

CARLISLE CITY COUNCIL

Report to:- The Mayor and Members of Carlisle City Council

Date of Meeting:- 03 August 2004

Agenda Item No:-

Public	Policy	Delegated Yes	
Accompanying Comments and Statements		Required	Included
Environmental Impact Statement:		No	No
Corporate Management Team Comments:		No	No
Financial Comments:		Yes	Yes
Legal Comments:		No	No
Personnel Comments:		No	No
Impact on Customers:		No	No

Title:- STATEMENT OF ACCOUNTS 2003/04

Report of:- The Head of Finance

Report reference:- FS14/04

Summary:-

The Council's draft Statement of Accounts for 2003/04 is attached at Appendix 1, and has been prepared in accordance with the Accounts and Audit Regulations 2003. Once approved by Council the statements will be subject to audit and this process will be concluded by the end of November 2004 which is the statutory deadline.

The results of the relevant Best Value Performance Plan (BVPP) Performance Indicators for 2003/04 are also included for information.

Recommendation:-

The Council is asked to:

- (i) approve the draft 2003/04 Statement of Accounts;
- (ii) note that the Statements will now be subject to audit; and
- (iii) note the results of the BVPP Performance Indicators.

Contact Officer: Alison Taylor

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Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

CITY OF CARLISLE

To: The Mayor and Members of Carlisle City Council
03 August 2004

FS14/04

STATEMENT OF ACCOUNTS 2003/04

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 The Accounts and Audit Regulations 2003 require that the City Council's Statement of Accounts be prepared and submitted to full Council and approved within five months of the financial year-end (which is one month earlier than previous years).
- 1.2 To a large extent the format of the Statement is prescribed and includes detailed revenue and capital out-turn information on all the City Council's activities. Summarised financial information is considered elsewhere on the Council agenda (Revenue Out-turn FS11/04 and Capital Out-turn FS12/04) and the financial information included within the Statement, attached at **Appendix 1**, is very much in accord with these figures.
- 1.3 One exception relates to the requirements of a new Financial Reporting Standard no.17 (FRS17) regarding the accounting treatment of retirement benefits. This FRS requires authorities to account for the true assets and liabilities of pension funds through the Consolidated Revenue Account (CRA) as opposed to recording the cash payments that have been made to the pension fund in the year of account. The relevant assets and liabilities of the Cumbria Pension Fund have been calculated by the Fund's actuary and have been incorporated into the Statement as presented thus fully complying with the requirements of FRS17. However the accounting entries for the pension fund assets and liabilities are fully reversed out of the CRA through the Pension Reserve so that they do not impact on the overall sum to be financed from government grants and local taxpayers. Therefore the out-turn reports have been reported to reflect the cash payments made by the authority so as not to distort the true year end position and resulting carry forward requests.
- 1.4 The Audit Commission has indicated that it would like to commence the audit on 31 August 2004 and it should be noted that the Statement at this stage is subject to audit. In accordance with current regulations the audit must be completed by 30 November 2004 and any necessary material changes to the Statements as a result of the audit will be reported back to a future meeting of the Executive.

- 1.5 The Audit Commission will also produce a SAS610 Statement which details any unadjusted misstatements found during the course of the audit. This statement must be considered and approved by those charged with Corporate Governance.

2. BEST VALUE PERFORMANCE PLAN PERFORMANCE INDICATORS

- 2.1 The results of the relevant BVPP Performance Indicators for 2003/04 are shown below:

LP 87 – Annual Accounts are made available for audit and certified without qualification in accordance with statutory deadlines

Result: The Accounts are available for Audit as attached. The statutory deadlines as set out in the Accounts and Audit Regulations are as follows:

	<u>Approved by:</u>	<u>Audited by:</u>
2003/04 Statement	31 August 2004	30 November 2004
2004/05 Statement	31 July 2005	31 October 2005
2005/06 Statement	30 June 2006	30 September 2006

LP 88 – General Fund Reserve as % of net revenue expenditure

Target:	£1m plus 20% of net revenue expenditure	
Result:	General Fund Reserve as at 31 March 2004	£7.648m
	Less Commitments 2004/05	<u>£1.542m</u>
		£6.106m

Equivalent to £1m plus 34.9% of net revenue expenditure (2002/03 £1m plus 40.4%).

The target balance is £3.8m and any surplus/deficit will be transferred to the Projects Fund in accordance with the Review of Reserves report approved by Council in December 2003.

LP 90 – Budget out-turn including slippage as a % of original gross budget (revised definition for 2003/04)

	<u>2003/04</u>	<u>2002/03</u>
Target :	+/- 1%	+/- 1%
<u>Result:</u>		
Before slippage:	-3%	-10.8%
Equivalent to:	£1,414,267	£3,737,905
After slippage:	+0.27%	-6.3%
Equivalent to:	£128,663	£2,184,811

The figures for 2002/03 have been re-stated in line with the revised definition used for the indicator to enable comparisons to be made.

It should be noted that the target to achieve best practice as set by the Audit Commission is set at +/-1% before slippage. The Council has made improvements during 2003/04 as can be seen from the figures stated above. However further improvements are necessary in order to achieve this target, particularly with regard to more challenging budget monitoring and more accurate budget setting.

LP 130 – Total net spending per head of population for council tax purposes.

Target:	£136.70
Result	£136.70

This performance indicator has been deleted from the Corporate Plan from 2004/05.

3. CONSULTATION

3.1 Consultation to Date.

The Statement of Accounts was prepared in consultation with the Portfolio Holder for Finance and was considered by Corporate Resources Overview and Scrutiny on 3 August 2004.

3.2 Consultation proposed.

Notice will be given in the local press for any interested person to inspect, and make copies of, the Statement of Accounts and other documents between 31 August and 27 September 2004. Interested persons will also be able to question the Auditor

about the accounts and make objections to the same with effect from 28 September 2004 until the completion of the audit.

4. RECOMMENDATIONS

The Council is asked to:

- (i) approve the draft 2003/04 Statement of Accounts;
- (ii) note that the Statements will now be subject to audit; and
- (iii) note the results of the BVPP Performance Indicators.

5. REASONS FOR RECOMMENDATIONS

As stated above.

6. IMPLICATIONS

- Staffing/Resources – Not applicable
- Financial – Included in the main body of the report
- Legal – Not applicable
- Corporate – Not applicable
- Risk Management – There is a risk that the accounts may not be completed and certified without qualification in accordance with statutory guidelines and time scales.
- Equality Issues – Not applicable
- Environmental – Not applicable
- Crime and Disorder – Not applicable

ANGELA BROWN
Head of Finance

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STATEMENT OF ACCOUNTS

2003/04

SUBJECT TO AUDIT

STATEMENT OF ACCOUNTS

2003/04

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SECTION 1 - FOREWORD

1.1 Introduction

This Statement has been produced by the Head of Finance and contains the Council's accounts for the year ended 31 March 2004. This section provides a brief explanation of the Council's financial activities and a guide to the significant matters reported in the accounts.

The accounts, which are subject to audit by the Audit Commission, consist of the following:

- i. **Statement of Accounting Policies**
This explains the basis on which the accounts have been prepared.
- ii. **Consolidated Revenue Account**
This indicates the net cost in the year of the functions for which the Authority is responsible and demonstrates how that cost has been financed from central government grants and income from local taxpayers. It brings together expenditure and income relating to all of the local authority's functions and shows movements to and from reserves and balances.
- iii. **Housing Revenue Account**
This covers the residual activities of the City Council acting as landlord of the housing stock, following the LSVT process on 9 December 2002, and reflects a statutory obligation to account separately for local authority housing provision.
- iv. **Summary DSO Revenue and Appropriation Account**
The information required in the summary DSO Revenue and Appropriation Account reflects the accounts for the Direct Service Organisation (Carlisle Works) which undertook works relating to Building Maintenance, Highways, Grounds, Street Cleaning, Building Cleaning, Refuse Collection and supervision of Car Parks. The Local Government Act 1999 repealed the compulsory competitive tendering provisions of the Local Government Planning and Land Act 1980 with effect from 2 January 2000. Although there is no legal requirement to produce revenue accounts and financial objectives statements in 2003/04, CIPFA advocates publication of a summary DSO Revenue and Appropriation Account in the 2003/04 Statement of Accounts.
- v. **Collection Fund**
This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund which shows the transactions for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR).

- vi. Consolidated Balance Sheet
This is the Balance Sheet of all the City Council's activities and shows the balances and reserves at the authority's disposal, its long term indebtedness and the fixed and net current assets employed by it as at the 31 March 2004.
- vii. Statement of Total Movement in Reserves
This brings together all the recognised gains and losses of the City Council during the year arising from movements in capital and revenue reserves.
- viii. Cash Flow Statement
This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- ix. Statement of Responsibilities for the Statement of Accounts
This sets out the respective responsibilities of the Authority and the Head of Finance for the Accounts.
- x. Statement of Assurance
This sets out the framework within which internal control is managed and reviewed during the year of account.

1.2 Summary of the Financial Year

2003/04 marked a year of consolidation for the City Council following the transfer of the Housing Stock to Carlisle Housing Association (CHA), the externalisation of the leisure facilities and the major re-organisation of the management structure, all of which occurred in 2002/03.

During 2003/04 the Council also saw the transfer of the Building Maintenance function to CHA on 1 October 2003, which formed the second tranche of the LSVT process. A further 140 staff transferred to the Housing Association.

The financial implications of these activities have been incorporated into the accounts as presented.

The Council was assessed under the Corporate Performance Assessment process during 2003/04 and received a 'good' score from the ODPM.

1.2.1 Core Financial Facts for 2003/04

Average Council Tax was £1,185.16

Local Tax Base – 32,246.36

Carlisle City Council Budget Requirement - £14.047m

Formula Spending Share - £14.661m

Business Rate of 44.4p per £ of Rateable Value

Usable General Fund Reserves at 31 March 2004 (excluding earmarked reserves) - £11.236m

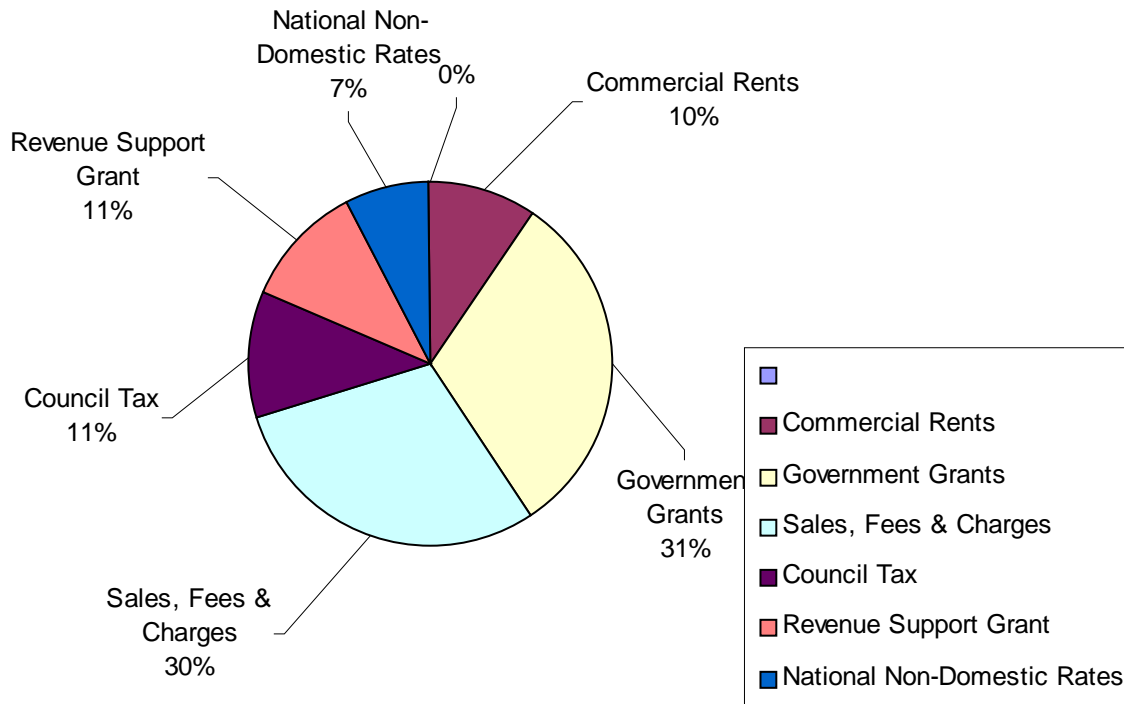
Housing Revenue Account Reserves at 31 March 2004 - £3.037m

These figures are explained further in the following paragraphs.

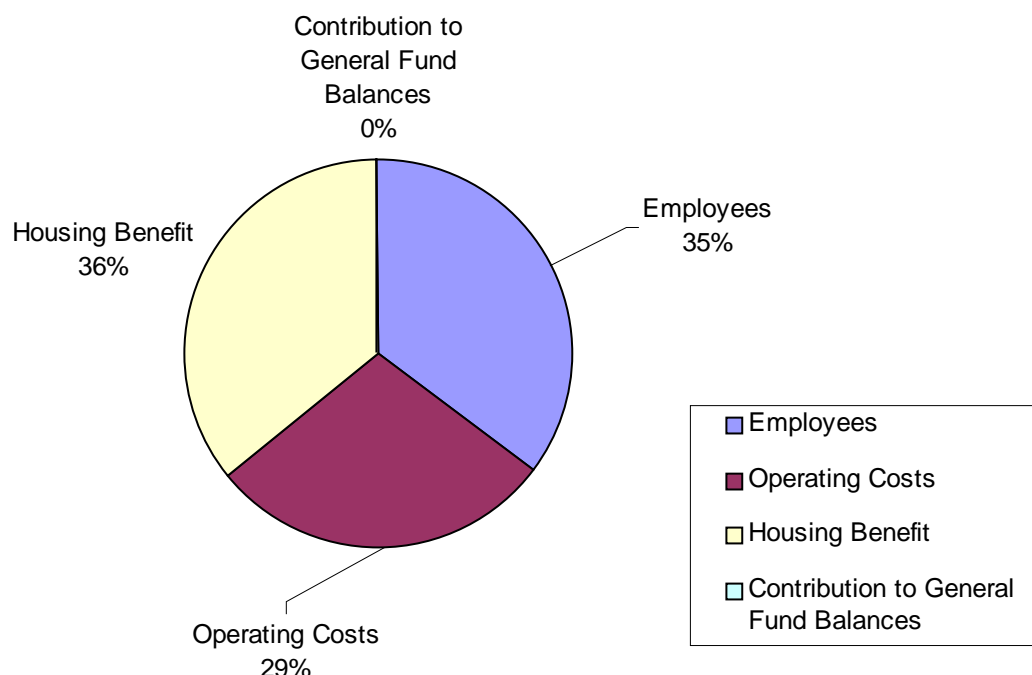
1.2.2 Sources of Income and Expenditure

The charts below show the major sources of the Council's income and expenditure in 2003/04. They show where the money came from and how the money was spent in percentage terms. The figures are based upon figures contained within the Cash Flow Statement produced elsewhere in this document.

Where the money came from



How the money was spent



1.3 Revenue Expenditure and Financing

Revenue expenditure generally relates to items which are consumed within a year and is financed from council tax, non-domestic rates, government grants, fees and charges for services and other income.

1.3.1 General Fund Revenue Account

The City Council set the Council Tax at an average of £164.02 for the City Council (including Parish Precepts) and at a total of £1,185.16 including the Cumbria County Council and Cumbria Police Precepts. The revised estimate for 2003/04 envisaged a net revenue requirement of £15.685m whereas the outturn was £14.397m. The financing of the outturn is indicated below.

	<u>2003/04</u> <u>Revised</u> <u>Estimate</u>	<u>2003/04</u> <u>Outturn</u>
	<u>£000</u>	<u>£000</u>
Contributions From/(To) Reserves *	1,638	350
Collection Fund	5,289	5,289
Government Grant – NDR	3,516	3,516
- RSG	5,175	5,175
Council Tax Surplus	<u>67</u>	<u>67</u>
TOTAL FINANCING	<u>£15,685</u>	<u>£14,397</u>
 *GF Reserve	 1,629	 345
Project Fund	<u>9</u>	<u>5</u>
	<u>1,638</u>	<u>350</u>

The major reasons for the improvement, represented by the reduced call on Reserves of £1.288m were as follows:

	<u>£000</u>
Slippage from 2003/04 to 2004/05	(1,542)
Other minor changes (net)	<u>254</u>
Total	<u>(1,288)</u>

A Revenue Out-turn report for 2003/04 has been prepared which provides additional information on the year-end position. This is available upon request from the Head of Finance.

The usable revenue reserves of the General Fund (excluding specific Earmarked Reserves) on 1 April 2003 were £12.294m and they stood at £11.236m on 31 March 2004.

1.3.2 Housing Revenue Account

The Account recorded a deficit of £0.353m in 2003/04 against a revised estimated deficit of £0.466m. The main reasons for the overall variance from budget of £0.113m were as follows:

	<u>£000</u>
Reduced Revenue Contribution to Capital	(535)
Premia payable on housing debt	64
Repair & Maintenance	244
HRA Subsidy (Net)	30
Other Variations (Net)	<u>84</u>
Total	<u>(113)</u>

The HRA balance on 1 April 2003 was £3.390m and stood at £3.037m on 31 March 2004. Further details relating to the HRA Out-turn report can be obtained from the Head of Finance if required.

1.3.3 Direct Services Organisation

The City Council undertakes the following defined categories of work and the year-end position for each category after meeting all the charges under the capital accounting requirements is set out below:

	<u>(Surplus)/Deficit</u>
	<u>£000</u>
Building Maintenance	(87)
Highways	(2)
Grounds Maintenance	15
Building Cleaning	(13)
Street Cleaning	(32)
Refuse Collection	<u>(3)</u>
Total	<u>(122)</u>

1.3.4 Summary Revenue Budget Analysis

The out-turn for the year compared to the revised budget is shown below.

	<u>General Fund</u>		<u>HRA</u>	
	<u>2003/04</u>		<u>2003/04</u>	
	<u>Revised</u>	<u>Actual</u>	<u>Revised</u>	<u>Actual</u>
	<u>Budget</u>		<u>Budget</u>	
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Net Expenditure on Services	16,944	15,658	536	423
Parish Precepts	271	271	0	0
Interest Receivable	(1,530)	(1,532)	(70)	(70)
Sub total	15,685	14,397	466	353
Precept on Collection Fund	(5,289)	(5,289)	0	0
Government Grant				
• NDR	(3,516)	(3,516)	0	0
• RSG	(5,175)	(5,175)	0	0
Council Tax Surplus	(67)	(67)	0	0
Contribution to/(from) reserves	1,638	350	466	353
Appropriation from Projects Fund	(9)	(5)	0	0
Use of Reserves	1,629	345	466	353
Reserves b/fwd	(7,693)	(7,693)	(3,390)	(3,390)
Reserves c/fwd	(6,064)	(7,348)	(2,924)	(3,037)

The reserve of £7.348m carried forward to 2004/05 will be re-distributed in accordance with the 'Review of Reserves' undertaken by the Head of Finance and approved by Council in December 2003, as follows:

GF reserve	£3.800m
Projects Fund	£2.448m
Pensions Reserve	£1.000m
Asset Disposal	<u>£0.100m</u>
TOTAL	£7.348m

1.4 Capital Expenditure and Financing

Capital expenditure relates to the acquisition, creation and enhancement of fixed assets, works and services whose benefits extend beyond one year.

1.4.1 General Fund Capital Expenditure

This totalled £5.296m in 2003/04 and the main items of expenditure were:

	£000
Renovation Grants	128
Disabled Facilities Grants	169
Other Housing Improvement Schemes	81
Recycling Schemes	1,237
Planned Major Repairs	166
Disability Discrimination Act	109
IEG/Customer Contact Centre	475
Improvements to Council Offices	338
Improvements to Leisure facilities	528
Millennium Project	537
Crematorium Redevelopment	206
Equipment, Vehicles & Plant	681
Raffles Vision	450
Other Schemes	<u>191</u>
	<u>5,296</u>

The expenditure was funded from:

	£000
Basic Credit Approval	1,153
Capital Receipts	1,414
Specified Capital Grant	99
Other Capital Grants	525
Revenue/Renewals Reserve	1,141
Movement in Unfinanced expenditure	<u>964</u>
	<u>5,296</u>

Millennium Gateway City Project

The project has been successfully completed to the revised design and at an estimated revised budget of £9.997m of which £6.754m will be met by the City Council. The actual position for 2003/04 shows an underspend of £0.489m however £0.353m of this represents post excavation archaeological work planned to take place over the next 2 years. The balance is required to fund other outstanding commitments.

1.4.2 Housing Revenue Account Capital

All HRA assets, which were not transferred to Carlisle Housing Association, were appropriated to the General Fund during 2003/04. Any costs incurred by the City Council on these assets have been included in the table above at paragraph 1.4.1.

1.4.3 Capital Borrowing

The Council is given the powers to borrow money for capital purposes by virtue of Section 43 of the Local Government and Housing Act 1989. External borrowing for capital purposes is normally undertaken from the Public Works Loan Board (PWLB). Transactions during the years were as follows:

	PWLB £000	All Sources £000
Loans outstanding as at 1 April 2003	18,415	33,557
Loans repaid during the year	(17,791)	(17,819)
Loans raised during the year	<u>12,191</u>	<u>12,191</u>
Loans outstanding as at 31 March 2004	12,815	27,929

1.5 Accounting Policy Information

The accounting policies adopted by the City Council comply with the relevant recommended accounting practices. Details of the Council's policies are set out in pages 10 – 15.

1.6. The Euro

The City Council has nominated a lead Officer with regard to co-ordinating preparations for the Euro. It is intended that the first stage in the preparations for the Council will be in conducting the Euro Audit and an officer working group will be established to co-ordinate the work across the authority at the appropriate time.

1.7 Further Information

Further information regarding the accounts is available on request from the Head of Finance. In addition members of the public have a statutory right to inspect the accounts before the audit and to have a copy of the Statement of Accounts after the audit has been completed.

SECTION 2 – STATEMENT OF ACCOUNTING POLICIES

2.1 General

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2003– A Statement of Recommended Practice (SORP), issued by the Chartered Institute of Public Finance and Accounting (CIPFA). The accounts accord with guidance notes issued by CIPFA on the application of accounting standards and comply with the Best Value Accounting Code of Practice (BVACOP). The Code also constitutes proper practices under Part IV of the Local Government and Housing Act 1989.

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

2.2 Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised. De-minimis levels have been set at:

- (i) Expenditure on vehicles, plant and equipment (individual items) £5,000.
- (ii) Expenditure on land, buildings and other structures £20,000.

In some instances, however, assets below these values have been capitalised.

Fixed assets are valued and included in the balance sheet on the basis recommended by the CIPFA Code of Practice and in accordance with the Practice Statements in the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual:

- (i) Operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use.
- (ii) Non-operational assets are valued and included in the balance sheet on the basis of open market value.
- (iii) Infrastructure and community assets are included in the balance sheet at historic cost for any acquisitions since 1 April 1994.

In accordance with the CIPFA recommended practice on capital accounting, assets are revalued on a cyclical basis over 5 years.

2.3 Charges for Fixed Assets (Capital Charges)

The General Fund and DSO revenue accounts include capital charges made to the users of fixed assets in the provision of services. The total charge covers the annual provision for depreciation (where appropriate) plus a notional interest charge based upon net asset values. The notional rates of interest used in 2003/04 are 3.5% for operational and non-operational assets and 4.625% for infrastructure and community assets. External interest payable and provision for depreciation are debited to the Asset Management Revenue Account whilst the capital charges met by services are credited to the Account. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

2.4 Depreciation

Depreciation is a notional charge for the wearing out, consumption or reduction in the economic useful life of a fixed asset. It has been charged on those assets that have a finite useful life, excluding land, and is calculated by taking the valuation and apportioning it over the life of the asset.

<u>Asset Category</u>	<u>Rate</u>	<u>Basis</u>
Operational Land & Buildings	10-80 yrs	Straight line
Infrastructure Assets	40-80 yrs	Straight line
Operational Vehicles & Plant	3-25 yrs	Straight line

2.5 Leases

Where assets are acquired under operating leases the leasing rentals are chargeable to the revenue account of those services that use the assets.

The City Council did not acquire any assets under a finance lease agreement in 2003/04. The value of the assets acquired under operating leases during the year and related liability for future rentals are shown in note 3 to the Consolidated Balance Sheet.

2.6 Deferred Charges

Deferred charges represent capital costs to be charged to revenue in future years which are not represented by tangible fixed assets. They include the balance of improvement grant payments not met from capital grants. This residual balance is written off to revenue in the year in which it is incurred.

2.7 Capital Receipts

Usable capital receipts from the disposal of assets are held in the Usable Capital Receipts Account until such time as they are used to finance other capital expenditure or set aside to repay debt. The balance (or 'reserved' element) of capital receipts is held in the Capital Financing Reserve.

2.8 Debtors and Creditors

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice and FRS18 i.e. sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. Exceptions to this are payments for energy and similar quarterly payments that are charged at the date of meter reading rather than being apportioned between financial years. In addition, salaries are accounted for on a cash basis. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts.

Significant debtors include provision for government grant receivable from the Department of Environment, Food and Rural Affairs in respect of the Waste Minimisation and Recycling Scheme (£0.827m), from HM Customs & Excise (£0.440m) for VAT, £0.274 from the DWP in respect of Council Tax Benefit and an amount due from Cumbria County Council for Highways Claimed Rights Work (£0.505m).

Creditor provisions have been provided for Rent Allowance Benefit subsidy payable to the DWP (£0.679m), money due to the Inland Revenue for income tax (£0.303m), and amount due to the NDR pool (£0.245).

A bad debt provision, paragraph 2.11, has been established for the non-payment of outstanding debtors amounting to £2.043m.

2.9 Stocks and Work in Progress

Stocks are valued at the latest price paid. This is a departure from the requirements of the Code and SSAP9, which requires stocks to be shown at actual cost or net realisable value, if lower. Stock values reflect a provision for obsolescence. Work in progress is valued at cost.

2.10 Cost of Support Services

The City Council has adopted the principle of the full allocation of overheads as recommended by CIPFA.

(i) Support Services

The cost of the central services i.e. Executive Management, Legal & Democratic, Finance, Property, Customer & Information, Strategic & Performance and Member Support & Employee Services has been fully recharged to Service Departments on the basis of time allocations completed by members of staff.

The cost of the Civic Centre Building has been apportioned as follows:

Cost of Operation of Telephones
within the Civic Centre Building

- Allocated to Business Units
on the basis of the number of
extensions and the previous

year's usage as provided by
the Call Logging equipment

Cost of the remainder of the
Civic Centre Building

- Allocated to Business Units
on the basis of floor area
occupied.

(ii) Corporate and Democratic Core

The City Council has complied with the CIPFA Statement on the treatment of the costs of the Corporate and Democratic Core processes whereby these costs are held centrally and are not apportioned across the Council's services.

(iii) Any under or over recovery of support service charges is adjusted in the year of account.

2.11 Provisions

The Council maintains provisions for future liabilities or losses likely or certain to be incurred but whose amounts cannot be determined accurately. The main provisions at 31 March 2004 relate to bad and doubtful debts and outstanding insurance claims. Further details are available at Note 11 to the Consolidated Balance Sheet.

2.12 Reserves

The Council maintains certain reserves for the purpose of meeting liabilities other than those covered by provisions.

Some revenue reserves are set aside for specific purposes, while unallocated revenue reserves are not earmarked at the end of the accounting periods. Details of the reserves established by the Council are contained in the Statement of Total Movement in Reserves (page 46).

Two further reserve accounts have been established in the Consolidated Balance Sheet:

- The Fixed Asset Restatement Reserve represents principally the balance of the surpluses or deficits arising from the periodic revaluation of fixed assets (see Note 12 to the Consolidated Balance Sheet).
- The Capital Financing Reserve represents amounts set aside from revenue resources or capital receipts for the repayment of external loans and certain other capital financing transactions.

Neither the Fixed Asset Restatement Reserve nor the Capital Financing Reserve can be used to fund expenditure.

2.13 Pension Costs

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for those employees. Further costs arise in respect of certain pensions paid to retired employees which include 'added years' on an unfunded basis. In addition, the reporting requirements of FRS17 'Retirement Benefits' have been fully complied with. This accounting policy represents a change to that applied in previous years and reflects the increased contributions required in the long term to make up any shortfall in attributable net assets in the fund at this point in time. The change does not affect the overall amount to be funded from Government Grants and Council Tax.

The annual report of the Cumbria Pension Fund is available from Cumbria County Council, The Courts, Carlisle.

2.14 Investments

Investments are shown in the Consolidated Balance Sheet at lower of cost or market value. Interest receivable is credited to the Consolidated Revenue Account. Further detail can be found in Note 5 to the Balance Sheet.

2.15 Interest Charges

Interest payable on external loans is charged to the Asset Management Revenue Account. Internal interest payable is calculated by reference to the bank base rate.

2.16 Government Grants

Revenue grants are accrued and credited to the Consolidated Revenue Account in the same period in which the related revenue expenditure has been charged. Capital grants are credited to the Deferred Government Grant Account and written off to the Asset Management Revenue Account over the life of the asset, thereby off-setting the depreciation charge for the asset. Grants in respect of deferred charges are written down over the same period as the deferred charge.

2.17 Debt Redemption

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

Amounts charged or credited to the HRA in respect of premia or discounts on the HRA share of debt which has been redeemed is calculated in accordance with statutory provisions. Such amounts are charged or credited to the HRA over a period equal to the remaining terms of the replaced loan or 10 years whichever is less.

In 2003/04 however, under new legislation, the City Council was permitted to charge premia incurred in General Fund debt redemption against the Provision for Credit Liabilities as opposed to the Consolidated Revenue Account.



Consolidated
Revenue Account

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

This statement shows gross expenditure and income and net expenditure analysed by services and how this expenditure was financed. The statement includes recharges made between services including the allocation of support service costs.

3.1 Effect of Capital Accounting (General Fund)

In accordance with the CIPFA Accounting Code, capital charges totalling £1.763m have been charged in 2003/04 to service accounts for their use of fixed assets. A balancing total credit has been included in the Asset Management Revenue Account. In accordance with the Code this account has been charged with total external interest payable on borrowing and with provision for depreciation on the authority's fixed assets.

3.2 Depreciation

This has been provided on all vehicles, plant and equipment. Depreciation has been provided on the Council's other fixed assets in accordance with the 2003 SORP and the Best Value Accounting Code of Practice. The Council's depreciation policy is set out in note 2.4 on page 11.

3.3 Trading Operations

A number of Council Services are involved in a significant level of trading with third parties. The turnover and surplus/(deficit) of these services are shown below. The trading activities for the DSO and the Building Control function are shown on pages 28 and 21 respectively.

<u>Activity</u>	<u>Gross</u> <u>Income</u>	<u>Gross</u> <u>Expenditure</u>	<u>Surplus/</u> <u>(deficit)</u> <u>2003/04</u>	<u>Surplus/</u> <u>(deficit)</u> <u>2002/03</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Corporate Properties	316,988	336,013	(19,025)	(66,599)
Industrial Estates	2,000,525	349,029	1,651,496	1,504,502
Market	79,537	26,630	52,907	58,661
TOTAL	2,397,050	711,672	1,685,378	1,496,564

3.4 Asset Management Revenue Account

The transactions on the Asset Management Revenue are shown below. The balance on the account at a year end is charged/credited to the Consolidated Revenue Account. In 2003/04 £1.267m was debited to the Consolidated Revenue Account.

	<u>2003/04</u> £000	<u>2002/03</u> £000
<u>Income</u>		
Capital Charges (General Fund)	(1,763)	(2,859)
HRA Capital Charges	0	(4,881)
Amortisation of Grants & Contributions	(67)	(68)
<u>Expenditure</u>		
PWLB Premia	64	64
External Interest Charges	2,154	3,470
Depreciation and other amounts written off tangible fixed assets	<u>879</u>	<u>3,201</u>
Transfer to/(from) AMRA	1,267	(1,073)

3.5 Agency Functions

The City Council operated a Sewerage Agency function which ceased on 31 March 2003, however residual expenditure and income incurred during 2003/04 was as follows:

	<u>2003/04</u> £000	<u>2002/03</u> £000
<u>Sewerage Agency</u>		
Expenditure	3	210
Income	<u>0</u>	<u>210</u>
	3	0

3.6 Publicity

Under Section 5 of the Local Government Act 1986 a local authority is required to keep a separate account of its expenditure on publicity. Set out below is the Council's spending on publicity.

	<u>2003/04</u> £000	<u>2002/03</u> £000
Recruitment Advertising	92	131
Tourism	481	542
Promotions & Marketing	<u>82</u>	<u>48</u>
	655	721

3.7 Section 1 of the Local Authorities Goods and Service Act 1970

The Council is empowered by this Act to provide goods and services to certain other public bodies. The main activity which has been undertaken in 2003/04 is work by the Commercial & Technical Services Business Unit for Government Agencies and Voluntary Bodies within the Carlisle District. The cost of the work in 2003/04 was £17,910 and all the costs were recovered except to the extent that work was incomplete at 31 March 2004 in which case the cost of the work will be recovered when completed.

3.8 Pension Costs

In 2003/04 the City Council paid an employer's contribution of £1,274,132 into the Cumbria County Council Pension Fund, representing 10.7% (2002/03 £1,495,296 and 10.7%) of pensionable pay. The contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation basis which was last carried out as at 31 March 2001. The assets of the Fund amounted to 94% of the liabilities as that point in time. The next actuarial triennial valuation is due as at 31 March 2004 and any change in contribution rate as a result of that valuation will take effect from 1 April 2005. In addition the City Council is responsible for all pension payments relating to unfunded added years benefits awarded by the City Council together with related increases. In 2003/04 these amounted to £319,362 representing 3.22% (2002/03 £492,691 and 4.21%) of pensionable pay.

3.9 Minimum Revenue Provision

The authority is required by statute to set aside a Minimum Revenue Provision (MRP) for the redemption of external debt. The method of calculating the provision is defined by statute and the net amount credited to the revenue account in respect of 2003/04 was £44,732. This sum comprises the gross amount calculated (£436,091) offset by the permitted adjustment applicable to those authorities (including Carlisle) whose revenue account suffered adversely as a consequence of the Government's commutation of debt exercise in 1992. The current effect of this adjustment is to reduce the City Council's overall MRP in 2003/04 by £480,823.

3.10 Officers' Emoluments

The Accounts and Audit Regulations 2003 require that local authorities disclose details of emoluments for those employees whose remuneration in the financial year exceeds £50,000. Details of the Authority's officers whose remuneration exceeds £50,000 is set out below in bands of £10,000.

Between £50,000 and £59,999	1
Between £60,000 and £69,999	3
Between £70,000 and £79,999	0
Between £80,000 and £89,999	2

3.11 Members' Allowances

The Code of Practice on Local Authority Accounting requires that Local Authorities disclose details of allowances paid to elected members during the year. Details of allowances paid in 2003/04 with comparative figures for 2002/03 are as follows:

	<u>2003/04</u> £000	<u>2002/03</u> £000
<u>Type of Allowance</u>		
Basic Allowance	212	205
Special Responsibility Allowance	73	81
Conference Allowance	<u>2</u>	<u>2</u>
	<u>287</u>	<u>288</u>

3.12 Related Party Transactions

The Council is required to disclose details of transactions with related parties. Related parties are generally either individuals or organisations which could exert direct or indirect control over the other party.

All Elected members and 104 of the Senior Officers of the City Council were asked to declare any direct financial relationship with the Authority for the financial year 2003/04. The response rate was 100%.

There were no material transactions relating to members or senior officers of the Authority during 2003/04.

- (i) Details of Government Grants are shown elsewhere in the Cash Flow Statement.
- (ii) The City Council's relationship with Kingmoor Park Properties Ltd is set out in Note 16 to the Consolidated Balance Sheet.
- (iii) The City Council's transactions with the Cumbria County Council Pension Fund are shown within Note 3.8 to the Consolidated Revenue Account.

3.13 Building Control

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

<u>Expenditure</u>	<u>Chargeable</u> £	<u>Non-Chargeable</u> £	<u>Total</u> £
Employee Costs	259,952	109,201	369,153
Transport Expenses	22,061	9,295	31,356
Supplies & Services	55,604	30,090	85,694
Central & Support services	<u>73,580</u>	<u>32,445</u>	<u>106,025</u>
Total Expenditure	411,197	181,031	592,228
Income			
Building Regulation Charges	(437,215)	0	(437,215)
Other income	<u>(671)</u>	<u>(32,373)</u>	<u>(33,044)</u>
Total Income	(437,886)	(32,373)	(470,259)
(Surplus)/deficit for Year	<u>(26,689)</u>	<u>148,658</u>	<u>121,969</u>

3.14 Section 137 Expenditure

Section 137 of the Local Government Act 1972 empowers local authorities, subject to various conditions and limits, to incur expenditure which is not covered by any other powers but which, in their opinion is in the interests of their area or any part of it, or all or some of its inhabitants. As a result of the Local Government Act 2000 the majority of the provisions of Section 137 have been repealed. However the power to incur expenditure under section 137(3) has been retained. The Council is permitted to spend £191,440 (100,759 population x £1.90). No expenditure was incurred in 2003/04 under s137 (3)

3.15 Non Distributed Costs –Pension Costs

In accordance with the requirements of the Best Value Accounting Code of Practice (BVACOP), charges for added years and unfunded early retirement costs as well as the whole amount of any past service contributions to meet a pension fund deficit have been included within Non Distributed costs but have amended to reflect past service costs and any gains and losses on curtailments and settlements calculated in accordance with FRS17.

3.16 Contributions to/(from) Capital Reserves

The transactions relating to contributions made to and from the Capital Reserves are shown below.

<u>Item</u>	<u>£000</u>
Use of PCL to fund premia and early redemption of debt	(4,348)
Reversal of impairment losses	(16)
MRP net of depreciation	(908)
Utilisation of Large Projects Fund & Renewals Reserve	887
Reversal of deferred charges written off to CRA	<u>(202)</u>
Transfer to/(from) Capital Reserve	(4,587)

3.17 Disclosure of Audit Costs

In 2003/04 Carlisle City Council incurred the following fees relating to external audit and inspection:

	<u>2003/04</u> <u>£000</u>	<u>2002/03</u> <u>£000</u>
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	102	101
Fees payable to the Audit Commission in respect of statutory inspection	16	20
Fees payable to the Audit Commission for the certification of grant claims and returns	63	61
Fees payable in respect of other services provided by the appointed auditor	1	7
Total	182	189

3.18 Gains and Losses on early repayment of borrowing

Premia and discounts charged or credited to revenue during the year were as follows.

	General Fund £000
Premia	4,348
Discounts	0
Total	<u>4,348</u>
Amounts funded from PCL	<u>(4,348)</u>
Net Charge	0



HRA Statement

NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

1. Housing Stock

The Council undertook a large-scale voluntary transfer of its housing stock during 2002/03. This consisted of 7,174 dwellings being transferred to Carlisle Housing Association (CHA) on 9 December 2002. A small number of dwellings were excluded from the transfer as they were situated on land retained by the City Council for redevelopment. These remaining properties were demolished during 2003/04.

(i) Movements in Year

The movement on stock can be summarised as follows:

	2003/04	2002/03
Stock at 1 April	99	7,669
Less: RTB & other sales	0	(236)
Less: Demolitions	(99)	(160)
Less: Transfers to CHA	<u>0</u>	<u>(7,174)</u>
Stock at 31 March	0	99

(ii) Balance Sheet Values

The balance sheet values for all HRA assets can be summarised as follows:

	1 April 2003 £000	31 March 2004 £000
Operational Assets:		
Council dwellings	70	0
Land & Buildings	156	0
Vehicles & Plant	2	0
Non-Operational Assets:		
Surplus	1,086	0
Investment	<u>2,110</u>	<u>0</u>
TOTAL	3,424	0

All remaining HRA assets were appropriated across to the City Council's General Fund in January 2004.

(iii) Capital Receipts

Total gross capital receipts generated during 2003/04 from the disposal of HRA assets were as follows:

	£
Land	21,000
Houses	70,106
RTB sharing agreement	5,106,906
Misc receipts	<u>31,630</u>
Total	5,229,642

2. Cost of Capital

Capital Charges calculated in accordance with the Item 8 Credit and Item 8 Debit (General) Determination are as follows:

	2003/04 £000	2002/03 £000
Capital Charge	0	2,594
Impairment Review	0	942
Interest Payable	<u>0</u>	<u>(1,075)</u>
Total	0	2,461

3. HRA Subsidy

Housing subsidy received represents the income required to finance the deficit on a notional HRA for the authority and is calculated in accordance with the subsidy determination issued by the Office of the Deputy Prime Minister. A £30,000 refund to the ODPM is anticipated in 2003/04 in relation to backdated rent rebate expenditure.

	2003/04 £000	2002/03 £000
Management/Maintenance/ Major Repairs	0	7,257
Charges for Capital	0	1,559
Rent Rebates	(30)	6,758
Other reckonable items	0	1
Guideline rents	0	(9,882)
Interest on receipts	<u>0</u>	<u>(3)</u>
TOTAL	(30)	5,690

4. Rent Arrears

Rent Arrears are as follows:

	<u>31 March 2004</u> <u>as % of</u> <u>Gross Rent Income</u> £000	<u>31 March 2003</u> <u>as % of</u> <u>Gross Rent Income</u> £000
Gross Arrears:		
Current tenants	0	0
Former tenants	0	200
HB Overpayments	<u>0</u>	<u>359</u>
	0	559
	0.00%	4.38%
Provision for bad and doubtful debts	0	(469)
Net Arrears	<u>0</u>	<u>90</u>

Rent arrears of approximately £90,000, which were neither transferred to CHA nor recovered from tenants, have been charged against the HRA during 2003/04.

5. Provision for Bad and Doubtful Debts

The provision for bad and doubtful debts has moved as follows:

	<u>£000</u>
Balance at 1 April 2003	469
Less: Arrears Written Off/Transferred	<u>(469)</u>
Balance at 31 March 2004	0

6. Pension Fund Deficit

The estimated actuarial valuation of the pension fund deficit, attributable to those staff transferring from Carlisle City Council to CHA, is estimated at £4.429m. Of this amount £2.389m was funded from the proceeds of the transfer with the estimated residual balance of £2.040m to be met from future right to buy receipts and the deferral of the Council's rights under the transfer contract to share in those receipts (see note 7). The final actuarial valuation of the total pension fund deficit attributable to transferring staff has not yet been received although it is currently estimated that the deficit has been fully extinguished during 2003/04.

7. Preserved Right to Buy Receipts (PRTB)

As part of the stock transfer agreement, CHA is liable to pay to the Council each year a share of the capital receipts generated from the subsequent sale of properties included in the transfer. Under the transfer contract the PRTB agreement runs for a period of 15 years from the date of transfer but will not come into force until the residual pension fund deficit has been fully discharged. (see note 6). Details of the PRTB receipts in respect of 2003/04 are shown in note 1 (iii).

8. Gains and Losses on early repayment of borrowing

Premia and discounts charged or credited to the HRA during the year were as follows.

	£000
Premia	91
Discounts	(27)
Total	64
Amounts funded from PCL	0
Net Charge	64

ACCOUNTING STATEMENTS

SUMMARY DSO REVENUE AND APPROPRIATION ACCOUNT

REVENUE ACCOUNT

	<u>Turnover</u>		<u>Total Expenditure</u>		<u>(Surplus)/Deficit</u>	
	£000		£000		£000	
	<u>03/04</u>	<u>02/03</u>	<u>03/04</u>	<u>02/03</u>	<u>03/04</u>	<u>02/03</u>
Building Maintenance	4,788	7,469	4,701	6,756	(87)	(713)
Highways	1,888	1,602	1,886	1,510	(2)	(92)
Grounds – Contract	1,565	1,512	1,580	1,484	15	(28)
Building Cleaning	300	344	287	271	(13)	(73)
Car Park Management						
- Non Contract	832	362	793	334	(39)	(28)
Street Cleaning	956	872	924	783	(32)	(89)
Refuse Collection	<u>1,166</u>	<u>1,064</u>	<u>1,163</u>	<u>1,050</u>	<u>(3)</u>	<u>(14)</u>
	<u>11,495</u>	<u>13,225</u>	<u>11,334</u>	<u>12,188</u>	<u>(161)</u>	<u>(1,037)</u>

APPROPRIATION ACCOUNT

	£000	£000
	<u>2003/04</u>	<u>2002/03</u>
DSO Reserves at 1st April	(519)	(512)
Surplus for year	(161)	(1,037)
Contribution to General Fund	161	350
Capital Expenditure	212	(7)
Surplus: Contribution to General Fund	0	95
: Contribution to Hsg Revenue Account	<u>0</u>	<u>592</u>
DSO Reserves at 31st March	<u>(307)</u>	<u>(519)</u>

NOTES TO THE DSO REVENUE AND APPROPRIATION ACCOUNT

1. Reporting Compliance

The Local Government Act 1999 repealed the compulsory competitive tendering provisions of the Local Government Planning and Land Act 1980 with effect from 2 January 2000. Although there is no requirement to produce revenue accounts and financial objectives statements in 2003/04 the Chartered Institute of Public Finance and Accountancy (CIPFA) advocates publication of a summary DSO revenue and appropriation account in the 2003/04 Statement of Accounts. The statement conforms with the requirements of the CIPFA Accounting Code of Practice.

2. Operations

The City Council operates six defined categories of work under the Local Government Planning and Land Act 1980 and the Local Government Act 1988. The statement provides a financial summary of the operations in 2003/04.

3. Financial Objectives

Under the Financial Objectives Specification 1994 (DOE Circular 12/94) from 1994/95 DSOs are required to make a surplus on all defined activities' revenue accounts. This is after charging capital charges on all fixed assets utilised in carrying out the defined activities in accordance with the capital accounting requirements of the CIPFA Accounting Code and charging interest on the value of stock held for the use of the defined activities of the DSO. All six DSO trading activities achieved their required financial objectives in 2003/04.

4. Capital Charges Made to DSO Revenue Accounts in 2003/04

	£000
Depreciation	16
Notional Interest	<u>8</u>
Total Capital Charges	24

5. Redundancy Costs

In 2003/04 redundancy costs totalled £8,500 (2002/03 £6,500).

6. Transfer of Building Maintenance Function

On 1st October 2003 the part of the Building Maintenance Function which was associated with the repair & maintenance of Council dwellings, transferred to Carlisle Housing Association (CHA). The financial implications of this transfer have been reflected in the accounts as now presented.



Collection Fund

NOTES TO THE COLLECTION FUND

1. General

The Collection Fund was established under the Local Government Finance Act 1988 but the operation of the fund was changed substantially with the introduction of Council Tax in April 1993 under the Local Government Finance Act 1992. The surplus or deficit on the Collection Fund is distributed between billing and precepting authorities on the basis of estimates made on the 15 January of the year end balance as at 31 March. The Collection Fund is operated on an accruals basis and the accounts are consolidated.

2. Income from Business Rate Payers

Non Domestic Rates is organised on a national basis. The Government specifies an amount (43.7p in 2002/03 and 44.4p in 2003/04) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into an NDR Pool administered by the Government. The Government redistributes the sums paid into the Pool back to Local Authorities' General Funds on the basis of a fixed amount per head of population.

The NDR income after reliefs and provisions of £26,181,596 was based on a total rateable value for the Council's area of £68,449,113 for the year (£66,972,513 in 2002/03).

3. Collection Fund Surpluses and Deficits

The surplus or deficit on the Collection Fund at the end of the year relating to Council Tax is required to be distributed to or made good by contributions from the City Council, Cumbria County Council or Cumbria Police Authority in a subsequent financial year. Any surplus or deficit on the Collection Fund relating to Council Tax items is carried forward to impact on the following year's Council Tax.

The surplus at 31 March 2004 relating to Council Tax was £892,353.

4. Council Tax Base Calculation

This is shown overleaf.



Council Tax Base
2003.04



Balance Sheet



Notes to
Consolidated Balance

1.2 Bases of Valuation

From 1 April 1994 all of the City Council's fixed assets have been valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Details of the valuation bases applied are set in note 2.2 of Section 2 (Statement of Accounting Policies).

Valuations are carried out via a rolling five year revaluation program with all assets being revalued at intervals of not more than five years. Existing valuations were carried out internally by D Atkinson ARICS and R Simmons ARICS and by external property consultants FDP Savills, Insignia Richard Ellis Limited and Sanderson, Townend, Gilbert.

The following table shows the progress of the Council's rolling programme for the revaluation of fixed assets:-

	Council Dwellings	Other Land & Buildings	Vehicles & Plant*	Non Operational Investment	Non Operational Surplus
	£000	£000	£000	£000	£000
Valued at current value in					
2003/2004	(921)	4,353	897	267	(170)
2002/2003	1,167	10,512	204	30,955	1,176
2001/2002	175	2,072	217	5,009	244
2000/2001	300	3,000	188	26,310	0
1999/2000	0	0	268	0	0
1998/1999	0	5,132	618	208	0
1997/98 & Prior	0	603	1,225	0	0
	721	25,672	3,617	62,749	1,250

*Vehicles and moveable plant are valued at historical cost as a proxy for current value

Excluded from the above analysis are community assets and infrastructure assets valued at historic cost.

An analysis of fixed assets includes:

	31 March 2004	31 March 2003
Council Dwellings	0	99
Civic Centre	1	1
Depots and Workshops	15	15
Off Street Car Parks	15	15
Leisure Centres	1	1
Swimming Pool	1	1
Museums	2	2
Parks & Recreation Grounds	250 ha	250 ha
Market	1	1
Cemeteries	3	3
Crematorium	1	1
Industrial Units	97	97
Community Centres	12	12
Industrial Estates	8	8
	(242 sites)	(242 sites)

2. Capital Expenditure

The main items of capital expenditure in 2003/04 were:

	£000
Raffles Vision	450
Millennium Gallery	537
Recycling schemes	1,237
Improvements to Leisure facilities	528

Significant budget commitments for future capital expenditure contracted for as at 31 March 2004 were:

	£000
Improvement Grant Commitments	341
Millennium Gallery	136

Capital Expenditure in 2003/04 was financed as follows:

<u>Capital Expenditure</u>	£000	<u>Financed by:</u>	£000
Operational Assets	3,392	Credit Approvals	1,153
Non-operational assets	787	Capital Receipts	1,414
Deferred Charges	1,117	Grants	624
		Revenue	1,141
		Unfinanced	964
	5,296		5,296

3. Leases

N items of vehicle and plant were acquired through operational lease in 2003/04. Total operating lease rentals paid in 2003/04 amounted to £556,343. At 31 March 2004 the annual commitment under operating lease and contract hire agreements was as follows:

<u>On leases expiring</u>	<u>Leased Cars</u>	<u>DSO Operating leases</u>	<u>DSO Contract Hire</u>	<u>Other leases</u>	<u>Total</u>
	£	£		£	£
Within 1 year	11,973	51,141	3,990	41,760	108,864
2 – 5 years	88,811	110,037	4,515	15,416	218,779
After 5 years	0	0	326,628	10,000	336,628
Total	100,784	161,178	335,133	67,176	664,271

4. Deferred Charges

	<u>Bal at</u> <u>1.4.03</u> £000	<u>Expenditure</u> £000	<u>Grants</u> <u>Received</u> £000	<u>Amounts</u> <u>Written Off</u> £000	<u>Bal at</u> <u>31.3.04</u> £000
Other	0	739	(739)	0	0
Improvement	<u>0</u>	<u>378</u>	<u>(175)</u>	<u>(203)</u>	<u>0</u>
Grants	<u>0</u>	<u>1,117</u>	<u>(914)</u>	<u>(203)</u>	<u>0</u>

Any balance shown in the accounts in respect of deferred charges should reflect a continuing benefit to the authority from such charges. The balance on this account was therefore written off in 2003/04 in accordance with this principle.

5. Temporary Investments

Investments are in respect of the temporary use of revenue balances and the investment of unapplied capital receipts. Temporary investments at 31 March were as follows:

	<u>31 March</u>	
	<u>2004</u> £000	<u>2003</u> £000
City of Carlisle Investment Fund	15,533	15,044
Notice & Fixed Term Money Market Deposits	<u>16,200</u>	<u>25,528</u>
Total	<u>31,733</u>	<u>40,572</u>

The City of Carlisle Investment Fund is a managed Fund set up to invest accumulated capital receipts and other balances held by the City Council. Investment is confined to gilt-edged securities and other instruments where security of capital can be guaranteed. A similar principle is followed regarding other investments made by the City Council. At 31 March 2004, the market value of the Investment Fund was £15,533,244.

6. Stocks and Work in Progress

	<u>31 March</u>	
	<u>2004</u> £000	<u>2003</u> £000
Work in Progress	298	279
Stocks: DSO	<u>29</u>	<u>77</u>
Other	<u>103</u>	<u>117</u>
	<u>132</u>	<u>194</u>
Total	<u>430</u>	<u>473</u>

7. <u>Debtors</u>	<u>31 March</u>	
	<u>2004</u> £000	<u>2003</u> £000
Amounts falling due in one year:		
Government Departments	1,683	5,719
Other Local Authorities	1,649	915
Local Taxpayers	2,263	2,637
Housing Rents	0	200
Sundry Debtors	<u>8,294</u>	<u>4,945</u>
	13,890	14,416
Provision for doubtful debts	<u>(2,043)</u>	<u>(2,523)</u>
	11,847	11,893
Amounts falling due after one year:	39	42
Car Loans		
	<u>11,886</u>	<u>11,935</u>

8. <u>Creditors</u>	<u>31 March</u>	
	<u>2004</u> £000	<u>2003</u> £000
Other Local Authorities	745	233
Government Departments	1,435	3,209
Sundry Creditors	<u>4,550</u>	<u>4,127</u>
	<u>6,730</u>	<u>7,569</u>

9. <u>Long Term Borrowing</u>	<u>Range of Interest Rates Payable</u> %	<u>Total Outstanding at 31 March</u>	
		<u>2004</u> £000	<u>2003</u> £000
<u>Sources of loan</u>			
Public Works Loans Board	4.125	12,815	18,415
Local Bonds & Mortgages	5.75-6.75	73	101
City of Carlisle Stock Issue	8.785	<u>15,000</u>	<u>15,000</u>
		<u>27,888</u>	<u>33,516</u>

An analysis of loans by maturity is:

	£ 000
Maturing within 1 year	8,656
Maturing within 1-2 years	2
Maturing within 2-5 years	4,170
Maturing within 5-10 years	19
Maturing in more than 10 years	<u>15,041</u>
	<u>27,888</u>

10. Deferred Capital Receipts

Deferred Capital Receipts of £25,000 are amounts derived from the sale of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on the sale of Council Houses, which form the main part of mortgages under long term debtors.

11. Provisions

	<u>1 April</u> <u>2003</u> £000	<u>Arising</u> <u>In Year</u> £000	<u>Applied</u> <u>In Year</u> £000	<u>31 March</u> <u>2004</u> £000
Cemeteries Perpetuity Fund	86	3	(3)	86
Public Liability Claims (a)	1,203	0	(112)	1,091
Other Provisions	<u>883</u>	<u>204</u>	<u>(57)</u>	<u>1,030</u>
	<u>2,172</u>	<u>207</u>	<u>(172)</u>	<u>2,207</u>

(a) At 31 March 2004 the estimated gross value of claims made against the Authority in respect of public liability, employers liability, motor and other claims was £1,088,552. Of this amount £655,981 is expected to be reimbursed through insurance and other third party claims.

Other Provisions

Included within this heading is the sum of £99,675 (2002/03 £35,000) in respect of anticipated losses in 2004/05 on work commenced in 2003/04 but not completed at 31 March 2004, together with provision for future commitments and anticipated items of expenditure incurred on work undertaken during 2003/04.

A further £79,000 (2002/03 £78,000) comprises the balances accrued in various bequests that have been made to the City Council.

12. Fixed Asset Restatement Reserve

	<u>2003/04</u> £000	<u>2002/03</u> £000
Balance at 1 April	(48,954)	144,823
Revaluation/Devaluation of Fixed Assets in Year		
General Fund	1,677	4,357
Housing Revenue Account	0	(106,095)
Disposal of Fixed Assets		
General Fund	(265)	(86)
Housing Revenue Account	(70)	(91,953)
Balance at 31 March	<u>(47,612)</u>	<u>(48,954)</u>

13. Usable Capital Receipts

These are capital receipts which have not yet been used to finance capital expenditure or to repay debt. Under the provisions of the 1989 Local Government and Housing Act, local authorities are required from 1st April 1990 to reserve a specified proportion of their unapplied capital receipts as a provision against credit liabilities. This requirement applies to both receipts held at 1st April 1990 and any receipts generated thereafter as set out below.

	<u>2003/04</u> £000	<u>2002/03</u> £000
Balance at beginning of year	1,616	1,896
Capital Receipts received in year (net of grants repayable)	<u>5,924</u> 7,490	<u>91,349</u> 93,245
Less Reserved Proportion including Cover For Credit Arrangements	(137)	(9,127)
Applied to meet LSVT costs	0	(6,998)
Applied during year to finance capital expenditure	<u>(1,414)</u>	<u>(75,504)</u>
Balance of Usable Capital receipts	<u>5,989</u>	<u>1,616</u>

The City Council was due to receive approximately £5m during 2004/05 under the RTB sharing arrangement with CHA, which has been accrued into 2003/04 accounts.

14. Contingent Liability

(i) During 1992/93 the City Council entered into a joint scheme with Home Housing Association to secure the development of two sites at Heysham Nursery and Gelt Road, Brampton for houses to rent. Home Housing Association have raised an initial tranche of £65 million of stock and raised a further £35 million of stock which will mature in 2037. In order to enable Home Housing Association to raise private finance from institutional investors all participating Authorities are required to enter into a standard form of Guarantee in which they jointly and severally guarantee the loan stock raised by Home Housing Association to fund the development programme. There were 15 Authorities participating in the first tranche and a further 14 Authorities including Carlisle joined in tranche 2 of the scheme. The total liability to be guaranteed by participating authorities will be £100 million. This will continue in force until 2037 when the loan stock falls due to be repaid. The strict liability of each Authority under guarantee would be £100 million and because the liability is joint and several Authorities would obviously not be prepared to expose themselves to the risk, however remote, of having to meet the full liability of the borrowing under their individual guarantee. Accordingly there is a Counter Indemnity and Contribution arrangement whereby each participating Authority undertakes to reimburse any other Authority or Authorities paying more than their proportionate share of the guarantee. An Authority's proportionate share is determined by reference to the estimated development expenditure in that Authority's area. If the guarantee were called in, the worst situation for the City Council would be that once it had recovered any contribution from other Authorities it would be left to fund no more than the cost of the development in its own area. The guarantee figure as at 26 November 1996 was £2,299,000. This cost would be offset wholly, or partly, by the sums recovered from repossessing the units from Home Housing Association and selling them on.

(ii) On 30th September 1992, the Council's Insurers, MMI Ltd, announced that it has ceased taking new business and issuing renewals and had placed a moratorium on claims payments. On 6th October 1992 MMI resumed the full payment of claims and on 1st April 1993 the assets and goodwill were taken over by Zurich Municipal but not the liabilities. There are no outstanding claims as at 31 March 2004, however the City Council may still have a liability under the Scheme of Arrangement if there is not a solvent 'run-off'. However, the report and accounts for the year to 30 June 2003 anticipate a solvent run off and the company is exploring ways in which its outstanding liabilities can be transferred to another insurer in return for a premium so that the company can be wound up.

(iii) On 9 December 2002 the City Council completed the transfer of its housing stock to Carlisle Housing Association (CHA). Under the terms of the transfer the City Council is committed to providing, from the date of transfer, certain environmental and non environmental warranties in favour of CHA and lenders to the Association for periods of 25 years and 18 years respectively. Insurance cover has been put in place for the environmental warranties for an initial period of 12 years and an earmarked reserve of £292,000 established to meet costs (insurance premiums) relating to the remaining 13 year period

(years 13 to 25). After taking specialist advice non-environmental warranties provided are not covered by existing insurance arrangements. An earmarked reserve of £166,000 has instead been set up to meet costs associated with any future claims. In the period from transfer to 31 March 2004 the Authority has received no claims in respect of either of environmental or non environmental warranties.

15. Provision for Credit Liabilities (Memorandum)

Under the 1989 Local Government and Housing Act, local authorities are required to set up a provision for credit liabilities. These are sums set aside for the redemption of debt and comprise the reserved proportion of capital receipts (see Note 14) and amounts set aside from revenue for this purpose:

	<u>2003/04</u>
	£000
At 1 April 2003	30,957
Capital Receipts reserved during 2003/04	<u>137</u>
	31,094
PCL applied to finance premia incurred on early Redemption of borrowing	(4,348)
Minimum Revenue Provision Charged to Revenue Accounts:	
General Fund	436
Housing Revenue Account	0
Commutation Adjustment	<u>(481)</u>
Provision for Credit Liabilities at 31st March 2004	26,701

16. Investment in Companies

At 31 March 2004, the City Council retains a shareholding investment of £400,000 in Kingmoor Park Properties Ltd (KPP Ltd) (5% of the Company's issued share capital). This can be repaid on or after 15 March 2004 on a valuation basis.

17. Disclosure of Net Pensions Assets/Liabilities

As part of the terms and conditions of employment of its officers, the City Council offers retirement benefits. Although these will not become payable until relevant employees retire, the Council has a commitment to make the payments that should be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme as administered by Cumbria County Council. This is a funded scheme which means that both the Council and employees, who are members of the Scheme, pay contributions into a fund independent of the Authority's own assets. The contributions are calculated at a level estimated to balance the pension liabilities with investment assets. The scheme is a 'defined benefits scheme' with benefits payable being determined independently of contributions paid to the fund and the investment performance of the

underlying scheme assets. During 2003/04, pension costs have been charged to the Consolidated Revenue Account, on the basis of contributions payable for the year to the Cumbria County Council Pension Scheme, (based on an actuarial valuation for 31 March 2001), and the pensions payable in the year to retired officers. In addition the Council had the following overall assets and liabilities for pensions, which have now been included in the balance sheet in accordance with FRS17:

	£000	£000
	<u>31 March</u>	<u>31 March</u>
	<u>2004</u>	<u>2003</u>
Estimated liabilities in Scheme	62,332	62,943
Estimated assets in Scheme	<u>54,765</u>	<u>47,359</u>
Net assets/(liabilities)	<u>(7,567)</u>	<u>(15,584)</u>

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. They have been assessed by an independent firm of actuaries. The main assumptions used in their calculations are:

	%	%
	<u>2003/04</u>	<u>2002/03</u>
Rate of Inflation	2.8	2.5
Rate of Increase in Salaries	4.3	4.0
Rate of increase in Pensions	2.8	2.5
Rate of discounting Scheme Liabilities	6.3	6.0

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments and consist of the following categories by proportion:

	%	Expected Return
Equity Investments	62.8	7.5%
Government Bonds	18.7	4.7%
Bonds	8.3	5.5%
Property	7.8	6.5%
Other Assets	<u>2.4</u>	4.0%
	<u>100</u>	

The movement on the net pension liability for the year to 31 March 2004 is as follows:

	£000
Net Pension Liability at 1 April 2003	15,584
Movements in year:	
Current Service cost	(1,416)
Employers contributions payable to scheme	1,474
Past service costs/curtailment costs	(1)
Settlement gain	1,621
Interest Cost	(3,650)
Expected return in assets in the scheme	2,970
Actual gains/(losses)	<u>7,019</u>
Net Pension Liability at 31 March 2004	(7,567)

The actuarial gains can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at March 2004:

	£000	%
Differences between the expected and actual return on assets	(7,019)	12.8%
Differences between actuarial assumptions about liabilities and actual experience	0	0
Changes in the demographic and financial assumptions used to estimate liabilities	0	0

18. Post Balance Sheet Events

The Pension Fund liability attributable to transferring staff has not yet been received from the Actuary. However it is envisaged that given the current levels of house sales any further liability will be fully extinguished during 2003/04.

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	Balance 1.4.03 £000	Net Surplus /Deficit for year £000	Value of Disposed Assets £000	Revaluation of Fixed Assets £000	Capital Receipts £000	Capital Receipts (reserved portion) £000	Capital Grants Receivable £000	Financing of Capital Expenditure £000	Transfers/ Others	Balance 1.4.04 £000
OTHER RESERVES										
Fixed Asset Restatement	(48,954)	0	(335)	1,677	0	0	0	0	0	(47,612)
Capital Financing	123,203	(4,878)	0	0	0	137	0	1,939	(56)	120,345
Useable Capital Receipts	1,616	0	0	0	5,924	(137)	0	(1,414)	0	5,989
Capital Grants and Contributions U/A	(5)	530	0	0	0	0	0	(525)	0	0
Pensions Liability	(15,584)	8,017	0	0	0	0	0	0	0	(7,567)
Government Grants Deferred	3,624	680	0	0	0	0	0	0	0	4,304
CAPITAL RESERVES										
Lanes Capital Fund	206	15	0	0	0	0	0	0	0	221
Repair & Renewals Fund	2,972	(496)	0	0	0	0	0	0	0	2,476
REVENUE RESERVES										
Collection Fund	481	411	0	0	0	0	0	0	0	892
HRA	3,390	(353)	0	0	0	0	0	0	0	3,037
DSO	519	(212)	0	0	0	0	0	0	0	307
General Fund	7,693	(345)	0	0	0	0	0	0	0	7,348
Large Projects Pool	1,110	(5)	0	0	0	0	0	0	0	1,105
Residents Parking	(8)	23	0	0	0	0	0	0	0	15
Building Control Function	150	27	0	0	0	0	0	0	0	177
Property Trading A/c	33	(33)	0	0	0	0	0	0	0	0
Public Open Spaces	4	6	0	0	0	0	0	0	0	10
LSVT Warranties	488	0	0	0	0	0	0	0	0	488
	80,938	3,387	(335)	1,677	5,924	0	0	0	(56)	91,535



Cash Flow Statement

SECTION 4 - STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required to:

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

The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2004.

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

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

The Head of Finance has also:

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

.....
Head of Finance

Date:

SECTION 5 - STATEMENT OF ASSURANCE **CORPORATE GOVERNANCE**

Introduction

The 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.

To this end Members and senior officers are responsible for ensuring that proper arrangements exist for the governance of the Council's affairs and stewardship of its resources.

The Council is committed to the highest standards of Corporate Governance and to ensuring that it complies with the Statement of Recommended Practice (SORP). The Council is working to adopt a Corporate Governance Policy and Plan which is consistent with the framework document "Corporate Governance in Local Government; a Keystone for Community Governance".

General

In September 2001 the Council adopted the Leader and Executive style of political management under the Local Government Act 2000. In accordance with this Act the Council has produced a comprehensive constitution that governs its actions and decision-making. This document is available to the public on its website.

The Council acknowledges its responsibility for the systems of internal control within the Council and for ensuring that these systems maintain the integrity of accounting records and safeguard its assets. The purpose of these systems is to provide reasonable assurance as to the reliability of financial information and to maintain proper control over the income, expenditure, assets and liabilities of the Council. No system of control can, however, provide absolute assurance against material misstatement or loss.

The Corporate Management Team has been made aware of and consulted upon the contents of the Statement of Assurance and the Risk Register. On a service basis, heads of service are accountable for ensuring that their staff are aware of, and consistently apply, the requirements of the Statement.

A brief description of the principal elements underlying the Council's systems of internal control is outlined below.

Financial Reporting

There is a comprehensive annual budgeting process approved by the Council. Regular monitoring reports are provided and meetings held with budget managers. Actual results are reported against budget and revised forecasts. The Executive and Corporate Resources Overview and Scrutiny Committee receive regular capital and revenue monitoring reports.

Risk Management

The Strategic Risk Management Group monitors risk on an ongoing basis.

During 2003-04 the Corporate Risk Register was developed and this is supported by individual Risk Registers in each Business Unit.

The Registers cover the major governance, operational, financial, external and compliance risks that the Council faces.

Controls and Procedures

The Council maintains a comprehensive set of delegations of authority and financial procedure rules. These are reviewed regularly by internal and external audit and any material breaches are required to be reported to the Corporate Resources Overview and Scrutiny Committee.

Monitoring of Controls

The Internal Audit function reports directly to the Head of Finance and carries out its work in line with the approved Audit Plan which has been produced based upon a risk assessment of activities within the Council. Internal Audit produces a written report at the completion of each audit review. The reports contain an audit opinion and key findings together with an agreed action plan for improvement where appropriate. The reports are provided to the relevant Head of Service. The Audit Services Manager provides a quarterly management report on progress against the annual plan to the Head of Finance. In addition the Audit Services Manager produces an Annual Internal Audit Final Report detailing the overall performance and activity of the section. This is submitted to the Council's Corporate Resources Overview and Scrutiny Committee, which acts as the Council's Audit Committee. The audit function provides an independent review of the adequacy and effectiveness of the system of internal financial control and is governed by the Accounts and Audit Regulations 2003.

The Corporate Resources Overview and Scrutiny Committee also considers reports of the external auditors.

Opinion

It is our opinion that Corporate Governance, along with supporting controls and procedures, remains very strong for the Council.

Signed

Leader of the Council.....Date.....

Chief Executive.....Date.....