

CARLISLE CITY COUNCIL

Report to:-

The Mayor and Members of Carlisle City Council

Date of Meeting:-

19 July 2005

Agenda Item No:-

Public	Policy	Delegated: Yes
<hr/>		
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
	No	No

Title:-

STATEMENT OF ACCOUNTS 2004/05

Report of:-

Head of Finance

Report reference:-

FS13/05**Summary:-**

The Council's Statement of Accounts for 2004/05 is attached at Appendix 1 for Council approval.

Once approved by Council the Statements will be subject to audit, which must be concluded by the statutory deadline of 31st October 2005.

The results of the relevant Best Value Performance Plan (BVPP) Performance Indicators for 2004/05 are also included for information.

Recommendation: -

The Council is asked to approve the 2004/05 Statement of Accounts.

Contact Officer:

Alison Taylor

Ext: 888040

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
19 July 2005

FS13/05

STATEMENT OF ACCOUNTS 2004/05

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 The Accounts and Audit Regulations 2003 require that the City Council's Statement of Accounts for 2004/05 be submitted to full Council for approval by 31st July 2005 (which is a further month earlier than for 2003/04).
- 1.2 The Statements reflect the summarised financial out-turn information which has recently been considered by the Executive and Corporate Resources Overview and Scrutiny Committee and which is considered elsewhere on the Council agenda. However to a large extent the format of the Statement of Accounts is prescribed and is therefore presented in a different format from the internal out-turn reports.
- 1.3 The Statements presented are subject to the formal audit process, which will commence on 15th August, and must be completed by 31 October. The auditors will identify any material changes required to the Statements and they will also produce a 'SAS610 Statement' which details any unadjusted misstatements found during the course of the audit. Both of these need to be considered by 'those charged with governance', which currently in respect of the Statements is the full Council. The requirement to report to full Council causes some practical difficulties in meeting the new statutory deadlines (which for the 2005/06 Statements will be brought forward by a further month to the 30th June 2005). The Audit Commission has suggested that the Council review its process for the approval of the Statement of Accounts. Any proposals for change will be brought back for Council approval.

2. BEST VALUE PERFORMANCE PLAN PERFORMANCE INDICATORS

- 3.1 The results of the relevant BVPP Performance Indicators for 2004/05 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 by the statutory deadline of 31st July as attached. The statutory deadlines for the completion of the audit is 31st October 2005.

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 2005	£5.789m
	Less Commitments 2005/06	<u>£1.536m</u>
		£4.253m

Equivalent to £1m plus 23.9% of net revenue expenditure (2003/04 £1m plus 34.9%).

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

	<u>2003/04</u>	<u>2003/04</u>
Target :	+/- 1%	+/- 1%
<u>Result:</u>		
Before slippage:	-3.7%	-3%
Equivalent to:	(£1,874,423)	(£1,414,267)
After slippage:	-0.67%	+0.27%
Equivalent to:	(£338,620)	£128,663

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 and 2004/05 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.

3. CONSULTATION

3.1 Consultation to Date.

It was agreed that consultation would take place with the Portfolio Holder for Finance and Resources and the Chair of Corporate Resources Overview and Scrutiny Committee, prior to consideration by Council.

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 1 August and 29 August 2005. Interested persons will also be able to question the Auditor about the accounts and make objections to the same with effect from 30 August 2005 (s15 date) until the completion of the audit.

The Statement of Accounts (subject to audit) will be published on the Council's website following approval by Council.

It is intended that a summarised Statement of Accounts will be produced to offer interested parties an easily understandable guide to the most significant matters reported in the accounts once the Statements have been audited.

4. RECOMMENDATIONS

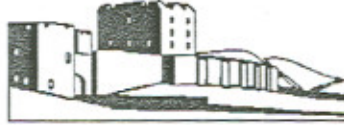
The Council is asked to approve the 2004/05 Statement of Accounts.

ANGELA BROWN
Head of Finance

Contact Officer: Alison Taylor

Ext: 888040

CARLISLE
CITY COUNCIL



STATEMENT OF ACCOUNTS

2004/05

SUBJECT TO AUDIT

STATEMENT OF ACCOUNTS

2004/05

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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 2005. This section provides a brief explanation of the Council's financial activities and a guide to the significant matters reported in the accounts.

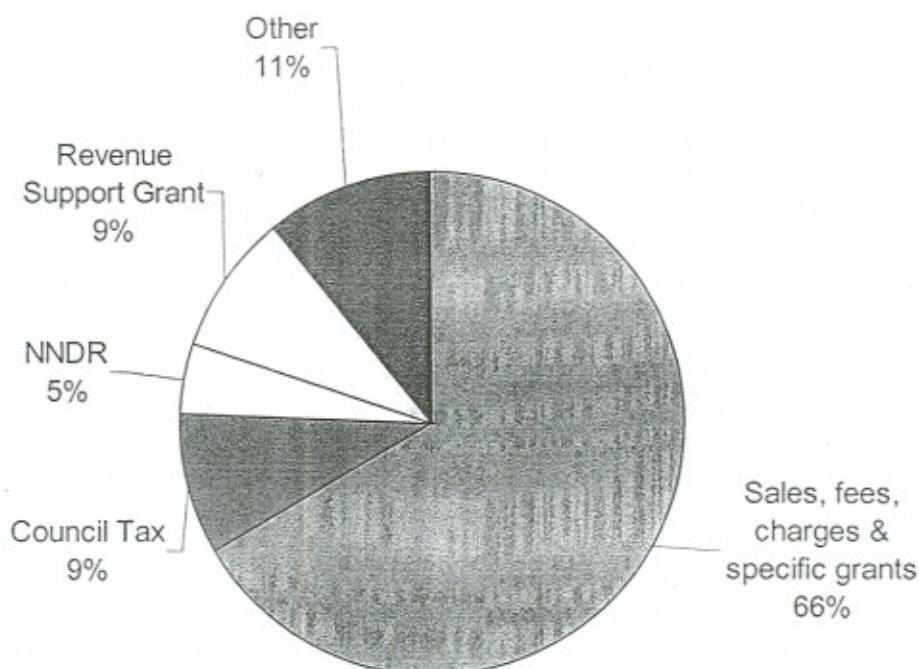
The accounts, which are subject to audit by the Audit Commission, consist of the following:

- 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. 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).
- v. 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 2005.
- vi. 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.
- vii. Cash Flow Statement
This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- viii. 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.
- ix. Statement on Internal Control
This sets out the framework within which internal control is managed and reviewed during the year of account.

1.2 Sources of Income and Expenditure

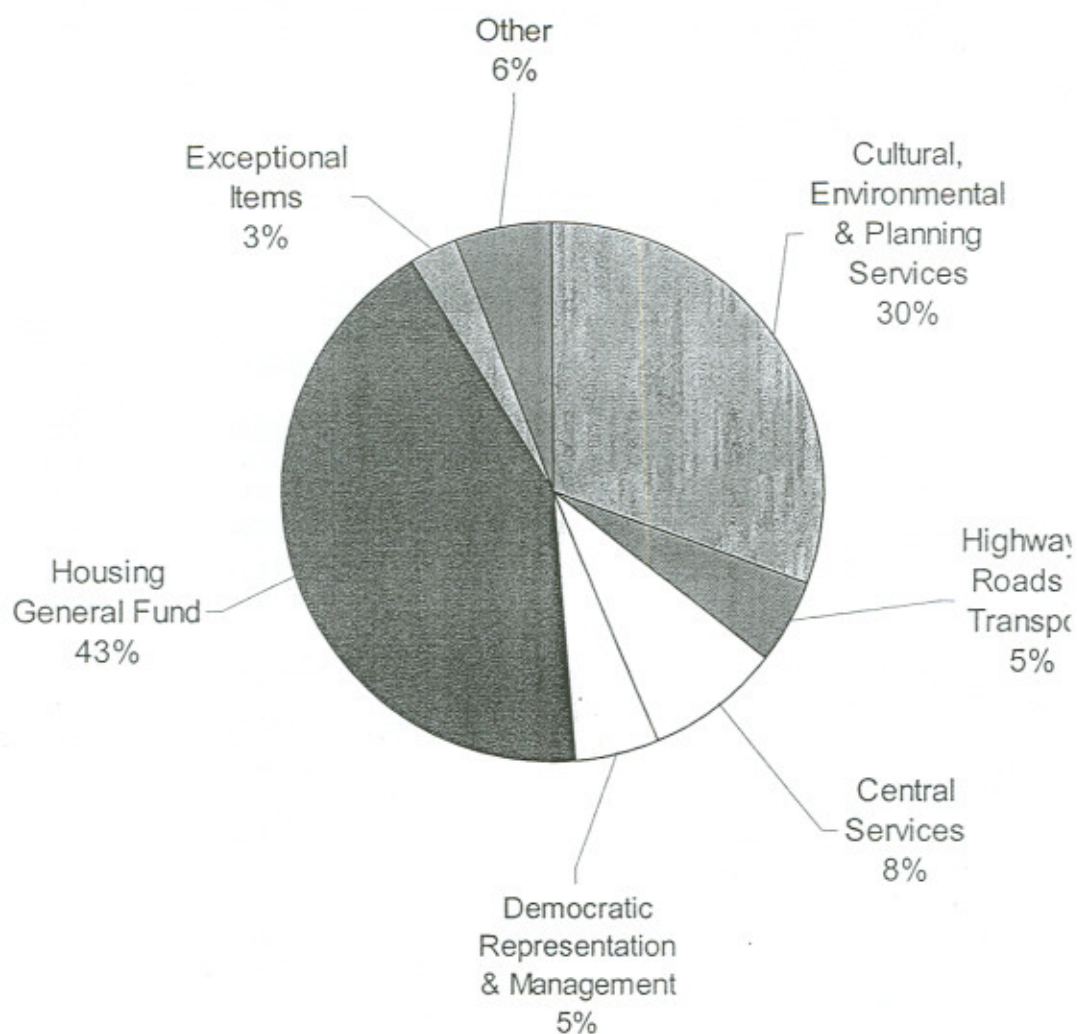
The charts below show the major sources of the Council's gross income and expenditure in 2004/05. They show where the money came from and how the money was spent in percentage terms.

(1) Where the money came from



The Council generates the bulk of its income (66%) from charges to users, sales, commercial rents and specific government grants for services provided by the Council. Revenue Support Grant (Central Government grant paid to each Local Authority and based upon a number of factors including population, deprivation and assumed borrowing levels) amounts to 9%. Other funding comes from the Council's share of the National Non-Domestic Rate Pool (5%) and from local council taxpayers (9%). The balance of funding is taken from the Council's own reserves, and other miscellaneous items.

2) How the money was spent



The Council spends 43% of its gross expenditure on Housing Services which includes payment of statutory and discretionary Housing and Council Tax benefit payments. The bulk of this expenditure is funded directly from external grant from the DWP. Expenditure on Cultural, Environmental and Planning activities account for a further 30%, with another 8% being incurred on Central services i.e. Corporate Management, Council Tax collection and Elections. The exceptional item relates to expenditure incurred by the Council on flood related activities.

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.

Summary Revenue Account

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

	<u>General Fund</u> <u>2004/05</u>		<u>HRA</u> <u>2004/05</u>	
	<u>Revised</u> <u>Budget</u>	<u>Actual</u>	<u>Revised</u> <u>Budget</u>	<u>Actual</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Net Expenditure on Services	16,844	15,036	(60)	(74)
Parish Precepts	308	308	0	0
Interest Payable	1,507	1,454	0	0
Interest Receivable	(1,485)	(1,497)	(138)	(152)
Sub total	17,174	15,301	(198)	(226)
Precept on Collection Fund	(5,545)	(5,545)	0	0
Government Grant				
• NDR	(2,755)	(2,755)	0	0
• RSG	(5,545)	(5,545)	0	0
Council Tax Surplus	(77)	(77)	0	0
Contribution to/(from) reserves	(3,252)	(1,379)	(198)	(226)
Appropriation from Projects Reserve	0	0	0	0
Use of Reserves	3,252	1,379	(198)	(226)
Reserves b/fwd	(7,168)	(7,168)	(3,311)	(3,311)
Reserves c/fwd	(3,916)	(5,789)	(3,509)	(3,537)

The reserve of £5.789m carried forward to 2005/06 will be re-distributed in accordance with the Medium Term Financial Plan, as follows:

GF reserve	£2.835m
Projects Reserve	£1.854m
Superannuation (contributions) Reserve	£1.000m
Asset Disposal	<u>£0.100m</u>
TOTAL	<u>£5.789m</u>

(1) General Fund

The net underspend of £1.873m, resulting in a reduced call on reserves in 2004/05, is represented by:

	<u>£000</u>
Slippage from 2004/05 to 2005/06	(1,536)
Other minor changes (net)	<u>(337)</u>
Total	<u>(1,873)</u>

A Revenue Out-turn report for 2004/05 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 2004 were £11.056m and they stood at £9.585m on 31 March 2005.

(2) Housing Revenue Account

The Account recorded a surplus of £0.226m in 2004/05 against a revised estimated surplus of £0.198m. The main reasons for the overall variance from budget of £0.028m were as follows:

	<u>£000</u>
Reduced provision for public liability claims	(130)
Premia payable on housing debt	45
HRA Subsidy (Net)	82
Investment Interest	(14)
Other Variations (Net)	<u>(11)</u>
Total	<u>(28)</u>

The HRA balance on 1 April 2004 was £3.311m and stood at £3.537 on 31 March 2005. Further details relating to the HRA Out-turn report can be obtained from the Head of Finance if required.

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) Capital Expenditure

This totalled £5.813m in 2004/05 and the main items of expenditure were:

	£000
Renovation Grants	232
Disabled Facilities Grants	280
Other Housing Improvement Schemes	115
Bitts Park Water Feature	129
Planned Major Repairs	170
Disability Discrimination Act	133
IEG/Customer Contact Centre	666
Petteril Bank Community Centre	120
Sheepmount (including bridge)	2,530
Millennium Project	227
Asset Investment Fund	261
Equipment, Vehicles & Plant	441
GIS	110
Civic Centre	109
Other Schemes	290
	<u>5,813</u>

The expenditure was funded from:

	£000
Borrowing	1,222
Capital Receipts	2,426
Specified Capital Grant	168
Other Capital Grants	2,365
Revenue/Renewals Reserve	483
Movement in Unfinanced expenditure	(851)
	<u>5,813</u>

(2) 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 2004	12,815	27,929
Loans repaid during the year	(12,815)	(12,816)
Loans raised during the year	0	0
Loans outstanding as at 31 March 2005	<u>0</u>	<u>15,113</u>

1.5 Significant Issues

(1) Flood and Storm damage

During 2004/05 pressure was placed upon the Council's finances and staff resources as a result of the severe flooding and storm damage experienced by the City and the wider Cumbria area in January 2005. The anticipated loss to Council assets alone is expected to cost millions of pounds to rectify and will take several months to quantify. Alternative sources of assistance, in the form of the Bellwin Scheme which is Government Emergency Financial Assistance to Local Authorities, and the Council's comprehensive insurance cover, are currently being pursued. Any expenditure not recoverable from these, or other sources that may emerge, will remain to be met from City Council resources. The Council has currently set aside £1m from its own Reserves to meet emergency expenditure. Any expenditure incurred by the Council has been included within the Consolidated Revenue Account as an exceptional item of expenditure.

(2) Pensions

The full implementation of FRS17 (Retirement Benefits) for 2003/04 has necessitated the introduction of revised accounting policies in relation to the treatment of pensions. Further information in respect of the Council's pension commitments and contributions paid can be found in note 3.7 to the Consolidated Revenue Account and in note 17 to the Consolidated Balance Sheet.

1.6 Accounting Policy Information

The accounts of the Council comply with the relevant accounting practices laid down by the accounting standards authorities.

1.7 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.

1.8 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.

1.9 Audit

The accounts are subject to audit by the Audit Commission

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 2004 – 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 2004/05 are 3.5% for operational and non-operational assets and 4.8% 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 2004/05. Annual commitments in respect of operating leases and similar arrangements 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 Account.

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 income receivable from HM Customs & Excise (£0.483m) for VAT, and sums due from Cumbria County Council for Highways Claimed Rights Work (£0.591m) and the Sure Start scheme (£0.629m).

Creditor provisions have been provided for outstanding income tax due to the Inland Revenue (£0.319m), and an amount due to the NDR pool (£0.562m).

A bad debt provision, paragraph 2.11, has been established for the non-payment of outstanding debtors amounting to £1.981m.

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 2005 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 40).

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

- The Fixed Asset Restatement Account 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 Account 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 Account nor the Capital Financing Account can be used to fund expenditure.

2.13 Pension Costs

Retirement benefits are accounted for in accordance with FRS17 subject to the interpretations as set out in the SORP.

The new policy, effective from 2003/04 onwards, more clearly reflects the Council's commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund. A change for 2004/05 relates to the discount rate used by the Actuary for FRS17 purposes, from the GAD rate used in 2003/04, to the AA Corporate Bond rate used in 2004/05. The impact of this estimation technique has added £8.180m to the City Council's pension liability.

Measurement bases applied in respect of attributable pension scheme assets and liabilities are set out in note 17 to the Consolidated Balance Sheet.

The change in the defined benefit asset or liability (other than that arising from contributions to the Scheme) is analysed into the following components and recognised in the Statements as follows:

(1) periodic costs

- current service cost - included within Net Cost of Services
- Interest cost and expected return on assets- included within Net Operating Expenditure
- actuarial gains and losses - recognised in the Statement of Total Movements in Reserves. These charges or credits are taken directly to the Pensions Reserve and do not impact on the Consolidated Revenue Account.

(2) non-periodic costs

- past service costs and gains and/or losses on settlements and curtailments - recognised in Net Cost of Services within Non-Distributed Costs.

As a result of the full implementation of FRS17 the pension costs charged to the Council's service revenue accounts are equal to the current service costs, rather than the contributions paid to the pension fund. The contributions paid into the fund on behalf of current employees together with costs arising in respect of pensions paid to retired employees are offset against the current service cost, and any compensating adjustment is shown as an appropriation to or from the Pensions reserve. Any unpaid contributions to the scheme are presented in the balance sheet as a creditor due within one year.

Pension Reserve

The cost of providing pensions for employees is funded in accordance with the statutory requirements governing the particular pension schemes or funds in which the Authority participates.

Where the contributions paid to the pension scheme do not match the change in authority's recognised asset or liability for the year, the recognised cost of pensions will not match the amount to be raised in taxation. This is represented by an appropriation to or from the pension reserve, which equals the net change in the pension liability recognised in the Consolidated Revenue Account.

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.

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.

2.18 Group Accounts

The authority does not have any interests in subsidiaries, associated companies and joint ventures that are material in aggregate and therefore Group Accounts have not prepared in accordance with the 2004 SORP.

2.19 Exceptional and Extraordinary Items

Following the severe flooding and storm damage that occurred in Carlisle on 8th January 2005, the Council's internal emergency Business Continuity procedures were initiated. The anticipated loss to Council assets alone is expected to cost millions of pounds to rectify and will take several months to quantify. Alternative sources of assistance, in the form of the Bellwin Scheme which is Government Emergency Financial Assistance to Local Authorities, and the Council's comprehensive insurance cover are currently being pursued. Any expenditure not recoverable from these, or other sources that may emerge, will remain to be met from City Council resources. All flood related expenditure has been accounted for as an exceptional item of account on the face of the Consolidated revenue Account.

SECTION 3 – ACCOUNTING STATEMENTS

CONSOLIDATED REVENUE ACCOUNT

2003/04 Net Expenditure £000	Service	2004/05 Gross Expenditure £000	2004/05 Gross Income £000	2004/05 Net Expenditure £000
	Continuing Operations			
10,446	Cultural, Environmental & Planning Services	18,375	8,308	10,067
198	Highways, Roads & Transport	3,128	2,774	354
2,278	Housing General Fund	25,872	24,050	1,822
1,580	Central Services	4,774	1,700	3,074
2,535	Democratic Representation & Management	3,071	217	2,854
(1,618)	Non Distributed Costs	18	0	18
0	Exceptional items	1,676	518	1,158
15,419	Total Continuing Operations	56,914	37,567	19,347
	Discontinued Operations			
129	Services transferred to CHA	5	124	(119)
15,548	Net Cost of Services	56,919	37,691	19,228
	Other Items			
271	Precepts Paid to Parish Councils			308
(1,847)	(Surplus)/Deficit from Trading Undertakings & Other Operations (including DSOs)			(1,329)
(1,672)	Interest receivable			(1,497)
680	Pensions interest costs & expected return on pension assets			254
1,267	Asset Management Revenue Account			333
0	Contribution towards Pooling arrangements			31
4,348	Gains/Losses on early repayment of borrowing			0
18,595	Net Operating Expenditure			17,328
(79)	Surplus/(Deficit) from HRA balances			226
(664)	Contributions to/(from) Specified Reserves			(170)
0	Direct Revenue Funding			0
(4,406)	Contributions to/(from) Capital Reserves			(1,539)
1,059	Contributions to/(from) Pensions Reserves			(650)
67	Amortisation of Government Grants			137
0	Contributions from UCR			(31)
14,572	Amount to be met from Government Grant and Local Taxpayers			15,301
(5,289)	Precept demanded from the Collection Fund			(5,545)
(67)	Council Tax Surplus			(77)
(5,175)	Revenue Support Grant			(5,545)
(3,516)	Contribution from Non-Domestic Rate Pool			(2,755)
525	(Surplus)/Deficit for the year			1,379
(7,693)	Balance at beginning of the year			(7,168)
525	(Surplus)/deficit for the year			1,379
(7,168)	Balance at end of year			(5,789)

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 £2.016m have been charged in 2004/05 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 2004 SORP and the Best Value Accounting Code of Practice. The Council's depreciation policy is set out in note 2.4 on page 9.

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 Building Control function are shown on page 18.

<u>Activity</u>	<u>Gross Income</u>	<u>Gross Expenditure</u>	<u>Surplus/ (deficit) 2004/05</u>	<u>Surplus/ (deficit) 2003/04</u>
	£	£	£	£
Corporate Properties	339,474	250,886	88,588	(19,025)
Industrial Estates	1,948,683	410,120	1,538,563	1,651,496
Market	82,650	27,180	55,470	52,907
Total	2,370,807	688,186	1,682,621	1,685,378

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 2004/05 £0.333m was debited to the Consolidated Revenue Account.

	<u>2004/05</u> £000	<u>2003/04</u> £000
<u>Income</u>		
Capital Charges (General Fund)	(2,016)	(1,763)
HRA Capital Charges	0	0
Amortisation of Grants & Contributions	(137)	(67)
<u>Expenditure</u>		
PWLB Premia	45	64
External Interest Charges	1,453	2,154
Depreciation and other amounts written off tangible fixed assets	988	879
Transfer to/(from) AMRA	<u>333</u>	<u>1,267</u>

3.5 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>2004/05</u> £000	<u>2003/04</u> £000
Recruitment Advertising	99	92
Tourism	450	481
Promotions & Marketing	20	82
	<u>569</u>	<u>655</u>

3.6 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. No work of this kind was undertaken during 2004/05.

3.7 Pension Costs

In 2004/05 the City Council paid an employer's contribution of £1,244,434 into the Cumbria County Council Pension Fund, representing 10.7% (2003/04 £1,274,132 and 10.7%) of pensionable pay. The contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation basis carried out as at 31 March 2001, and having effect for the three year period commencing 1 April 2002. The assets of the Fund amounted to 94% of the liabilities as that point in time. The Actuary has given his certificate for the triennial valuation at 31 March 2004 and the required contribution rates for the three year period commencing 1 April 2005. For the City Council, the new contribution rate has increased to 15.9%. 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

2004/05 these amounted to £297,326 representing 2.56% (2003/04 £319,362 and 3.22%) of pensionable pay. The pensions costs charged to the Consolidated Revenue Account in accordance with FRS17 are as follows:

	<u>2004/05</u> £000	<u>2003/04</u> £000
Current Service cost	1,938	1,416
Past Service cost	0	1
Settlement gain	0	(1,621)
Curtailment cost	0	0
Expected return on Pension assets	(3,604)	(2,970)
Pensions Interest costs	3,858	3,650
Total	2,192	476
Contributions paid to Pension Scheme	1,542	1,535
Contribution to/(from) Pension Reserve	(650)	1,059

3.8 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 charged to the revenue account in respect of 2004/05 was £370,836, which includes a voluntary MRP of £139,000. This sum comprises the gross amount calculated (£655,836) offset by the maximum 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 2004/05 by £424,000.

3.9 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	0
Between £60,000 and £69,999	3
Between £70,000 and £79,999	2
Between £80,000 and £89,999	0

3.10 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 2004/05 with comparative figures for 2003/04 are as follows:

<u>Type of Allowance</u>	<u>2004/05</u> £000	<u>2003/04</u> £000
Basic Allowance	219	212
Special Responsibility Allowance	76	73
Conference/Other Allowances	20	2
	<u>315</u>	<u>287</u>

3.11 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 2004/05. The response rate was 100%.

There were no material transactions relating to members or senior officers of the Authority during 2004/05.

- (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 15 to the Consolidated Balance Sheet.
- (iii) The City Council's transactions with the Cumbria County Council Pension Fund are shown within Note 3.7 to the Consolidated Revenue Account.

3.12 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 following statement 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	309,116	130,845	439,961
Premises Expenses	636	36	672
Transport Expenses	19,101	9,893	28,994
Supplies & Services	65,172	24,314	89,486
Agency & Contract Services	5,595	0	5,595
Central & Support services	99,770	42,340	142,110
Total Expenditure	499,390	207,428	706,818
<u>Income</u>			
Building Regulation Charges	(440,842)	0	(440,842)
Other income	(2,081)	(30,033)	(32,114)
Total Income	(442,923)	(30,033)	(472,956)
(Surplus)/deficit for Year	56,467	177,395	233,862

3.13 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 £192,140 (101,128 population x £1.90). No expenditure was incurred in 2004/05 under s137 (3)

3.14 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>
Reversal of impairment losses	(944)
MRP net of depreciation	(619)
Utilisation of Large Projects Fund, Renewals Reserve & CTS Reserve	483
Reversal of deferred charges written off to CRA	(459)
Transfer to/(from) Capital Reserve	<u>(1,539)</u>

3.15 Disclosure of Audit Costs

In 2004/05 Carlisle City Council incurred the following fees relating to external audit and inspection:

	<u>2004/05</u> <u>£000</u>	<u>2003/04</u> <u>£000</u>
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	108	102
Fees payable to the Audit Commission in respect of statutory inspection	Included above	16
Fees payable to the Audit Commission for the certification of grant claims and returns	53	63
Fees payable in respect of other services provided by the appointed auditor	8	1
Total	169	182

3.16 Pooled Budgets

During 2002/03, the Council agreed with Eden District Council to form the Carlisle and Eden Crime and Disorder Reduction Partnership. The partnership was instigated under the Council's duties to reduce crime and disorder. The Council made a £46,500 contribution to a pooled budget in this scheme, which is included in Cultural, Environmental & Planning Services (2003/04: £50,000) in the Consolidated Revenue Account.

ACCOUNTING STATEMENTS

HOUSING REVENUE ACCOUNT (HRA)

	<u>2004/05</u> <u>Actual</u> <u>£000</u>	<u>2003/04</u> <u>Actual</u> <u>£000</u>
<u>Income</u>		
Dwelling Rents (gross)	0	0
Non Dwelling Rents	(13)	11
Charges for services and facilities	(3)	0
Contributions towards expenditure	(130)	0
HRA subsidy receivable	22	(23)
Housing Benefit transfers	<u>0</u>	<u>0</u>
	(124)	(12)
<u>Expenditure</u>		
Repair & Maintenance	0	244
Supervision & Management	5	15
Rents rates and taxes	0	0
Rent rebates	0	(37)
Bad debt expenses	0	(81)
Cost of Capital Charge	0	0
Depreciation on Dwellings	0	0
Impairment of fixed assets	0	0
Debt management costs	<u>0</u>	<u>0</u>
	5	141
Net cost of services	(119)	129
Transfers to/(from) AMRA	0	0
Amortised premia and discounts	45	64
Investment income	(152)	(114)
Net Operating expenditure	(226)	79
Appropriations		
HRA set aside (MRP)	0	0
Transfers to/(from) Major Repairs Reserve	0	0
(Surplus)/Deficit for year	(226)	79
(Surplus) at start of year	(3,311)	(3,390)
(Surplus)/Deficit in year	(226)	79
(Surplus) at end of year	(3,537)	(3,311)

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 was 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 and no properties were held in 2004/05. During 2004/05 formal approval was given by the ODPM to close the Housing Revenue Account; the account was closed on 31st March 2005. All remaining HRA assets were appropriated across the City Council's General Fund in January 2004.

(i) Movements in Year

The movement on stock can be summarised as follows:

	<u>2004/05</u>	<u>2003/04</u>
Stock at 1 April	0	99
Less: RTB & other sales	0	0
Less: Demolitions	0	(99)
Less: Transfers to CHA	0	0
Stock at 31 March	<u>0</u>	<u>0</u>

2. Capital Expenditure

Capital Expenditure incurred:

	<u>2004/05</u>	<u>2003/04</u>
	<u>£000</u>	<u>£000</u>
Development Agreement (CHA)	0	0
Land	0	0
Houses	0	451
Other Property	0	0
	<u>0</u>	<u>451</u>
Financed by:		
Borrowing	0	486
Major Repairs Allowance/Reserve	0	0
Capital Receipts	0	0
Movements in unfinanced expenditure	0	(35)
	<u>0</u>	<u>451</u>

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.

	<u>2004/05</u>	<u>2003/04</u>
	<u>£000</u>	<u>£000</u>
Charges for Capital	44	64
Rent Rebates	0	(41)
Other reckonable items	0	1
Interest on receipts	0	(1)
Prior Year Adjustment	(66)	0
TOTAL	<u>(22)</u>	<u>23</u>

4. Rent Arrears

Rent Arrears are as follows:

	<u>31 March 2005</u>	<u>31 March 2004</u>
	<u>as % of</u>	<u>as % of</u>
	<u>Gross Rent Income</u>	<u>Gross Rent Income</u>
	<u>£000</u>	<u>£000</u>
Gross Arrears:		
Former tenants	76	158
HB Overpayments	<u>170</u>	<u>209</u>
	246	367
	N/A	N/A
Provision for bad and doubtful debts	(230)	(346)
Net Arrears	<u>16</u>	<u>21</u>

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 2004	346
Less: Arrears Written Off/Transferred	<u>(116)</u>
Balance at 31 March 2005	<u>230</u>

6. Pension Fund Deficit

The actuarial valuation of the pension fund deficit, attributable to those staff transferring from Carlisle City Council to CHA, is £3.860m. Of this amount £2.172m was funded from the proceeds of the transfer with the residual balance of £1.688m being met from 2004/05 right to buy receipts and the deferral of the Council's rights under the transfer contract to share in those receipts.

7. 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	71
Discounts	(26)
Total	<u>45</u>
Amounts funded from PCL	<u>0</u>
Net Charge	<u>45</u>

ACCOUNTING STATEMENTS

COLLECTION FUND

<u>2003/04</u> <u>£000</u>		<u>2004/05</u> <u>£000</u>	<u>2004/05</u> <u>£000</u>
	<u>Income</u>		
34,000	Council Tax		36,127
26,181	Income from Business Rates		27,622
	Transfers from General Fund:		
4,773	• Council Tax Benefits		5,154
	Contributions:		
0	• Adjustment for previous year's Collection Fund		0
64,954	Total Income		68,903
	<u>Expenditure</u>		
	Precepts and Demands:		
29,050	• Cumbria County Council	30,868	
4,258	• Cumbria Police Authority	4,991	
5,289	• Carlisle City Council	<u>5,544</u>	
			41,403
	Business Rates:		
26,005	• Payments to National Pool	27,445	
176	• Allowance for cost of collection	<u>177</u>	
			27,622
	Bad and Doubtful Debts:		
(192)	• Council Tax written off	(130)	
(110)	• Council Tax provision	<u>61</u>	
			(69)
	Contributions:		
67	• Adjustment for previous year's Collection Fund surplus		77
411	Movement on Fund Balance		(130)
64,954	Total Expenditure		68,903
	<u>Collection Fund Balance</u>		
481	Balance at beginning of the year		892
411	Surplus/(deficit) for the year		(130)
892	<u>Balance at end of the year</u>		762

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 (44.4p in 2003/04 and 45.6p in 2004/05) 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 £26,622,607 was based on a total rateable value for the Council's area of £69,975,267 for the year (£68,449,113 in 2003/04).

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 2005 relating to Council Tax was £762,038.

4. Council Tax Base Calculation

This is shown overleaf.

COUNCIL TAX BASE CALCULATION 2004/05

	Band A DISA	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
No of dwellings in valuation list 1 st December 2003		21,974	10,377	6,529	4,669	2,311	901	295	30
Add estimated no. of additional properties (apportioned) 1 st Dec 2003 - 31 st March 2004		19	14	75	48	11	9	1	0
Deduct estimated no. of properties to be deleted. Commercial exemptions and demolished 1 st Dec 2002 – 31 st March 2003		7	0	0	0	0	0	0	0
Deduct no. of properties which will be exempt		850	246	133	114	30	13	4	2
Adjustment for no. of properties which will fall into lower band due to disabled persons	39	-6	6	-6	-12	-14	-3	2	-6
Band A Disabled reduction		0							
Deduct Single Person discounts @ 25%	8	10,715	3,218	1,719	871	324	116	31	1
Deduct Discounts @ 50% on empty and disregarded properties		676	185	137	88	36	24	17	7
MOD properties in lieu		1	40	2	11	2	1	0	1
Total Net of Discounts/ exemptions etc	37.00	18,114.25	9,294.00	5,968.75	4,340.25	2,181.00	854.00	277.75	19.25
Band D equivalent	20.59	12,076.15	7,228.67	5,305.58	4,340.25	2,665.65	1,233.53	462.90	38.50

Total Relevant Amount (A) 33,371.82

Estimated Council Tax Base 32,704.41 A X Collection rate @ 98%

Estimated Extra 2nd Homes 101.21

Estimated Extra 2nd Homes @ 98% 99.22

Total Estimated Council Tax Base 32,803.63

ACCOUNTING STATEMENTS

CONSOLIDATED BALANCE SHEET

	<u>31 March</u>	
	<u>2005</u>	<u>2004</u>
	<u>£ 000</u>	<u>£ 000</u>
Net Fixed Assets – Note 1		
Operational Assets:		
Dwellings	589	670
Other Land & Buildings	23,234	23,964
Infrastructure Assets	1,186	1,204
Community Assets	972	972
Vehicles & Plant	1,852	1,619
Non-Operational Assets:		
Investment	62,959	62,959
Surplus	1,342	1,342
Payments on Account/Assets under construction	<u>2,836</u>	<u>98</u>
Total Fixed Assets	94,970	92,828
Long Term Investments	400	400
Long Term Debtors		
Transferred Debt – Cumbria CC	466	498
Mortgages and Other	<u>12</u>	<u>134</u>
	878	1,032
Total Long Term Assets	95,848	93,860
Current Assets		
Stocks & Work in Progress – Note 6	630	430
Debtors – Note 7	11,689	11,395
Payments in Advance	679	504
Investments – Note 5	21,200	31,733
Cash at bank and in hand	<u>0</u>	<u>531</u>
	34,198	44,593
Current Liabilities		
Creditors – Note 8	5,846	5,890
Temporary Loans	42	41
Receipts in Advance	2,022	2,231
Cash overdrawn	<u>490</u>	<u>0</u>
	8,400	8,162
Net Current (Liabilities)/Assets	25,798	36,431
	<u><u>121,646</u></u>	<u><u>130,291</u></u>

ACCOUNTING STATEMENTS


CONSOLIDATED BALANCE SHEET

	31 March	
	2005	2004
	£ 000	£ 000
Financed by:		
Long Term Borrowing – Note 9	15,071	27,888
Deferred Credits – Note 10	5,395	4,915
Provisions – Note 11	936	2,207
	<u>21,402</u>	<u>35,010</u>
Deferred Grant Account	5,814	4,304
Usable Capital Receipts – Note 13	5,048	1,014
Pensions Liability	22,553	7,567
Capital Grants Unapplied	<u>0</u>	<u>0</u>
	33,415	12,885
Reserve Balances		
General Fund Unapplied	5,789	7,168
Direct Service Organisation	284	307
Repair & Renewals Reserve	2,407	2,476
Housing Revenue Account/Benefits Reserve	3,537	3,311
Collection Fund	762	892
Projects Reserve	1,209	1,105
Lanes Capital Fund	236	221
Conservation Fund	139	0
Residents Parking	(8)	15
Building Control Function	121	177
Property Trading A/c	0	0
Public Open Spaces Contribution	10	10
LSVT Warranties	488	488
Pensions Reserve	(22,553)	(7,567)
Capital Financing Account	122,200	120,474
Fixed Assets Restatement Account	<u>(47,792)</u>	<u>(46,681)</u>
- Note 12	66,829	82,396
	<u>121,646</u>	<u>130,291</u>

Certified as presenting fairly the financial position of the Authority as at 31 March 2005

Signed.....
AD BROWN - Head of Finance

Approved by Council on 19 July 2005

Signed.....
Chair of meeting approving the accounts

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Movement in Fixed Assets

The table below set out the transactions relating to fixed assets in 2004/05.

	Operational Assets					Non-operational Assets				Total
	Council Dwellings	Other Land & Buildings	Vehicles & Plant	Infra-structure	Community Assets	Investment	Dev. Costs	Surplus	Other	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Valuation as at 31 March 2004	721	24,889	3,766	1,270	972	62,959	0	1,342	98	96,015
Accumulated Depreciation	(51)	(909)	(2,147)	(66)	0	0	0	0	0	(3,173)
Accumulated Impairment	0	(16)	0	0	0	0	0	0	0	(16)
Net Book Value 31 March 2004	670	23,964	1,619	1,204	972	62,959	0	1,342	98	92,826
Movement in 2004/05										
Additions	0	1,551	546	0	129	0	148	31	2,781	5,186
Disposals	0	0	0	0	0	0	0	0	0	0
Revaluations	0	(932)	0	0	0	0	(148)	(31)	0	(1,111)
Depreciation	(21)	(637)	(313)	(18)	0	0	0	0	0	(989)
Transfers	0	43	0	0	0	0	0	0	(43)	0
Impairments	(60)	(755)	0	0	(129)	0	0	0	0	(944)
Valuation as at 31 March 2005	721	25,551	4,312	1,270	1,101	62,959	0	1,342	2,836	100,092
Accumulated Depreciation	(72)	(1,546)	(2,460)	(84)	0	0	0	0	0	(4,162)
Accumulated Impairment	(60)	(771)	0	0	(129)	0	0	0	0	(960)
Net Book Value 31 March 2005	589	23,234	1,852	1,186	972	62,959	0	1,342	2,836	94,970

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					
2004/2005	0	662	546	0	0
2003/2004	246	15,124	1,046	2,940	1007
2002/2003	0	4,187	204	28,845	91
2001/2002	175	1,915	217	4,864	244
2000/2001	300	3,000	188	26,310	0
1999/2000	0	0	268	0	0
1998/1999 & Prior	0	663	1,843	0	0
	721	25,551	4,312	62,959	1,342

*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 2005	31 March 2004
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 (242 sites)	8	8

2. Capital Expenditure

The main items of capital expenditure in 2004/05 were:

	<u>£000</u>
Sheepmount	2,530
Equipment, Vehicles & Plant	441
IEG/Customer Contact Centre	666
Disabled Facilities Grants	280

Significant budget commitments for future capital expenditure contracted for as at 31 March 2005 were:

	<u>£000</u>
Improvement Grant Commitments	499

Capital Expenditure in 2004/05 was financed as follows:

<u>Capital Expenditure</u>	<u>£000</u>	<u>Financed by:</u>	<u>£000</u>
Operational Assets	2,226	Borrowing	1,222
Non-operational assets	2,960	Capital Receipts	2,426
Deferred Charges (Note 4)	627	Grants	2,533
		Revenue	483
		Unfinanced	(851)
	<u>5,813</u>		<u>5,813</u>

3. Leases

Total operating lease rentals paid in 2004/05 amounted to £259,439. At 31 March 2005 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>
	<u>£</u>	<u>£</u>		<u>£</u>	<u>£</u>
Within 1 year	8,769	36,372	3,990	33,726	82,857
2 – 5 years	114,972	71,665	0	16,516	203,153
After 5 years	0	0	326,628	10,000	336,628
Total	<u>123,741</u>	<u>108,037</u>	<u>330,618</u>	<u>60,242</u>	<u>622,638</u>

4. Deferred Charges

	<u>Bal at</u> <u>1.4.04</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>31.3.05</u> £000
Improvement Grants	0	627	(168)	(459)	0
	0	627	(168)	(459)	0

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 2004/05 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>2005</u> £000	<u>2004</u> £000
City of Carlisle Investment Fund	0	15,533
Notice & Fixed Term Money Market Deposits	<u>21,200</u>	<u>16,200</u>
Total	<u>21,200</u>	<u>31,733</u>

The City of Carlisle Investment Fund was 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 could be guaranteed. The Investment Fund was repaid in July 2004.

6. Stocks and Work in Progress

	<u>31 March</u>	
	<u>2005</u> £000	<u>2004</u> £000
Work in Progress	490	298
Stocks: DSO	49	29
Other	91	103
	140	132
Total	<u>630</u>	<u>430</u>

7. Debtors	31 March	
	2005	2004
	£000	£000
Amounts falling due in one year:		
Government Departments	766	1,354
Other Local Authorities	1,536	1,219
Local Taxpayers	2,588	2,263
Housing Rents	76	158
Sundry Debtors	8,769	8,405
	13,635	13,399
Provision for doubtful debts	(1,981)	(2,043)
	11,654	11,356
Amounts falling due after one year:	35	39
Car Loans		
	11,689	11,395

8. Creditors	31 March	
	2005	2004
	£000	£000
Other Local Authorities	697	745
Government Departments	936	1,053
Sundry Creditors	4,213	4,092
	5,846	5,890

9. Long Term Borrowing	Range of Interest Rates Payable %	Total Outstanding at 31 March	
		2005	2004
Sources of loan		£000	£000
Public Works Loans Board		0	12,815
Local Bonds & Mortgages	5.75-6.75	71	73
City of Carlisle Stock Issue	8.785	15,000	15,000
		15,071	27,888

An analysis of loans by maturity is:

	£ 000
Maturing within 1 year	3
Maturing within 1-2 years	3
Maturing within 2-5 years	9
Maturing within 5-10 years	20
Maturing in more than 10 years	15,036
	15,071

10. Deferred Credits

Deferred Credits include £24,000 in respect of amounts relating to the sale of assets receivable 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. The balance of £5,370,202 at 31 March 2005 relates to amounts receivable from Carlisle Housing Association under the terms of a Preserved Right to Buy (PRTB) sharing agreement incorporated into the LSVT contract. Under the terms of this agreement the City Council will receive a reducing proportion of PRTB receipts for the first 15 years of the contact.

11. Provisions

	<u>1 April</u> <u>2004</u> £000	<u>Arising</u> <u>In Year</u> £000	<u>Applied</u> <u>In Year</u> £000	<u>31 March</u> <u>2005</u> £000
Cemeteries Perpetuity Fund	86	4	(4)	86
Public Liability Claims (a)	1,091	0	(650)	441
Other Provisions	<u>1,030</u>	<u>210</u>	<u>(831)</u>	<u>409</u>
	<u>2,207</u>	<u>214</u>	<u>(1,485)</u>	<u>936</u>

(a) At 31 March 2005 the estimated gross value of claims made against the Authority in respect of public liability, employers liability, motor and other claims was £1,090,961. Of this amount £233,870 is expected to be reimbursed through insurance and other third party claims.

Other Provisions

Included within this heading is the sum of £134,675 (2003/04 £99,675) in respect of anticipated losses in 2004/05 on work commenced in 2004/05 but not completed at 31 March 2005, together with provision for future commitments and anticipated items of expenditure incurred on work undertaken during 2004/05.

A further £79,000 (2003/04 £79,000) comprises the balances accrued in various bequests that have been made to the City Council.

12. Fixed Asset Restatement Account

	<u>2004/05</u> £000	<u>2003/04</u> £000
Balance at 1 April	(46,681)	(48,954)
Revaluation/Devaluation of Fixed Assets in Year		
General Fund	(1,111)	2,608
Disposal of Fixed Assets		
General Fund	(0)	(265)
Housing Revenue Account	(0)	(70)
Balance at 31 March	<u>(47,792)</u>	<u>(46,681)</u>

13. Usable Capital Receipts

These are capital receipts which have been received by the Authority but which have not yet been used to finance capital expenditure or repay debt.

	<u>2004/05</u> £000	<u>2003/04</u> £000
Balance at beginning of year	1,014	1,616
Capital Receipts received in year (net of housing pooled capital receipts repayable)	6,492	1,034
	<u>7,506</u>	<u>2,650</u>
Less Reserved Proportion including Cover For Credit Arrangements	0	(222)
Less Transferred debt arrangements	(32)	0
Applied during year to finance capital expenditure	<u>(2,426)</u>	<u>(1,414)</u>
Balance of Usable Capital receipts	<u>5,048</u>	<u>1,014</u>

At 31 March 2005 £5,370,202 was due from CHA under the terms of the PRTB sharing agreement. This has been accrued into 2004/05 accounts and has been reflected within the deferred credits balance (see note 10 to the balance sheet).

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 2005, 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 £196,000 has instead been set up to meet costs associated with any future claims. In the period from transfer to 31 March 2005 the Authority has received no claims in respect of either of environmental or non environmental warranties.

(iv) Over the weekend of the 8 and 9 January 2005 the City experienced severe flood and storm damage. The anticipated loss to Council assets alone is expected to cost to millions of pounds to rectify and will take several months to quantify. Alternative sources of assistance, in the form of the Bellwin Scheme which is Government Emergency Financial Assistance to Local Authorities, and the Council's comprehensive insurance cover are currently being pursued. Any expenditure not recoverable from these, or other sources that may emerge, will remain to be met from City Council resources. The Council has currently set aside £1m from its own Reserves to meet emergency expenditure.

15. Investment in Companies

At 31 March 2005, 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.

16. Trust Funds

The City Council holds the accumulated balances of a number of bequests for which it is the sole trustee. Please refer to note 11 of the Balance Sheet for further details.

The Council also administers two charities for which it is not the sole trustee. The accounts of these charities are not reflected in any of the accounting statements.

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. In 2004/05 the pension costs have been charged to the revenue accounts on the basis of current service costs based on a formal actuarial valuation. The overall assets and liabilities for pensions for the year which have now been included in the balance sheet are as follows:

	<u>31 March</u> <u>2005</u> <u>£000</u>	<u>31 March</u> <u>2004</u> <u>£000</u>
Estimated liabilities in Scheme	91,286	62,332
Estimated assets in Scheme	<u>68,733</u>	<u>54,765</u>
Net assets/(liabilities)	<u>(22,553)</u>	<u>(7,567)</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. Mercer Human Resource Consulting Ltd, an independent firm of actuaries, has assessed the scheme's liabilities. The main assumptions used in their calculations are:

	<u>2004/05</u> <u>%</u>	<u>2003/04</u> <u>%</u>
Rate of Inflation	2.9	2.8
Rate of Increase in Salaries	4.65	4.3
Rate of increase in Pensions	2.9	2.8
Rate of discounting Scheme Liabilities	5.4	6.3

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

	<u>2004/05</u>		<u>2003/04</u>	
	<u>%</u>	<u>Expected</u> <u>Return</u>	<u>%</u>	<u>Expected</u> <u>Return</u>
Equity Investments	58.4	7.5%	62.8	7.5%
Government Bonds	21.2	4.7%	18.7	4.7%
Bonds	10.1	5.4%	8.3	5.5%
Property	8.4	6.5%	7.8	6.5%
Other Assets	<u>1.9</u>	<u>4.75%</u>	<u>2.4</u>	<u>4.0%</u>
	<u>100.0</u>		<u>100.0</u>	

The movement on the net pension liability for the year to 31 March 2005 is as follows:

	<u>£000</u>
Net Pension Liability at 1 April 2004	(7,567)
Movements in year:	
Current Service cost	(1,938)
Employers contributions payable to scheme	1,542
Past service costs/curtailment costs	0
Settlement gain	0
Interest Cost	(3,858)
Expected return in assets in the scheme	3,604
Actuarial gains/(losses)	<u>(14,336)</u>
Net Pension Liability at 31 March 2005	<u>(22,553)</u>

The actuarial gains can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at March 2005:

	<u>2004/05</u>		<u>2003/04</u>	
	£000	%	£000	%
Differences between expected and actual return on assets	2,163	3.1	7,019	12.8
Differences between actuarial assumption about liabilities and actual experience	(1,635)	1.8	0	0
Changes in the demographic and financial assumptions used to estimate liabilities	(14,864)	16.3	0	0

It should be noted that £8.2m of the changes in demographic and financial assumptions relates to a change in discount rate used by the Actuary for FRS17 purposes, from the GAD rate used in 2003/04, to the AA Corporate Bond rate used in 2004/05. The impact of this estimation technique has added £8.180m to the City Council's pension liability.

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

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	Balance 1.04.04	Net Surplus /(Deficit) for year	Value of Disposed Assets	Revaluation of Fixed Assets	Capital Receipts	Actuarial Gain/ Loss	Capital Receipts (reserved portion)	Capital Grants Receivable	Financing of Capital Expenditure	Transfers/ Others	Balance 31.03.05
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
OTHER RESERVES											
Fixed Asset Restatement	(46,681)	0	0	(1,111)	0	0	0	0	0	0	(47,792)
Capital Financing	120,474	(1,400)	0	0	0	0	32	0	2,426	668	122,200
Useable Capital Receipts	1,014	0	0	0	6,492	0	(32)	0	(2,426)	0	5,048
Capital Grants and Contributions U/A	0	0	0	0	0	0	0	1,647	(1,647)	0	0
Pensions Reserve (refer to Accounting Policies note 2.13)	(7,567)	(650)	0	0	0	(14,336)	0	0	0	0	(22,553)
Government Grants Deferred	4,304	(137)	0	0	0	0	0	0	1,647	0	5,814
CAPITAL RESERVES											
Lanes Capital Fund	221	15	0	0	0	0	0	0	0	0	236
Repair & Renewals Fund	2,476	(69)	0	0	0	0	0	0	0	0	2,407
REVENUE RESERVES											
Collection Fund	892	(130)	0	0	0	0	0	0	0	0	762
HRA/Benefits Reserve	3,311	226	0	0	0	0	0	0	0	0	3,537
DSO	307	(23)	0	0	0	0	0	0	0	0	284
General Fund	7,168	(1,379)	0	0	0	0	0	0	0	0	5,789
Projects Reserve	1,105	104	0	0	0	0	0	0	0	0	1,209
Residents Parking	15	(23)	0	0	0	0	0	0	0	0	(8)
Building Control Function	177	(56)	0	0	0	0	0	0	0	0	121
Conservation Fund	0	139	0	0	0	0	0	0	0	0	139
Public Open Spaces	10	0	0	0	0	0	0	0	0	0	10
LSVT Warranties	488	0	0	0	0	0	0	0	0	0	488
	87,714	(3,383)	0	(1,111)	6,492	(14,336)	0	1,647	0	668	77,691

CONSOLIDATED CASH FLOW STATEMENT

<u>2003/04</u> £000	<u>2004/05</u> £000 £000
REVENUE ACTIVITIES	
<u>Expenditure</u>	
16,870 Paid on or on behalf of employees	16,916
11,850 Other operating costs	11,099
17,082 Housing Benefits	17,417
23,192 NNDR Payments to the National Pool	27,127
33,579 Precepts paid	36,167
<u>102,573</u>	<u>108,726</u>
<u>Income</u>	
(4,441) Rents (after rebates)	(4,350)
(34,354) Council Tax	(36,165)
(25,912) Non-domestic rate income	(26,711)
(5,175) Revenue Support Grant	(5,545)
(19,851) Housing Subsidy	(16,909)
(3,804) Other Government Grants (note 5)	(8,087)
(10,414) Cash received for Goods & Services	(7,630)
(3,516) NNDR Receipts from the National Pool	(2,755)
<u>(107,467)</u>	<u>(108,152)</u>
<u>(4,894) Net Cash Inflow from revenue activities (note 1)</u>	<u>574</u>
RETURNS ON INVESTMENT & SERVICING OF FINANCE	
2,417 Interest paid	1,548
4,348 Premia paid on early redemption of borrowing	0
(1,667) Interest received	(1,404)
<u>5,098</u> Returns on Investment & Servicing of Finance Net Cash Flow	<u>144</u>
CAPITAL ACTIVITIES	
3,549 Purchase of Fixed Assets	5,636
719 Other Capital Payments	1,074
(720) Sale of Fixed Assets	(5,928)
(787) Capital Grants received	(2,513)
(165) Other Capital Receipts	(249)
<u>2,596</u> Capital Activities Net Cash Flow	<u>(1,980)</u>
2,800 Net Cash (Inflow)/Outflow before Financing	(1,262)
MANAGEMENT OF LIQUID RESOURCES	
(7,107) Net Increase/(Decrease) in short-term deposits	(10,433)
FINANCING	
17,819 Loans repaid	12,820
(12,191) New loans raised	(4)
<u>5,628</u> Financing Net Cash Flow	<u>12,816</u>
<u>1,321 Net (Increase)/Decrease in Cash</u>	<u>1,121</u>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement summarises for 2004/05 the inflows and outflows of cash to and from the Council arising from transactions with third parties for both revenue and capital.

1.Reconciliation of Revenue Account Surplus to Net Cashflow

<u>2003/04</u> £000	<u>2004/05</u> £000
525 (Surplus)/Deficit for the year	1,379
Non-cash transactions	
0 Minimum Revenue Provision	(371)
3,563 Contribution to Reserves	(1,847)
(64) Amortisation of Premia/Discounts	(45)
0 Depreciation (Housing Revenue Account)	0
<u>3,499</u>	<u>(2,263)</u>
Items on accruals basis	
(43) Increase/(decrease) in stocks	200
(6,139) Increase/(decrease) in debtors	97
2,094 (Increase)/decrease in creditors	1,116
<u>(4,088)</u>	<u>1,413</u>
Items shown elsewhere in the Statement	
(2,154) Interest payable	(1,453)
1,672 Interest receivable	1,498
(4,348) PWLB Premia	0
<u>(4,830)</u>	<u>45</u>
<u>(4,894) Net Cash Flow from Revenue Activities</u>	<u>574</u>

2. Reconciliation of Cash Flow to Net Debt

A reconciliation of cash flows to the Council's net debt is as follows:

£000	£000
(1,321) Increase/(Decrease) in cash	(1,121)
(7,107) Cash inflow from reduction in liquid resources	(10,433)
5,628 Cash outflow from (increase)/ decrease in debt	12,816
(2,800) Movement in Net Debt	1,262
7,135 Net debt at 1st April 2004	4,335
<u>4,335 Net debt at 31st March 2005</u>	<u>5,597</u>

3. (Increase)/Decrease in Financing and Liquid Resources

	Net debt 31/03/04 £000	Movement in year £000	Net debt 31/03/05 £000
Cash in hand & at bank	531	(1,021)	(490)
Bank overdraft	0	0	0
Overnight money market deposits	100	(100)	0
	<u>631</u>	<u>(1,121)</u>	<u>(490)</u>
Debt			
PWLB	(12,815)	12,815	0
Money Market	0	0	0
Local Bonds & Mortgages	(73)	2	(71)
Stock Issue	(15,000)	0	(15,000)
	<u>(27,888)</u>	<u>12,817</u>	<u>(15,071)</u>
Other Borrowing	(41)	(1)	(42)
	<u>(27,929)</u>	<u>12,816</u>	<u>(15,113)</u>
Short Term Investments	31,633	(10,433)	21,200
	<u>4,335</u>	<u>1,262</u>	<u>5,597</u>

4. Liquid Resources

Liquid resources include certificates of deposit, government securities and other short term cash deposits.

5. Analysis of other Government Grants

<u>2003/04</u> £000	<u>2004/05</u> £000
(2,386) Housing Revenue Account Subsidy	111
4,353 Council Tax Benefit Grant	5,436
529 Housing Benefit Administration	635
346 Other - DWP	256
147 New Deal	229
109 CCTV Crime Reduction Grant	0
152 Other	275
0 Achieving Cumbrian Excellence	172
75 Planning delivery grant	233
479 Sure Start	740
<u>3,804</u>	<u>8,087</u>

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 2005.

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: 11th July 2005

SECTION 5 - STATEMENT ON INTERNAL CONTROL

SCOPE OF RESPONSIBILITIES

The Authority is responsible for ensuring that:-

- its business is conducted in accordance with the law and proper standards;
- public money is safeguarded and properly accounted for and used economically, efficiently and effectively;
- it complies with its 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;

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

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

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

In September 2001 the Authority adopted the Leader and Executive style of political management under the Local Government Act 2000.

The Authority acknowledges its responsibility for the systems of internal control in operation and for ensuring that these systems maintain the integrity of its accounting records and safeguard its assets. The purpose of these systems is to provide reasonable assurance as to the achievement of the policies and objectives of the Authority including the reliability of financial information and to maintain proper control over its income, expenditure, assets and liabilities.

The systems of Internal Control are considered and reviewed on a regular basis by the Executive Management Group. On a service basis, Heads of Business Units are accountable for ensuring that their staff are aware of, and consistently apply, the requirements of the system of internal control.

THE INTERNAL CONTROL ENVIRONMENT

Controls and Procedures

The internal control framework within which Carlisle City Council operates encompasses a whole range of structures, systems and procedures, and the main ones are summarised below:

Council Constitution

In accordance with the Local Government Act 2000, the Authority has produced a comprehensive Constitution that governs its actions and decision-making, and which details specific delegations of authority and financial procedure rules. This document is available to the public on its web-site. It also sets out detailed specific responsibilities of the roles of the Executive, Overview and Scrutiny Committees, other Standing Committees, Members and Officers. The Constitution is reviewed and revised on an annual basis as required.

Internal Audit

The Authority maintains an Internal Audit Section, which operates to the standards set out in the "Code of Practice for Internal Audit in Local Government in the UK" and is responsible for monitoring the quality and effectiveness of systems of internal control.

Financial Control

The main controls for financial management are set out in the Constitution and they are the Budget and Policy Framework and the Financial Procedure Rules. These cover the arrangements for Financial Management, Financial Planning, Risk Management and Control of Resources, Financial Systems and procedures and External arrangements.

The Council has a Medium Term Financial Planning process which integrates budget and corporate planning to match resources to the corporate priorities. The planning and monitoring framework is co-ordinated through the Strategic Financial Planning Group, which consists of senior Members and Officers.

Regular meetings are held with identified budget managers, and from this budget monitoring reports are prepared for both Capital and Revenue expenditure and considered by the Executive and Corporate Resources Overview and Scrutiny Committee. The Authority is committed to improving the effectiveness of its budget monitoring arrangements and in strengthening the links between budget and performance monitoring.

The annual Statement of Accounts has been produced to statutory deadlines, and year-end actual results are reported against budgets. The Authority is committed to making further improvements to compliance with the Local Authority Statement of Recommended Practice and Financial Reporting Standards.

Performance Monitoring

Performance monitoring to ensure achievement of the Authority's objectives is a high priority for the Authority. The Authority's objectives are derived from the Community Plan (City Vision), and are clearly identified within the Authority's Corporate Plan. This is revised on an annual basis and the key priorities are currently under review. Business Plans are produced annually and set specific targets to achieve the aims set out in the Corporate Plan. The corporate performance monitoring report is considered on a quarterly basis by the Corporate Management Team, Executive Members and all Overview and Scrutiny Committees. This report includes monitoring of BVPI's and other performance and financial targets.

Risk Management

The Authority's Risk Management Group examines the major governance, operational, financial, external and compliance risks that the Authority faces. From that the Authority has identified the top corporate risks and each Business Unit maintains its own Risk Register.

The Authority's Risk Management Policy, which will ensure that the analysis of risk (and its subsequent management) has been reviewed to take account of the threat to delivery of corporate priorities. This was considered by the Executive and Corporate Resources Overview and Scrutiny Committee and the policy will be submitted to Council on 19th July for formal approval.

The Strategic Risk Management Group is currently reviewing the existing arrangements for the identification of risks and the updating and maintenance of Risk Registers.

The Audit Services Manager is a member of the Strategic Risk Management Group. All audit reviews are undertaken using a risk-based approach. Reference is made to the Risk Register held in each Business Unit, and any risks noted during the reviews which have not been included in the Register, are highlighted in the report.

REVIEW OF EFFECTIVENESS

The Authority is responsible for reviewing the effectiveness of the system of internal control. This review is informed by the work of Internal Audit and the senior managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and 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 system of internal control includes:

- Regular consideration of the overall Statement of Internal Control Action Plan by the Executive Management Group and Corporate Management Team.
- The Head of Legal and Democratic Services (the 'Monitoring Officer') has a duty to monitor and review annually the operation of the Constitution to ensure its aims and principles are given full effect.
- The Financial Procedure rules are reviewed annually by the Head of Finance. The 2004/05 review was delayed due to the impact of the flood recovery work but is currently underway. There are no significant control issues arising from this delay.
- Procedures for handling breaches to the Authority's Contract Procedure Rules were approved in May 2004. Procedures for dealing with general breaches in procedures are covered by the Fraud Theft and Corruption Response Plan, the "Whistle-blowing" Policy, and by the work of Internal Audit.
- Both the Executive Management Group and the Corporate Management Team meet fortnightly to consider strategic issues including performance management.
- 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 Authority. A written report is produced for appropriate senior managers at the completion of each audit review, which contains an audit opinion and key findings together with an agreed action plan for improvement where appropriate. The Audit Services Manager provides a quarterly management report on progress against the annual plan to the Head of Finance, and an Annual Internal Audit Final Report detailing the overall performance and activity of the section. The annual report is submitted to the Authority's Corporate Resources Overview and Scrutiny Committee, and it has been agreed that this will be extended to produce quarterly reports to Members. The audit function provides an independent review of the adequacy and effectiveness of the system of internal control and is governed by the Accounts and Audit Regulations 2003. During 2004/5 this work was expanded to include the main accounting and budgetary control system under the Managed Audit arrangements.
- The Corporate Resources Overview and Scrutiny Committee is delegated to act as the Authority's Audit Committee and considers significant reports of the internal and external auditors. A review of the corporate governance reporting arrangements will be completed during 2005/06.
- The Authority has three Overview and Scrutiny Committees, which can 'call in' a decision of the Executive to consider whether the decision is appropriate. This power has been used on a number of occasions.
- The Authority's Standards Committee is responsible for monitoring the operation of the Members' Code of Conduct.
- In the Comprehensive Performance Assessment by the Audit Commission, published in October 2003, the Authority was assessed as a 'Good'. Strengths included financial management.

- A quarterly system of reporting, to Members, performance on BVPI's, performance against business plans and financial targets is in place, and has been reviewed to improve the corporate coverage of the reporting and linkages between financial and performance monitoring.

SIGNIFICANT INTERNAL CONTROL ISSUES

The following significant internal control issues have been identified which will be addressed as a matter of priority:

Issue	Action
Formal approval to a "Code of Corporate Governance".	This Code is in course of development – its production is being co-ordinated by the Executive Management Group.
Further analysis and management of Corporate and Business Risk.	To ensure that corporate risk is addressed and that Risk Registers and Business Continuity Plans are complete and maintained on an ongoing basis. This work is being co-ordinated by the Risk Management Group.
To ensure that Job Descriptions are updated for all staff, in preparation for Job Evaluation, and the restructuring exercise which will take place during 2005/06.	Head of Members Support and Employee Services to ensure that this exercise is undertaken in all Business Units.
Formal consideration of an Audit Committee.	This work is being co-ordinated by the Executive Management Group.
Review of Performance Management framework.	This work is being co-ordinated by the Executive Management Group.
Review effectiveness of Corporate Procurement Policy,	This work will be co-ordinated by the Executive Management Group.
Development and procedural documentation of the Financial Information System.	This work will be co-ordinated by the Strategic Finance Manager.
This Authority has no system of Control Risk Self Assessment in operation.	This will be considered during 2005/06 and the work will be co-ordinated by the Audit Manager.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control and plans to address weaknesses and ensure continuous improvement are in place.

Signed:

Councillor M R Mitchelson

Leader of the Council

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Maggie Mooney

Town Clerk and Chief Executive

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Angela Brown

Head of Finance

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