



AUDIT COMMITTEE

Committee Report

Public

Date of Meeting: 21 JUNE 2006

Title: STATEMENT OF ACCOUNTS 2005/06

Report of: Director of Corporate Services

Report reference: FS26/06

Summary:

The Council's Statement of Accounts 2005/06 (subject to Audit) is attached at Appendix 1. Once approved by Council on 29 June the statements will be subject to audit, which must be concluded by the statutory deadline of 30 September 2006.

Recommendations:

The Committee is asked to consider the 2005/06 Statement of Accounts for recommendation to Council, noting that the Statements will then be subject to audit.

Contact Officer: Alison Taylor

Ext: 7280

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 Audit Committee
21 June 2006

FS26/06

STATEMENT OF ACCOUNTS 2005/06

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 The Accounts and Audit Regulations 2003 require that the City Council's Statement of Accounts for 2005/06 be submitted to full Council for approval by 30 June 2006 (which is a further month earlier than for 2004/05).
- 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. 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 3 July, and must be completed by 30 September. The auditors will identify any material changes required to the Statements and they will also produce an ISA+260 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.

2. CONSULTATION

- 2.1 Consultation to Date.
None
- 2.2 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 14 July and 10 August 2006. Interested persons will also be able to question the Auditor about the accounts and make objections to the same with effect from 11 August 2006 (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 Committee is asked to consider the 2005/06 Statement of Accounts for recommendation to Council, noting that the Statements will then be subject to audit.

ANGELA BROWN
Director of Corporate Services

Contact Officer: Alison Taylor

Ext: 7280

CARLISLE CITY COUNCIL



STATEMENT OF ACCOUNTS

2005/06

SUBJECT TO AUDIT

STATEMENT OF ACCOUNTS

2005/06

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SECTION 1 - FOREWORD

1.1 Introduction

This Statement has been produced by the Director of Corporate Services and contains the Council's accounts for the year ended 31 March 2006. 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. 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).
- iv. 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 2006.
- v. 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.
- vi. Consolidated Cash Flow Statement
This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- vii. Statement of Responsibilities for the Statement of Accounts
This sets out the respective responsibilities of the Authority and the Director of Corporate Services for the Accounts.

1.2 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>2005/06</u>	
	<u>Revised</u> <u>Budget</u> <u>£000</u>	<u>Actual</u> <u>£000</u>
Net Expenditure on Services	16,775	16,160
Parish Precepts	317	317
Interest Payable	1,336	1,283
Interest Receivable	(1,496)	(1,426)
Sub total	16,932	16,334
Appropriation to/(from) Specified Reserves	0	(1,924)
Sub total	16,932	14,410
Precept on Collection Fund	(5,708)	(5,708)
Government Grant		
• NDR	(2,942)	(2,942)
• RSG	(5,694)	(5,694)
Council Tax Surplus	(66)	(66)
Contribution to/(from) reserves	(2,522)	0
Use of Reserves (GF unapplied)	2,522	0
Reserves b/fwd	(3,453)	(3,453)
Reserves c/fwd	(931)	(3,453)

(1) General Fund

The net underspend of £2.522m, resulting in a reduced call on reserves in 2005/06, is represented by:

	<u>£000</u>
Slippage from 2005/06 to 2006/07	(1,740)
Flood adj re 2004/05	(811)
Other minor changes (net)	29
Total	<u>(2,522)</u>

A Revenue Out-turn report for 2005/06 has been prepared which provides additional information on the year-end position. This is available upon request from the Director of Corporate Services.

The usable revenue reserves of the General Fund (excluding specific Earmarked Reserves) on 1 April 2005 were £9.323m and they stood at £10.895m on 31 March 2006.

(2) Housing Revenue Account

The Housing Revenue Account was formally closed on 1st April 2005. All transactions relating to the former HRA are shown on the face on the Consolidated Revenue Account as discontinued operations. The HRA balance as at 1st April 2005 has been transferred to the Project Reserve in line with Council policy.

1.3 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 £7.006m in 2005/06 and the main items of expenditure were:

	£000
Renovation Grants	249
Disabled Facilities Grants	463
Private Sector Renewal (ODPM grant)	805
Other Housing Improvement Schemes	211
Recycling Scheme	127
Leisuretime Investment	506
Planned Major Repairs	223
Disability Discrimination Act	217
IEG/Customer Contact Centre	362
Housing Strategy	390
Sheepmount (including bridge)	1,495
Millennium Project	150
Asset Investment Fund	113
Equipment, Vehicles & Plant	838
Multi Use Games Area	219
Back Lanes	94
Other Schemes	537
	<hr/> 6,999

The expenditure was funded from:

	£000
Capital Receipts	4,019
Specified Capital Grant	261
Other Capital Grants	1,677
Revenue/Renewals Reserve	1,042
	<hr/> 6,999

(2) Capital Borrowing

The Council is given the powers to borrow money for capital purposes by virtue of Section 1 of the Local Government Act 2003. 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 2005	0	15,113
Loans repaid during the year	0	(31)
Loans raised during the year	0	45
Loans outstanding as at 31 March 2006	<hr/> 0	<hr/> 15,127

1.4 Significant Issues

(1) Flood and Storm damage

Following the severe flooding and storm damage that occurred in Carlisle on 8th January 2005, the Bellwin Claim has been finalised and paid and the City's insurance claim has been settled in early 2006. The total costs incurred have been met by a combination of insurance payments, the Bellwin Scheme and the City Council's own resources. A detailed out-turn report has been prepared which is available from the Director of Corporate Services upon request. All flood related expenditure relating to 2005/06 has been accounted for as an exceptional item of account on the face of the Consolidated Revenue Account.

(2) Pensions

The full implementation of FRS17 (Retirement Benefits) in 2004/05 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.

1.5 Accounting Policy Information

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

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 Director of Corporate Services. 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 2005 – 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 Section 21 (2) of the Local Government Act 2003.

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.

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 including service revenue accounts, support services and trading accounts are debited with 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), impairment losses attributable to the clear consumption of economic benefits plus a notional interest charge based upon net asset values. The notional rates of interest used in 2005/06 are 3.5% for operational and non-operational assets and 4.95% 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

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals are apportioned between a charge for the acquisition of the interest in the property, which is recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset and liability written down as the rent becomes payable, and a finance charge (debited to the Asset Management Revenue Account as the rent becomes payable). Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

2.6 Deferred Charges

Deferred charges represent expenditure that may be capitalised but does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the costs of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Financing Account then reverses the amounts charged to the Consolidated Revenue Account so there is no impact on the level of council tax.

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. Capital receipts set aside to repay debt are 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 Revenue and Customs (£0.180m) for VAT, sums due from Cumbria County Council for Highways

Claimed Rights Work (£0.255m) sums due in relation to flood costs from the Council's Insurers (£0.806m), and an amount due from the NNDR pool (£1.633m)

Creditor provisions have been provided for outstanding income tax due to the Inland Revenue (£0.343m), and an amount due relating to interest due on the Stock issue (£0.471m).

A bad debt provision, paragraph 2.11, has been established for the non-payment of outstanding debtors amounting to £1.801m.

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 2006 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 2004/05 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.

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.

2.18 Group Accounts

The authority has reviewed its interests with external bodies in 2005/06 as required by the SORP. The Council's analysis has concluded that it does not have any interests in subsidiaries, associated companies and joint ventures that are material in aggregate and therefore there is no requirement to produce a set of Group Accounts.

2.19 Exceptional Items

Following the severe flooding and storm damage that occurred in Carlisle on 8th January 2005, the Bellwin Claim has been finalised and paid and the City's insurance claim has been settled in early 2006. The total costs incurred have been met by a combination of insurance payments, the Bellwin Scheme and the City Council's own resources. A detailed out-turn report has been prepared which is available from the Director of Corporate Services upon request. All flood related expenditure relating to 2005/06 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

2004/05 Net Expenditure £000	Service	2005/06 Gross Expenditure £000	2005/06 Gross Income £000	2005/06 Net Expenditure £000
	<u>Continuing Operations</u>			
9,474	Cultural, Environmental & Planning Services	19,936	8,585	11,351
354	Highways, Roads & Transport	4,055	3,140	915
1,017	Housing Services	28,553	25,471	3,082
2,667	Central Services	6,759	4,759	2,000
2,854	Democratic Representation & Management	3,146	45	3,101
18	Non Distributed Costs	1	1,426	(1,425)
1,458	Exceptional items	4,235	3,764	471
17,842	Total Continuing Operations	66,685	47,190	19,495
	<u>Discontinued Operations</u>			
(107)	Services transferred to CHA	(26)	53	(79)
17,735	Net Cost of Services	66,659	47,243	19,416
	<u>Other Items</u>			
308	Precepts Paid to Parish Councils			317
(1,378)	(Surplus)/Deficit from Trading Undertakings & Other Operations (including CTS)			(2,280)
(1,497)	Interest receivable			(1,426)
254	Pensions interest costs & expected return on pension assets			667
333	Asset Management Revenue Account			164
31	Contribution towards Pooling arrangements			0
0	Gains/Losses on early repayment of borrowing			0
15,786	Net Operating Expenditure			16,858
186	Surplus/(Deficit) from HRA balances			0
3,191	Contributions to/(from) Specified Reserves			(1,924)
0	Direct Revenue Funding			0
(982)	Contributions to/(from) Capital Reserves			(1,550)
(650)	Contributions to/(from) Pensions Reserve			889
137	Amortisation of Government Grants			137
(31)	Contributions from UCR			0
17,637	Amount to be met from Government Grant and Local Taxpayers			14,410
(5,545)	Precept demanded from the Collection Fund			(5,708)
(77)	Council Tax Surplus			(66)
(5,545)	Revenue Support Grant			(5,694)
(2,755)	Contribution from Non-Domestic Rate Pool			(2,942)
3,715	(Surplus)/Deficit for the year			0
(7,168)	Balance at beginning of the year			(3,453)
3,715	(Surplus)/deficit for the year			0
(3,453)	Balance at end of year			(3,453)

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 £1.929m have been charged in 2005/06 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 2005 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) 2005/06</u>	<u>Surplus/ (deficit) 2004/05</u>
	£	£	£	£
Corporate Properties	378,727	224,514	154,213	132,088
Industrial Estates	2,020,915	454,881	1,566,034	1,538,563
Market	111,421	28,000	83,421	55,470
Total	2,511,063	707,395	1,803,668	1,726,121

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 2005/06 £0.301m was debited to the Consolidated Revenue Account.

	<u>2005/06</u>	<u>2004/05</u>
	£000	£000
<u>Income</u>		
Capital Charges	(1,929)	(2,890)
Amortisation of Grants & Contributions	(137)	(137)
<u>Expenditure</u>		
PWLB Premia	0	45
External Interest Charges	1,283	1,453
Depreciation and other amounts written off tangible fixed assets	947	751
Impairment losses charged to Revenue	0	1,111
Transfer to/(from) AMRA	<u>164</u>	<u>333</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>2005/06</u>	<u>2004/05</u>
	£000	£000
Recruitment Advertising	59	99
Tourism	476	450
Promotions & Marketing	32	20
	<u>567</u>	<u>569</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 2005/06.

3.7 Pension Costs

In 2005/06 the City Council paid an employer's contribution of £1,953,180 into the Cumbria County Council Pension Fund, representing 15.9% (2004/05 £1,244,435 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 2004, and having effect for the three year period commencing 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 2005/06 these amounted to £273,379 representing 2.23% (2004/05 £297,326 and 2.56%) of pensionable pay. The pensions costs charged to the Consolidated Revenue Account in accordance with FRS17 are as follows:

	<u>2005/06</u> £000	<u>2004/05</u> £000
Current Service cost	2,092	1,938
Past Service cost	(1,426)	0
Settlement gain	0	0
Curtailment cost	0	0
Expected return on Pension assets	(4,255)	(3,604)
Pensions Interest costs	4,922	3,858
Total	1,333	2,192
Contributions paid to Pension Scheme	2,222	1,542
Contribution to/(from) Pension Reserve	889	(650)

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 2005/06 was £446,461, which includes a voluntary MRP of £189,000. This sum comprises the gross amount calculated (£662,560) 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 2005/06 by £405,099.

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	1
Between £60,000 and £69,999	3
Between £70,000 and £79,999	1
Between £80,000 and £89,999	1

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 2005/06 with comparative figures for 2004/05 are as follows:

<u>Type of Allowance</u>	<u>2005/06</u> £000	<u>2004/05</u> £000
Basic Allowance	225	219
Special Responsibility Allowance	83	76
Conference/Other Allowances	20	20
	328	315

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 2005/06. The response rate was 100%.

There were no material transactions relating to members or senior officers of the Authority during 2005/06.

- (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	344,656	163,935	508,591
Premises Expenses	0	68	68
Transport Expenses	19,098	9,970	29,068
Supplies & Services	29,863	11,585	41,448
Agency & Contract Services	7,281	0	7,281
Central & Support services	103,017	43,279	146,295
Total Expenditure	503,915	228,837	732,752
<u>Income</u>			
Building Regulation Charges	(431,406)	0	(431,406)
Other income	(474)	(41,156)	(41,630)
Total Income	(431,880)	(41,156)	(473,036)
(Surplus)/deficit for Year	72,035	187,681	259,716

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 £193,500 (101,843 population x £1.90). No expenditure was incurred in 2005/06 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>
MRP net of depreciation	(501)
Utilisation of Projects Reserve, Renewals Reserve & CTS Reserve	855
Reversal of deferred charges written off to CRA	(1,904)
Transfer to/(from) Capital Reserve	(1,550)

3.15 Disclosure of Audit Costs

In 2005/06 Carlisle City Council incurred the following fees relating to external audit and inspection:

	<u>2005/06</u> <u>£000</u>	<u>2004/05</u> <u>£000</u>
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	148	108
Fees payable to the Audit Commission in respect of statutory inspection	Included above	Included above
Fees payable to the Audit Commission for the certification of grant claims and returns	29	53
Fees payable in respect of other services provided by the appointed auditor	9	8
Total	186	169

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 (2004/05: £46,500) in the Consolidated Revenue Account.

3.17 Exceptional Items

Following the severe flooding and storm damage that occurred in Carlisle on 8th January 2005, the Bellwin Claim has been finalised and paid and the City's insurance claim has been settled in early 2006. The total costs incurred have been met by a combination of insurance payments, the Bellwin Scheme and the City Council's own resources. A detailed out-turn report has been prepared which is available from the Director of Corporate Services upon request. All flood related expenditure relating to 2005/06 has been accounted for as an exceptional item of account on the face of the Consolidated Revenue Account.

COLLECTION FUND

2004/05 £000		Note	2005/06 £000	£000
Income				
36,127	Council Tax	2		37,601
27,622	Income from Business Ratepayers	3		28,646
	Transfers from General Fund			
5,154	- Council Tax Benefits			5,388
	Contributions:			
0	Adjustment of Previous Years' Collection Fund			0
68,903	Total Income			71,635
Expenditure				
	Precepts and Demands	4		
30,868	- Cumbria County Council		32,046	
4,991	- Cumbria Police Authority		5,130	
5,544	- Carlisle City Council		5,708	
41,403				42,884
	Business Rate			
27,445	- Payments to National Pool		28,469	
177	- Allowance for cost of NDR collection		177	
27,622				28,646
	Bad and Doubtful Debts - Council Tax			
(130)	- Write offs		(99)	
61	- Provisions		188	
(69)				89
	Contribution:			
77	Adjustment of Previous Years' Collection Fund Surplus			66
(130)	Movement on Fund Balance			(50)
68,903	Total Expenditure			71,635
Collection Fund Balance				
892	Fund Balance at 1 April			762
(130)	Surplus/Deficit(-) for Year			(50)
762	Fund Balance at 31 March			712

NOTES TO THE COLLECTION FUND

1. General

The Collection Fund was established under the Local Government Finance Act 1988 and amended under the Local Government Finance Act 1992 with the introduction of Council Tax in April 1993. The Fund records the collection and distribution of amounts due for Council Tax and Non-domestic rates. A separate balance sheet is not necessary as the balances on the Fund are included in the Council's Consolidated Balance Sheet.

The surplus or deficit on the Collection Fund is distributed between the Council (as billing authority), Cumbria County Council and Cumbria Police Authority on the basis of estimates of the year end balance made on the 15 January. Any surplus or deficit on the Collection Fund is carried forward to the following financial year and will affect the level of Council Tax to be raised for that year.

The surplus on the Fund at 31 March 2006 was £711,867.

2. Council Tax Base Calculation

The Council Tax base set for 2005/06, as a Band D equivalent, was as follows:

Band	No. of Properties	Ratio	Band D Equivalent
Disabled	36.75	5/9	20.44
A	18,082.75	6/9	12,055.17
B	8,924.50	7/9	6,941.29
C	5,670.50	8/9	5,040.46
D	4,418.00	9/9	4,418.00
E	2,240.00	11/9	2,737.76
F	855.00	13/9	1,235.00
G	286.00	15/9	476.66
H	20.75	18/9	41.50
	40,534.25		32,966.28
Second Homes	153.43		153.43
Relevant Amount	40,687.68		33,119.71
Estimated Collection Rate			98.5%
Council Tax Base = Relevant Amount (Band D Equivalent) x Collection Rate			32,622.92

3. Income from Business Rate Payers

National Non Domestic Rates (NNDR) are paid by businesses. The Government specifies an annual rate in the pound (45.6p in 2004/05 and 42.2p in 2005/06), and local businesses pay an annual NNDR bill calculated by multiplying the rateable value of their business premises by this annual rate. The Council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into an NNDR Pool administered by the Government. The Government then redistributes the sums paid into the Pool back to Local Authorities on the basis of a fixed amount per head of population.

The NNDR income after reliefs and provisions of £28,645,882 was based on a total rateable value for the Council's area of £82,187,053 for the year (£69,975,267 in 2004/05). The Council received £2,941,565 from the NNDR Pool in 2005/06, which is credited directly to the Consolidated Revenue Account.

4. Billing and Precepting Authorities

Carlisle City Council is the billing authority for Council Tax and NNDR bills, and therefore collects all the income due for the year. The Council pays over to Cumbria County Council and Cumbria Police Authority amounts they have requested to provide their services in the Council area. These sums are known as precepts and for 2005/06 the values were: -

Carlisle City Council	£5,707,734	(2004/05 £5,544,984)
Cumbria County Council	£32,046,245	(2004/05 £30,868,477)
Cumbria Police Authority	£5,129,531	(2004/05 £4,990,934)

Included in the amount for the City Council is a precept of £316,797 (2004/05 £307,561) which is collected behalf of Parish Councils; this is paid in full directly from the Council's Consolidated Revenue Account.

ACCOUNTING STATEMENTS

CONSOLIDATED BALANCE SHEET

	<u>31 March</u>		
	<u>2006</u>		<u>2005</u>
	<u>£ 000</u>	<u>£ 000</u>	<u>£ 000</u>
Net Fixed Assets – Note 1			
Operational Assets:			
Dwellings	204		589
Other Land & Buildings	31,968		23,326
Infrastructure Assets	1,206		1,186
Community Assets	1,447		972
Vehicles & Plant	2,973		2,139
Non-Operational Assets:			
Investment	83,005		62,059
Surplus	4,060		1,342
Payments on Account/Assets under construction	<u>370</u>		<u>2,749</u>
Total Fixed Assets		125,233	94,362
Long Term Investments	400		400
Long Term Debtors			
Transferred Debt – Cumbria CC	434		466
Mortgages and Other	<u>4</u>		<u>12</u>
		838	878
Total Long Term Assets		126,071	95,240
Current Assets			
Stocks & Work in Progress – Note 6	165		237
Debtors – Note 7	12,859		12,892
Payments in Advance	400		679
Investments – Note 5	20,750		21,200
Cash at bank and in hand	<u>0</u>		<u>0</u>
		34,174	35,008
Current Liabilities			
Creditors – Note 8	4,698		5,982
Temporary Loans	59		42
Receipts in Advance	2,462		2,022
Cash overdrawn	<u>166</u>		<u>490</u>
		7,385	8,536
Net Current (Liabilities)/Assets		26,789	26,472
		<u>152,860</u>	<u>121,712</u>

ACCOUNTING STATEMENTS

CONSOLIDATED BALANCE SHEET

31 March

	<u>2006</u>	<u>2005</u>
	<u>£ 000</u>	<u>£ 000</u>
Financed by:		
Long Term Borrowing – Note 9	15,068	15,071
Deferred Credits – Note 10	25	25
Provisions – Note 11	824	936
	<u>15,917</u>	<u>16,032</u>
Deferred Grant Account	6,349	5,814
Usable Capital Receipts – Note 13	11,972	10,841
Pensions Liability	20,923	22,553
Capital Grants Unapplied	693	0
	<u>39,937</u>	<u>39,208</u>
Reserve Balances		
General Fund Unapplied	3,453	3,453
Projects Reserve	5,420	3,372
Asset Investment Reserve	100	100
Superannuation (contributions) Reserve	1,000	1,000
Commercial & Technical Services	100	100
Repair & Renewals Reserve	1,922	2,398
Housing Revenue Account/Benefits Reserve	0	3,497
Collection Fund	712	762
Lanes Capital Fund	251	236
Conservation Fund	191	139
Residents Parking	(8)	(8)
Building Control Function	93	121
Property Trading A/c	33	33
Public Open Spaces Contribution	10	10
LSVT Warranties	488	488
Pensions Reserve	(20,923)	(22,553)
Capital Financing Account	125,889	121,705
Fixed Assets Restatement Account	(21,725)	(48,381)
- Note 12	<u>97,006</u>	<u>66,472</u>
	<u><u>152,860</u></u>	<u><u>121,712</u></u>

Certified as presenting fairly the financial position of the Authority as at 31 March 2006

Signed.....

AD BROWN - Director of Corporate Services

Approved by Council on 29 June 2006

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 2005/06.

	Operational Assets					Non-operational Assets				
	Council Dwellings	Other Land & Buildings	Vehicles & Plant	Infra-structure	Community Assets	Investment	Dev. Costs	Surplus	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation as at 31 March 2004	620	23,899	4,735	1,270	972	62,059	0	1,342	2,749	97,646
Accumulated Depreciation	(31)	(552)	(2,460)	(84)	0	0	0	0	0	(3,127)
Accumulated Impairment	0	(21)	(136)	0	0	0	0	0	0	(157)
Net Book Value 31 March 2005	589	23,326	2,139	1,186	972	62,059	0	1,342	2,749	94,362
Movement in 2005/06										
Additions	0	2,498	1,548	94	276	60	0	0	358	4,834
Disposals	0	0	(255)	0	0	(754)	0	0	0	(1,009)
Revaluations	4	3,125	0	(94)	(276)	23,917	0	989	0	27,665
Depreciation	(3)	(138)	(459)	(19)	0	0	0	0	0	(619)
Depr w/out	34	690	0	103	0	0	0	0	0	827
Transfers	(386)	3,157	0	39	475	(2,277)	0	1,729	(2,737)	0
Impair Reval	0	21	136	0	0	0	0	0	0	157
Other amounts w/off to revenue	0	0	0	0	0	0	0	0	0	0
Valuation as at 31 March 2005	204	31,968	5,892	1,206	1,447	83,005	0	4,060	370	128,152
Accumulated Depreciation	0	0	(2,919)	0	0	0	0	0	0	(2,919)
Accumulated Impairment	0	0	0	0	0	0	0	0	0	0
Net Book Value 31 March 2006	204	31,968	2,973	1,206	1,447	83,005	0	4,060	370	125,233

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 usually carried out via a rolling five year revaluation program with all assets being revalued at intervals of not more than five years, however the entire asset portfolio has been revalued for 2005/06. Existing valuations were carried out internally by D Atkinson ARICS and R Simmons ARICS and by external property consultants Dixon Webb.

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					
2005/2006	204	31,968	1,157	83,005	4,060
2004/2005	0	0	839	0	0
2003/2004	0	0	1,175	0	0
2002/2003	0	0	205	0	0
2001/2002	0	0	217	0	0
2000/2001	0	0	188	0	0
1999/2000	0	0	268	0	0
1998/1999 & Prior	0	0	1,843	0	0
	204	31,968	5,892	83,005	4,060

*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:

	<u>31 March 2006</u>	<u>31 March 2005</u>
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

2. Capital Expenditure

The main items of capital expenditure in 2005/06 were:

	<u>£000</u>
Sheepmount	1,495
Equipment, Vehicles & Plant	838
IEG/Customer Contact Centre	805

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

	<u>£000</u>
Improvement Grant Commitments	894

Capital Expenditure in 2005/06 was financed as follows:

	<u>2005/06</u> <u>£000</u>
Opening Capital Financing Requirement	16,096
<u>Capital Expenditure</u>	
Operational Assets	4,416
Non-operational assets	418
Deferred Charges (Note 4)	2,165
<u>Source of Finance</u>	
Capital Receipts	(4,019)
Government Grants	(2,124)
Revenue Provision	(1,301)
Transferred debt	(32)
Closing Capital Financing Requirement	<u>15,619</u>
Decrease in underlying need to borrow (supported by Government financial assistance)	(477)

3. Leases

Total operating lease rentals paid in 2005/06 amounted to £555,182. At 31 March 2006 the annual commitment under operating lease and contract hire agreements was as follows:

<u>On leases</u> <u>expiring</u>	<u>Leased</u> <u>Cars</u>	<u>CTS</u> <u>Operating</u> <u>leases</u>	<u>CTS</u> <u>Contract</u> <u>Hire</u>	<u>Other</u> <u>Leases</u>	<u>Total</u>
	£	£	£	£	£
Within 1 year	27,476	37,281	0	0	64,757
2 – 5 years	90,743	24,926	248,721	16,516	380,906
After 5 years	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,000</u>	<u>20,000</u>
Total	<u>118,219</u>	<u>62,207</u>	<u>248,721</u>	<u>36,516</u>	<u>465,663</u>

4. Deferred Charges

	<u>Bal at</u> <u>1.4.05</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>31.3.06</u> £000
Other	0	1,242	(851)	(391)	0
Improvement					
Grants	0	923	(261)	(662)	0
	<u>0</u>	<u>2,165</u>	<u>(1,112)</u>	<u>(1,053)</u>	<u>0</u>

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>2006</u> £000	<u>2005</u> £000
Notice & Fixed Term Money Market Deposits	<u>20,750</u>	<u>21,200</u>
Total	<u>20,750</u>	<u>21,200</u>

6. Stocks and Work in Progress

	<u>31 March</u>	
	<u>2006</u> £000	<u>2005</u> £000
Work in Progress	17	97
Stocks: CTS	54	49
Other	<u>94</u>	<u>91</u>
	148	140
Total	<u>165</u>	<u>237</u>

7. Debtors

	<u>31 March</u>	
	<u>2006</u> £000	<u>2005</u> £000
Amounts falling due in one year:		
Government Departments	493	981
Other Local Authorities	371	1,536
Local Taxpayers	4,134	2,588
Housing Rents	0	76
Sundry Debtors	<u>9,642</u>	<u>9,657</u>
	14,640	14,838
Provision for doubtful debts	<u>(1,808)</u>	<u>(1,981)</u>
	12,832	12,857
Amounts falling due after one year:		
Car Loans	27	35
	<u>12,859</u>	<u>12,892</u>

8.	<u>Creditors</u>	<u>31 March</u>	
		<u>2006</u>	<u>2005</u>
		£000	£000
	Other Local Authorities	383	697
	Government Departments	385	936
	Sundry Creditors	3,931	4,349
		<u>4,699</u>	<u>5,982</u>

9.	<u>Long Term Borrowing</u>		
	<u>Range of</u>	<u>Total Outstanding at</u>	
	<u>Interest Rates</u>	<u>31 March</u>	
	<u>Payable</u>	<u>2006</u>	<u>2005</u>
	%	£000	£000
	<u>Sources of loan</u>		
	Public Works Loans Board	0	0
	Local Bonds & Mortgages	68	71
	City of Carlisle Stock Issue	15,000	15,000
		<u>15,068</u>	<u>15,071</u>

An analysis of loans by maturity is:

	<u>£ 000</u>
Maturing within 1 year	3
Maturing within 1-2 years	3
Maturing within 2-5 years	9
Maturing within 5-10 years	21
Maturing in more than 10 years	15,032
	<u>15,068</u>

10. Deferred Credits

Deferred Credits include £25,000 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.

11. Provisions

	<u>1 April</u>	<u>Arising</u>	<u>Applied</u>	<u>31 March</u>
	<u>2005</u>	<u>In Year</u>	<u>In Year</u>	<u>2006</u>
	£000	£000	£000	£000
Cemeteries Perpetuity Fund	86	4	(4)	86
Public Liability Claims (a)	441	0	(25)	416
Other Provisions	<u>409</u>	<u>179</u>	<u>(266)</u>	<u>322</u>
	<u>936</u>	<u>183</u>	<u>(295)</u>	<u>824</u>

(a) At 31 March 2006 the estimated gross value of claims made against the Authority in respect of public liability, employers liability, motor and other claims was £415,918. Of this amount £234,780 is expected to be reimbursed through insurance and other third party claims.

Other Provisions

Included within is £79,000 (2004/05 £79,000) comprises the balances accrued in various bequests that have been made to the City Council.

12. Fixed Asset Restatement Account

	<u>2005/06</u> £000	<u>2004/05</u> £000
Balance at 1 April	(48,381)	(46,681)
Revaluation of Fixed Assets in Year		
General Fund	27,665	(734)
Disposal of Fixed Assets		
General Fund	(1,009)	(966)
Balance at 31 March	<u>21,725</u>	<u>(48,381)</u>

13. Usable Capital Receipts

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

	<u>2005/06</u> £000	<u>2004/05</u> £000
Balance at beginning of year as previously reported	10,841	1,014
PRTB (Prior Period Adjustment)	0	4,890
Balance at beginning of year	<u>10,841</u>	<u>5,904</u>
Capital Receipts receivable in year	<u>5,328</u>	<u>7,093</u>
	16,169	12,997
Less Reserved Proportion including Cover		
For Credit Arrangements	0	0
Applied to make a payment to the Secretary of State under regulations 12 and 13 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003	0	(31)
Other (transfer from CFA re prior years)	0	110
Applied during year to finance capital expenditure	<u>4,197</u>	<u>(2,235)</u>
Balance of Usable Capital receipts	<u>11,972</u>	<u>10,841</u>

At 31 March 2006 £3,972,104 was due from CHA under the terms of the Preserved Right to Buy (PRTB) sharing agreement. This has been accrued into 2005/06 accounts and has been reflected above. Under the terms of this agreement the City Council will receive a reducing proportion of PRTB receipts for the first 15 years of the contract.

13.1 Prior Period Adjustment

Prior to 2005/06 the outstanding balances in respect of amounts receivable from the disposal of fixed assets were initially credited to the deferred credit account and credited to the Usable Capital Receipts Account only when they were received. From 2005/06 all capital receipts are credited to Usable Capital receipts at the time which they fall due for payment.

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 2006 the Authority has received no claims in respect of either of environmental or non environmental warranties.

15. Authorisation for Issue

The Statement of Accounts have been authorised for issue on 21st July 2006 by the Director of Corporate Services, Angela Brown, CPFA. This is the date up to which post balance sheet events have been considered.

16. Investment in Companies

At 31 March 2006, 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 2005 on a valuation basis.

17. 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.

18. 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 2005/06 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>2006</u> <u>£000</u>	<u>31 March</u> <u>2005</u> <u>£000</u>
Estimated liabilities in Scheme	(104,351)	(91,286)
Estimated assets in Scheme	<u>83,428</u>	<u>68,733</u>
Net assets/(liabilities)	<u>(20,923)</u>	<u>(22,553)</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>2005/06</u> <u>%</u>	<u>2004/05</u> <u>%</u>
Rate of Inflation	2.9	2.9
Rate of Increase in Salaries	4.65	4.65
Rate of increase in Pensions	2.9	2.9
Rate of discounting Scheme Liabilities	4.9	5.4

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>2005/06</u>		<u>2004/05</u>	
	<u>%</u>	<u>Expected</u>	<u>%</u>	<u>Expected</u>
		<u>Return</u>		<u>Return</u>
Equity Investments	59.5	7.0%	58.4	7.5%
Government Bonds	21.3	4.3%	21.2	4.7%
Bonds	9.5	4.9%	10.1	5.4%
Property	7.5	6.0%	8.4	6.5%
Other Assets	<u>2.2</u>	4.5%	<u>1.9</u>	4.75%
	<u>100.0</u>		<u>100.0</u>	

The movement on the net pension liability for the year to 31 March 2006 is as follows:

	<u>£000</u>
Net Pension Liability at 1 April 2005	(22,553)
Movements in year:	
Current Service cost	(2,092)
Employers contributions payable to scheme	2,222
Past service costs/curtailment costs	1,426
Settlement gain	0
Interest Cost	(4,922)
Expected return in assets in the scheme	4,255
Actuarial gains/(losses)	<u>741</u>
Net Pension Liability at 31 March 2006	<u>(20,923)</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>2005/06</u>		<u>2004/05</u>		<u>2003/04</u>	
	<u>£000</u>	<u>%</u>	<u>£000</u>	<u>%</u>	<u>£000</u>	<u>%</u>
Differences between expected and actual return on assets	10,602	12.7	2,163	3.1	7,019	12.8
Differences between actuarial assumption about liabilities and actual experience	(1,826)	1.7	(1,635)	1.8	0	0
Changes in the demographic and financial assumptions used to estimate liabilities	(8,035)	7.7	(14,864)	16.3	0	0

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

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	Balance 1.04.05	Prior Period Adjustment (note 13.1)	Net Surplus /(Deficit) for year	Value of Disposed Assets	Revaluation of Fixed Assets	Capital Receipts	Actuarial Gain/ Loss	Capital Receipts (pooling portion)	Capital Grants Receivable	Financing of Capital Expenditure	Transfers/ Others	Balance 31.03.06
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
OTHER RESERVES												
Fixed Asset Restatement	(48,381)	0	0	(1,009)	27,665	0	0	0	0	0	0	(21,725)
Capital Financing	121,705	0	(13)	0	0	0	0	0	0	4,197	0	125,889
Useable Capital Receipts	10,841	0	0	0	0	5,328	0	0	0	(4,197)	0	11,972
Capital Grants and Contributions U/A	0	0	0	0	0	0	0	0	2,124	(1,431)	0	693
Pensions Reserve (refer to Accounting Policies note 2.13)	(22,553)	0	889	0	0	0	741	0	0	0	0	(20,923)
Government Grants Deferred	5,814	0	(137)	0	0	0	0	0	0	672	0	6,349
CAPITAL RESERVES												
Lanes Capital Fund	236	0	15	0	0	0	0	0	0	0	0	251
Repair & Renewals Fund	2,398	0	(476)	0	0	0	0	0	0	0	0	1,922
Asset Investment Reserve	100	0	0	0	0	0	0	0	0	0	0	100
REVENUE RESERVES												
Superannuation reserve	1,000	0	0	0	0	0	0	0	0	0	0	1,000
Collection Fund	762	0	(50)	0	0	0	0	0	0	0	0	712
HRA/Benefits Reserve	3,497	0	(3,497)	0	0	0	0	0	0	0	0	0
CTS	100	0	0	0	0	0	0	0	0	0	0	100
General Fund	3,453	0	0	0	0	0	0	0	0	0	0	3,453
Projects Reserve	3,372	0	2,048	0	0	0	0	0	0	0	0	5,420
Property Reserve	33	0	0	0	0	0	0	0	0	0	0	33
Residents Parking	(8)	0	0	0	0	0	0	0	0	0	0	(8)
Building Control Function	121	0	(28)	0	0	0	0	0	0	0	0	93
Conservation Fund	139	0	52	0	0	0	0	0	0	0	0	191
Public Open Spaces	10	0	0	0	0	0	0	0	0	0	0	10
LSVT Warranties	488	0	0	0	0	0	0	0	0	0	0	488
	83,127	0	(1,197)	(1,009)	27,665	5,328	741	0	2,124	(759)	0	116,020

CONSOLIDATED CASH FLOW STATEMENT

<u>2004/05</u> £000	<u>2005/06</u> £000 £000
REVENUE ACTIVITIES	
<u>Expenditure</u>	
16,916 Paid on or on behalf of employees	16,807
14,660 Other operating costs	16,324
17,417 Housing Benefits	18,014
27,127 NNDR Payments to the National Pool	30,664
36,167 Precepts paid	37,493
<u>112,287</u>	<u>119,302</u>
<u>Income</u>	
(4,301) Rents (after rebates)	(4,151)
(36,165) Council Tax	(37,447)
(26,711) Non-domestic rate income	(28,240)
(5,545) Revenue Support Grant	(5,694)
(16,132) Housing Subsidy	(17,642)
(8,134) Other Government Grants (note 5)	(8,183)
(11,492) Cash received for Goods & Services	(12,055)
(2,755) NNDR Receipts from the National Pool	(2,972)
<u>(111,235)</u>	<u>(116,384)</u>
<u>1,052</u> Net Cash Inflow/(outflow) from revenue activities (note 1)	<u>2,918</u>
RETURNS ON INVESTMENT & SERVICING OF FINANCE	
1,548 Interest paid	1,106
0 Premia paid on early redemption of borrowing	0
(1,404) Interest received	(1,556)
<u>144</u> Returns on Investment & Servicing of Finance Net Cash Flow	<u>(450)</u>
CAPITAL ACTIVITIES	
5,181 Purchase of Fixed Assets	4,876
1,074 Other Capital Payments	2,176
(5,959) Sale of Fixed Assets	(6,940)
(2,505) Capital Grants received	(2,359)
(249) Other Capital Receipts	(81)
<u>(2,458)</u> Capital Activities Net Cash Flow	<u>(2,328)</u>
(1,262) Net Cash (Inflow)/Outflow before Financing	140
MANAGEMENT OF LIQUID RESOURCES	
(10,433) Net Increase/(Decrease) in short-term deposits	(450)
FINANCING	
12,820 Loans repaid	31
(4) New loans raised	(45)
<u>12,816</u> Financing Net Cash Flow	<u>(14)</u>
<u>1,121</u> Net (Increase)/Decrease in Cash	<u>(324)</u>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement summarises for 2005/06 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>2004/05</u> £000	<u>2005'06</u> £000
3,715 (Surplus)/Deficit for the year	0
Non-cash transactions	
(371) Minimum Revenue Provision	(446)
(3,783) Contribution to Reserves	1,924
(44) Amortisation of Premia/Discounts	0
<u>(4,198)</u>	<u>1,478</u>
Items on accruals basis	
(193) Increase/(decrease) in stocks	8
1,451 Increase/(decrease) in debtors	(33)
232 (Increase)/decrease in creditors	1,322
<u>1,490</u>	<u>1,297</u>
Items shown elsewhere in the Statement	
(1,453) Interest payable	(1,283)
1,498 Interest receivable	1,426
0 PWLB Premia	0
<u>45</u>	<u>143</u>
<u>1,052 Net Cash Flow from Revenue Activities</u>	<u>2,918</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
(1,121) Increase/(Decrease) in cash	324
(10,433) Cash inflow from reduction in liquid resources	(450)
12,816 Cash outflow from (increase)/ decrease in debt	(14)
1,262 Movement in Net Debt	(140)
4,335 Net debt at 1st April 2005	5,597
<u>5,597 Net debt at 31st March 2006</u>	<u>5,457</u>

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

	Net debt 31/03/05 £000	Movement in year £000	Net debt 31/03/06 £000
Cash in hand & at bank	(490)	324	(166)
Bank overdraft	0	0	0
Overnight money market deposits	0	0	0
	<u>(490)</u>	<u>324</u>	<u>(166)</u>
Debt			
PWLB	0	0	0
Money Market	0	0	0
Local Bonds & Mortgages	(71)	3	(68)
Stock Issue	(15,000)	0	(15,000)
	<u>(15,071)</u>	<u>3</u>	<u>(15,068)</u>
Other Borrowing	(42)	(17)	(59)
	<u>(15,113)</u>	<u>(14)</u>	<u>(15,127)</u>
Short Term Investments	21,200	(450)	20,750
	<u>5,597</u>	<u>(140)</u>	<u>5,457</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>2004/05</u> £000	<u>2005/06</u> £000
118 Housing Revenue Account Subsidy	0
5,436 Council Tax Benefit Grant	5,474
635 Housing Benefit Administration	663
256 Other - DWP	313
229 New Deal	100
0 CCTV Crime Reduction Grant	0
315 Other	71
172 Achieving Cumbrian Excellence	3
233 Planning delivery grant	204
740 Sure Start	1,355
<u>8,134</u>	<u>8,183</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 Director of Corporate Services;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

The Director of Corporate Services's Responsibilities

The Director of Corporate Services 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 2006.

In preparing this statement of accounts, the Director of Corporate Services 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 Director of Corporate Services has also:

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

.....
Director of Corporate Services

Date:

SECTION 5 - STATEMENT ON INTERNAL CONTROL

To be included once approved by the Audit Committee on 21st June