £0.266m took the form of redundancy payments to the remaining staff that left the Council on 31 March 2011 (£0.072m) and payments to Cumbria Pension Fund for pension strain costs made under Regulation 41 of the Local Government Pension Scheme (Administration) Regulations 2008 (£0.194m).

36. 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:

- utilities
- 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 21 on page 96.

The Authority was committed at 31 March 2010 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	241	554	529	56	254	**1,634**
Due within 2>5 years	1,190	1,992	2,251	237	1,284	**6,954**
Due within 6>10 years	1,141	2,050	3,145	1,419	1,961	**9,716**
Due within 11>15 years	1,892	1,404	3,558	1,461	2,677	**10,992**
Due within 16>20 years	2,150	433	2,738	586	2,552	**8,459**

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:

	2010/11	2009/10
	£'000s	£'000s
As at 1 April	**6,869**	**7,108**
Finance Lease Liability Redemption Payments During Year	(254)	(239)
As at 31 March	**6,615**	**6,869**

37. 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 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 2011 £000	**As at 31 March 2010 £000**	**As at 31 March 2009 £000**
Vehicles, Plant, Furniture and Equipment	502	637	758
Total	**502**	**637**	**758**

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 2011 £000	**As at 31 March 2010 £000**	**As at 31 March 2009 £000**
Finance Lease liabilities (net present value of minimum lease payments)			
Current	149	130	110
non-current	453	591	700
Finance costs payable in future years	170	277	357
Minimum lease payments	**772**	**998**	**1,167**

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

	Minimum Lease Payments			Finance Lease Liabilities		
	As at 31 March 2011 £000	**As at 31 March 2010 £000**	**As at 31 March 2009 £000**	**As at 31 March 2011 £000**	**As at 31 March 2010 £000**	**As at 31 March 2009 £000**
Not later than 1 year	224	226	216	149	130	110
Later than 1 year and not later than five years	548	772	825	453	591	584
Later than 5 years	-	-	126	-	-	116
Total	**772**	**998**	**1,167**	**602**	**721**	**810**

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

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

	As at 31 March 2011 £000	As at 31 March 2010 £000	As at 31 March 2009 £000
Not later than one year	97	156	191
Later than one year and not later than five years	148	131	221
Later than five years	4	-	-
Total	**249**	**287**	**412**

Minimum lease payments of £0.093m were charged as expenditure to the Comprehensive Income and Expenditure Statement during the year.

Council as Lessor

The Council sublets a portion of the Copeland Centre (disclosed under the PFI note 36) 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 2011 £000	As at 31 March 2010 £000	As at 31 March 2009 £000
Not later than one year	369	369	369
Later than one year and not later than five years	1,305	1,436	1,477
Later than five years	3,330	3,571	3,900
Total	**5,004**	**5,376**	**5,746**

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 2010/11 £182,575 contingent rents were receivable by the Council (2009/10 £136,647).

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.

None of these leases are deemed to be finance leases.

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

	As at 31 March 2011 £000	As at 31 March 2010 £000	As at 31 March 2009 £000
Not later than one year	163	175	105
Later than one year and not later than five years	338	439	323
Later than five years	543	603	593
Total	**1,044**	**1,217**	**1,021**

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 2010/11 was £33,543 (2009/10 £19,182).

38. FINANCIAL INSTRUMENTS

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

	Long term			Current		
	31 March 2011	31 March 2010	31 March 2009	31 March 2011	31 March 2010	31 March 2009
	£000	£000	£000	£000	£000	£000
Investments						
Loans and receivables	-	-	-	18,858	19,661	20,309
Available for sale financial assets	-	-	-	-	-	-
Unquoted equity investment at cost	-	30	30	-	-	-
Total investments	**-**	**30**	**30**	**18,858**	**19,661**	**20,309**
Debtors						
Loans and receivables	345	193	90	1,690	2,563	3,144
Financial assets carried at contract amounts	-	-	-	-	-	-
Total debtors	**345**	**193**	**90**	**1,690**	**2,563**	**3,144**
Borrowings						
Bank Overdraft				1,173	599	473
Financial liabilities at amortised cost	5,002	5,001	5,060	-	-	-
Total borrowings	**5,002**	**5,001**	**5,060**	**1,173**	**599**	**473**
Other Liabilities						
PFI lease liabilities	6,374	6,615	6,869	241	255	239
Finance lease liabilities	453	591	700	148	129	110
Total Other Liabilities	**6,827**	**7,206**	**7,569**	**389**	**384**	**349**
Creditors						
Financial liabilities at amortised cost	-	-	-	1,846	1,642	1,790
Financial liabilities carried at contract amount	-	-	-	-	-	-
Total creditors	**-**	**-**	**-**	**1,846**	**1,642**	**1,790**

Reconciliation of Balance Sheet Debtors and Creditors to Financial Instruments

	Long Term			Current		
	31 March 2011	31 March 2010	31 March 2009	31 March 2011	31 March 2010	31 March 2009
	£000	£000	£000	£000	£000	£000
Debtors						
Value as per Financial Instrument Note	345	193	90	1,690	2,563	3,144
Statutory Non Contractual Items	-	-	-	784	1,092	1,018
Balance Sheet Amount	**345**	**193**	**90**	**2,474**	**3,655**	**4,162**
Creditors						
Financial Liabilities at amortised cost	6,827	7,206	7,569	1,846	1,642	1,790
Other Current Liabilities (PFI and Finance Lease Liabilities)	-	-	-	389	384	349
Statutory Non Contractual Items	-	-	-	1,198	1,484	854
Balance Sheet Amount	**6,827**	**7,206**	**7,569**	**3,433**	**3,510**	**2,993**

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

	2010/11			2009/10		
	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	(1,078)		(1,078)	(1,106)	-	**(1,106)**
Total expense in the Surplus or Deficit on the Provision of Services	**(1,078)**	**-**	**(1,078)**	**(1,106)**	**-**	**(1,106)**
Interest income	-	255	255	-	467	**467**
Gains on de-recognition	9	-	9	-	-	**-**
Total income in the Surplus or Deficit on the Provision of Services	**9**	**255**	**264**	**-**	**467**	**467**
Net gain/(loss) for the year	**(1,069)**	**255**	**(814)**	**(1,106)**	**467**	**(639)**

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 2011 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 2011		31 March 2010		31 March 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000	£000	£000
Current Financial Liabilities	1,846	1,846	1,642	1,642	1,790	1,790
Bank Overdraft	1,173	1,173	599	599	473	473
PFI Finance Lease	6,615	9,677	6,869	6,869	7,108	7,108
Other Finance Lease	601	601	720	720	810	810
LOBO	5,002	7,966	5,001	7,768	5,060	8,119

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 2011		31 March 2010		31 March 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000	£000	£000
Loans and receivables	18,858	18,858	19,661	19,661	20,309	20,309
Unquoted equity investment at cost	-	-	30	30	30	30
Debtors	2,035	2,035	2,756	2,756	3,234	3,234

The fair value is the same as the carrying amount because the Council's portfolio of investments comprises only short-term fixed interest deposits at the Balance Sheet date, with a latest maturity of 15 February 2012.

39. 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:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum for exposures the maturity structure of its debt ; and
    - 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 2 March 2010. The key issues within the strategy were:

- The Authorised Limit for 2010/11 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	£15.0m

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 has 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 2010/11 was approved by Full Council on 2 March 2010.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £5m 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 2011 that this was likely to crystallise.

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

	Value at 31 March 2011 £'000	Default based on previous experience %	Default adjusted for current market conditions %	Estimated maximum exposure to default at 31 March 2011 £'000	Estimated maximum exposure to default at 31 March 2010 £'000	Estimated maximum exposure to default at 31 March 2009 £'000
Deposits with Banks cash equivalent	2	Nil	Nil	Nil	Nil	Nil
Deposits with Banks and other Financial Institutions AA rated	18,905	0.03%	0.03%	6	Nil	Nil
Deposits with Banks and other Financial Institutions A rated	Nil	0.08%	0.08%	Nil	3	Nil
Deposits with Banks and other Financial Institutions BBB rated	Nil	0.24%	0.24%	Nil	33	Nil
Customers	2,035	5.00%	5.00%	102	149	114
Total				**108**	**185**	**114**

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 £0.873m of the £2.035m balance can be analysed by age as follows:

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
30 Days Outstanding	312	22	44
60 Days Outstanding	35	35	55
90+ Days Outstanding	526	688	653
Total	**873**	**745**	**752**

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

	31 March 2011 £'000	31 March 2010 £'000
Balance at 1 April	(627)	(666)
(Increase)/Decrease in provision for year	93	39
Balance at 31 March	**(534)**	**(627)**

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 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Less than one year	18,858	19,661	20,309
Between one and two years	-	-	-
Between two and three years	-	-	-
More than three years	-	-	-
Total	**18,858**	**19,661**	**20,309**

All trade and other payables £2.050m are due to be paid in less than one year 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 indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

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

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period.

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Less than one year	1,563	983	822
Between one and five years	1,643	1,708	1,647
Between five and ten years	1,141	1,125	1,243
Between ten and fifteen years	1,892	1,768	1,635
Between fifteen and twenty years	7,152	7,606	7,743
More than twenty years	-	-	360
Total	**13,391**	**13,190**	**13,451**

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 with all other variables held constant the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	50
Increase in interest receivable on variable rate investments	(274)
Impact on Surplus or Deficit of the Provision of Services	(224)
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)	1,830

The approximate impact of a 1% fall in interest rates would be less than above with the movements being reversed. The assumption being that with interest rates being below 1% on deposits, negative interest rates would not apply. Simply, the investment would not be made.

The effect would be an approximate fall in investment income of £0.225m and a fall in interest payable of £0.05m. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

Price risk – The Council, excluding the pension fund, does not invest in equity shares or marketable bonds 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 £576 when converted at the exchange rate prevailing at 31 March 2011. 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.

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 17 on page 89 reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in note 26 on page 103.

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 2010/11 is disclosed in note 19 on page 94. 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 2010/11 are as follows:

Related Party	Expenditure	Commercial Income	Grant Income	Year-end Debtor Balance
	£	£	£	£
West Cumbria Development Agency				
1 Director	59,217	-	-	-
West Cumbria Development Fund				
1 Director	75,000	-	60,000	-
Copeland Homes				
Chair and 2 members	96,688	457,980	-	17,943
North Country Leisure Ltd				
1 Director	45,229	6,663	-	5,187
Millom & Haverigg Economic Development Group				
2 Chair	83,308	-	-	-
Phoenix Enterprise Centre				
2 Directors	77,826	19,152	-	17,682
Regeneration NE Copeland				
Chair, 2 Director, 2 Member	72,973	-	-	-
Whitehaven Maritime Festival				
1 Shareholder	25,090	-	-	-
North West Improvement and Efficiency Partnership				
1 Member	-	-	168,260	85,000
Cumbria County Council				
1 Member, 1 Other	728,221	1,051,068	-	298,963
Britain’s Energy Coast				
1 Director, 1 Member	-	-	443,476	106,067
Homelessness – Property Rent				
1 Member	4,189	-	-	4,189

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

Other public bodies - Transactions in relation to the Local Government Pension Scheme administered by Cumbria County Council are set out in Note 33 on page 108.

Whitehaven Rugby Club Limited

Whitehaven Rugby Club Limited is judged to be a related party by virtue of the Council’s shareholding in Whitehaven 1992 Limited. During 2010/11 the rugby club went in to administration. There are no material related party transactions during 2010/11.

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 2010/11 to pay for the costs of staffing required to administer the activities of the Fund.

Grant funding provided in 2010/11 is as follows;

Organisation	**Grant received in 2010/11**	**Grants paid In 2010/11**	**Grant held at 31 March 2011 but paid in 2011/12**
	£	**£**	**£**
Copeland Community Fund	97,768		
Wath Brow Hornets		36,000	
Young Cumbria		12,500	
Gosforth Nursery			36,800
Lamplugh Village Hall			7,215
Cleator Moor Town Council			5,253

41. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2009/10		2010/11
£'000		**£'000**
(534)	Interest received	(294)
1,147	Interest paid	1,078

42. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2009/10		2010/11
£'000		**£'000**
1,516	Purchase of property, plant and equipment, investment property and intangible assets	1,860
92,500	Purchase of short term and long term investments	78,000
222	Other payments for investment activities	226
(298)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(23)
(93,600)	Proceeds from short term and long term investments	(82,500)
(2,120)	Other receipts from investment activities	(848)
(1,780)	**Net cash flows from investing activities**	**(3,285)**

43. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2009/10		2010/11
£'000		**£'000**
(22)	Cash receipts of short term and long term borrowing	(13)
	Other receipts from financing activities	(351)
332	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	133
	Repayments of short term and long term borrowing	
	Other payments for financing activities	
310	**Net cash flows from financing activities**	**(231)**

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

2009/10 £'000		2010/11 £'000
2,195	Deficit on the Income & Expenditure Account for the year	**802**
	Adjustments to net surplus or deficit on the provision of services for non cash movements	
(2,545)	Depreciation	1,632
117	Impairments & downward revaluations	(4,971)
(188)	Amortisations	(157)
272	Movement in provisions	93
(286)	Movement in creditors	346
135	Movement in debtors	(892)
(51)	Movement in stock	(13)
(812)	Pension Liability	2,836
(30)	Carrying amount of non current assets sold	(188)
(97)	Other non cash items charged to the net Surplus or Deficit on the Provision of Services	(88)
	Movements in the value of investment property	119
-	grants applied to the financing of capital expenditure	-
-	grants received to meet the principal repayments on borrowing	-
(42)	soft loans	(48)
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
-	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	420
2,475	Capital Grants	419
1,143	**Net Cash Inflow/Outflow from operating activities**	**310**

Collection Fund Income and Expenditure Account

For the year ended 31 March 2011

		2010/11	2009/10
	£000	£000	£000
INCOME			
Billed to Council Tax Payers	(29,472)		(28,787)
Council Tax Benefit	(5,493)		(5,265)
Non-Domestic Rates	(35,219)		(24,872)
Adjustments from previous years	(17)		-
Total Income		**(70,201)**	**(58,924)**
EXPENDITURE			
Precepts and demands:			
- Cumbria County Council	25,878		25,313
- Cumbria Police Authority	4,320		4,181
- Copeland Borough Council	4,408		4,284
		34,606	33,778
Non-Domestic Rates:			
- Payment to National Pool	35,122		24,757
- Cost of Collection Allowance	114		115
		35,236	24,872
Increase / Decrease in Provision for non-payment of Council Tax		30	170
Contributions to General Fund from 2007/08 actual and 2008/09 estimated Collection Fund Surplus		8	(5)
Total Expenditure		**69,880**	**58,815**
(Surplus) / Deficit for the year		**(321)**	**(109)**
(Surplus) / Deficit at 1 April 2010		63	172
(Surplus) / Deficit at 31 March 2011		**(258)**	**63**

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 2010/11 was £22,236.57 (£22,236.20 for 2009/10). The basic amount of council tax for a Band D property £1,535.66 (£1,503.50 for 2009/10) 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 (41.4p in 2010/11, and 48.5p in 2009/10) 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 £35.219m for 2010/11, was based on an average rateable value for the Authority's area of £94.064m for the year (£73.374m in 2009/10).

There was a general revaluation of all non-domestic properties implemented on 1 April 2010. This resulted in a large rise in the overall rateable value which enabled the government to reduce the specified amount without reducing the actual income collected.

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 2011 is £0.258m

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.

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, useable 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.

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.

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 Director for Resources and Transformation 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.